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ORDER NO. 1290

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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

Before Commissioners:

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

International Mail Report

Docket No. IM2000-1

FIRST NOTICE OF INTERNATIONAL MAIL
DATA REQUIREMENTS FOR FY 1999

(Issued March 31, 2000)

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. Except for its response to item number 8, the Postal Service is to provide the information on or before April 10, 2000. The response to item 8 should be provided on or before April 21, 2000. If any of the items listed below can be provided sooner, the Postal Service is requested to do so.

1. Workpaper 2G, p.83 shows data for International Customized Mail (ICM) related only to Global Direct Service. This appears to be the only data that separately identifies ICM costs. Please separately identify the revenue, attributable cost (PRC Version), and volume for ICM in total.

- a. Please provide an explanation of how the Postal service developed the revenues, attributable costs, and volume of ICM, and workpapers showing the development. (In support of the 1998 Report to Congress, the Postal Service provided illustrative information on the development of ICM data in Workpaper 1H, page 339).
 - b. Please provide revised Tables A-1 through A-7 to exclude ICM amounts from each applicable service. For example, Table A-2 may include ICM figures in each line. If so, Table A-2 should be revised to exclude those amounts.
2. Please revise the Summary of International Initiatives shown at Workpaper 2E – Appendices Part 5 of 7, 41. Initiatives – FY99 – page 208 to exclude any ICM amounts (See item 1 above). It would also be helpful to include ICM as a line item in the summary on page 208 as the Postal Service did in the corresponding document for FY 1998 (See Workpaper 1H, Appendices, Part 6 of 6, page 245).
3. Please refer Workpaper 2E, page 208 (referenced in item 2),
 - a. The Compliance Guide at Subsection (d) (10) directs the Commission to Workpaper 2E, p. 208 for data on the inbound portion of Direct Entry. For clarification, does the line item "Inbound Mail (Foreign Origin)" represent inbound direct entry mail? If not, please provide the correct line. Please describe the inbound service provided by the Postal Service to the customer, including the country location of the mail at origin and the country location of the customer.
 - b. In the International Mail Manual, IMM 22, January, 2000, Section 610 describes Global Direct Service for Mexico Direct, Canada Admail, and Canada Publications Mail. Do the amounts shown at page 208 of Workpaper 2E reflect only these three services in FY 1999? If not, please discuss the services that are included.

- c. IMM 22 appears to contain no information on Direct Entry Service. In the Commission's Report to Congress on 1998 International Mail Data, it appeared that Global Direct Service was a synonym for Direct Entry (See Report, Appendix B, page 6). So that the Commission might accurately represent these services in its report to Congress, please provide a discussion of these services defined as they were during FY 1999.
4. Please discuss the FY 1999 cost, revenue, and volume results for Priority Mail Global Guaranteed (PMGG), particularly the disparity between cost and revenues. Please also include a discussion of the Postal Service's expectations for PMGG.
5. According to Workpaper 1B, p. 9-5, data for PMGG are compiled in File: lcra99.INTL.XLS. That file does not appear to be in any of the electronic data filed with the Commission. Please provide the file and please provide worksheets showing the development of PMGG attributable cost.
6. On June 7, 1999, the Postal Service submitted a revised methodology for the treatment of settlement costs and international air transportation costs. In the current submission, the FY 1999 ICRA Report – PRC Version, the Postal Service uses the revised methodology for settlement costs but not for international air transportation. Please discuss the differences between FY 1998 and FY 1999 that led to the current treatment of international air transportation cost rather than the revised treatment presented on June 7, 1999, and provide the supporting rationale.
7. Please refer to Table A-1, product-specific cost and Workpaper 2E, p. 296. In Table A-1, there are two product-specific cost entries for U.S. origin mail and 3 entries for Initiatives. Of the five entries, the two U.S. origin amounts and two of

the three Initiative amounts appear in Workpaper 2E, p. 296. The amount for "other" initiatives in Table A-1 does not match the figure in Workpaper 2E, P. 296. Please reconcile these figures. Please disaggregate the amount shown for "other" initiatives in Table A-1 into its constituent.

