

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

SECOND NOTICE OF INTERNATIONAL MAIL  
DATA REQUIREMENTS FOR FY 2002

(Issued April 28, 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 information for item 1 on or before May 1, 2003 and for items 2 through 10 on or before May 9, 2003.

1. In response to Item 5 of the First Notice, the Postal Service acknowledged that in formulating the rate increases for international mail that went into effect January 2001, it had used FY 1999 as the base year and FY 2002 as the test year. The Service further acknowledged that it had explicitly taken into account changes in volume, costs, and revenues, and had derived average revenue per piece estimates for the test year. Item 5 of the First Notice also requested the percentage rate increases for each category, but they were not included in the Postal Service's response. Please provide them. The Commission notes that the percentage rate increases for Economy Parcels (15.5 percent) and Air Parcels (1.6 percent) were provided in the response to item 4 of the First Notice.

2. This item concerns Inbound Express.

a. It is the Commission's understanding that the Postal Service negotiates rates for inbound parcel post with each foreign postal administration and that there were 189 of these bi-lateral agreements in FY 2002. Please confirm this understanding or modify it as appropriate.

b. The cost coverage for inbound Express decreased substantially from greater than 100 percent to less than 100 percent. Unit revenue changed marginally between the two periods, while unit attributable costs increased substantially. The increase in unit cost is traceable to processing and domestic transportation. Please explain the reasons underlying these cost increases. Does the Postal Service expect cost coverage to remain below 100 percent in FY 2003? If not, why not? If so, does the Postal Service anticipate negotiating new bilateral rate agreements? If not, why not?

3. This item concerns Inbound Air Parcel Post.

a. It is the Commission's understanding that the Postal Service publishes rates for inbound Air Parcel Post that differ by country or country group. It is also the Commission's understanding that by the term "published," the Postal Service means these rates are not negotiated. Please confirm these understandings or modify them as appropriate.

b. The cost coverage for inbound Air Parcel Post decreased substantially from greater than 100 percent to less than 100 percent. Unit revenue changed marginally between the two periods, while unit attributable costs increased substantially. Both delivery and domestic transportation unit costs increased significantly, but the latter increase accounts for the lion's share. Please explain the reasons underlying these cost increases. Does the Postal Service expect cost

coverage to remain below 100 percent in FY 2003? If not, why not? If so, does the Postal Service anticipate increasing the published rates? If not, why not?

4. The unit revenue and unit attributable cost for Global Direct Inbound increased substantially between FY 2001 and FY 2002. Please discuss the reasons for these increases.

5. According to the Postal Service's response to the First Notice, item 2, the terminal dues received by the Service for inbound LC/AO mail from Canada did not cover the corresponding attributable costs in FY 2002. Does the Postal Service plan to negotiate a more remunerative bi-lateral agreement with Canada? If not, why not? Does the Postal Service have an alternative plan for increasing the cost coverage above 100 percent? If so, please explain.

6. According to the Summary Description and Documentation, Volume 1, Part 2, p. 9-1, "Global Direct Outbound revenue and volume data for Canada are extracted from the PERMIT system on an AP basis." There is no mention of Global Direct Outbound mail destined for other countries. Is Canada the only country receiving this category of international mail? If so, is this category designed only for mail going to Canada? If so, what is the rationale?

7. The percentage change in the CPI-U between FY 2001 and FY 2002 was 1.5 percent. Between FY 2001 and FY 2002, the following outbound categories experienced increases in unit attributable costs greater than 1.5 percent: (1) Economy Letters and Letter Packages; (2) Periodicals; (3) Economy Parcel Post; (4) Air Letters and Letter Packages; (5) Air Cards; (6) Global Priority Mail; (7) Air Parcel Post; and (8) Global Express Mail.

a. For Economy Letters, most of the cost increase is traceable to processing, other nontransportation, and settlement. Please discuss the underlying causes of these increases and whether these increases are reasonable.

b. For Periodicals, most of the cost increase is traceable to processing, other nontransportation, and domestic transportation. Please discuss the underlying causes of these increases and whether these increases are reasonable.

c. For Economy Parcels, most of the cost increase is traceable to processing, other nontransportation, and domestic transportation. Please discuss the underlying causes of these increases and whether these increases are reasonable.

d. For Air Letters, most of the cost increase is traceable to other nontransportation, domestic transportation, and international transportation. Please discuss the underlying causes of these increases and whether these increases are reasonable.

e. For Air Cards, most of the cost increase is traceable to processing. Please discuss the underlying causes of this increase and whether the increase is reasonable.

f. For Global Priority Mail, most of the cost increase is traceable to international transportation and settlement. Please discuss the underlying causes of these increases and whether these increases are reasonable.

g. For Air Parcel Post, most of the cost increase is traceable to international transportation. Please discuss the underlying causes of this increase and whether the increase is reasonable.

h. For Global Express Mail, most of the cost increase is traceable to domestic transportation and international transportation. Please discuss the underlying causes of these increases and whether these increases are reasonable.

8. According to page 9-1 of the Summary Description and Documentation, Volume 1, Part 1, "the International Business Unit provides the revenue, pieces, and weight for Global Express Guaranteed (GXG) on an AP basis." In Docket No. IM2002-1, the Postal Service stated that these data came from "the GXG database." Does the difference in the description of the source of these data indicate a difference in the source of these data?

9. Based on the data the Postal Service provided in response to the First Notice, Item 1b, the ICMs for Express Mail, Air Parcel Post, and Air Letters produced cost coverages for each service that are less than 100 percent. Please explain the reason for the low cost coverages for each of these services. Please explain any steps the Postal Service is taking or will take to raise the cost coverages above the 100 percent level.

10. Please provide the supporting spreadsheets for Rural Carriers in cost segment 10.

It is ordered:

The Postal Service is directed to provide item 1 on or before May 1, 2003 and items 2 through 10 on or before May 9, 2003.

By the Commission.

(SEAL)

Steven W. Williams  
Secretary