



**PUBLIC COST AND REVENUE ANALYSIS
FISCAL YEAR 2011**

FINANCE



PUBLIC COST AND REVENUE ANALYSIS

Fiscal Year 2011

(in millions)

Mail Classes and Products (note 1)	(in millions)				(per piece)			
	Revenue (note 1)	Attributable Cost (note 2)	Volume Variable Cost (note 2)	Product Specific Cost (note 2)	Revenue \$ D	Attributable Cost \$ (note 2) E	Contribution \$ (note 2) (D-E)	Cost Coverage (note 2) (D/E)
MARKET DOMINANT MAIL	A	B	C	F	D	E	(D-E)	(D/E)
First-Class Mail:								
Single-Piece Letters.....	\$11,201.6	\$6,848.2	\$6,824.3	\$23.9	\$0.456	\$0.279	\$0.177	163.57%
Single-Piece Postcards.....	379.2	336.4	335.2	1.3	0.293	0.260	0.033	112.70%
Total Single-Piece Letters and Cards.....	11,580.8	7,184.6	7,159.5	25.2	0.448	0.278	0.170	161.19%
Presort Letters.....	14,891.1	4,963.4	4,957.9	5.4	0.357	0.119	0.238	300.02%
Presort Cards.....	597.3	220.2	219.9	0.4	0.217	0.080	0.137	271.23%
Total Presort Letters and Cards.....	15,488.4	5,183.6	5,177.8	5.8	0.348	0.116	0.232	298.80%
Flats.....	2,814.2	1,946.4	1,944.8	1.6	1.261	0.872	0.389	144.58%
Parcels.....	1,284.5	1,169.0	1,168.4	0.6	2.013	1.832	0.181	109.88%
Outbound First-Class Mail International.....	647.7	438.5	437.9	0.6	2.087	1.413	0.674	147.71%
Inbound International Single-Piece Letter Post.....	136.3	172.5	172.0	0.4	0.573	0.724	(0.152)	79.04%
Fees (note 2).....	146.1	-	-	-	-	-	-	-
Total First-Class.....	32,097.9	16,094.5	16,060.4	34.2	0.435	0.218	0.217	199.43%
Standard Mail:								
High Density and Saturation Letters.....	767.9	349.0	347.9	1.2	0.136	0.062	0.074	220.03%
High Density and Saturation Flats and Parcels.....	1,880.6	882.8	880.4	2.3	0.165	0.077	0.087	213.04%
Carrier Route.....	2,222.0	1,647.8	1,645.9	1.9	0.238	0.177	0.062	134.84%
Letters.....	9,707.6	5,288.6	5,278.2	10.4	0.192	0.105	0.087	183.56%
Flats.....	2,491.1	3,142.9	3,141.5	1.4	0.367	0.463	(0.096)	79.26%
Not Flat-Machinables and Parcels.....	650.7	767.3	767.2	0.1	0.887	1.046	(0.159)	84.80%
Standard Mail NSAs.....	38.1	23.3	23.3	-	0.217	0.132	0.085	163.84%
Fees (note 2).....	68.1	-	-	-	-	-	-	-
Total Standard Mail.....	17,826.2	12,078.3	12,061.1	17.2	0.210	0.143	0.068	147.59%
Periodicals:								
In County.....	69.2	89.2	89.2	0.0	0.105	0.135	(0.030)	77.51%
Outside County (note 2).....	1,743.6	2,340.8	2,340.4	0.4	0.272	0.365	(0.093)	74.49%
Fees (note 2).....	8.4	-	-	-	-	-	-	-
Total Periodicals.....	1,821.1	2,430.0	2,429.6	0.4	0.257	0.343	(0.086)	74.94%
Package Services:								
Single-Piece Parcel Post.....	732.5	821.1	821.1	-	10.431	11.694	(1.263)	89.20%
Inbound Surface Parcel Post (at UPU Rates).....	19.0	10.7	10.7	-	18.641	10.543	8.098	176.81%
Bound Printed Matter Flats.....	204.2	125.4	125.4	-	0.811	0.498	0.313	162.80%
Bound Printed Matter Parcels.....	309.7	314.6	314.6	-	1.263	1.282	(0.020)	98.45%
Media and Library Mail (note 2).....	332.0	431.1	431.1	-	3.079	3.998	(0.919)	77.01%
Fees (note 2).....	3.0	-	-	-	-	-	-	-
Total Package Services.....	1,600.3	1,702.9	1,702.9	-	2.367	2.518	(0.152)	93.97%
International Negotiated Service Agreements.....	80.8	77.3	77.1	0.2	0.605	0.579	0.026	104.44%
Free Mail - blind, handicapped & servicemen.....	-	51.1	51.1	-	-	0.826	(0.826)	-
Total Market Dominant Mail.....	53,426.3	32,434.2	32,382.1	52.1	0.320	0.194	0.126	164.72%

