

ORDER NO. 1308

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POSTAL RATE COMMISSION UNITED STATES OF AMERICA
OFFICE OF THE SECRETARY 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

FIRST NOTICE OF INTERNATIONAL MAIL
DATA REQUIREMENTS FOR FY 2000

(Issued April 3, 2001)

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.

1. Please provide a list of international mail categories that were added or eliminated during FY 2000. Please provide the reasons for adding or eliminating these services.
2. Workpaper 1B, page 9-1 contains two references to "the International group." Please describe this group and its relationship to the International Accounting Branch (IAB) and the International Business Unit (IBU).

3. According to Workpaper 1B, page 9-1, the IAB provides RPW data for Global Direct Outbound service to all foreign destinations, except one. Please identify the source of IAB's information and describe the procedures used to calculate the annual volume and revenue data. Are these census data or sample data? Are these data incorporated into the RPW Report in "International Other Mail?" If not, in what line item are these data incorporated?
4. According to Workpaper 1B, page 9-2, the Expedited/Package Services Group provides revenue, pieces, and weight data for Priority Mail Global Guaranteed (PMGG) service.
 - a. Please identify the source of this information and describe the procedures used to calculate the annual volume and revenue data.
 - b. Are these census data or sample data?
 - c. In what line item in the RPW report are these data incorporated?
 - d. Does the Postal Service allocate any of the cost of the Expedited/Package Services Group to PMGG to account for the collection and forwarding of the revenue and volume data? If so, please identify the cost and its location in the Postal Service's electronic spreadsheets. If not, please explain why none of the cost of the Expedited/Package Services Group is allocated to international mail service.
5. The following questions refer to Global Direct Outbound Service.
 - a. According to the IMM, Issue 22, p. 187, for Mexico Direct service, there is a charge of \$1.01 per pound. According to page 188, the U.S. mailer must pay postage to the Mexican Postal Service. Please confirm that the \$1.01 per pound charge is paid to the U.S. Postal Service and that the mailer must pay an additional charge to the Mexican Postal Service.

- b. Does the charge paid to Mexico by the U.S. mailer cover the terminal dues charge so that the Mexican Postal Service does not bill the U.S. Postal Service for delivery of this mail? What else does this charge cover?
 - c. According to the IMM, Issue 22, p. 187, for Mexico Direct service, the Postal Service enters the mail into Mexico's domestic mail system. Is this mail posted with U.S. international mail indicia or with Mexico's domestic indicia?
 - d. For Canada Admail, please confirm that the U.S. Mailer pays only the U.S. Postal Service with no additional charges paid to the Canada Post Corporation (CPC). Please confirm that the CPC bills the U.S. Postal Service for delivery of this mail.
 - e. According to the IMM, Issue 22, p. 192, U.S. mailers, using a Canadian indicia with a Canadian return address, may have undeliverable mail returned to the U.S. through a Canadian return address. To obtain this service, the sender must endorse the mail "Return Postage Guaranteed" and use a return address specified by the Postal Service. Please explain how this mail is returned from a Canadian return address to a point in the U.S.
 - f. During FY 2000, was the Global Direct Service to countries other than Canada or Mexico like the Mexico service, or the Canada service, referred to above, in terms of indicia, rates, terminal dues, and any other factors. Please explain.
6. According to Workpaper 1B, pages 9-3 and 9-4, the costs for Global Direct Outbound are calculated using two different formulas. Both formulas include (1) domestic transportation cost based on average costs or mailer-specific cost, (2) international air cost based on DOT rates, and (3) average acceptance clerk cost based on a special international mail processing study. One formula includes a fourth element reflecting terminal dues cost. In contrast, Workpaper 2E, p. 307, shows that the costs calculated in AP 3 for all outbound services include a line item for "delivery paid." This appears to be a line item for terminal dues paid to

the destination country. Please discuss these apparent differences in calculation method. Also, please provide the accounting period data for the other 12 AP's in a format similar to p. 307 referred to above or provide a cite to the location of these data in the electronic spreadsheets.

