

FY 2014 Public Cost and Revenue Analysis (PCRA) Report

I. PREFACE

A. Purpose and Content

USPS-FY14-1, FY 2014 Public Cost and Revenue Analysis (PCRA) summarizes attributable costs for the United States Postal Service's main products. For market-dominant products, it presents product-specific costs, revenues, and volumes. For competitive products, it presents summary information.

B. Predecessor Document

Docket No: ACR-2013, USPS-FY13-1.

C. Corresponding Non-Public Document

USPS- FY14-NP11: FY 2014 Non-Public Cost and Revenue Analysis (NPCRA).

D. Methodology

The PCRA conforms to the Postal Regulatory Commission (PRC) methods for calculating attributable costs, which are revised annually. The Negotiated Service Agreement costs reported in the CRA, however, reflect a final adjustment made to the costs from separate analyses as the data became available.

E. Input/Output

Among the primary outputs from the CRA report are the attributable costs by subclass. This attachment relies on inputs from USPS-FY14-7 and USPS-FY14-NP18, Cost Segment 3 Cost Pools, USPS-FY14-NP21, In Office Cost System (IOCS) Documentation, USPS-FY14-NP22, City Carrier Cost System (CCCS) Documentation, USPS-FY14-NP23, Rural Carrier Cost System (RCS) Documentation, and USPS-FY14-NP24, Transportation Cost System (TRACS) Documentation. Additionally, these items rely on inputs from USPS-FY14-NP14, FY 2014 CRA Model. The primary input for the international data shown on this report is the FY 2014 International Cost and Revenue Analysis (ICRA) report from USPS-FY14-NP2.

II. ORGANIZATION

The USPS-FY14-1, 2014 Public Cost and Revenue Analysis (PCRA) is a 8-page summary of domestic and international attributable costs by rate category, differing from the non-public version (USPS-FY14-NP11) by not presenting product-specific data for competitive products.

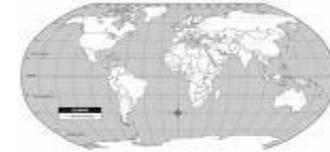
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PUBLIC COST AND REVENUE ANALYSIS

Fiscal Year 2014

FINANCE



PUBLIC COST AND REVENUE ANALYSIS

Fiscal Year 2014

(in millions)

(per piece)

