UNITED STATES
POSTAL SERVICE

DRAFT

COST AND REVENUE ANALYSIS

FISCAL YEAR 2003 - PRC VERSION

FINANCE

Exhibit 3

UNITED STATES POSTAL SERVICE

COST AND REVENUE ANALYSIS

FISCAL YEAR 2003 - PRC Version

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SUMMARY OF REVENUE AND COST FOR MAJOR SERVICE CATEGORIES
Fiscal Year 2003 - 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	$37,041.3	$17,908.7	$19,132.6	$17,889.1	207.1
Priority Mail	4,490.7	3,112.1	1,378.6	3,064.7	146.5
Express Mail	888.1	462.0	426.1	454.1	195.6
Mailgram	1.2	0.5	0.7	0.5	240.0
Periodicals:					
In County	75.1	67.4	7.7	67.4	111.4
Outside County	2,139.6	2,196.2	(56.6)	2,196.2	97.4
Fees	20.1	-	20.1	-	-
Total Periodicals	2,234.8	2,263.6	(28.8)	2,263.6	98.7
Standard Mail:					
Enhanced Carrier Route	5,177.5	2,207.2	2,970.3	2,203.6	235.0
Regular	11,932.2	8,267.2	3,665.0	8,260.7	144.4
Fees	93.5	-	93.5	-	-
Total Standard Mail	17,203.1	10,474.4	6,728.7	10,464.3	164.4
Package Services:					
Parcel Post	1,262.8	1,047.0	215.8	1,046.3	120.7
Bound Printed Matter	585.4	466.0	119.4	466.0	125.6
Media Mail	364.9	377.3	(12.4)	377.3	96.7
Fees	1.8	-	1.8	-	-
Total Package Services	2,214.9	1,890.3	324.6	1,889.6	117.2
Free Mail for the blind and handicapped	-	41.1	(41.1)	41.1	-
International Mail (note 2)	1,646.0	1,329.1	316.9	1,289.8	127.6
Total Mail	65,720.2	37,481.8	28,238.4	37,356.8	175.9
Special Services (note 3)	2,392.8	1,648.6	744.2	1,643.4	145.6
Miscellaneous items (note 4)	386.5	-	386.5	-	-
Total Mail and Services	68,499.4	39,130.4	29,369.0	39,000.1	175.6
Appropriations: Revenue Forgone	30.7	-	30.7	-	-
Total Operating Income	68,530.1	-	-	-	-
Investment Income	56.9	-	56.9	-	-
Total (note 5)	$68,587.0	$39,130.4	$29,456.6	$39,000.1	175.9
All other costs	-	25,765.0	-	25,895.2	-
Total Operating Expense (note 5)	-	$64,895.3	-	$64,895.3	-

DETAIL OF ATTRIBUTABLE COST FOR MAJOR SERVICE CATEGORIES
EXCLUDING USPS PENALTY
Fiscal Year 2003 - PRC Version
(in thousands)

	Volume Variable cost			
	Direct & Indirect Excluding Transportation	Transportation	Product Specific	Total Attributable
First-Class Mail	$16,940,853	$948,218	$19,597	$17,908,668
Priority Mail	1,836,888	1,227,782	47,430	3,112,100
Express Mail	341,301	112,821	7,894	462,016
Mailgram	453	-	-	453
Periodicals:				
In County	67,321	79	-	67,400
Outside County	1,917,956	278,224	-	2,196,180
Fees	-	-	-	-
Total Periodicals	1,985,277	278,303	-	2,263,580
Standard Mail:				
Enhanced Carrier Route	2,117,045	86,514	3,599	2,207,158
Regular	7,902,298	358,434	6,501	8,267,233
Fees	-	-	-	-
Total Standard Mail	10,019,343	444,948	10,100	10,474,391
Package Services:				
Parcel Post	688,012	358,314	700	1,047,026
Bound Printed Matter	396,926	69,080	-	466,006
Media Mail	292,267	85,032	-	377,299
Fees	-	-	-	-
Total Package Services	1,377,205	512,426	700	1,890,331
Free Mail for the blind and handicapped	35,960	5,149	-	41,109
International Mail (note 2)	602,741	687,094	39,278	1,329,113
Special and other services	1,643,352	-	5,245	1,648,597
Total all mail and services	$34,783,373	$4,216,741	$130,244	$39,130,358