8. Please provide an estimate of what the revenues from terminal dues for LC/AO mail would have been in FY 1999 if the Postal Service had applied the same rates for that mail that it would have applied to comparable domestic mail.
 - a. Please provide this analysis for the following four groups: (1) Canada, (2) Countries paying the European Bilateral Rates (also provide the names of the countries), (3) industrialized countries (as defined by the UPU) paying UPU rates (also, provide the names of the countries), and (4) all other countries paying UPU rates.
 - b. Please identify and explain the basis of all assumptions made.
 - c. Please provide appropriate workpapers and documentation so that the Commission can replicate the results.
 - d. Please include any mapping from domestic rate categories to inbound categories relied on for this analysis.
 - e. Please provide a table showing the revenues resulting from this analysis along with the corresponding attributable cost and volume for each of the four groups defined in "a." above.
 - f. Please provide an assessment of the reliability of the results and any caveats the Postal Service believes should be attached to the analysis.

9. Table A-1 of the FY 1999 ICRA Report shows a figure of \$50,123 (000) for other costs. According to the electronic spreadsheet version in File: ICRAPRC.XLS, Sheet RP-INTRVC, cell H48, this amount is the sum of four numbers. One

amount comes from Workpaper 2E, p. 296 (Total Unallocated International Expenses) but the source for the other three numbers is not apparent.

- a. Please provide a source for the latter three numbers and state what each number represents.
 - b. Please provide an account-by-account breakdown of the Total Unallocated International Expenses shown in Workpaper 2E, p. 296. Please identify the amounts representing payments for UPU dues, PUAS dues, and any other regional dues. Please report the amounts separately for each group.
10. Please list all international services that were eliminated during FY 1999, and the effective date for each service eliminated. Please list all international services that were initiated during FY 1999, and the date each new service began. Please provide a description of each new service.
 11. Please provide any reports or memoranda from the General Accounting Office, the postal Service's Inspection Service or the Postal Service's Inspector General's Office addressing the issue of how international costs and international revenues should be accounted for. This would also include reports or memoranda on the supporting statistical systems. The response should be limited to reports and memoranda related to FY 1999 data, but should include problems cited in earlier years that haven't yet been resolved. Please include any memoranda responding to the requested reports from the GAO, the Inspection Service and the Inspector General's Office.
 12. In Docket No. R2000-1, Postal Service witness Tolley shows a price elasticity of -0.6 for International mail as a whole. Please provide price elasticity estimates for each outbound international service, if available. If no estimates are available,

please provide a list of relevant factors for each outbound international service that should be considered in estimating the corresponding price elasticities.

13. The FY 1999 ICRA Report shows that the revenues for Surface Printed Matter and Small Packets (SPM), and Surface Periodicals (Periodicals) did not cover the sum of volume variable cost and product specific cost. In its response to question number 12 of the second notice of international mail data requirements (Order No. 1238) filed April 9, 1999, the Postal Service explained that terminal dues account for two-thirds of the total cost for these surface categories and implied that the non-compensatory outcome is the result of UPU and EURB terminal dues which are too high for surface matter because neither regime has separate for rates air and surface. The Postal Service also stated that on May 30, 1999 that it would raise the rates for these services about 15 percent on average and monitor the results. Although the new rates were in effect for the last four months of FY 1999, the revenue per piece for SPM decreased from \$2.04 per piece in FY 1998 to \$1.63 in FY 1999. The revenue per piece for Periodicals increased from \$1.05 in FY 1998 to \$1.09 in FY 1999. Please discuss the results for FY 1999 and the Postal Service's future expectations for these services.
14. Global Package Link revenues continued to fall short of the sum of volume variable and product-specific costs in FY 1999. Please discuss the results for FY 1999 and the Postal Service's future expectations for this service.

It is ordered:

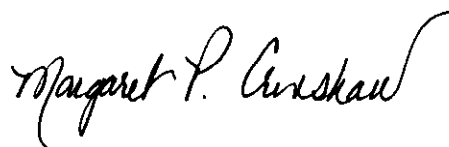
1. The Postal Service shall provide responses to item numbers 1-7 and 9-14 on or before April 10, 2000.

2. The Postal Service shall provide a response to item number 8 on or before April 21, 2000.

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

By the Commission.

(SEAL)

A handwritten signature in black ink, reading "Margaret P. Crenshaw". The signature is written in a cursive style with a large, sweeping initial "M".

Margaret P. Crenshaw
Secretary