Mail Classes and Products (note 1)	(in millions)				(per piece)			
	Revenue (note 1) A	Attributable Cost (note 2) B	Volume Variable Cost (note 2) C	Product Specific Cost (note 2) F	Revenue \$ D	Attributable Cost \$ (note 2) E	Contribution \$ (note 2) (D-E)	Cost Coverage (note 2) (D/E)
MARKET DOMINANT PRODUCTS								
First-Class Mail:								
Single-Piece Letters.....	\$10,128.8	\$5,710.3	\$5,682.2	\$28.1	\$0.492	\$0.277	\$0.214	177.38%
Single-Piece Postcards.....	319.1	266.5	265.2	1.3	0.345	0.288	0.057	119.75%
Total Single-Piece Letters and Cards.....	10,447.9	5,976.8	5,947.5	29.4	0.485	0.278	0.208	174.81%
Presort Letters.....	14,630.3	4,560.0	4,553.5	6.6	0.385	0.120	0.265	320.84%
Presort Cards.....	558.8	184.2	183.8	0.4	0.254	0.084	0.170	303.36%
Total Presort Letters and Cards.....	15,189.0	4,744.2	4,737.3	6.9	0.378	0.118	0.260	320.16%
Flats.....	2,491.6	1,566.1	1,564.4	1.7	1.398	0.879	0.519	159.10%
Parcels.....	590.9	542.8	542.7	0.0	2.535	2.328	0.206	108.86%
First-Class NSAs.....	39.1	12.6	12.6	-	0.379	0.123	0.257	309.18%
Outbound Single-Piece First-Class Mail Int'l.....	307.9	188.4	188.0	0.4	1.428	0.874	0.554	163.40%
Inbound Single-Piece First-Class Mail Int'l.....	174.5	249.3	248.9	0.5	0.720	1.029	(0.309)	70.00%
Fees (note 2).....	167.3	-	-	-	-	-	-	-
Total First-Class.....	29,408.1	13,280.3	13,241.4	38.9	0.457	0.207	0.251	221.44%
Standard Mail:								
High Density and Saturation Letters.....	879.7	369.7	368.9	0.8	0.147	0.062	0.085	237.96%
High Density and Saturation Flats and Parcels.....	2,005.6	881.1	879.6	1.5	0.178	0.078	0.100	227.62%
Carrier Route.....	2,364.0	1,685.7	1,684.5	1.2	0.263	0.188	0.076	140.24%
Letters.....	9,817.5	4,895.4	4,889.2	6.2	0.206	0.103	0.103	200.53%
Flats.....	2,037.4	2,497.0	2,496.4	0.7	0.403	0.494	(0.091)	81.59%
Parcels.....	68.0	102.5	102.5	0.0	1.032	1.557	(0.525)	66.28%
Standard Mail NSAs.....	118.4	63.3	63.3	-	0.210	0.112	0.099	188.13%
Every Door Direct Mail Retail.....	149.0	39.3	39.3	0.0	0.167	0.044	0.123	379.11%
Fees (note 2).....	57.1	-	-	-	-	-	-	-
Total Standard Mail.....	17,496.7	10,534.0	10,523.7	10.4	0.218	0.131	0.087	166.10%
Periodicals:								
In County.....	66.6	85.7	85.6	0.0	0.114	0.146	(0.033)	77.73%
Outside County (note 2).....	1,552.2	2,048.5	2,048.0	0.5	0.284	0.375	(0.091)	75.77%
Fees (note 2).....	6.5	-	-	-	-	-	-	-
Total Periodicals.....	1,625.3	2,134.2	2,133.7	0.5	0.269	0.353	(0.084)	76.16%
Package Services:								
Alaska Bypass.....	33.1	16.4	16.4	-	25.666	12.698	12.968	202.12%
Inbound Surface Parcel Post (at UPU Rates).....	18.1	12.9	12.9	-	19.957	14.199	5.758	140.55%
Bound Printed Matter Flats.....	201.9	134.3	134.0	0.3	0.808	0.538	0.271	150.36%
Bound Printed Matter Parcels.....	272.3	251.2	250.9	0.3	1.285	1.185	0.100	108.43%
Media and Library Mail (note 2).....	307.8	328.1	328.0	0.1	3.566	3.802	(0.235)	93.81%
Fees (note 2).....	2.7	-	-	-	-	-	-	-
Total Package Services.....	835.9	742.8	742.1	0.7	1.519	1.350	0.169	112.53%
International Negotiated Service Agreements.....	164.2	143.1	142.7	0.4	1.036	0.902	0.134	114.81%
Free Mail - blind, handicapped & servicemen.....	-	39.5	39.5	-	-	0.834	(0.834)	-
Total Market Dominant Mail.....	49,530.3	26,873.8	26,823.0	50.8	0.326	0.177	0.149	184.31%

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS

Fiscal Year 2014

(in millions)

(per piece)

Mail Classes and Products (note 1)	(in millions)				(per piece)			
	Revenue (note 1) A	Attributable Cost (note 2) B	Volume Variable Cost (note 2) C	Product Specific Cost (note 2) F	Revenue \$ D	Attributable Cost \$ (note 2) E	Contribution \$ (note 2) (D-E)	Cost Coverage (note 2) (D/E)
MARKET DOMINANT SERVICES								
Ancillary Services								
Certified Mail.....	687.3	542.2	542.2	0.0	3.234	2.551	0.683	126.76%
COD.....	3.6	2.7	2.7	0.0	9.890	7.349	2.542	134.59%
Insurance.....	91.6	63.5	63.5	0.0	4.666	3.232	1.434	144.38%
Registered Mail.....	34.9	28.6	28.6	0.0	15.983	13.097	2.886	122.04%
Stamped Envelopes.....	9.9	7.8	7.8	-				
Stamped Cards (note 3).....	1.7	0.6	0.6	-				
Other Ancillary Services (note 2).....	525.2	259.6	259.5	0.1				
Total Domestic Ancillary Services.....	1,354.3	905.0	904.9	0.1				
Total International Ancillary Services (note 2).....	41.1	12.8	12.8	-	1.538	0.478	1.060	321.75%
Special Services:								
Address Management Services.....	17.2	4.3	0.1	4.3				
Caller Service.....	97.9	21.9	21.9	-				
Credit Card Authentication (note 4).....	15.1	1.3	1.3	-				
Customized Postage.....	0.6	0.1	0.1	-				
Money Orders.....	165.3	99.7	97.3	2.4	1.704	1.028	0.677	165.84%
Post Office Box Service.....	365.3	281.9	281.9	0.0				
Stamp Fulfillment Services.....	3.3	4.3	4.3	-				
Total Special Services.....	664.7	413.4	406.8	6.7				
Total Market Dominant Services.....	2,060.1	1,331.2	1,324.5	6.9				
Total Market Dominant Mail and Services.....	51,590.4	28,205.0	28,147.5	57.7				