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS

Fiscal Year 2011

(in millions)

(per piece)

Mail Classes and Products (note 1)	(in millions)				(per piece)			
	Revenue (note 1)	Attributable Cost (note 2)	Volume Variable Cost (note 2)	Product Specific Cost (note 2)	Revenue \$	Attributable Cost \$ (note 2)	Contribution \$ (note 2)	Cost Coverage (note 2)
	A	B	C	C	D	E	(D-E)	(D/E)
MARKET DOMINANT SERVICES								
Ancillary Services								
Certified Mail.....	\$ 708.8	\$ 599.3	\$ 599.3	0.0	\$2.821	\$2.386	\$0.436	118.26%
COD.....	6.7	4.4	4.4	0.0	8.149	5.337	2.812	152.69%
Insurance.....	116.7	103.4	103.4	0.0	3.374	2.991	0.383	112.80%
Registered Mail.....	45.2	42.8	42.8	0.0	16.829	15.926	0.903	105.67%
Stamped Envelopes.....	10.6	6.9	6.9	-				
Stamped Cards (note 3).....	1.6	0.8	0.8	-				
Other Ancillary Services (note 2).....	771.7	579.5	579.4	0.1	0.454	0.341	0.113	133.18%
Total Domestic Ancillary Services.....	1,661.3	1,337.1	1,337.0	0.1				
Total International Ancillary Services (note 2).....	33.1	38.8	38.8	-	13.001	15.233	(2.232)	85.35%
Special Services:								
Address Management Services.....	15.4	10.1	0.2	9.9				
Caller Service.....	92.2	27.8	27.8	-				
Change of Address Credit Card Authentication.....	12.1	1.2	1.2	-				
Confirm.....	3.0	1.1	1.1	-				
Customized Postage.....	1.5	0.1	0.1	-				
Money Orders.....	172.7	123.4	120.2	3.2	1.495	1.069	0.426	139.90%
Post Office Box Service.....	801.9	592.8	589.7	3.1				
Stamp Fulfillment Services.....	3.1	5.2	5.2	-				
Other Special Services (note 2).....	-	-	-	-				
Total Special Services.....	1,101.9	761.7	745.4	16.3				
Total Market Dominant Special Services.....	2,796.3	2,137.6	2,121.2	16.3	1.328	1.015	0.313	130.82%
Total Market Dominant Mail and Services.....	56,222.6	34,571.8	34,503.4	68.4				

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Mail Classes and Products (note 1)	(in millions)				(per piece)			
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COMPETITIVE MAIL AND SERVICES	A	B	C	C	D	E	(D-E)	(D/E)
Total Express Mail.....	\$ 799.5	\$ 479.4	\$ 473.6	\$ 5.8	\$ 19.745	\$ 11.840	\$ 7.904	166.76%
Total Priority Mail.....	5,639.0	4,469.9	4,361.8	108.0	7.132	5.654	\$1.479	126.16%
Total Ground.....	718.4	516.5	516.4	0.1	1.886	1.356	\$0.530	139.08%
Total Competitive International.....	1,693.4	1,112.4	1,106.1	6.3	5.858	3.849	\$2.010	152.22%
Total Domestic Competitive Services.....	146.6	101.7	50.7	51.1				
Total Competitive Mail and Services.....	8,996.9	6,680.0	6,508.7	171.4				
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Total All Mail and Services.....	65,219.5	41,251.8	41,012.0	239.8				
Miscellaneous Items.....	397.2	-	0	0				
Transit Revenue.....	0.1	-	-	-				
Appropriations: Revenue Forgone.....	95.3	-	-	-				
Total Operating Income.....	65,712.1	41,251.8	41,012.0	239.8				
Investment Income.....	26.9	-	-	-				
Total	65,739.0	41,251.8	41,012.0	239.8				
All Other.....		29,553.8						
Total.....		70,805.6						