7. Workpaper 2E, pages 299 through 304, contains the revenue, cost, and volumes for Global Direct Outbound service. Pages 301 and 302 show that costs exceed revenues for some subsets of this service.
 - a. Please describe how prices are set for these services.
 - b. Please discuss why prices for some subsets above failed to cover costs.
 - c. Is the Postal Service taking any steps to ensure that revenues will exceed costs for these subsets in the future?
8. As noted in item 5, the published rate for Mexico Direct Service is \$1.01 per pound. Workpaper 2E, p. 301 contains revenue and volume data for Mexico Direct Entry (which now is grouped under the title Global Direct). None of the entries yields a revenue per pound of \$1.01. Please explain.
9. For Global Parcel Services, are the inbound revenues equivalent to terminal dues? How are the inbound rates determined? Can the foreign mailer use foreign or U.S. indicia?
10. For Inbound Direct Entry mail, are the inbound revenues equivalent to terminal dues? How are the inbound rates determined? Can the foreign mailer use foreign or U.S. indicia?

11. In the case of some international services (e.g., Global Direct), U.S. origin mail is entered into the foreign postal administration's domestic mail stream. Please explain the meaning of the phrase "for entry into that country's domestic mail stream." (See IMM Issue 22, p.193, Section 613.22). For example, does this mean the mail bypasses handling at the foreign postal administration's international facility and is entered at a post office in the destination country in the same manner as any citizen of that country would enter mail into the domestic stream? Does this require the mailer to use the domestic postage of the foreign country?
12. If possible, please provide piece volume data for Direct Entry for FY 1996 and FY 1997 separately for the outbound and inbound services. The total volume figure was reported on page A-7 of both the FY 1996 and FY 1997 ICRA reports. For Fiscal Years 1998, 1999, and 2000, the Postal Service has provided the separate outbound and inbound volume information in supporting workpapers.
13. International Priority Airmail (IPA) volumes increased by 71,577 (000) between FY 1999 and FY 2000, while Air Letters and Cards (ALC) decreased by 30,862 (000).
 - a. Is some of the decrease in ALC attributable to the discontinuance of Bulk Letters to Canada Service because these volumes were part of the ALC volume total?
 - b. Similarly, is some of the increase in IPA attributable to the introduction of IPA service to Canada, i.e., did the volumes shift from ALC to IPA?
 - c. Please confirm that IPA rates generally were lowered on April 4, 1999.
 - d. Please confirm that the IPA rates effective April 4, 1999 included volume discounts.

- e. Did the rate decrease that was effective April 4, 1999 account for most of the volume increase in IPA? Have customers taken advantage of the volume discounts? Please discuss. Please provide the percentage of FY 2000 IPA volume that was mailed using volume discount rates.
- f. Were there any adjustments to IPA rates during FY 2000? If so, please list the changes, provide the effective date, and the reasons for the rate changes.
- g. The FY 2000 IPA cost coverage was substantially less than the FY 1999 IPA cost coverage. To what extent was this due to the April 4, 1999 reduction in rates? Was this effect expected? Please discuss.

14. Please list all international rate changes that occurred during FY 2000 and the effective date(s). Please provide the reasons for the rate changes.

15. This item refers to International Customized Mail (ICM).

- a. Please provide the FY 2000 revenue, pieces, weight, volume variable cost, and product-specific cost for each ICM contract by accounting period. Please provide this information separated by type of mail.
- b. For each ICM, please identify the amount of volume and revenue to which volume discounts were applied, the required volume or revenue level that the mailer must attain to qualify for each discount, and the percentage discount given to the mailer for achieving the required volume or revenue level.
- c. Since the requested data in "a." above is incorporated into the data shown on page A-2 of the FY 2000 ICRA Report, please provide a revised page A-2 showing revenue, cost and volume data without including ICM data.
- d. Please describe how the volume variable costs were computed for each ICM Mailing or contract. Please provide the underlying workpapers or the electronic spreadsheets.
- e. If the ICMs include initiatives (e.g., GPM), please provide revised initiative data reflecting the exclusion of ICM data. (See Workpaper 2D, pages 52-53).

16. Please provide the tables on page A-8 and B-8 of the FY 2000 Report broken out for Canada, Mexico, EURB, and UPU.

It is ordered:

The Postal Service is directed to provide the items listed in the body of this order on or before April 17, 2001.

By the Commission.

(SEAL)

A handwritten signature in black ink, reading "Garry J. Sikora". The signature is fluid and cursive, with the first name "Garry" being more prominent and the last name "Sikora" following in a similar style.

Garry J. Sikora
Acting Secretary