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2014
(in millions)

Mail Classes and Products (note 1)	(in millions)				(per piece)			
	Revenue (note 1) A	Attributable Cost (note 2) B	Volume Variable Cost (note 2) C	Product Specific Cost (note 2) F	Revenue \$ D	Attributable Cost \$ (note 2) E	Contribution \$ (note 2) (D-E)	Cost Coverage (note 2) (D/E)
COMPETITIVE MAIL AND SERVICES								
Total Priority Mail Express.....	759.8	365.5	360.7	4.8	20.972	10.088	10.884	207.89%
Total First-Class Package Service.....	1,461.8	1,154.8	1,153.9	0.8	2.304	1.820	0.484	126.59%
Total Priority Mail.....	6,883.9	5,234.4	5,131.9	102.4	7.482	5.689	1.793	131.51%
Total Ground.....	3,160.3	2,472.0	2,472.0	0.0	2.006	1.569	0.437	127.84%
Total Competitive International.....	2,319.0	1,384.7	1,373.9	10.8	8.209	4.905	3.304	167.35%
Total Domestic Competitive Services.....	695.1	358.5	322.4	36.1				
Total Competitive Mail and Services.....	15,280.0	10,969.9	10,814.8	155.1				
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Total All Mail and Services.....	66,870.4	39,174.9	38,962.3	212.8				
Miscellaneous Items.....	907.9	-	-	-				
Appropriations: Revenue Forgone.....	52.5	-	-	-				
Total Operating Income.....	67,830.7	39,174.9	38,962.3	212.8				
Investment Income.....	23.6	-	-	-				
Total	67,854.3	39,174.9	38,962.3	212.8				
All Other.....		34,187.0						
Total.....		73,361.9						

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2014

VOLUME STATISTICS

Mail Classes and Products (note 1)	Pieces (thousands)	Weight in Pounds (thousands)	Weight per Piece (ounces)
MARKET DOMINANT PRODUCTS			
First-Class Mail:			
Single-Piece Letters.....	20,599,374	631,656	0.5
Single-Piece Postcards.....	924,941	5,911	0.1
Total Single-Piece Letters and Cards.....	21,524,315	637,567	0.5
Presort Letters.....	37,995,003	2,143,083	0.9
Presort Cards.....	2,198,318	17,946	0.1
Total Presort Letters and Cards.....	40,193,321	2,161,030	0.9
Flats.....	1,782,673	366,376	3.3
Parcels.....	233,115	71,316	4.9
First-Class NSAs.....	103,014	0	0.0
Outbound Single-Piece First-Class Mail Int'l.....	215,536	13,239	1.0
Inbound Single-Piece First-Class Mail Int'l.....	242,238	70,666	4.7
Total First-Class.....	64,294,213	3,320,193	0.8
Standard Mail:			
High Density and Saturation Letters.....	5,970,133	248,105	0.7
High Density and Saturation Flats and Parcels.....	11,278,633	2,040,308	2.9
Carrier Route.....	8,980,116	1,961,126	3.5
Letters.....	47,571,876	2,446,219	0.8
Flats.....	5,054,395	1,292,885	4.1
Parcels.....	65,846	23,062	5.6
Standard Mail NSAs.....	566,251	0	0.0
Every Door Direct Mail Retail.....	890,148	112,906	2.0
Total Standard Mail.....	80,377,398	8,124,611	1.6
Periodicals:			
In County.....	586,130	171,805	4.7
Outside County (note 2).....	5,458,584	2,103,172	6.2
Total Periodicals.....	6,044,715	2,274,977	6.0
Package Services:			
Alaska Bypass.....	1,290	87,002	1079.2
Inbound Intl. Surface Parcel Post (at UPU Rates).....	906	14,128	249.6
Bound Printed Matter Flats.....	249,745	392,471	25.1
Bound Printed Matter Parcels.....	211,977	523,594	39.5
Media and Library Mail (note 2).....	86,304	210,209	39.0
Total Package Services.....	550,222	1,227,403	35.7
International Negotiated Service Agreements.....	158,535	48,448	4.9
U.S. Postal Service.....	454,258	113,679	4.0
Free Mail - blind, handicapped & servicemen.....	47,386	21,482	7.3
Total Market Dominant Mail.....	151,926,726	15,130,793	1.6

