

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

THIRD NOTICE OF INTERNATIONAL MAIL
DATA REQUIREMENTS FOR FY 2002

(Issued May 7, 2003)

In order to help the Commission prepare the report required by 39 U.S.C. § 3663 on the costs, volumes, and revenues of the Postal Service's international mail services, the Service is requested to provide the information on or before May 16, 2003.

1. The total outbound volume in the FY 2002 RPW report is 903,000,000 pieces, while the FY 2002 ICRA report shows the figure as 875,622,000 pieces. A comparison of the volumes reported for each outbound category in the RPW report with the figures in the ICRA report shows differences in three categories: air parcel post, global express mail, and international other mail. It appears that "international other mail" in the RPW corresponds to "initiatives" in the ICRA report. Please reconcile the differences and provide revisions to the ICRA report as applicable.

2. The total international mail and special services revenue in the FY 2002 RPW report is \$1,611,252,000 (\$1,579,793,000 for international mail + \$31,459,000 for special services), while the FY 2002 ICRA report shows the figure as \$1,626,818,000. Also, the special service revenue figure in the RPW report does not

match the figure in the ICRA report. Please reconcile these differences. The FY 2002 RPW Report also shows a figure of \$13,856,000 for international mail fees. What are international mail fees and where are they reported in the ICRA Report or underlying workpapers?

3. In response to item 1c in the First Notice, the Postal Service described two approaches for pricing ICMs. Under the "second" approach, the Postal Service applies a markup to the cost of providing service for a customer where the costs reflect the mailer's profile.

a. Please provide a conceptual example of how the Service calculates mailer-specific cost. For example, if the mailer dropships the mailing to the JFK facility, the costs might include (1) acceptance cost based on a system average cost per piece; (2) handling costs based on a special study; (3) country-specific terminal dues reflecting the mailer's average number of pieces and the average weight per piece; (4) international transportation costs based on the average weight of a mailing; and (5) any applicable piggyback cost.

b. Previously, the Postal Service informed the Commission that the markups employed for the second approach range from 5 percent to 39 percent. Has this range changed?

4. According to UPU documents, the Beijing Congress authorized the following terminal dues cap rates for LC/AO mail between ICs: (1) FY 2001 — .158 SDR per item plus 1.684 SDR per kilogram; (2) FY 2002 — .172 SDR per-item plus 1.684 SDR per kilogram; and (3) FY 2003 — .215 SDR per item plus 1.684 SDR per kilogram.

a. The underlying workpapers for outbound and inbound terminal dues show no per-item rate greater than .158 SDR. If the applicable per item rate for calendar year 2002 is .172 SDR per item, why isn't it used?

b. The same underlying workpaper shows that the Postal Service only receives the floor rate from the ICs. Please explain why the Postal Service received only this rate.

It is ordered:

The Postal Service is directed to provide the items in the body of this order on or before May 16, 2003.

By the Commission.

(SEAL)

Steven W. Williams
Secretary