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2011

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.....	24,550,824	769,643	0.5
Single-Piece Postcards.....	1,295,941	8,280	0.1
Total Single-Piece Letters and Cards.....	25,846,765	777,923	0.5
Presort Letters.....	41,740,735	2,210,725	0.8
Presort Cards.....	2,753,763	22,479	0.1
Total Presort Letters and Cards.....	44,494,498	2,233,203	0.8
Flats.....	2,230,920	455,321	3.3
Parcels.....	637,982	208,796	5.2
Outbound First-Class Mail International.....	310,335	54,178	2.8
Inbound International Single-Piece Letter Post.....	238,078	58,134	3.9
Total First-Class.....	73,758,578	3,787,555	0.8
Standard Mail:			
High Density and Saturation Letters.....	5,653,875	237,736	0.7
High Density and Saturation Flats and Parcels.....	11,424,568	2,144,023	3.0
Carrier Route.....	9,335,928	1,993,085	3.4
Letters.....	50,584,189	2,666,837	0.8
Flats.....	6,783,186	1,710,267	4.0
Not Flat-Machinables and Parcels.....	733,770	321,571	7.0
Standard Mail NSAs.....	175,742	18,419	1.7
Total Standard Mail.....	84,691,259	9,091,938	1.7
Periodicals:			
In County.....	661,561	192,370	4.7
Outside County (note 2).....	6,415,178	2,533,036	6.3
Total Periodicals.....	7,076,739	2,725,406	6.2
Package Services:			
Single-Piece Parcel Post.....	70,218	487,294	111.0
Inbound Intl. Surface Parcel Post (at UPU Rates).....	1,017	18,346	288.5
Bound Printed Matter Flats.....	251,831	368,728	23.4
Bound Printed Matter Parcels.....	245,282	668,231	43.6
Media and Library Mail (note 2).....	107,829	259,638	38.5
Total Package Services.....	676,177	1,802,237	42.6
International Negotiated Service Agreements.....	133,555	22,250	2.7
U.S. Postal Service.....	434,596	149,446	5.5
Free Mail - blind, handicapped & servicemen.....	61,854	30,123	7.8
Total Domestic Market Dominant Mail.....	166,832,759	17,608,956	1.7

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2011

VOLUME STATISTICS

Mail Classes and Products (note 1)	Pieces or Transactions (thousands)	Weight in Pounds (thousands)	Weight per Piece (ounces)
MARKET DOMINANT SERVICES			
Ancillary Services			
Certified Mail.....	251,222	NA	NA
COD.....	819	NA	NA
Insurance.....	34,573	NA	NA
Registered Mail.....	2,688	NA	NA
Other Ancillary Services (note 2).....	1,698,368	NA	NA
Total International Ancillary Services (note 2).....	2,548	NA	NA
Special Services			
Money Orders.....	115,510	NA	NA
Total Market Dominant Service Transactions.....	2,105,728	NA	NA
<hr/> COMPETITIVE PRODUCTS			
Total Express Mail.....	40,492	38,659	15.3
Total Priority Mail.....	790,633	1,693,627	34.3
Total Ground.....	380,834	1,415,974	110.5
Total Competitive International.....	276,840	289,151	16.7
Total Competitive Mail.....	1,488,800	3,437,412	36.9
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Total Market Dominant Mail (no services).....	166,832,759		
Total Competitive Mail (no services).....	1,488,800		
Total All Mail (no services).....	168,321,559		

**UNITED STATES POSTAL SERVICE
NOTES TO PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2011**

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 2011 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 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. We compare and scale calculated amounts to actual data in the postal system of accounts, as appropriate.

2. Definitions

Volume Variable Cost – The change in unit costs that results 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/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. The volume and revenues are the sum of the RPW Report's Delivery Confirmation, Return Receipt, and Other Domestic Ancillary Services.

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 – Miscellaneous items include philatelic sales, fees, fines, unclaimed money from dead letters, sales of services performed for government agencies and private contractors. They do not include the \$1.2 million in interest earned from the 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. Change of Address Credit Card Authentication

Revenue for Change of Address Credit Card Authentication represents total revenue from Change of Address 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) Interest on money order float is included with interest income in the Annual Report (Form 10-K) and is distributed to money order products in the CRA.

	(in millions)		
Operating Revenue per Annual Report	\$65,711		
Interest Income per Annual Report	<u>28</u>		
Annual Report Revenue	<u>\$65,739</u>	NPCRA Report Revenue	<u>\$65,739</u>

B) Interest expense on borrowings shown separately in the Annual Report is reported as part of the total CRA Report Expenses.

	(in millions)		
Operating Expenses per Annual Report	\$70,634		
Interest expense on borrowings	<u>172</u>		
Annual Report Expenses	<u>\$70,806</u>	NPCRA Report Expense	<u>\$70,806*</u>

6. Other

All figures in the CRA are rounded and may not add to totals. Percents are rounded to the nearest decimal.

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