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2014

VOLUME STATISTICS

Mail Classes and Products (note 1)	Pieces (thousands)	Weight in Pounds (thousands)	Weight per Piece (ounces)
MARKET DOMINANT SERVICES			
Ancillary Services			
Certified Mail.....	212,519	NA	NA
COD.....	364	NA	NA
Insurance.....	19,633	NA	NA
Registered Mail.....	2,186	NA	NA
Other Ancillary Services (note 2).....	3,114,871	NA	NA
Total International Ancillary Services (note 2).....	26,721	NA	NA
Special Services			
Money Orders.....	96,963	NA	NA
Total Market Dominant Service Transactions.....	3,473,255	NA	NA
COMPETITIVE PRODUCTS			
Total Express Mail.....	36,231	37,073	16.4
Total First-Class Package Service.....	634,615	219,824	5.5
Total Priority Mail.....	920,083	1,989,049	34.6
Total Ground.....	1,575,596	2,987,927	30.3
Total Competitive International.....	281,480	313,276	17.8
Total Competitive Mail.....	3,448,005	5,547,149	25.7
Total Market Dominant Mail (no services).....	151,926,726		
Total Competitive Mail (no services).....	3,448,005		
Total All Mail (no services).....	155,374,732		

**UNITED STATES POSTAL SERVICE
NOTES TO PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2014**

1. Public Cost and Revenue Analysis

The U.S. Postal Service (Postal Service) has annually prepared the Domestic Cost and Revenue Analysis (CRA) and International Cost and Revenue Analysis (ICRA) covering the period October 1 through September 30. The CRA and ICRA were created to aid in determining that the statutory requirements under Title 39 U.S. Code are met, that “each class of mail or type of mail service bear the direct and indirect costs attributable to that class or service....”

As a result of the enactment of Public Law 109-435 on December 20, 2006, the Postal Service continues to produce cost and revenue information by product but using methods approved by the Postal Regulatory Commission (PRC). The PRC methods are described in the PRC’s Annual Compliance Determination Report. The Fiscal Year 2014 Public Cost and Revenue Analysis Report (PCRA) combines revenue and cost data from both the domestic and international CRAs. It represents the PRC’s method when presenting each category’s estimated attributable and unit costs. The PCRA also displays revenue, pieces and weight information from the Revenue, Pieces and Weight (RPW) report. The Public CRA differs from the Non-Public CRA by not detailing costs for specific products defined by the PRC as “Competitive.”

The postal system of accounts is the basis for PCRA data; however, the postal system of accounts generally does not accumulate financial data by categories of mail. Apportionment factors, derived from various postal operational and statistical information sources, are required for development of the data for PCRA purposes. Some of these sources (e.g., In-Office Cost System and Origin-Destination Information System - Revenue, Pieces and Weight (ODIS-RPW) system) are dedicated to this purpose and involve extensive statistical sampling of postal activity during the year. Calculated amounts are compared and scaled to actual data in the postal system of accounts, as appropriate.

