

FY 2015 Public Cost and Revenue Analysis (PCRA) Report

I. PREFACE

A. Purpose and Content

USPS-FY15-1, FY 2015 Public Cost and Revenue Analysis (PCRA) report displays revenues, attributable costs, volume variable costs, product specific costs, volumes, and weights for each of the Postal Service's Market Dominant products. For competitive products, the report displays summary information.

B. Predecessor Document

Docket No: ACR2014, USPS-FY14-1

C. Corresponding Non-Public Document

USPS- FY15-NP11, FY 2015 Non-Public Cost and Revenue Analysis (NPCRA) Report

D. Methodology

The FY 2015 PCRA follows the methods applied in the Commission's FY 2014 Annual Compliance Determination (ACD). The attributable and volume variable costs for Standard Mail Flats, Standard Mail Carrier Route, Standard Mail High Density and Saturation Flats and Parcels incorporate an analogous adjustment from FY 2014 that was described in USPS-FY14-45 and included in the 2014 ACD. The adjustment this year is described and included as part of a "D" Report Adjustment in USPS-FY15-31.

E. Inputs/Outputs

The tables below show the ACR folders that serve as inputs/outputs to/from USPS-FY15-1.

Input ACR Folders

Description	ACR Folder
FY 2015 CRA Model (Public Version)	USPS-FY15-31
FY 2015 International Cost and Revenue Analysis (ICRA) Report	USPS-FY15-NP2
FY 2015 CRA Model (Non-Public Version)	USPS-FY15-NP13

Output ACR Folders

Description	ACR Folder
Standard Mail and Periodicals Destination Entry Cost Models	USPS-FY15-13
Bound Printed Matter Mail Processing Cost Model and Media Mail	USPS-FY15-15
Bound Printed Matter Transportation Cost Model and Bulk Parcel Return Service Cost Model	USPS-FY15-16
FY 2015 Special Cost Studies Workpapers – Special Services	USPS-FY15-28
FY 2015 Market Dominant NSA Materials	USPS-FY15-30
FY 2015 Competitive Products Fund Reporting Materials	USPS-FY15-39

II. ORGANIZATION

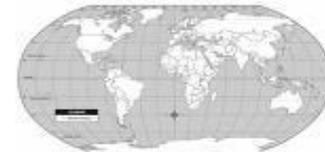
USPS-FY15-1 consists of an Excel workbook named Public-FY15CRA and a Word document named FY2015 Public CRA Notes. The Excel workbook displays the relevant numbers by product and the Word document provides further explanation to the notes cited in the Excel workbook.



PUBLIC COST AND REVENUE ANALYSIS

Fiscal Year 2015

FINANCE



PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2015
(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 \$ (note 1) 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.....	\$9,958.1	\$5,304.2	\$5,282.8	\$21.4	\$0.505	\$0.269	\$0.236	187.74%
Single-Piece Postcards.....	296.5	210.3	209.3	0.9	0.353	0.251	0.103	141.04%
Total Single-Piece Letters and Cards.....	10,254.7	5,514.5	5,492.1	22.3	0.498	0.268	0.230	185.96%
Presort Letters.....	14,981.1	4,703.0	4,697.0	6.0	0.394	0.124	0.270	318.55%
Presort Cards.....	569.5	173.4	173.1	0.3	0.262	0.080	0.183	328.44%
Total Presort Letters and Cards.....	15,550.6	4,876.4	4,870.1	6.3	0.387	0.121	0.266	318.90%
Flats.....	2,357.7	1,559.4	1,558.1	1.2	1.413	0.934	0.478	151.19%
Parcels.....	544.7	486.3	486.3	0.0	2.722	2.430	0.292	112.00%
First-Class NSAs.....	-	-	-	-	-	-	-	-
Outbound Single-Piece First-Class Mail Int'l.....	314.8	169.4	169.0	0.4	1.484	0.798	0.685	185.81%
Inbound Single-Piece First-Class Mail Int'l.....	250.7	348.6	348.0	0.6	0.788	1.095	(0.308)	71.91%
Fees (note 2).....	147.7	-	-	-	-	-	-	-
Total First-Class.....	29,420.8	12,954.5	12,923.7	30.9	0.466	0.205	0.261	227.11%
Standard Mail:								
High Density and Saturation Letters.....	991.3	453.7	452.9	0.8	0.153	0.070	0.083	218.49%
High Density and Saturation Flats and Parcels.....	2,037.0	1,175.7	1,174.3	1.4	0.181	0.105	0.077	173.26%
Carrier Route.....	2,236.8	1,706.6	1,705.6	1.0	0.270	0.206	0.064	131.07%
Letters.....	10,023.0	4,930.2	4,924.3	5.9	0.210	0.103	0.107	203.30%
Flats.....	2,106.2	2,627.9	2,627.3	0.7	0.401	0.501	(0.099)	80.15%
Parcels.....	65.1	89.4	89.4	0.0	1.077	1.480	(0.402)	72.81%
Standard Mail NSAs.....	53.4	45.7	45.7	-	0.236	0.202	0.034	116.78%
Every Door Direct Mail Retail.....	148.4	51.5	51.5	0.0	0.178	0.062	0.116	287.89%
Fees (note 2).....	50.0	-	-	-	-	-	-	-
Total Standard Mail.....	17,711.2	11,080.8	11,071.0	9.9	0.221	0.138	0.083	159.84%
Periodicals:								
In County.....	66.0	88.6	88.6	0.0	0.116	0.155	(0.040)	74.49%
Outside County.....	1,515.4	2,012.5	2,012.0	0.4	0.288	0.382	(0.094)	75.30%
Fees (note 2).....	7.9	-	-	-	-	-	-	-
Total Periodicals.....	1,589.2	2,101.1	2,100.6	0.5	0.272	0.360	(0.088)	75.64%
Package Services:								
Alaska Bypass.....	33.8	19.1	19.1	-	26.335	14.935	11.400	176.33%
Bound Printed Matter Flats.....	212.4	151.1	151.0	0.1	0.815	0.580	0.235	140.56%
Bound Printed Matter Parcels.....	283.5	238.8	238.7	0.1	1.244	1.048	0.196	118.72%
Media and Library Mail.....	273.7	359.1	359.1	0.0	3.655	4.795	(1.140)	76.23%
Fees (note 2).....	2.8	-	-	-	-	-	-	-
Total Package Services.....	806.1	768.1	767.9	0.2	1.428	1.360	0.067	104.95%
International Negotiated Service Agreements.....	176.6	153.6	153.2	0.3	1.137	0.988	0.148	115.01%
Free Mail - blind, handicapped & servicemen.....	-	41.3	41.3	-	-	0.915	(0.915)	-
Total Market Dominant Mail.....	49,704.0	27,099.4	27,057.7	41.7	0.331	0.180	0.150	183.41%

