

DOCKET SECTION

ORDER NO. 1240

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-00001

Before Commissioners: Edward J. Gleiman, Chairman;  
W.H. "Trey" LeBlanc III, Vice Chairman;  
Commissioners Dana B. Covington, Sr.,  
Ruth Y. Goldway, and George A. Omas

International Mail Report

Docket No. IM99-1

RECEIVED  
MAY 5 4 02 PM '99  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

THIRD NOTICE OF INTERNATIONAL MAIL DATA REQUIREMENTS

(Issued May 5, 1999)

In order to help the Commission prepare the report required by 39 U.S.C. Section 3663, on the costs, volumes, and revenues of the Postal Service's international mail services, the Service is requested to provide the following information on or before May 15, 1999. If any of the items listed below can be provided sooner, the Postal Service is requested to do so.

1. In the response to Item 18 of the Second Notice, the Postal Service stated that Value/Post Canada is intended to be comparable to International Surface Airlift. Is Bulk Letter Service to Canada intended to be comparable to International Priority Airmail Service?

2. In its partial response of April 22, 1999, to the Commission's Second Notice of International Mail Data Requirements, the Postal Service provided the following list of International mail categories that it uses for rate design:

- (1) Air Letters and Cards
- (2) International Priority Airmail
- (3) Bulk Letter Service to Canada
- (4) Aerogrammes and Post Cards
- (5) (AO) Printed Matter and Small Packets (Surface and Air)
- (6) Publishers' Periodicals (Surface)
- (7) International Surface Airlift
- (8) ValuePost/Canada
- (9) M-Bag Service
- (10) Global Priority Mail
- (11) Global Package Link
- (12) Express Mail Service
- (13) Parcel Service (Surface and Air)

In Comments of the United States Postal Service in Response to Commission Order No. 1226, filed January 29, 1999, at pages 2-3, the Postal Service commented on the appropriateness of separately reporting data for certain international mail categories in the Commission's § 3663 report. In those comments, the Postal Service suggests that the Commission should report data separately for a set of international mail categories that differs somewhat from the list of categories that it indicated is used as a basis for rate design. To clarify how the Postal Service treats various international mail categories for purposes of rate design, please indicate whether the Postal Service applies:

- a. separate mark-ups to the attributable costs of Surface AO and Air AO;
- b. a mark-up to the attributable costs of Publishers Periodicals separately from the mark-up that it applies to the attributable costs of other Surface AO; and
- c. separate mark-ups to the attributable costs of Surface Parcel Post and Air Parcel Post.

3. If the Postal Service treats (1) Bulk Letter Service to Canada, (2) ValuePost/Canada, and (3) M-bags, as separate categories for the purpose of rate design, what set of attributable costs does it use as a basis for mark-up? Please provide a revised

version of the table at page A-2 of the FY 1998 ICRA Report showing the cost for each of these categories that is used for mark-up purposes.

4. Please refer to the responses to Items 9 and 11 of the Second Notice. International Headquarters Expenses are shown as \$77,267,478 for FY 1998. Please confirm that the difference between this figure and the \$86,632,354 figure shown on page 237 of Workpaper 1G, \$9,364,876, was a double counting of costs associated with International mail. Please show the allocation of the \$9,364,876 volume variable cost to international mail services. Please describe the type of expenses that the figure of \$9,364,876 represents. Please show the derivation of the International Headquarters Expense figure of \$77,267,478.

5. Please refer to the response to Item 23 of the Second Notice concerning Surface Other Articles.

a. Since this category of mail contains printed matter, books, and sheet music weighing up to 11 pounds and since Domestic Standard A has a one pound limit on eligible mail, should all analogous groupings of domestic mail include the nonparcel post subclasses of Domestic Standard B? For example, large catalogs weighing more than a pound would likely be mailed using the Standard B Bound Printer Matter subclass. Books might be mailed at the Special subclass rates. Please discuss.

b. Does the Postal Service use the UPU convention that allows up to a *50 percent rate reduction (fifty percent rule)* from regular printed matter rates for Publishers' Periodicals?

6. Please refer to the response to Item 23 of the Second Notice concerning Air AO and to the response to Item 5 above. Please discuss whether Standard B (nonparcel post) should be included in the group of domestic mail most analogous to Air AO

considering that the maximum weight of Air AO pieces is 11 pounds. Should the fact that Domestic Standard A and Standard B mail do not generally receive air transportation affect your response to Item 23? Is the proportion of Air AO Publishers' Periodicals and all other Air AO known? Does the UPU's 50 percent rule apply to Air Publishers' Periodicals?

7. Workpaper 1H, page 282, lists data requirements for the GPL model. Please describe the update calculations for items 2-6 and items 9-11. For example, for item 3, *customer verification rates*, please list the inputs and briefly describe the calculations. For updates of items 10 and 11, is an average used or is a particular day's rate used? For FY 1998, Items 1-12, were all updates in accordance with the schedule on page 282 of Workpaper 1H? If not, please explain.

8. For each line item in the GPL cost portion of the FY 1998, AP 13, YTD Report, please describe the derivation of the cost item. For each cost item that is built up from mailer-, gateway-, country-, or product-specific data, please describe the derivation of all *non-* mailer-, gateway-, country-, or product-specific parameters (e.g., cost per minute for VSDs, cost per unit for domestic purchased transportation).

9. Please identify any differences between the GPL model methodology and the methodology used to attribute costs to Global Priority Mail, Direct Entry/Inbound, Global Parcel Services, and International Customized Mail.

10. The Postal Service provided a two-page response to Item 19 of the Second Notice. The last sentence on the first page continues to the second page and reads: "Adjusting for weight-per-piece, surface is still about one-third location while air CP is dispatched from several geographically-dispersed exchange offices, it is likely that

surface on average travels a much longer distance domestically than does air." Please provide further clarification on this point.

11. In response to Item 20 of the Second Notice, the Postal Service states that the unit non-transportation costs are the same across country for Surface CP, ISAL, IPA, and Express Mail and that this "recognizes that non-transportation unit costs are unlikely to vary by country, with the exception of Canada." Wouldn't this be true if and only if (1) the mail make-up was the same from country to country (e.g., average weight, average cube, average domestic distance traveled), and (2) there were no sampling or non-sampling error? Please comment.

12. Please separate the data in the FY 1998 ICRA Report on page A-5 between (1) EURB, (2) UPU - Industrialized Countries, and (3) UPU - Developing Countries. Please include M-bags in the new table.

13. The table on page A-6 of the FY 1998 ICRA Report includes revenue in the amount of \$12,209,000 for air conveyance and transit. Are the costs associated with mail subject to air conveyance dues and transit changes also included in this table?

14. Please provide the FY 1998 Domestic CRA Report and Cost Segments and Components Report. If these documents are not completed:

a. Please indicate when they will be available.

b. If preliminary versions of these documents are available, please provide them.

c. Please indicate if the Service intends to prepare and present the above reports using the Commission approved costing methodology as it did for the FY 1997 reports. If so, please estimate when these documents will be available.

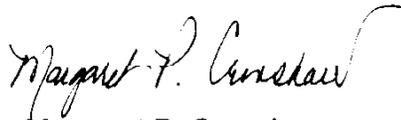
It is ordered:

1. The Postal Service shall provide the information described in the body of this Order on or before May 15, 1999.

2. If any of the listed items of information cannot be provided by that time, the Postal Service shall provide a schedule of when those items can be provided.

By order of the Commission.

(S E A L)



Margaret P. Crenshaw  
Secretary