ORDER NO. 1244

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-00001

Before Commissioners: Edward J. Gleiman, Chairman;
W.H. “Trey” LeBlanc III, Vice Chairman;
Commissioners Dana B. Covington, Sr.,
Ruth Y. Goldway, and George A. Omas

International Mail Report — Docket No. IM99-1

FOURTH NOTICE OF INTERNATIONAL MAIL DATA REQUIREMENTS

(Issued May 20, 1999)

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 May 27, 1999. If any of the items listed below can be provided sooner, the Postal Service is requested to do so.

1. The U.S. Postal Service Office of Inspector General (USPSOIG) in its Report dated December 30, 1998, found four areas of concern that might have led to an understatement of revenues: (1) not all inbound Canadian volume was included for the statistical test process; (2) the statistical procedures for inbound European mail may have accounted for a decline in revenues; (3) $100 million in international revenue was mistakenly reported in Domestic revenues in FY 1997; and, (4) revenue leakage associated with weak mail acceptance procedures and inadequate financial controls.

a. Please describe the nature of the problem with Canadian and European inbound volumes and what if any steps the Service has taken to address these problems. Please discuss how substantial these problems are with respect to estimating inbound volumes and inbound revenues (terminal dues).

b. Please describe the nature of the problem with respect to the $100 million revenue misallocation. Please describe the steps the Postal Service has taken to remedy the problem. Please estimate the international mail revenue that has been underreported in the FY 1988 ICRA, by mail category.

c. Please discuss the nature of the revenue leakage problem, its effect on FY 1998 revenues, and the steps the Service has taken to remedy the problem.

2. In the description of the SIRV/I sampling and expansion procedures, the Postal Service uses “the known weights (in gross Kg) of mail that are available from the U.S.P.S. accounting system.” The Postal Service further explains that these data “are maintained by country and transportation mode by the IAB.” (See Workpaper 1B, Volume 2, Technical Description, p. 8-3.)

a. What is the source of these data? If these data are based on inbound manifests, does the Service check the contents of the inbound containers against the manifests? To what degree is there a disparity between the manifest count and the Service’s count? If the data are obtained from something other than a manifest type of document, how does the Postal Service assure its accuracy?

b. During the sampling process, does the Postal Service compare the sample count of pieces and weight to the inbound document showing the same information? If so, does the Postal Service conduct any analysis of this information? Please describe the analysis and provide any tables or workpapers pertinent to the analysis.

3. Please refer to the formula for $\hat{W}_{c\tau}$ in Workpaper 1B, Volume 2, Technical Description, p. 8-3. The last term in the formula is not defined, but it appears to denote the total weight of the total number of sample pieces in mail stream k of shape l that are contained in $S_{ij\tau ct}$. Please confirm.

4. In response to Item 17 of the Second Notice of International Mail Data Requirements, the Postal Service stated that it "does not routinely produce coefficients of variation for any estimates of its outbound and inbound international volumes …" If the Postal Service has coefficients of variation for inbound volumes, please provide the most recent figures available. Please describe any differences between the sampling procedure underlying these CVs and the current sampling procedure that might have a bearing on the relevance of the most recent available CVs to FY 1998 data.

5. Please refer to Workpaper 1B, Volume 2, Technical Description, pp. 7-4 to 7-7. The description of Step 1 on page 7-7 refers to the IAB weight file.

a. Does this file reflect the MIDAS weight information. If not, what is the source of the weight information?

b. Step 1 describes the process by which SIRV/O sample data on revenues, pieces, and weight is expanded to the universe using a control weight. Is this the same procedure that is described on page 7-4: "the mainfame data are expanded by specific values determined by their probability of selection and then scaled (or ratio adjusted) to MIDAS weight control totals"?

6. In response to item 3 of the Third Notice of International Mail Data Requirements, the Postal Service states that it uses the attributable cost of air letters to Canada to develop the attributable cost for Bulk Letter Service to Canada. Similarly, the Postal Service states that it uses the attributable cost of surface printed matter to Canada to develop an attributable cost for Value/Post Canada, and the attributable cost of surface printed matter to develop an attributable cost for M-bags.

a. For Bulk Letter Service to Canada, does the Postal Service use the unit attributable cost for air letters from page B-2 of the ICRA and the piece volumes from page A-8? If not, please provide the correct sources and estimation procedure.

b. For Value/Post Canada, does the Postal Service use the unit attributable cost for surface AO subtotal from page B-2 of the ICRA and the piece volumes from page A-8? If not, please provide the correct sources and estimation procedure.

c. Please provide the comparable sources and estimation procedures for M-bags to Canada, Mexico, EURB, and UPU countries.

7. Please refer to Item 8 of your response to the Third Notice of International Mail Data Requirements. Please provide similar Year-to-Date summaries for International Customized Mail, Direct Entry/Inbound, and Global Parcel Service. Also, please provide a line-by-line explanation of the costing methodology used for each service, similar to the response to Item 8.

8. Please refer to Pages A-3 and A-8 of the FY 1998 ICRA Report. Please provide a separation of the volume and revenue data between (1) Surface AO and ValuePost/Canada; and, (2) Publishers' and ValuePost/Canada. Are the volumes and revenues for Bulk Letter Service to Canada shown on page A-8 included only in the line on page A-3 labeled as Letters. If not, please provide a separation of the volumes and revenues on page A-3 between Bulk Letter Service to Canada and the appropriate categories on page A-8.

It is ordered:

1. The Postal Service shall provide the information described in the body of this Order on or before May 27, 1999.

2. If any of the items of information cannot be provided by that time, the Postal Service shall provide a schedule of when those items can be provided.

By the Commission.

(S E A L)

Cyril J. Pittack
Acting Secretary