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2015
(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 \$ (note 1) D	Attributable Cost \$ (note 2) E	Contribution \$ (note 2) (D-E)	Cost Coverage (note 2) (D/E)
MARKET DOMINANT SERVICES								
Ancillary Services								
Certified Mail.....	659.2	485.4	485.4	0.0	3.351	2.467	0.884	135.81%
COD.....	3.1	3.0	3.0	-	9.754	9.473	0.280	102.96%
Insurance.....	89.1	50.3	50.3	0.0	3.917	2.210	1.708	177.29%
Registered Mail.....	37.9	27.1	27.1	0.0	15.489	11.096	4.393	139.59%
Stamped Envelopes.....	11.2	7.3	7.3	-				
Stamped Cards (note 3).....	1.2	0.9	0.9	-				
Other Ancillary Services (note 2).....	492.8	222.4	222.4	0.0				
Total Domestic Ancillary Services.....	1,294.6	796.4	796.4	0.0				
Total International Ancillary Services (note 2).....	43.4	13.7	13.7	-	1.413	0.446	0.967	316.95%
Special Services:								
Address Management Services.....	17.7	4.5	0.1	4.4				
Caller Service.....	98.8	27.3	27.3	-				
Credit Card Authentication (note 4).....	16.0	1.5	1.5	-				
Customized Postage.....	0.6	0.1	0.1	-				
Money Orders.....	160.7	105.1	102.5	2.6	1.733	1.133	0.600	152.93%
Post Office Box Service.....	310.9	228.5	228.5	-				
Stamp Fulfillment Services.....	3.9	6.6	6.6	-				
Total Special Services.....	608.7	373.5	366.5	7.0				
Total Market Dominant Services.....	1,946.7	1,183.5	1,176.5	7.0				
Total Market Dominant Mail and Services.....	51,650.7	28,282.9	28,234.2	48.7				

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2015
(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 \$ (note 1) 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.....	779.1	364.5	361.6	2.9	21.820	10.207	11.612	213.76%
Total First-Class Package Service.....	1,689.1	1,368.8	1,368.6	0.2	2.384	1.932	0.452	123.40%
Total Priority Mail.....	7,276.2	5,766.0	5,654.0	112.0	7.334	5.811	1.522	126.19%
Total Ground.....	3,925.1	2,782.7	2,782.7	0.0	1.994	1.413	0.580	141.06%
Total Competitive International.....	1,976.8	1,212.3	1,203.4	8.9	7.787	4.775	3.011	163.06%
Total Domestic Competitive Services.....	778.3	419.3	388.4	30.9				
Total Competitive Mail and Services.....	16,424.6	11,913.4	11,758.6	154.8				
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Total All Mail and Services.....	68,075.3	40,196.3	39,992.8	203.5				
Miscellaneous Items.....	789.9	-	-	-				
Appropriations: Revenue Forgone.....	62.6	-	-	-				
Total Operating Income.....	68,927.9	40,196.3	39,992.8	203.5				
Investment Income.....	23.3	-	-	-				
Total	68,951.2	40,196.3	39,992.8	203.5				
All Other.....		33,814.5						
Total.....		74,010.9						