SUMMARY OF REVENUE, ATTRIBUTABLE COST, PIECES, AND WEIGHT FOR MAJOR SERVICE CATEGORIES
Fiscal Year 2003 - PRC Version
(in millions)

	Revenue (note 1)		Attributable Cost		Mail Volume		Mail Weight	
	$	%	$	%	Pieces	%	Pounds	%
First-Class Mail	$37,041.3	$54.0	$17,908.7	$45.8	$99,053.5	49.0	4,236.2	17.1
Priority Mail	4,490.7	6.6	3,112.1	8.0	859.6	0.4	1,622.9	6.5
Express Mail	888.1	1.3	462.0	1.2	55.8	-	53.2	0.2
Mailgram	1.2	-	0.5	-	2.8	-	N/A	N/A
Periodicals:								
In County	75.1	0.1	67.4	0.2	793.5	0.4	230.6	0.9
Outside County	2,139.6	3.1	2,196.2	5.6	8,526.4	4.2	3,764.4	15.2
Fees	20.1	-	-	-	-	-	-	-
Total Periodicals	2,234.8	3.2	2,263.6	5.8	9,319.9	4.6	3,995.0	16.1
Standard Mail:								
Enhanced Carrier Route	5,177.5	7.6	2,207.2	5.6	32,194.4	15.9	5,203.0	20.9
Regular	11,932.2	17.4	8,267.2	21.1	58,164.1	28.8	5,594.3	22.5
Fees	93.5	0.1	-	-	-	-	-	-
Total Standard Mail	17,203.1	25.1	10,474.4	26.7	90,358.5	44.7	10,797.3	43.4
Package Services:								
Parcel Post	1,262.8	1.8	1,047.0	2.7	386.9	0.2	2,133.0	8.6
Bound Printed Matter	585.4	0.9	466.0	1.2	544.8	0.3	1,302.1	5.2
Media Mail	364.9	0.5	377.3	1.0	196.8	0.1	358.7	1.5
Fees	1.8	-	-	-	-	-	-	-
Total Package Services	2,214.9	3.2	1,890.3	4.9	1,128.5	0.6	3,793.8	15.3
U.S. Postal Service Mail	-	-	-	-	391.4	0.2	80.1	0.3
Free Mail for the blind and handicapped	-	-	41.1	0.1	75.7	-	30.0	0.1
International Mail (note 2)	1,646.0	2.4	1,329.1	3.4	940.1	0.5	243.5	1.0
Total Mail	65,720.2	95.8	37,481.8	95.9	202,185.6	100.0	24,851.9	100.0
Special Services (note 3)	2,392.8	3.5	1,648.6	4.1				
Miscellaneous items (note 4)	$ 386.5	0.6	-	-				
Total mail and services	68,499.4	99.9	39,130.4	100.0				
Appropriations: Revenue Forgone	30.7	-		-				
Total Operating Income	$68,530.1	$99.9		-				
Investment Income	$ 56.9	$ 0.1						
Total (note 5)	68,587.0	100.0	39,130.4	100.0				

