

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

FIFTH NOTICE OF INTERNATIONAL MAIL
DATA REQUIREMENTS FOR FY 2003

(Issued April 16, 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 29, 2004.

1. Please confirm the increase in FedEx Day expense associated with inbound air parcel post (2003 vs. 2002) is due to the phase-in of the FedEx contract. Isolate, if possible, the expenses in CS 16, Supplies and Services, (for 2003 and 2002) that were related to the Emery Air contract that was being phased out.
2. Please explain the dramatic increase in Christmas Network expense (2003 vs. 2002) associated with inbound air parcel post.

3. 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 foreign origin (inbound) mail experienced increases in unit attributable costs greater than 2.3 percent: (1) Economy Parcel Post, (2) Air Parcel Post, and (3) Express.
 - a. For Economy Parcel Post, most of the increase in cost is traceable to processing, and other non-transportation. Please discuss the underlying causes of these increases and whether these increases are reasonable.
 - b. For Air Parcel Post, most of the cost increase is traceable to processing, other non-transportation, and domestic transportation. Please discuss the underlying causes of these increases and whether these increases are reasonable.
 - c. For Express, most of the cost increase is traceable to processing, and other domestic transportation. Please discuss the underlying causes of this increase and whether the increase is reasonable.
4. In the Postal Service's response to item 1b of the First Notice, Attachment II thereto shows that the Non-ICM revenue and volume for Global Priority Mail (GPM) are the same as the total revenue and volume for GPM, implying that there are no ICMs for GPM. However, the volume variable cost for Non-ICM GPM mail is less than the total for all GPM, implying that there is ICM mail. Please explain this apparent inconsistency and provide a revised attachment if necessary.
5. In response to the same notice and item referenced in 4 above, the Postal Service data indicate that Global Direct Outbound mail contains both ICM mail and Non-ICM mail. It has been the Commission's understanding that Global Direct Outbound mail consists entirely of ICMs. Please explain and provide a revised attachment if necessary.

6. The response referenced in 4 above shows that the volume of ICM mail associated with Air Letters declined substantially. Please discuss the factors that may have caused this decrease.
7. The response referenced in 4 above shows that four categories of ICM mail produce revenues that do not cover their volume variable costs, namely, Air Letters, Air Parcel Post, Economy Letter Packages, and Global Direct Outbound. Please explain why these ICM rates do not cover volume variable costs. What steps is the Postal Service taking to ensure that these rates will cover costs?

It is ordered:

The Postal Service is directed to provide the items in the body of this Order on or before April 29, 2004.

By the Commission
(S E A L)

Steven W. Williams
Secretary