

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

Before Commissioners: George Omas, Chairman;  
Dana B. Covington, Sr., Vice Chairman;  
Ruth Y. Goldway; and Tony Hammond

International Mail Report

Docket No. IM2003-1

FIRST NOTICE OF INTERNATIONAL MAIL  
DATA REQUIREMENTS FOR FY 2002

(Issued April 3, 2003)

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 April 15, 2003.

1. This item concerns International Customized Mail (ICM).
  - a. Please provide the FY 2002 revenue, pieces, weight, volume variable cost, and product-specific cost for each ICM contract by accounting period. Please provide this information separated by category of mail.
  - b. Since the requested data in "a." above is incorporated into the data shown on page A-2 of the FY 2002 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.
2. Please provide the tables on page A-7 and B-7 of the FY 2002 ICRA Report broken out for Canada, Mexico, ICs, and DCs.
3. Please provide the most recent price elasticities available for each of the outbound products shown on page A-2 of the FY 2002 ICRA Report. Also, please provide the equation forms used to estimate the price elasticities (e.g. linear, log-linear, other).
4. Outbound international mail volumes decreased from 1,028,299,000 in FY 2001 to 875,622,000 in FY 2002, a decrease of 152,677,000. Except for Air Parcel Post volumes, all outbound categories experienced volume decreases. ISAL, IPAS, and Air Letters and Letter Packages suffered the largest absolute volume declines.
  - a. Did the restructured rates for economy parcel post, especially the 5-pound minimum rate, cause a migration of volumes from economy parcel post to air parcel post? What other factors might have contributed to the increase in air parcel post volume?
  - b. For all other outbound categories, please discuss the factors that contributed to the substantial decline in volumes. Please be sure to discuss separately the specific factors related to ISAL, IPAS, and Air Letters and Letter Packages.

5. In FY 2001, the Postal Service changed rates for most of the outbound mail categories. The Service also changed the rate structure for some categories, which resulted in rate decreases for some mailers and increases for others within the same rate category. 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. Before the Postal Service restructured these and other categories in FY 2001, did it estimate that this restructuring would change the average revenue per piece for any of these categories in FY 2002? If so, what were the estimated percentage changes?
6. The information that the Postal Service filed on March 17, 2003 included the electronic files used to produce the FY 2002 International CRA and the Cost Segments and Components reports. These files include i.dat, a.dat, b.dat, ititle.dat, and tranhead.dat. Please provide the equivalent electronic files used to produce the FY 2002 Domestic CRA – PRC Version and the accompanying Cost Segments and Components reports. Please also include the files that contain the operating control strings commands that produce the C report from the manual input. These files are usually referred to as A, B, and F.
7. There are differences in revenues reported in the CRA, when compared with the Revenue, Pieces, and Weight (RPW) report and the PMG Annual Report. These differences are in First-Class Mail, Priority Mail, Package Services, and International Mail. The following table shows the comparisons between the reports.

**Revenue Differences between FY 2002 Reports  
(\$ in Millions)**

	CRA - PRC Vers.	RPW	Difference	Annual Report	Difference From CRA
First-Class Mail	36,479.0	36,483.2	-4.2	36,483.2	-4.2
Priority Mail	4,720.1	4,722.5	-2.4	4,722.5	-2.4
Package Services	2,079.6	2,080.1	-0.5	2,080.1	-0.5
International Mail	1,612.9	1,579.8	33.1	1,579.8	33.1
Total Revenue	66,509.3	66,742.6	-233.3	66,688.3	-179.0

Sources: FY 2002 CRA-PRC Version, page 3.  
 FY 2002 Revenue, Pieces, and Weight Report  
 FY 2002 PMG Annual Report, pages 52-53

It appears that the \$179 million difference between total revenues in the CRA and the PMG Annual Report is due to the Emergency Preparedness Appropriation being recognized in the Annual Report but not recognized in the CRA. The source of the differences within the classes of mail is less apparent. Please explain the differences in revenue reported by the CRA, the RPW, and the PMG Annual Report.

8. Please explain why the variability factors in column 10, lines 55 through 67 of Exhibit 7, "WS 3.2.1 Window Services VVC," differ from those listed in the FY2001 filing, since the worksheet cites R97-1, USPS-T-21 as its only source. If the variability factors have changed, please provide the supporting documentation.
9. In Exhibit 7, mail processing costs listed as outputs to the CRA differ from those listed in the Cost Segment and Component Report (3.1). Please reconcile the difference between Exhibit 7 and the CRA's Cost Segment 3.1. If the difference is due to a peak load adjustment, please provide the underlying computation.

10. The program "encircle.sas" in Cost Segment 3 reflects the Postal Service's method of applying the encirclement rules. Was this program used to generate the PRC's mail processing distributions? If so, please make the appropriate correction using the PRC version of the "encircle.sas" program and update all supporting documentation.
  
11. A number of SAS programs are missing, including the programs that distribute administration and window services costs. Please provide the following SAS programs: encircle.sas (PRC version), modshape.sas, modmodel.sas, nmdshape.sas, nmdmodel.sas, bmcshape.sas, bmcmodel.sas, admwin.sas, winaccp.sas, format1.sas, permitot.sas, piggyf02.sas, and cmucfs.sas.

It is ordered:

The Postal Service is directed to provide the items in the body of this order on or before April 15, 2003.

By the Commission.

(SEAL)

Steven W. Williams  
Secretary