SUMMARY OF ACCRUED COSTS BY SEGMENTS AND COMPONENTS DETAILING ATTRIBUTABLE COSTS
Fiscal Year 2003 - 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	$1,911,998	-	$340,390	$340,390	-	$1,571,608
2.	Supervisors and technicians:						
	Mail processing	916,901	-	877,044	877,044	-	39,857
	Window service	218,166	-	105,629	105,629	-	112,537
	Administration and support time and attendance	78,774	-	49,365	49,365	-	29,409
	Local services:						
	City carriers:						
	In-office	271,611	-	236,871	236,871	-	34,740
	Elemental load	108,682	-	105,119	105,119	-	3,563
	Other street	601,119	-	138,142	138,142	-	462,977
	Special delivery messengers:						
	In-office	-	-	-	-	-	-
	Street	-	-	-	-	-	-
	Other supervisors and technicians	1,573,559	-	403,479	403,479	-	1,170,080
	Total supervisors and technicians	3,768,812	-	1,915,649	1,915,649	-	1,853,163
3.	Clerks and mailhandlers, CAG A-J offices:						
	Mail processing	13,806,646	13,179,602	-	13,179,602	-	627,044
	Window service	2,421,011	1,172,174	-	1,172,174	-	1,248,837
	Administration support and miscellaneous	1,847,055	-	1,125,650	1,125,650	7,503	713,902
	Total clerks and mailhandlers	18,074,712	14,351,776	1,125,650	15,477,426	7,503	2,589,783
4.	Clerks, CAG K offices	5,842	3,847	-	3,847	-	1,995
6.	City delivery carriers:						
	In-office	4,010,893	2,905,266	592,618	3,497,884	-	513,009
7.	City delivery carriers:						
	Out-of-office	10,480,573	1,552,142	2,039,742	3,591,884	-	6,888,689
	Total city delivery carriers	14,491,466	4,457,408	2,632,360	7,089,768	-	7,401,698
8.	Vehicle service drivers	567,805	343,182	-	343,182	-	224,623

SUMMARY OF ACCRUED COSTS BY SEGMENTS AND COMPONENTS DETAILING ATTRIBUTABLE COSTS
Fiscal Year 2003 - PRC Version
(in thousands)

			Attributable Cost				
			Volume Variable				
	Cost Segments and Components	Accrued Costs	Direct	Indirect	Total	Product Specific	All Other Costs
9.	Special delivery messengers:						
	Street	-	-	-	-	-	-
	Fixed Attributable	-	-	-	-	-	-
	Equipment maintenance and fees	-	-	-	-	-	-
	Total special delivery messengers	-	-	-	-	-	-
10.	Rural carriers:						
	Evaluated routes	4,160,945	1,768,867	-	1,768,867	-	2,392,078
	Other routes	287,536	117,548	-	117,548	-	169,988
	Equipment maintenance allowance	395,780	-	-	-	-	395,780
	Total rural carriers	4,844,261	1,886,415	-	1,886,415	-	2,957,846
11.	Custodial and maintenance service	2,869,753	-	1,986,711	1,986,711	-	883,042
12.	Motor vehicle service:						
	City delivery vehicle	645,088	-	144,406	144,406	-	500,682
	Special delivery vehicle	-	-	-	-	-	-
	Vehicle service vehicle	120,740	-	72,976	72,976	-	47,764
	Rural delivery vehicle	63,833	-	27,069	27,069	-	36,764
	All other	37,040	-	-	-	-	37,040
	Total motor vehicle service	866,701	-	244,451	244,451	-	622,250
13.	Miscellaneous operating expenses:						
	Carfare, tolls and ferriage	45,750	-	5,805	5,805	-	39,945
	All other	231,917	-	-	-	-	231,917
	Total miscellaneous operating expenses	277,667	-	5,805	5,805	-	271,862
14.	Transportation:						
	Domestic airmail	1,696,557	1,521,735	-	1,521,735	-	174,822
	Alaska air	114,935	6,919	-	6,919	-	108,016
	Railroad line haul and other service	183,418	182,231	-	182,231	-	1,187
	Domestic water	24,751	21,633	-	21,633	-	3,118
	Contract highway service	2,391,388	1,921,332	-	1,921,332	-	470,056
	International transportation	579,017	579,017	-	579,017	-	-
	Total transportation	4,990,066	4,232,867	-	4,232,867	-	757,199

