

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

FOURTH NOTICE OF INTERNATIONAL MAIL
DATA REQUIREMENTS FOR FY 2003

(Issued April 2, 2004)

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, 2004.

1. After the Commission completed the Report to Congress on FY 1998 International Mail Volumes, Costs and Revenues, Congressman John McHugh sent a letter to the Commission requesting further analyses. Among the items requested were inbound costs, volumes, and revenues by country group and mail category. (See the appended request, question 3a – the referenced Table E-1 contained outbound data by country group.) Because that information was important to Congress, the Commission has included it in each of its subsequent reports. Consistent with Congress' perceived needs, in item 2 of the First Notice of International Mail Data Requirements (Order No. 1397), the Commission requested separate attributable

costs, revenues and volumes for inbound mail separated between Canada, industrialized countries (ICs), and developing countries (DCs). The Postal Service's response to item 2 stated that "[t]he Postal Service does not collect inbound cost data by country...". It is the Commission's understanding, however, that raw IOCS data contain the origin country for each tally, since the IOCS data technician must enter a country code for the origin country or 999 if the origin country is unknown. Therefore, it should be possible to separate IOCS-related cost segments for these inbound categories into Canada, ICs and DCs. Further, when the Commission made the same request pursuant to completing the Report to Congress on FY 2001 International Mail, the Postal Service did provide separate total unit attributable costs for Canada, ICs and DCs. It would appear that this was done by using the information contained in the raw IOCS tally records. For these reasons, the Commission renews its request for the attributable cost data for inbound Surface LC/AO, inbound Surface Parcel Post, inbound Air LC/AO, inbound Air Parcel Post, and inbound Express Mail. (GDEI mail is not needed.) The Commission requests that the Postal Service separate each of these line items, segment by segment, between Canada, ICs, and DCs.

It is ordered:

The Postal Service is directed to provide the items in the body of this Order on or before April 15, 2004.

By the Commission.

(S E A L)

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Secretary

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August 3, 1999

The Honorable Edward J. Gleiman, Chairman
Postal Rate Commission
1333 H Street NW Suite 300
Washington, DC 20268-0001

Dear Chairman Gleiman:

Thank you for your timely reply of July 19, providing the requested copy of the Commission's first annual Report to the Congress on International Mail: Volumes, Costs, and Revenues. I read the report with great interest.

To facilitate the Subcommittee's analysis, and in my capacity as the Chairman of the Subcommittee with sole jurisdiction over postal matters, I am writing to obtain further elaboration and additional information on specific data contained in the report. I appreciate the Commission's continued assistance.

1. If possible, please provide copies of the sources listed in Appendix A, and a copy of the International Cost and Revenue Analysis Report.
2. In the first paragraph of the report, the Commission notes that the Postal Service has determined that the information in the report is such that a private company would not publicly disclose it under "good business practices." Our nation's postal laws authorize the Postal Service to make such a determination. However, given the Commission's experience in the rate setting process of balancing the Postal Service's demands to protect information about its commercial operations from public disclosure, with public interest demands to address mailers' concerns and fair play, I would appreciate the Commission's views on two questions:
 - a. Does the Commission believe that any information in its International Report is of a more sensitive commercial nature than information about competitive domestic postal services that is routinely disclosed in the course of a domestic rate case?
 - b. If so, in the Commission's view, which information specifically is of an especially sensitive nature, and why does the Commission consider it to be so commercially sensitive?

Chairman Gleiman

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3. Current public policy issues involving international mail imply slightly different approaches to analyzing some of the data in the Commission's report. For example, the report identifies reasons for and against combining inbound and outbound international mail data. In addition, the appropriateness of terminal dues levels, especially in relation to industrialized countries, has become a topic of Universal Postal Union discussions. Moreover, the "cost coverage" test for the Postal Service's competitive products as contained in my postal modernization bill, H.R. 22, implies the need to consider outbound international transportation costs separately. Therefore, the following additional information would assist in the Subcommittee's evaluation:
 - a. It would be most helpful if the Commission would provide revised versions of Tables II-1, III-2, IV-2, and E-1 showing combined data for outbound and inbound mail flows.
 - b. In addition, for all tables (revised and unrevised), where appropriate, it would be helpful to add columns for weight (as international transportation costs generally vary with weight), and, for outbound mail, to separate attributable costs into (1) international transportation costs, (2) terminal dues costs, and (3) all other costs.
 - c. Based on the Commission's discussion on page 37 of its Report, for the revised, combined version of Table E-1 in particular, it is recognized that disaggregation of inbound costs may introduce a certain level of arbitrariness; however, it would appear that this should be a small factor in the combined totals. In any event, please comment on the magnitude of this problem.
4. Also on page 37 of its Report, the Commission notes that separate terminal dues agreements with Canada and certain European countries "presumably" set rates that cover costs. Please estimate the differences, if any, between terminal dues revenue and revenue that would have been collected from comparable domestic mail for international mail received from (1) Canada, (2) the European Bilateral group of countries, and (3) industrialized countries collectively (as defined by the Universal Postal Union). Given that any estimate will be approximate, please explain the basis for the Commission's estimate and possible sources of error.
5. Does the Commission's estimate of incremental costs for international mail include costs of U.S. participation in the Universal Postal Union and regional postal unions? If not, what are these costs and how should they be treated? Are there any additional costs that, in the judgment of the Commission, might be properly attributed to international mail even though the Postal Service itself does not do so?

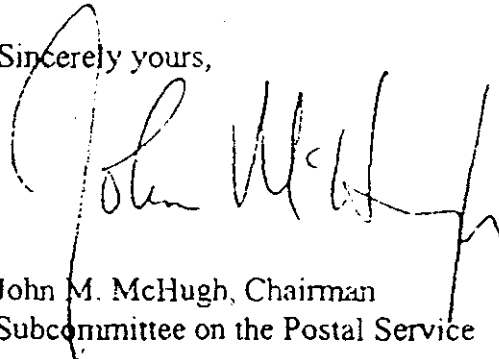
Chairman Gleiman

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I appreciate the Commission's assistance in providing this additional information.

With best wishes, I am

Sincerely yours,

A handwritten signature in black ink, appearing to read "John M. McHugh". The signature is fluid and cursive, with a large initial "J" and a stylized "M".

John M. McHugh, Chairman
Subcommittee on the Postal Service