UNITED STATES
POSTAL SERVICE

DRAFT:

COST AND REVENUE ANALYSIS

FISCAL YEAR 2002 - PRC VERSION

FINANCE

Exhibit 3

UNITED STATES POSTAL SERVICE

COST AND REVENUE ANALYSIS

FISCAL YEAR 2002 - PRC Version

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SUMMARY OF REVENUE AND COST FOR MAJOR SERVICE CATEGORIES
Fiscal Year 2002 - PRC Version
(in millions)

	Revenue (note 1)	Attributable Cost	Revenue Less Attributable Cost	Volume Variable Cost	Revenue as a Percent of Volume Variable Cost
First-Class Mail	$36,479.0	$19,135.0	$17,344.0	$19,117.2	190.8
Priority Mail	4,720.1	3,481.4	1,238.7	3,447.6	136.9
Express Mail	910.5	501.3	409.2	482.0	188.9
Mailgram	1.4	0.6	0.8	0.6	233.3
Periodicals:					
In County	78.3	76.6	1.7	76.6	102.2
Outside County	2,066.9	2,280.4	(213.5)	2,280.4	90.6
Fees	19.7	-	19.7	-	-
Total Periodicals	2,164.9	2,357.0	(192.1)	2,357.0	91.8
Standard Mail:					
Enhanced Carrier Route	4,939.5	2,342.0	2,597.5	2,333.8	211.7
Regular	10,793.8	8,328.6	2,465.2	8,314.7	129.8
Fees	85.4	-	85.4	-	-
Total Standard Mail	15,818.8	10,670.6	5,148.2	10,648.5	148.6
Package Services:					
Parcel Post	1,194.5	1,054.4	140.1	1,053.1	113.4
Bound Printed Matter	535.3	488.5	46.8	488.5	109.6
Media Mail	348.1	384.1	(36.0)	384.1	90.6
Fees	1.7	-	1.7	-	-
Total Package Services	2,079.6	1,927.0	152.6	1,925.6	108.0
Free Mail for the blind and handicapped	-	33.1	(33.1)	33.1	-
International Mail (note 2)	1,612.9	1,354.4	258.5	1,304.6	123.6
Total Mail	63,787.1	39,460.4	24,326.7	39,316.2	162.2
Special Services (note 3)	2,311.6	1,669.3	642.3	1,665.3	138.8
Miscellaneous items (note 4)	317.8	-	317.8	-	-
Total Mail and Services	66,416.5	41,129.7	25,286.8	40,981.5	162.1
Appropriations: Revenue Forgone	47.6	-	47.6	-	-
Total Operating Income	66,464.1	-	-	-	-
Investment Income	45.2	-	45.2	-	-
Total (note 5)	$66,509.3	$41,129.7	$25,379.6	$40,981.5	162.3
All other costs	-	26,235.1	-	26,383.3	-
Total Operating Expense (note 5)	-	$67,364.8	-	$67,364.8	-

DETAIL OF ATTRIBUTABLE COST FOR MAJOR SERVICE CATEGORIES
EXCLUDING USPS PENALTY
Fiscal Year 2002 - PRC Version
(in thousands)

	Volume Variable cost			
	Direct & Indirect Excluding Transportation	Transportation	Product Specific	Total Attributable
First-Class Mail	$18,165,712	$951,483	$17,801	$19,134,996
Priority Mail	1,990,938	1,456,645	33,812	3,481,395
Express Mail	384,323	97,643	19,316	501,282
Mailgram	622	-	-	622
Periodicals:				
In County	76,577	68	-	76,645
Outside County	1,995,274	285,115	-	2,280,389
Fees	-	-	-	-
Total Periodicals	2,071,851	285,183	-	2,357,034
Standard Mail:				
Enhanced Carrier Route	2,250,353	83,455	8,189	2,341,997
Regular	7,972,257	342,419	13,881	8,328,557
Fees	-	-	-	-
Total Standard Mail	10,222,610	425,874	22,070	10,670,554
Package Services:				
Parcel Post	716,561	336,503	1,360	1,054,424
Bound Printed Matter	420,891	67,585	-	488,476
Media Mail	292,146	91,910	-	384,056
Fees	-	-	-	-
Total Package Services	1,429,598	495,998	1,360	1,926,956
Free Mail for the blind and handicapped	27,332	5,792	-	33,124
International Mail (note 2)	600,140	704,466	49,789	1,354,395
Special and other services	1,665,296	-	4,037	1,669,333
Total all mail and services	$36,558,422	$4,423,084	$148,185	$41,129,691