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2015

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.....	19,737,174	602,259	0.5
Single-Piece Postcards.....	838,954	5,358	0.1
Total Single-Piece Letters and Cards.....	20,576,128	607,617	0.5
Presort Letters.....	38,004,707	2,193,024	0.9
Presort Cards.....	2,169,537	17,715	0.1
Total Presort Letters and Cards.....	40,174,244	2,210,739	0.9
Flats.....	1,668,897	339,480	3.3
Parcels.....	200,100	61,725	4.9
First-Class NSAs.....	0	0	0.0
Outbound Single-Piece First-Class Mail Int'l.....	212,184	13,260	1.0
Inbound Single-Piece First-Class Mail Int'l.....	318,285	99,610	5.0
Total First-Class.....	63,149,837	3,332,432	0.8
Standard Mail:			
High Density and Saturation Letters.....	6,478,281	263,618	0.7
High Density and Saturation Flats and Parcels.....	11,232,313	2,032,942	2.9
Carrier Route.....	8,291,048	1,828,309	3.5
Letters.....	47,720,675	2,397,007	0.8
Flats.....	5,248,505	1,347,178	4.1
Parcels.....	60,420	22,646	6.0
Standard Mail NSAs.....	226,464	0	0.0
Every Door Direct Mail Retail.....	832,566	105,602	2.0
Total Standard Mail.....	80,090,273	7,997,302	1.6
Periodicals:			
In County.....	570,817	163,941	4.6
Outside County.....	5,267,358	2,003,821	6.1
Total Periodicals.....	5,838,175	2,167,762	5.9
Package Services:			
Alaska Bypass.....	1,282	86,474	1079.2
Bound Printed Matter Flats.....	260,492	411,428	25.3
Bound Printed Matter Parcels.....	227,911	553,967	38.9
Media and Library Mail.....	74,890	183,323	39.2
Total Package Services.....	564,576	1,235,191	35.0
International Negotiated Service Agreements.....	155,408	56,565	5.8
U.S. Postal Service.....	354,628	112,726	5.1
Free Mail - blind, handicapped & servicemen.....	45,135	18,315	6.5
Total Market Dominant Mail.....	150,198,030	14,920,293	1.6

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2015

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.....	196,723		
COD.....	319		
Insurance.....	22,748		
Registered Mail.....	2,446		
Other Ancillary Services (note 2).....	3,737,825		
Total International Ancillary Services (note 2).....	30,724		
Special Services			
Money Orders.....	92,776		
Total Market Dominant Service Transactions.....	4,083,563		
COMPETITIVE PRODUCTS			
Total Express Mail.....	35,705	38,421	17.2
Total First-Class Package Service.....	708,423	248,779	5.6
Total Priority Mail.....	992,190	2,227,771	35.9
Total Ground.....	1,968,761	3,936,575	32.0
Total Competitive International.....	253,858	293,330	18.5
Total Competitive Mail.....	3,958,937	6,744,875	27.3
TOTAL ALL MAIL.....	154,156,967		

UNITED STATES POSTAL SERVICE
NOTES TO PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2015

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 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 2015 Public Cost and Revenue Analysis Report (PCRA) combines revenue and cost data from both the domestic and international CRAs. It represents the PRC’s methodology of 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 category 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 – Volume variable costs are calculated by multiplying the total volume of the class or product by the change in unit costs resulting from a change in its volume alone, when the volumes of other products remain constant.

Product Specific Cost – Product specific costs represent a portion of the attributable cost of certain products that are not volume variable but are directly or indirectly caused by that product.

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 of mail or product are included in the reported revenue for that class or product.

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 applicable 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 \$1.7 million of imputed interest earned on money order float, which is reclassified to domestic and international money orders.

3. **Cards**

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

4. **Credit Card Authentication**

Revenue for Credit Card Authentication represents the 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 agreements reduce both Revenues and Expenses.

5. **Miscellaneous Adjustments**

A) Imputed interest on money order float is included with interest income in the 2015 Annual Report (Form 10-K) but is distributed to money order products in the PCRA.

	(millions)		
Operating Revenue per 10-K Annual Report	\$68,928		
Interest Income per Annual Report	<u>23</u>		
Total Revenue per Annual Report	<u>\$68,951</u>	PCRA Report Revenue	<u>\$68,951</u>

B) Interest expense on borrowings shown separately in the 2015 Annual Report (Form 10-K) is reported as part of total expenses in the PCRA Report.

	(millions)		
Operating Expenses per 10-K Annual Report	\$73,826		
Interest expense per Annual Report	<u>185</u>		
Total Expenses per Annual Report	<u>\$74,011</u>	PCRA Report Expense	<u>\$74,011</u>

6. Other

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