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POSTAL SERVICE
OFFICE OF THE

ORDER NO. 1293

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

THIRD NOTICE OF INTERNATIONAL MAIL
DATA REQUIREMENTS FOR FY 1999

(Issued May 16, 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 on or before May 26, 2000. If any of the items listed below can be provided sooner, the Postal Service is requested to do so.

It is ordered:

1. In the FY 1999 ICRA – PRC Version at page vi, note 4 says that there is a difference of \$14,645(000) between the costs that are reported in the ICRA and the costs of international mail reported in the FY 1999 Domestic CRA – PRC Version. The note says that the difference includes an adjustment for

international highway costs and differences in the reporting of costs for initiatives.

- (a) Are there any other adjustments or differences included in the \$14,645(000) other than those mentioned in Note 4?
- (b) Please provide a breakdown of the \$14,645(000) difference by cost segment and cost component.

2. The answer to question 9b of the First Notice of International Mail Data Requirements for FY 1999, which the Postal Service provided on April 28, 2000, notes that the Other Costs on page A-1 of the FY 1999 ICRA - PRC Version should be increased by \$3,358,305. Should this increase be added to the difference between the FY 1999 ICRA - PRC Version and the FY 1999 CRA - PRC Version noted in question 1 above?

3. Table A-1 of the FY 1999 ICRA shows product specific costs associated with International Mail categories and initiatives of \$5,653(000) for U.S. Origin mail, and \$12,482(000) for the initiatives. These costs are further broken down in Workpaper 2E, at page 296, supplemented by answers to questions 7, 9a, and 9b of the First Notice of International Mail Data Requirements for FY 1999 provided on April 10, 2000, and April 28, 2000. Please provide the product specific costs shown in Workpaper 2E and the answers to questions 7, 9a, and 9b broken down by cost segment and cost component.

4. At page 9-2 of Workpaper 1B, the Postal Service states that the International Business Unit (IBU) provides the revenue, pieces, and weight of Priority Mail Global Guaranteed (PMGG). Please describe the procedures that the IBU uses to generate the revenue, pieces, and weight for PMGG. Do these procedures reflect a sampling process or a census?

5. In the FY 1998 ICRA Report, the Postal Service provided the revenue, volume, and volume variable cost for International Customized Mail (ICM). It was the Commission's understanding that the 1998 figures for ICM represented ICM in aggregate. The Commission also understood that these aggregate costs were generally calculated using the average cost for the underlying service (e.g., ISAL), and that these aggregate ICM costs were not included elsewhere. (See the Commission's Report to Congress, June 30, 1999, Appendix C, page 18; and Docket No. IM99-1, Postal Service Workpaper 1B, pages 9-3 and 9-4). Is this understanding correct? If so, please explain why the Postal Service cannot use the FY 1998 procedure to provide the FY 1999 volume variable costs of ICM in aggregate.

6. Please provide Tables A-8 and B-8 separately for Canada, EURB countries, and UPU countries for FY 1999. The Postal Service provided this information for FY 1998 in response to Item 15 of the Second Notice of International Mail Data Requirements in Docket No. IM99-1.

7. On January 1, 2001, a new terminal dues structure will go into effect. With respect to flows between industrial countries (IC), it appears there will be some rate options under the new structure.

(a) Please provide the details of the new structure.

(b) The U.S. Postal Service already has bilateral agreements with 14 European ICs (EURB). For the remaining ICs, it appears that the U.S. Postal Service will have to devise a system for collecting a percentage of applicable domestic postage from inbound foreign mail, negotiate bilateral agreements with the other non-EURB Industrial countries, or use other rate options.

Please discuss how the Postal Service will determine the amount of terminal dues that it will charge other non-EURB ICs after January 1, 2001.

8. Please discuss the decrease in contribution to institutional cost of approximately \$46 million for inbound Air LC/AO from FY 1998 to FY 1999. In the discussion, please include an explanation for the decrease in average revenue per piece and the increase in average volume variable cost per piece for this mail.

By the Commission.

(S E A L)



Margaret P. Crenshaw
Secretary