2. Definitions

Volume Variable Cost – The change in unit costs resulting from a change in its volume alone, when the volumes of other subclasses or mail categories remain constant. That change in unit costs is multiplied by the total volume of the subclass or mail category to get total volume variable costs.

Product Specific Cost – Product specific costs, not included in volume variable costs, represent a portion of the attributable cost of certain subclasses of mail.

Attributable Cost – The sum of volume variable plus product specific costs.

Contribution – Revenue per piece minus attributable cost per piece.

Cost Coverage – Revenue per piece as a percentage of attributable cost per piece (unit revenue divided by attributable cost.)

Fees – Fees associated with a specific class or subclass of mail are included in the reported revenue for that class or subclass.

International Mail – International mail detail is provided in the International Cost and Revenue Analysis report.

Other Domestic Ancillary Services -- Includes identifiable costs for the following domestic services: return receipts, signature confirmation, certificate of mailing, merchandise return service, merchandise return receipt, restricted delivery, business reply, address correction services, bulk parcel return service, parcel airlift, shipper paid forwarding, premium stamped stationary, premium stamped cards and that portion of delivery confirmation not transferred to Priority Mail and Parcel Select Mail.

International Ancillary Services -- Includes identifiable costs for certificate of mailing, outbound registered mail, inbound registered mail, outbound return receipt, inbound return receipt, outbound restricted delivery, inbound restricted delivery, outbound insurance, inbound insurance and customs clearance and delivery fees. These are fees for additional services related to mail products that have been already counted in other sections of this report.

Negotiated Service Agreement Mail (NSA) – Where there are negotiated service agreements, their costs are shown in separate rows within each class. The details for both domestic and international NSAs are provided in the Annual Compliance Report.

Miscellaneous Items – Includes philatelic sales, fees, fines, unclaimed money from dead letters, sales of services performed for government agencies and private contractors. Not included is \$1.1 million of imputed interest earned from money order float, which is included in domestic and international money orders.

Combined Mail Categories

“Parcel Select” contains destination entry, BMC and OBMC presort, and barcoded intra and inter-BMC/ASF.

The following mail categories include more than one subclass due to the enactment of Public Law 106-384 (October 27, 2000):

“Outside County” contains Nonprofit Periodicals, Classroom Periodicals and Regular Periodicals.

Standard Mail “Letters, Flats, and Not Flat-Machinables and Parcels” contains Standard Mail Nonprofit and Standard Mail Regular mail.

Standard Mail Enhanced Carrier Route “High Density and Saturation Letters, High Density and Saturation Flats & Parcels and Carrier Route” contains Standard Mail Nonprofit Enhanced Carrier Route and Standard Mail Regular Enhanced Carrier Route mail.

“Media and Library Mail” contains Library Rate and Media Mail (formerly known as Special Standard).

3. Cards

Volume variable costs are the printing costs related to stamped cards.

4. Credit Card Authentication

Revenue for Credit Card Authentication represents total revenue from Credit Card Authentication service, and the Expenses include credit card fees, payment switch fees, and call center support. Cost coverage does not equal Revenue divided by Expense because third- party agreement reduces both Revenues and Expenses.

5. Miscellaneous Adjustments

A) Imputed interest on money order float is included with interest income in the 2014 Annual Report (Form 10-K) but is distributed to money order products in the CRA.

	(millions)		
Operating Revenue per Annual Report	\$67,830		
Interest Income per Annual Report	<u>24</u>		
Total Revenue per Annual Report	<u>\$67,854</u>	PCRA Report Revenue	<u>\$67,854</u>

B) Interest expense on borrowings shown separately in the 2014 Annual Report is reported as part of total expenses in the PCRA Report.

	(millions)		
Operating Expenses per Annual Report	\$73,178		
Interest expense per Annual Report	<u>184</u>		
Total Expenses per Annual Report	<u>\$73,362</u>	PCRA Report Expense	<u>\$73,362</u>

6. Other

All amounts in the PCRA are rounded and may not add to totals. Percents are rounded to the nearest decimal.

- (A) -- Denotes zero values.
- (B) () Denotes negative values.