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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

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

THIRD NOTICE OF INTERNATIONAL MAIL  
DATA REQUIREMENTS FOR FY 2000

(Issued May 16, 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. In FY 1999, the Postal Service stated that the source for Priority Mail Global Guaranteed (PMGG) volumes was the Electronic Marketing Report System (EMRS). In response to Item 4.A of the First Notice, the Postal Service stated that the source for FY 2000 PMGG revenue, pieces, and weight data is retail financial data and that the Expedited/Package Services Group queries the PMGG data base each AP to obtain the data.
  - a. Did the "retail financial data" replace the EMRS for PMGG? If so, please provide more detail on the source of this retail financial data?

- b. Is the PMGG database part of this "retail financial data" or is the PMGG database developed from the "retail financial data?" Are the retail financial data captured in a database? If so, what is the official name of this database?
  
- 2. The supporting documentation for the FY 1999 ICRA Report included Workpaper 1B. At page 9-1 of that workpaper, the Postal Service explained that revenue and volume data for Global Direct and Global Package Link came from postage statements and account activity reports. The current version of Workpaper 1B, at page 9-1, states that the data come from the Permit system. It is the Commission understanding that because the Permit system is not in every post office postmaster reports and account activity reports are used as alternative sources of data when mail is entered at non-permit system offices. The current explanation implies that either the Permit system is now in every post office or that no international mail was deposited at non-Permit offices.
  - a. During FY 2000, were Global Direct and Global Package Link entered at only Permit offices?
  - b. Please explain and identify the sources for Global Direct and Global Package Link revenues and volumes.
  
- 3. The supporting documentation for the FY 1998 ICRA report, Workpaper 1B, at p.7-8 explained that Global Priority Mail variable weight single piece volumes were obtained by subtracting variable weight bulk volumes from the combined total volume of single piece and bulk. That explanation has been eliminated from subsequent versions of that workpaper. (See current Workpaper 1B, p. 7-8). How are variable weight single-piece volumes calculated?

4. Please provide updated price elasticities for outbound services. (See Docket No. IM2000-1, U.S. Postal Service Response to First Notice, Order No. 1290, Item 12.)
5. At page 9-4 of Workpaper 1B, there is a reference to Standard A Regular and Standard A Regular Non-ECR in the same sentence. Since Standard A Regular includes only non-ECR rate categories, please clarify.
6. At page 9-4 of Workpaper 1B, there is an explanation that refers to selected domestic mail categories. Does the Postal Service calculate total attributable cost for this particular inbound service by multiplying the attributable cost per piece for the applicable domestic categories by the inbound volumes corresponding to those different domestic categories and sum the products?
7. At page 9-4 of Workpaper 1B, there is a reference to a FY 1999 domestic unit cost. Does the Service update this unit cost to the FY 2000 level? If so, please describe the procedure. If not, is this cost consistent with all the other costs in the FY 2000 ICRA report, which purport to reflect FY 2000? Why not use the FY 2000 CRA unit cost?
8. Please discuss the factors that have contributed to the growth in ICM volumes and revenues since FY 1998.
9. Over the last two years, the Postal Service has presented alternative ways of treating settlement difference cost. For FY 1998, the Service treated this cost as incremental to international mail service as whole. For FY 1999 and FY 2000, the Service excludes the costs from the ICRA Report. In the previous Report to Congress, the Commission accepted this treatment stating that the subject would be visited again for the current report.

It is not clear how the Postal Service accrues these costs. In support of its treatment of this cost for FY 1998, the Service stated that the accrued costs reflect five items that are not the result of current volumes (in this case FY 2000): (1) prior year adjustments; (2) a fixed conversion rate, (3) the difference between the fixed conversion rate and the current conversion rate is assigned to general ledger accounts; (4) settlement payments are provisional; and (5) accruals are conservative to avoid underestimating expenses. For its FY 1999 ICRA Report, the Service provided three reasons for not including this cost: (1) prior year adjustments result from a lengthy process and may reflect volumes from periods when volumes were very different; (2) the same process produces very different dollar conversions from those anticipated in the accrual process; and (3) imputed values are based on current data and are more accurate.

- a. Please provide a numerical example showing how costs are accrued.
- b. Please explain in more detail the procedure by which the Postal Service assigns the difference between the fixed conversion rate and the current conversion weight to general ledger accounts. Are the general ledger accounts different from the accrued settlement accounts? If so, are the amounts in these accounts part of the institutional costs of the Postal Service? Please provide the dollar amounts in these general ledger accounts that represent the difference between the fixed and current conversion rate for each of the years FY1996 through FY 2000.
- c. Are the actual prior year adjustments added to the account for accrued settlement costs? If not, how are they treated?
- d. Please provide the dollar amounts that represent actual prior year adjustments for each of the years FY1996 through FY 2000 and the total accrued cost for the same years.

e. What are the major reasons for prior year adjustments (e.g., disagreement over the total weight of LC/AO mail from U.S. to foreign postal administration)?

10. On March 8, 2001, the Postal Service published a proposed rule in the *Federal Register* to change the eligibility rules for International Customized Mail rates for non letter-post mail. It proposed lowering the threshold for qualifying for an ICM rate from the capability of annually tendering 1 million pounds or \$2 million in postage to the capability of tendering 600 pieces or \$12,000 in postage. What is the expected impact of implementing this change in eligibility rules on the costs volumes, revenues, and contribution to institutional costs of the various categories of international non-letter mail that will be affected by the proposed change?

It is ordered:

The Postal Service is directed to provide the items listed in the body of this order on or before May 30, 2001.

By the Commission.

(S E A L)



Steven W. Williams  
Acting Secretary