SUMMARY OF ACCRUED COSTS BY SEGMENTS AND COMPONENTS DETAILING ATTRIBUTABLE COSTS
Fiscal Year 2003 - 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	$1,342,771	-	$1,142,745	$1,142,745	($746)	$200,772
Other	312,726	-	-	-	107	312,619
Total building occupancy	1,655,497	-	1,142,745	1,142,745	(639)	513,391
16. Supplies and services	2,832,031	7,576	1,209,518	1,217,094	65,122	1,549,815
17. Research and development	54,953	-	-	-	-	54,953
18. Administration and regional operations:						
Headquarters	751,353	-	-	-	12,534	738,819
Postal service personnel	3,561,351	-	1,491,748	1,491,748	40,946	2,028,657
Total administration and regional	4,312,704	-	1,491,748	1,491,748	53,480	2,767,476
19. Support services	45,791	-	-	-	-	45,791
20. Depreciation and other costs:						
Depreciation	2,295,273	-	1,577,050	1,577,050	4,778	713,445
Interest	859,069	-	549,103	549,103	-	309,966
Other	170,937	30,621	-	30,621	-	140,316
Total depreciation and other costs	3,325,279	30,621	2,126,153	2,156,774	4,778	1,163,727
Total accrued costs	64,895,338	25,313,692	14,221,180	39,534,872	130,244	25,230,222
Final adjustments	-	(363,741)	(171,017)	(534,758)	-	534,758
Adjusted grand total	$64,895,338	$24,949,951	$14,050,163	$39,000,114	$130,244	$25,764,980

UNITED STATES POSTAL SERVICE
NOTES TO COST AND REVENUE ANALYSIS
Fiscal Year 2003 - 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 2003 - 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	45.5	30.7	38.0	23.7	18.6	37.4	522.4	1,590.6	43.2
Attributable cost	26.5	10.3	18.3	20.8	6.4	18.1	362.1	827.5	16.2
Revenue less attributable cost	19.0	20.4	19.7	2.9	12.2	19.3	160.3	763.1	27.0
Per pound (cents):									
Revenue	936.9	750.0	850.8	3,798.0	2,041.5	874.4	276.7	1,669.8	N/A
Attributable cost	544.8	252.4	410.1	3,332.3	699.9	422.8	191.8	868.7	N/A
Revenue less attributable cost	392.1	497.6	440.7	465.7	1,341.6	451.6	84.9	801.1	N/A
VOLUME STATISTICS									
Pieces (thousands)	46,552,975	47,287,788	93,840,763	2,551,206	2,661,505	99,053,474	859,572	55,831	2,791
Weight per piece (ounces)	0.8	0.7	0.7	0.1	0.1	0.7	30.2	15.2	N/A
Weight per cubic foot (pounds)	16.9	18.0	17.4	14.9	14.9	17.4	4.6	6.3	N/A
Weight in pounds (thousands)	2,262,703	1,933,235	4,195,938	15,947	24,287	4,236,172	1,622,891	53,183	N/A
Cubic feet (thousands)	133,516	107,695	241,211	1,068	1,627	243,906	351,428	8,436	N/A

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
PERIODICALS
Fiscal Year 2003 - PRC Version

REVENUE AND COST RELATIONSHIP	Total In County	Total Outside County	Total Periodicals
Per piece (cents):			
Revenue	9.5	25.1	24.0
Attributable cost	8.5	25.8	24.3
Revenue less attributable cost	1.0	(0.7)	(0.3)
Per pound (cents):			
Revenue	32.6	56.8	55.9
Attributable cost	29.2	58.3	56.7
Revenue less attributable cost	3.4	(1.5)	(0.8)
VOLUME STATISTICS			
Pieces (thousands)	793,521	8,526,383	9,319,904
Weight per piece (ounces)	4.7	7.1	6.9
Weight per cubic foot (pounds)	25.1	25.1	25.1
Weight in pounds (thousands)	230,643	3,764,394	3,995,037
Cubic feet (thousands)	9,204	150,227	159,431

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
STANDARD MAIL
Fiscal Year 2003 - PRC Version

REVENUE AND COST RELATIONSHIP	Enhanced Carrier Rte	Regular	Total Standard Mail
Per piece (cents):			
Revenue	16.1	20.5	19.0
Attributable cost	6.9	14.2	11.6
Revenue less attributable cost	9.2	6.3	7.4
Per pound (cents):			
Revenue	99.5	213.3	159.3
Attributable cost	42.4	147.8	97.0
Revenue less attributable cost	57.1	65.5	62.3
VOLUME STATISTICS			
Pieces (thousands)	32,194,417	58,164,052	90,358,469
Weight per piece (ounces)	2.6	1.5	1.9
Weight per cubic foot (pounds)	N/A	N/A	24.4
Weight in pounds (thousands)	5,202,968	5,594,312	10,797,280
Cubic feet (thousands)	N/A	N/A	442,336