SUMMARY OF REVENUE, ATTRIBUTABLE COST, PIECES, AND WEIGHT FOR MAJOR SERVICE CATEGORIES
Fiscal Year 2002 - PRC Version
(in millions)

	Revenue (note 1)		Attributable Cost		Mail Volume		Mail Weight	
	$	%	$	%	Pieces	%	Pounds	%
First-Class Mail	$36,479.0	$54.9	$19,135.0	$46.5	$102,378.6	50.5	4,283.6	17.5
Priority Mail	4,720.1	7.1	3,481.4	8.5	998.2	0.5	1,875.1	7.6
Express Mail	910.5	1.4	501.3	1.2	61.3	-	59.1	0.2
Mailgram	1.4	-	0.6	-	2.8	-	N/A	N/A
Periodicals:								
In County	78.3	0.1	76.6	0.2	849.9	0.4	241.8	1.0
Outside County	2,066.9	3.1	2,280.4	5.5	8,839.8	4.4	3,764.3	15.3
Fees	19.7	-	-	-	-	-	-	-
Total Periodicals	2,164.9	3.2	2,357.0	5.7	9,689.8	4.8	4,006.1	16.3
Standard Mail:								
Enhanced Carrier Route	4,939.5	7.4	2,342.0	5.7	32,367.7	16.0	4,935.7	20.1
Regular	10,793.8	16.2	8,328.6	20.3	54,863.0	27.0	5,379.9	21.9
Fees	85.4	0.1	-	-	-	-	-	-
Total Standard Mail	15,818.8	23.7	10,670.6	26.0	87,230.6	43.0	10,315.5	42.0
Package Services:								
Parcel Post	1,194.5	1.8	1,054.4	2.6	372.6	0.2	2,104.3	8.6
Bound Printed Matter	535.3	0.8	488.5	1.2	507.7	0.3	1,251.7	5.1
Media Mail	348.1	0.5	384.1	0.9	194.8	0.1	334.6	1.4
Fees	1.7	-	-	-	-	-	-	-
Total Package Services	2,079.6	3.1	1,927.0	4.7	1,075.1	0.6	3,690.6	15.1
U.S. Postal Service Mail	-	-	-	-	424.9	0.2	87.5	0.3
Free Mail for the blind and handicapped	-	-	33.1	0.1	56.8	-	28.1	0.1
International Mail (note 2)	1,612.9	2.4	1,354.4	3.3	905.0	0.4	217.1	0.9
Total Mail	63,787.1	95.8	39,460.4	96.0	202,823.0	100.0	24,562.8	100.0
Special Services (note 3)	2,311.6	3.5	1,669.3	4.0				
Miscellaneous items (note 4)	$ 317.8	0.5	-	-				
Total mail and services	66,416.5	99.8	41,129.7	100.0				
Appropriations: Revenue Forgone	47.6	0.1		-				
Total Operating Income	$66,464.1	$99.9		-				
Investment Income	$ 45.2	$ 0.1						
Total (note 5)	66,509.3	100.0	41,129.7	100.0				

SUMMARY OF ACCRUED COSTS BY SEGMENTS AND COMPONENTS DETAILING ATTRIBUTABLE COSTS
Fiscal Year 2002 - PRC Version
(in thousands)

	Cost Segments and Components	Accrued Costs	Attributable Cost: Volume Variable: Direct	Attributable Cost: Volume Variable: Indirect	Attributable Cost: Volume Variable: Total	Attributable Cost: Product Specific	All Other Costs
1.	Postmasters	$1,795,804	-	$319,842	$319,842	-	$1,475,962
2.	Supervisors and technicians:						
	Mail processing	936,033	-	897,528	897,528	-	38,505
	Window service	237,042	-	126,342	126,342	-	110,700
	Administration and support time and attendance	72,168	-	45,952	45,952	-	26,216
	Local services:						
	City carriers:						
	In-office	245,761	-	214,685	214,685	-	31,076
	Elemental load	91,934	-	88,878	88,878	-	3,056
	Other street	515,035	-	115,942	115,942	-	399,093
	Special delivery messengers:						
	In-office	-	-	-	-	-	-
	Street	-	-	-	-	-	-
	Other supervisors and technicians	1,492,253	-	408,043	408,043	-	1,084,210
	Total supervisors and technicians	3,590,226	-	1,897,370	1,897,370	-	1,692,856
3.	Clerks and mailhandlers, CAG A-J offices:						
	Mail processing	13,710,450	13,125,989	-	13,125,989	-	584,461
	Window service	2,394,633	1,276,330	-	1,276,330	-	1,118,303
	Administration support and miscellaneous	1,901,285	-	1,162,382	1,162,382	12,866	726,037
	Total clerks and mailhandlers	18,006,368	14,402,319	1,162,382	15,564,701	12,866	2,428,801
4.	Clerks, CAG K offices	5,736	4,311	-	4,311	-	1,425
6.	City delivery carriers:						
	In-office	4,073,133	2,945,301	612,792	3,558,093	-	515,040
7.	City delivery carriers:						
	Out-of-office	10,058,771	1,472,909	1,921,400	3,394,309	-	6,664,462
	Total city delivery carriers	14,131,904	4,418,210	2,534,192	6,952,402	-	7,179,502
8.	Vehicle service drivers	552,311	333,817	-	333,817	-	218,494

