

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

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

International Mail Report

Docket No. IM2004-1

SECOND NOTICE OF INTERNATIONAL MAIL
DATA REQUIREMENTS FOR FY 2003

(Issued March 25, 2004)

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 following information on or before April 8, 2004.

1. Between FY 2002 and FY 2003, the percentage change in the CPI-U was 2.3 percent. During that same period, the following categories of outbound mail experienced increases in unit attributable costs greater than 2.3 percent:
(1) Economy Letters and Letter Packages, (2) International Surface Airlift, (3) Air Letters and Letter Packages, (4) Air Parcel Post, and (5) Global Express Mail.
 - a. For Economy Letters and Letter Packages, most of the increase in cost is traceable to processing, other nontransportation, and settlement. Please discuss the underlying causes of these increases and whether these increases are reasonable.

- b. For International Surface Airlift, most of the increase in cost is traceable to processing, domestic transportation, and settlement. Please discuss the underlying causes of these increases and whether these increases are reasonable.
 - c. For Air Letters and Letter Packages, most of the increase in cost is traceable to processing and international transportation. Please discuss the underlying causes of these increases and whether these increases are reasonable.
 - d. For Air Parcel Post, 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.
 - e. For Global Express Mail, most of the cost increase is traceable to international transportation, and settlement. Please discuss the underlying causes of this increase and whether the increase is reasonable.
 - f. Generally, unit attributable processing costs changed substantially for most outbound categories between FY 2002 and FY 2003. For example, although the unit attributable cost for Economy Parcel Post increased at a rate less than the comparable inflation rate, unit attributable processing cost increased by almost an order of magnitude. Please discuss the reasons for the wide variation in unit attributable processing costs across international mail categories.
 - g. Generally, unit attributable domestic transportation costs changed substantially for most outbound categories between FY 2002 and FY 2003. For example, although the unit attributable cost for Economy Parcel Post increased at a rate less than the comparable inflation rate, unit attributable domestic transportation cost decreased by almost an order of magnitude. Please discuss the reasons for the wide variation in unit attributable domestic transportation costs across international mail categories.
2. Outbound Periodicals have been declining continuously since 1998 and experienced back-to-back annual decreases of 32 percent in FY 2002 and FY 2003. Please

discuss the factors contributing to the downward trend including the back-to-back 32 percent decreases. Please also discuss the Postal Service's expectations regarding future volume trends.

3. Global Priority Mail volume grew by 36 percent between FY 2002 and FY 2003. Please discuss the factors underlying this increase and the Postal Service's expectations regarding future volume levels.
4. Air Parcel Post has shown continuous growth since 1998 including a 14 percent increase from FY 2002 to FY 2003. Please discuss the factors underlying this trend and the Postal Service's expectations regarding future volume trends.
5. Air Letters and Cards (the sum of Air Letters, Cards, and the former Air AO) have been declining continuously since FY 1999. Please discuss the factors underlying this trend and the Postal Service's expectations regarding future volume trends.
6. In the file identified as Inputs.xls, sheet: Product Specific Costs shows product specific cost for Global Priority Mail in the amount of \$1,482,207. The line item expense category is International Supplies Total. Please provide the separate items, i.e., expense title and amount, that sum to \$1,482,207. The corresponding amount in FY 2002 was \$592,000. Please discuss the reasons for the substantial increase.
7. The same file and sheet identified in item 6 above also contain product specific costs for Global Express Mail (EMS) in the amount of \$474,500 and Global Express Guaranteed in the amount of \$452,000. Please provide the separate items, i.e., expense title and amount, that sum to these amounts.
8. The same file and sheet identified in item 6 above also contains a total figure in the amount of \$39,477,785. After subtracting all the product specific costs, this figure is

reduced to \$26,933,344. Sheet “Acct’g Data for Other Costs” adds some additional expenses to this figure yielding a total amount of \$27,822,000. This amount appears as “Other” costs in the ICRA Report. Please provide the separate items, i.e., expense title and amount, that sum to \$39,477,785.

It is ordered:

The Postal Service is directed to provide the items in the body of this order on or before April 8, 2004.

By the Commission.
(S E A L)

Steven W. Williams
Secretary