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
PACKAGE SERVICES
Fiscal Year 2003 - PRC Version

REVENUE AND COST RELATIONSHIP	Total Parcel Post	Bound Printed Matter	Media Mail	Total Package Services
Per piece (cents):				
Revenue	326.4	107.5	185.5	196.3
Attributable cost	270.6	85.5	191.8	167.5
Revenue less attributable cost	55.8	22.0	(6.3)	28.8
Per pound (cents):				
Revenue	59.2	45.0	101.7	58.4
Attributable cost	49.1	35.8	105.2	49.8
Revenue less attributable cost	10.1	9.2	(3.5)	8.6
VOLUME STATISTICS				
Pieces (thousands)	386,942	544,807	196,757	1,128,506
Weight per piece (ounces)	88.2	38.2	29.2	53.8
Weight per cubic foot (pounds)	5.0	9.5	7.8	6.2
Weight in pounds (thousands)	2,132,985	1,302,143	358,663	3,793,791
Cubic feet (thousands)	425,160	137,198	46,196	608,554

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
U.S. POSTAL SERVICE MAIL AND FREE MAIL FOR THE BLIND AND HANDICAPPED
Fiscal Year 2003 - 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	54.3
Revenue less attributable cost	N/A	N/A
Per pound (cents):		
Revenue	N/A	N/A
Attributable cost	N/A	137.0
Revenue less attributable cost	N/A	N/A
VOLUME STATISTICS		
Pieces (thousands)	391,369	75,658
Weight per piece (ounces)	3.3	6.3
Weight per cubic foot (pounds)	6.0	11.1
Weight in pounds (thousands)	80,086	30,006
Cubic feet (thousands)	13,341	2,694

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
INTERNATIONAL MAIL
Fiscal Year 2003 - PRC Version

	International Mail
Attributable cost (millions)	$1,329.1
VOLUME STATISTICS	
Pieces (thousands)	940,054
Weight per piece (ounces)	4.1
Weight per cubic foot (pounds)	7.3
Weight in pounds (thousands)	243,450
Cubic feet (thousands)	33,468

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL
SPECIAL SERVICES
Fiscal Year 2003 - PRC Version

REVENUE AND COST RELATIONSHIP	Registry	Certified	Insurance	Collect on Delivery	Money Orders	Stamped Envelopes	Stamped Cards	Post Office Box
Per transaction (cents):								
Revenue	1,120.7	230.0	231.6	597.6	119.3	N/A	N/A	N/A
Attributable cost	1,005.2	149.6	186.6	545.2	74.5	N/A	N/A	N/A
Revenue less attributable cost	115.5	80.4	45.0	52.4	44.8	N/A	N/A	N/A
Revenue ($ millions)	61.5	624.2	133.3	11.1	236.8	21.2	3.1	788.1
Attributable cost ($ millions):								
Variable cost	52.6	405.9	87.2	8.7	137.1	3.2	0.0	607.2
Other direct	2.6	-	19.5	1.5	7.5	6.0	2.1	-
Total variable cost	55.2	405.9	106.7	10.1	144.7	9.2	2.1	607.2
Specific fixed cost	-	0.2	0.7	-	3.3	-	-	-
Total attributable cost	55.2	406.1	107.4	10.1	148.0	9.2	2.1	607.2
Revenue less attributable cost ($ millions)	6.3	218.2	25.9	1.0	88.8	12.0	1.0	180.9
Revenue as a percent of attributable cost	111.4%	153.7%	124.1%	109.9%	160.0%	230.8%	148.9%	129.8%
VOLUME STATISTIC								
Transactions (thousands)	5,487	271,412	57,547	1,858	198,454	N/A	N/A	N/A