SUMMARY OF ACCRUED COSTS BY SEGMENTS AND COMPONENTS DETAILING ATTRIBUTABLE COSTS
Fiscal Year 2002 - PRC Version
(in thousands)

Cost Segments and Components	Accrued Costs	Attributable Cost: Volume Variable: Direct	Attributable Cost: Volume Variable: Indirect	Attributable Cost: Volume Variable: Total	Attributable Cost: Product Specific	All Other Costs
9. Special delivery messengers:						
Street	$16,458	$7,085	-	$7,085	-	-
Fixed Attributable	9,193	-	9,193	9,193	-	-
Equipment maintenance and fees	-	-	-	-	-	-
Total special delivery messengers	25,651	7,085	9,193	16,278	-	-
10. Rural carriers:						
Evaluated routes	3,920,473	1,809,055	-	1,809,055	-	2,111,418
Other routes	301,254	134,107	-	134,107	-	167,147
Equipment maintenance allowance	392,199	-	-	-	-	392,199
Total rural carriers	4,613,926	1,943,162	-	1,943,162	-	2,670,764
11. Custodial and maintenance service	2,723,080	-	1,779,333	1,779,333	-	943,747
12. Motor vehicle service:						
City delivery vehicle	586,546	-	127,413	127,413	-	459,133
Special delivery vehicle	9,487	-	4,084	4,084	-	5,403
Vehicle service vehicle	110,942	-	67,053	67,053	-	43,889
Rural delivery vehicle	54,063	-	24,883	24,883	-	29,180
All other	34,434	-	-	-	-	34,434
Total motor vehicle service	795,472	-	223,433	223,433	-	572,039
13. Miscellaneous operating expenses:						
Carfare, tolls and ferriage	58,827	-	7,087	7,087	-	51,740
All other	233,781	-	-	-	-	233,781
Total miscellaneous operating expenses	292,608	-	7,087	7,087	-	285,521
14. Transportation:						
Domestic airmail	1,804,596	1,671,996	-	1,671,996	-	132,600
Alaska air	113,125	7,702	-	7,702	-	105,423
Railroad line haul and other service	221,066	219,660	-	219,660	-	1,406
Domestic water	25,432	23,139	-	23,139	-	2,293
Contract highway service	2,376,132	1,921,115	-	1,921,115	-	455,017
International transportation	592,188	592,188	-	592,188	-	-
Total transportation	5,132,539	4,435,800	-	4,435,800	-	696,739

SUMMARY OF ACCRUED COSTS BY SEGMENTS AND COMPONENTS DETAILING ATTRIBUTABLE COSTS
Fiscal Year 2002 - PRC Version
(in thousands)

Cost Segments and Components	Accrued Costs	Attributable Cost: Volume Variable: Direct	Attributable Cost: Volume Variable: Indirect	Attributable Cost: Volume Variable: Total	Attributable Cost: Product Specific	All Other Costs
15. Building occupancy:						
Rents, fuel and utilities	$1,297,013	-	$1,101,697	$1,101,697	($508)	$195,824
Other	276,589	-	-	-	197	276,392
Total building occupancy	1,573,602	-	1,101,697	1,101,697	(311)	472,216
16. Supplies and services	2,924,308	8,807	1,348,951	1,357,758	74,402	1,492,148
17. Research and development	46,481	-	-	-	-	46,481
18. Administration and regional operations:						
Headquarters	778,668	-	-	-	10,698	767,970
Postal service personnel	5,897,860	-	2,720,607	2,720,607	48,818	3,128,435
Total administration and regional	6,676,528	-	2,720,607	2,720,607	59,516	3,896,405
19. Support services	37,918	-	-	-	-	37,918
20. Depreciation and other costs:						
Depreciation	2,295,884	-	1,559,633	1,559,633	1,712	734,539
Interest	1,999,799	-	1,224,551	1,224,551	-	775,248
Other	152,832	31,625	-	31,625	-	121,207
Total depreciation and other costs	4,448,515	31,625	2,784,184	2,815,809	1,712	1,630,994
Total accrued costs	67,372,977	25,585,136	15,888,271	41,473,407	148,185	25,742,012
Final adjustments	-	(317,897)	(174,432)	(492,329)	-	492,329
Adjusted grand total	$67,372,977	$25,267,239	$15,713,839	$40,981,078	$148,185	$26,234,341

UNITED STATES POSTAL SERVICE
NOTES TO COST AND REVENUE ANALYSIS
Fiscal Year 2002 - PRC Version

1. FEES

Fees associated with a specific class or subclass of mail are included in the reported revenue for that class or subclass.

