

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
JAN 1 1999

INTERNATIONAL MAIL REPORT

Docket No. IM99—1

COMMENTS OF THE UNITED STATES POSTAL SERVICE
IN RESPONSE TO COMMISSION ORDER NO. 1226
(January 29, 1999)

On December 16, 1998, UPS filed a petition with the Postal Rate Commission asking that it initiate a rulemaking to supplement the Commission's Rules of Practice and Procedure. In its Petition, UPS asked that the Commission establish rules governing the Postal Service's production of cost, revenue, and volume information for international mail services under 39 U.S.C. § 3663. Section 3663, which was enacted in conjunction with this year's appropriation bill, provides that the Commission must prepare yearly reports of the costs, revenues, and volumes "accrued" by the Postal Service in connection with international mail.

In Order No. 1226 issued on January 15, the Commission determined to postpone initiating a rulemaking to formulate permanent rules requiring production of specific data until sometime after July 1, 1999, when its first report under section 3663 is due. The Commission explained that it would not have sufficient time to conduct the rulemaking in advance of the July 1 deadline. Nevertheless, the Commission's Order invited comments from interested persons on suggestions for preparing this year's report. In particular, the Commission invited the public to comment or make

recommendations on (1) the international mail products or services that should be analyzed under section 3663, (2) additional data that would be helpful to the Commission in performing its 3663 functions, and (3) any other issues relevant to the Commission's 3663 responsibilities.

The United States Postal Service hereby responds to the Commission's request for comments. At the outset, we must emphasize that we are reserving *comment on some of the broader inferences* that might be drawn from UPS's motion concerning expectations for the subsequent rulemaking proceeding. As explained above, we understand Order No. 1226 to be seeking constructive comments on the most appropriate focus for the Commission's initial report, as well as the practical limitations on provision and usefulness of available data. In this regard, the Postal Service affirms its intent to assist the Commission in every way possible in order to enable it to timely complete its section 3663 responsibilities.

In summary, the Postal Service believes that some of the services or products are too small to be separately reported and should be included in the broader classification of mail to which they pertain. Further, two of the services are country-specific, such that reporting on them separately would require *production of commercially-sensitive information*. In addition, insofar as the list would require breakouts of data that the Postal Service has not done in the past, we caution that those data might not be available for the first report due in 1999.

Finally, one of the services listed as outbound should be listed as inbound.

Several services listed in the Attachment to Order No. 1226 are very small. So small in fact that reporting on them separately, as opposed to including them in the larger classes of mail, might not produce useful information. These services include Air M-bags (part of Air AO)(\$968,000 in revenue in 97), Valuepost/Canada (part of surface AO)(\$2.8 million revenue in 98), and Bulk letter service to Canada (part of Air LC)(\$2,500 in revenue in 98). Although these services have distinct names for marketing purposes, in essence, they are not stand-alone, unique services. Indeed, Valuepost/Canada is more like a separate country group for ISAL and Bulk letter service to Canada is more like a separate country group for IPA

A further concern with respect to Valuepost/Canada and Bulk letters to Canada is that reporting on these services separately would require producing country-specific data that the Postal Service considers commercially sensitive. In general, for domestic mail, the Commission has agreed that volume data showing mail flows between identifiable places is commercially sensitive and has not required production of data at that level. Mail flows between the United States and any particular country are likewise commercially sensitive and should not be made public. In any event, as explained above, the disproportionately small levels of activity in these categories caution against reporting for them separately.

Another concern with Valuepost/Canada and Bulk letters to Canada is that while revenue and volume information is available, costs are not separately tracked. Obtaining cost information for these services would require more information than the Postal Service currently has available.

Accordingly, the Postal Service believes that costs, revenues, and volumes

for Air M-bags, Valuepost/Canada, and Bulk letters to Canada should be included in the larger classes of international mail of which they are a part.

Reporting data on postcards and postal cards separately from data on Aerograms is likely to be difficult. At the present, the data concerning Aerograms and post cards and postal cards are collected as one category. In the most recent year for which data are available, the combined revenue for this type of mail was only \$37.7 million, making the combined line item very small for reporting purposes. As these types of mail have similar shapes and purposes (brief messages on a single sheet or less), and it could be difficult to break them apart, we would suggest that they continue to be reported together. We would also caution that because these data are collected as one category, it might not be possible to separate the data into two categories before March 15.

Surface M-bags have historically been reported separately but are also a very small category. In the most recent year, revenue was only \$12 million. The Commission should consider whether this category should continue to be reported separately or should be included in surface AO for reporting purposes.

Transit services are provided to other postal administrations at rates established by the Universal Postal Union. The Postal Service maintains revenue and weight data, but does not track costs separately because transit mail is included in the Postal Service's own dispatches of international mail and the Postal Service does not set rates for transit mail.

With respect to special services, the Postal Service does not currently report revenues, volumes, and costs of International special service transactions apart from domestic transactions. International revenue and volume

" 5 "

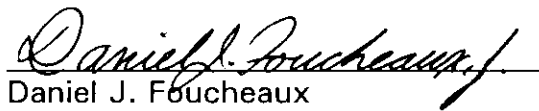
information is tracked and could be possibly reported by March 15, although this is not a certainty. International special service transaction cost information, although tracked, could not realistically be reported before March 15.

Global Parcel Services is listed in the Attachment to Order No. 1226 as an outbound service. It is, instead, an offering of inbound parcel delivery services comparable to domestic services that is being tested with a limited number of foreign postal administrations. As such, it should be included in the inbound mail category rather than outbound.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys



Daniel J. Foucheaux
Chief Counsel, Ratemaking



William T. Alvis
Attorney, National Litigation

475 L'Enfant Plaza West, S,W,
Washington, DC 20260-1137
January 29, 1999

" 6 "

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 of the Rules of Practice.

William T. Alvis
William T Alvis

475 L'Enfant Plaza West, S.W.
Washington, DC 20260-1137
January 29, 1999