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POSTAL SERVICE
OFFICE OF THE SECRETARY

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

Before Commissioners:

George A. Omas, Chairman;
Ruth Y. Goldway, Vice Chairman;
and Dana B. Covington, Sr.

International Mail Report

Docket No. IM2002-1

FIRST NOTICE OF INTERNATIONAL MAIL
DATA REQUIREMENTS FOR FY 2001

(Issued April 19, 2002)

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 1, 2002.

1. Global Parcel Service (GPS) is no longer included with Initiatives. Was this service provided in FY 2001? If so, what line item includes the data?
2. This item concerns International Customized Mail (ICM).
 - a. Please provide the FY 2001 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. Since the requested data in "a." above is incorporated into the data shown on page A-2 of the FY 2001 ICRA Report, please provide a revised page A-2 showing revenue, cost and volume data without including ICM data.
 - c. Please describe how the volume variable cost for each ICM mailing or contract was computed. Please provide the underlying worksheets or electronic spreadsheets.

- d. If the ICMs include Initiatives, please provide revised Initiative data reflecting the exclusion of ICM data.
3. Please provide the tables on page A-8 and B-8 of the FY 2000 Report broken out for Canada, Mexico, EURB, and UPU.
4. Workpaper 2E, p. 345, shows volume, revenue and cost data for Global Direct Outbound.
 - a. Please show the calculations used to derive the figures for GFY 2001 and the ICRA Total.
 - b. Page 346 of Workpaper 2E shows volumes, revenues, and costs by destination point, but the figures do not add to the totals on page 345. In the workpapers filed in support of the FY 2000 ICRA Report, the data were shown by accounting period in the format shown on page 346. Please provide sheets like page 346 that show the detailed data by destination point and applicable time period. Should the aggregate of the individual sheets tie to the figures shown on page 345 for PFY 2001? If not, please explain.
5. ValuePost/Canada was discontinued January 1, 2001. Where are the volume, revenue, and attributable costs for October 1, 2000 to December 31, 2000 located?
6. Please provide the most recent price elasticities available for each of the outbound products shown on page A-2 of the FY 2001 ICRA Report. Also, please provide the equation forms used to estimate the price elasticities.

7. File: itrn01v2.xls, Sheet: air contains kilograms for total LC/AO outbound airmail, among other categories, by country. File: TRN01v14pr.xls, Sheet: dg contains gross kilograms by individual outbound LC/AO category and country code. Please provide a calculation illustrating how the gross kilograms in sheet dg for one country can be aggregated to equal the kilograms in sheet air for the same country.

8. File: itrn01v2.xls, Sheet: SDR2 is used to calculate the inbound revenue (SDRs) for individual LC/AO mail categories by country, based on volumes from other sheets and the per kilogram and per item rates in columns Q and R. File: TRN01v14pr.xls, Sheet: tdu2 is used to calculate the terminal dues charges (in dollars) for individual outbound LC/AO mail categories and country code, based on volumes from other sheets and the per kilogram and per item rates in columns U and V. For Sheet SDR2, the number of specific line item entries for industrialized countries exceeds the number of corresponding entries in Sheet tdu2. Sheet SDR2 contains entries for Iceland, Luxembourg, Liechtenstein, Monaco, Portugal, San Marino, the Vatican, and the territories of Great Britain and France, while Sheet tdu2 does not include specific line item entries for these countries and territories.
 - a. For Sheet tdu2, please provide the location of the underlying volume data and applicable terminal dues rates for the latter countries and territories (for example, some of the volume data could be included in the 990 codes and the volume data for the territories of Great Britain and France could be included in the totals for each country).
 - b. Please provide the LC/AO pieces and kilograms and the applicable terminal dues rates for Iceland, Luxembourg, Liechtenstein, Monaco, Portugal, San Marino, and the Vatican. If the same rates apply to each country, the total LC/AO pieces and kilograms for the countries combined is sufficient.

9. Compared to FY 2000, the volumes for all Global Economy categories, Air Letters, Postcards, Global Express, and Global Direct outbound decreased in FY 2001.
 - a. What factors contributed to the decrease in each category?
 - b. What factors contributed to the increase in volume for IPAS?
 - c. What factors contributed to the increase in volume for GPM?
 - d. What factors contributed to the increase in volume for air parcel post?

10. In FY 2001, the Postal Service changed the rate structure for some categories. Some of those changes resulted in rate decreases for some mailers. For example, the Service eliminated the half-ounce rate structure for Global Air Single-Piece Letter-Post. As another example, the Service eliminated rates based on content for Single-Piece Printed Matter. Considering all the categories that were restructured, in which categories did the Postal Service expect average revenue per piece to change and what were the expected percentage changes?

11. Global Express Guaranteed continues to provide non-compensatory revenue. The product specific expenses have almost tripled between FY 2000 and FY 2001. During preparation of the last Report to Congress, the Service expressed the hope that revenue would grow in the future thanks to expanding service to more countries, adding an on-line option for commercial customers, and adding merchandise service. Why have the product specific expenses increased and what do they represent? What are the prospects that this initiative will cover its cost in the future?

12. Sheet: Data of File: icr01v19pr.xls, cells N24..N32 show the derivation of other costs (\$35,626). Of that amount, \$31,179 is entitled "Other Product Specific

Costs.” Please provide the expense elements included in this figure and identify the specific product causing each of the expenses.

13. According to Workpaper 1B, pages 7-1 and 7-7, revenue and pieces for Global Priority Mail come from SIRVO and weight comes from MIDAS. For FY 2000, the Postal Service obtained the data from IBIS. Please confirm this and, if applicable, please discuss the rationale for the switch.
14. Workpaper 1B, pages 8-3 to 8-6 describe a “Small Area Estimation (SAE) Technique” used to enhance the IPK estimates from SIRV/I for FY 2001. Has it been used in previous years?
15. In accordance with UPU policy, a new terminal dues structure became effective January 1, 2001. The new structure bifurcates countries into: (1) industrialized countries (ICs) and (2) developing countries (DCs). Industrialized countries include countries in addition to those included in the EURB country group reflected in the FY 2001 ICRA Report.
 - a. For FY 2001, please provide the attributable costs, revenues, and volumes for outbound LC/AO mail separated between industrialized countries and developing countries. Canada should be excluded from these figures. Please provide a list of the outbound mail categories that are included in LC/AO mail. (Note: The Commission is aware that the FY 2001 data reflects the old terminal dues structure in effect before January 1, 2001 and the new structure thereafter. Nevertheless, in compiling the first quarter data, the Postal Service should use the same ICs included in the ensuing quarters.)
 - b. For FY 2001, please provide the attributable costs, revenues, and volumes for inbound LC/AO mail separated between industrialized countries and developing countries. Please provide Canada figures separately.

- c. Please provide the electronic workpapers used to develop the figures above.
 - d. Please provide a list of the EURB countries and a list of the ICs consistent with the new terminal dues regime in effect as January 1, 2001.
 - e. Given the new terminal dues structure, will the Postal Service revise the FY 2002 ICRA Report to reflect (1) ICs rather than EURB countries and (2) DCs rather than UPU countries? If not, please explain.
16. Does the UPU set the air conveyance dues for LC/AO and CP mail? If not please explain. Does the UPU set the transit fees for LC/AO mail? If not, please explain.

It is ordered:

The Postal Service shall provide the information described in the body of this Order on or before May 1, 2002.

By order of the Commission

(S E A L)



Steven W. Williams
Secretary