2. INTERNATIONAL MAIL

International mail costs include costs attributable to both U.S. origin and foreign origin mail. Volume statistics, however, do not include foreign origin mail.

3. MISCELLANEOUS ADJUSTMENTS

The following differences exist between the revenues shown in the Annual Report of the Postal Service (AR) and the CRA:

a) The money order float included with interest income in the AR is included with special service revenue in the CRA.
b) Miscellaneous revenue included with special services revenue in the AR is reported as miscellaneous revenue in the CRA.
c) Mortgage income included with interest income in the AR is reported as miscellaneous revenue in the CRA.

4. MISCELLANEOUS ITEMS

Miscellaneous items include philatelic sales, fees, fines, unclaimed money from dead letters, sales of postal cards and services performed for government agencies and private contractors.

5. OTHER

All figures in the CRA are rounded; detail may not add to totals. Percents are rounded to the nearest decimal.

- Denotes zero values.
( ) Denotes negative value.

STATISTICS BY CLASS OF MAIL

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
FIRST-CLASS MAIL, PRIORITY MAIL, EXPRESS MAIL, AND MAILGRAMS
Fiscal Year 2002 - PRC Version

	First Class								
	Letters & Sealed Parcels (including flats & IPPs)			Cards					
REVENUE AND COST RELATIONSHIP	Single	Presort	Total	Single	Presort	Total First-Class Mail	Priority Mail	Express Mail	Mailgrams
Per piece (cents):									
Revenue	43.6	28.8	36.3	22.2	17.3	35.6	472.9	1,485.7	49.2
Attributable cost	26.8	10.8	19.0	21.5	6.5	18.7	348.8	818.0	22.6
Revenue less attributable cost	16.8	18.0	17.3	0.7	10.8	16.9	124.1	667.7	26.6
Per pound (cents):									
Revenue	874.0	767.9	829.3	3,550.9	2,114.9	851.6	251.7	1,540.9	N/A
Attributable cost	538.4	288.5	433.0	3,444.0	798.9	446.7	185.7	848.4	N/A
Revenue less attributable cost	335.6	479.4	396.3	106.9	1,316.0	404.9	66.0	692.5	N/A
VOLUME STATISTICS									
Pieces (thousands)	49,253,266	47,658,076	96,911,342	2,669,202	2,798,088	102,378,632	998,151	61,280	2,757
Weight per piece (ounces)	0.8	0.6	0.7	0.1	0.1	0.7	30.1	15.4	N/A
Weight per cubic foot (pounds)	16.9	18.0	17.4	14.9	14.9	17.3	4.6	6.3	N/A
Weight in pounds (thousands)	2,454,373	1,789,673	4,244,046	16,685	22,918	4,283,649	1,875,147	59,086	N/A
Cubic feet (thousands)	144,826	99,698	244,524	1,118	1,535	247,177	406,052	9,373	N/A

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
PERIODICALS
Fiscal Year 2002 - PRC Version

REVENUE AND COST RELATIONSHIP	Total In County	Total Outside County	Total Periodicals
Per piece (cents):			
Revenue	9.2	23.4	22.3
Attributable cost	9.0	25.8	24.3
Revenue less attributable cost	0.2	(2.4)	(2.0)
Per pound (cents):			
Revenue	32.4	54.9	54.0
Attributable cost	31.7	60.6	58.8
Revenue less attributable cost	0.7	(5.7)	(4.8)
VOLUME STATISTICS			
Pieces (thousands)	849,911	8,839,847	9,689,758
Weight per piece (ounces)	4.6	6.8	6.6
Weight per cubic foot (pounds)	25.1	25.1	25.1
Weight in pounds (thousands)	241,781	3,764,291	4,006,072
Cubic feet (thousands)	9,649	150,223	159,872

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
STANDARD MAIL
Fiscal Year 2002 - PRC Version

REVENUE AND COST RELATIONSHIP	Enhanced Carrier Rte	Regular	Total Standard Mail
Per piece (cents):			
Revenue	15.3	19.7	18.1
Attributable cost	7.2	15.2	12.2
Revenue less attributable cost	8.1	4.5	5.9
Per pound (cents):			
Revenue	100.1	200.6	153.3
Attributable cost	47.5	154.8	103.4
Revenue less attributable cost	52.6	45.8	49.9
VOLUME STATISTICS			
Pieces (thousands)	32,367,678	54,862,958	87,230,636
Weight per piece (ounces)	2.4	1.6	1.9
Weight per cubic foot (pounds)	N/A	N/A	24.3
Weight in pounds (thousands)	4,935,652	5,379,870	10,315,522
Cubic feet (thousands)	N/A	N/A	425,064

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
PACKAGE SERVICES
Fiscal Year 2002 - PRC Version

REVENUE AND COST RELATIONSHIP	Total Parcel Post	Bound Printed Matter	Media Mail	Total Package Services
Per piece (cents):				
Revenue	320.6	105.4	178.7	193.4
Attributable cost	283.0	96.2	197.2	179.2
Revenue less attributable cost	37.6	9.2	(18.5)	14.2
Per pound (cents):				
Revenue	56.8	42.8	104.0	56.3
Attributable cost	50.1	39.0	114.8	52.2
Revenue less attributable cost	6.7	3.8	(10.8)	4.1
VOLUME STATISTICS				
Pieces (thousands)	372,591	507,702	194,793	1,075,086
Weight per piece (ounces)	90.4	39.4	27.5	54.9
Weight per cubic foot (pounds)	5.0	9.5	7.8	6.2
Weight in pounds (thousands)	2,104,326	1,251,681	334,632	3,690,639
Cubic feet (thousands)	419,447	131,881	43,101	594,429

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
U.S. POSTAL SERVICE MAIL AND FREE MAIL FOR THE BLIND AND HANDICAPPED
Fiscal Year 2002 - PRC Version

REVENUE AND COST RELATIONSHIP	U.S. Postal Service Mail	Free Mail For The Blind and Handicapped
Per piece (cents):		
Revenue	N/A	N/A
Attributable cost	N/A	58.3
Revenue less attributable cost	N/A	N/A
Per pound (cents):		
Revenue	N/A	N/A
Attributable cost	N/A	117.9
Revenue less attributable cost	N/A	N/A
VOLUME STATISTICS		
Pieces (thousands)	424,929	56,821
Weight per piece (ounces)	3.3	7.9
Weight per cubic foot (pounds)	6.0	11.1
Weight in pounds (thousands)	87,502	28,103
Cubic feet (thousands)	14,576	2,538

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
INTERNATIONAL MAIL
Fiscal Year 2002 - PRC Version

	International Mail
Attributable cost (millions)	$1,354.4
VOLUME STATISTICS	
Pieces (thousands)	904,983
Weight per piece (ounces)	3.8
Weight per cubic foot (pounds)	7.3
Weight in pounds (thousands)	217,092
Cubic feet (thousands)	29,542

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
SPECIAL SERVICES
Fiscal Year 2002 - PRC Version

REVENUE AND COST RELATIONSHIP	Registry	Certified	Insurance	Collect on Delivery	Money Orders	Stamped Envelopes and Cards	Post Office Box
Per transaction (cents):							
Revenue	1,042.0	213.7	222.7	603.0	115.2	N/A	N/A
Attributable cost	937.5	145.4	193.6	534.2	73.5	N/A	N/A
Revenue less attributable cost	104.5	68.3	29.1	68.8	41.7	N/A	N/A
Revenue ($ millions)	65.4	605.9	130.3	13.8	249.8	24.6	4.7
Attributable cost ($ millions):							
Variable cost	54.1	412.1	92.1	10.3	148.9	6.2	0.0
Other direct	4.8	-	20.6	1.9	8.8	5.3	3.2
Total variable cost	58.8	412.1	112.7	12.2	157.7	11.5	3.3
Specific fixed cost	-	0.2	0.6	-	1.7	-	-
Total attributable cost	58.8	412.3	113.3	12.2	159.4	11.5	3.3
Revenue less attributable cost ($ millions)	6.6	193.7	17.0	1.6	90.5	13.2	1.4
Revenue as a percent of attributable cost	111.2%	147.0%	115.0%	112.8%	156.7%	214.3%	142.1%
VOLUME STATISTIC							
Transactions (thousands)	6,277	283,468	58,516	2,282	216,867	N/A	N/A
Transactions Excluding Additional Services	6,277	283,468	58,516	2,282	216,867	N/A	N/A