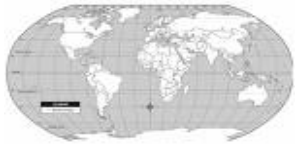
UNITED STATES
POSTAL SERVICE

PUBLIC COST AND REVENUE ANALYSIS
FISCAL YEAR 2012

FINANCE



PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2012

Mail Classes and Products (note 1)	Revenue (note 1) (in millions)	Attributable Cost (note 2) (in millions)	Volume Variable Cost (note 2) (in millions)	Product Specific Cost (note 2) (in millions)	Revenue $ (per piece)	Attributable Cost $ (note 2) (per piece)	Contribution $ (note 2) (per piece)	Cost Coverage (note 2) (per piece)
MARKET DOMINANT MAIL	A	B	C	F	D	E	(D-E)	(D/E)
First-Class Mail:								
Single-Piece Letters	$10,533.8	$6,276.0	$6,245.9	$30.1	$0.463	$0.276	$0.187	167.84%
Single-Piece Postcards	367.8	297.1	295.5	1.5	0.318	0.256	0.061	123.81%
Total Single-Piece Letters and Cards	10,901.6	6,573.1	6,541.5	31.7	0.456	0.275	0.181	165.85%
Presort Letters	14,474.5	4,949.3	4,937.2	12.1	0.362	0.124	0.239	292.46%
Presort Cards	604.6	214.8	214.0	0.8	0.234	0.083	0.151	281.49%
Total Presort Letters and Cards	15,079.1	5,164.1	5,151.2	12.9	0.355	0.121	0.233	292.00%
Flats	2,668.4	1,791.0	1,790.5	0.5	1.302	0.874	0.428	148.99%
Parcels	648.7	659.1	658.8	0.4	2.211	2.246	(0.035)	98.42%
First-Class NSAs	78.6	27.5	27.5	-	0.375	0.131	0.243	285.33%
Outbound First-Class Mail International	665.0	438.5	438.1	0.5	2.523	1.664	0.859	151.63%
Inbound International Single-Piece Letter Post	134.2	199.5	199.1	0.4	0.642	0.954	(0.312)	67.28%
Fees (note 2)	139.7	-	-	-				
Total First-Class	30,315.3	14,852.9	14,806.7	46.3	0.436	0.214	0.223	204.10%
Standard Mail:								
High Density and Saturation Letters	766.9	347.0	344.0	3.0	0.138	0.062	0.075	221.03%
High Density and Saturation Flats and Parcels	1,951.1	900.1	893.9	6.3	0.166	0.076	0.089	216.75%
Carrier Route	2,244.3	1,720.6	1,715.8	4.9	0.246	0.189	0.057	130.44%
Letters	8,976.9	5,045.5	5,020.5	25.1	0.195	0.109	0.085	177.92%
Flats	2,229.6	2,761.7	2,758.5	3.2	0.375	0.465	(0.090)	80.73%
Not Flat-Machinables and Parcels	284.9	337.9	337.7	0.1	0.938	1.113	(0.175)	84.31%
Standard Mail NSAs	197.1	103.9	103.9	-	0.207	0.109	0.098	189.74%
Fees (note 2)	61.8	-	-	-				
Total Standard Mail	16,712.6	11,216.6	11,174.2	42.4	0.209	0.141	0.069	149.00%
Periodicals:								
In County	66.5	95.4	95.4	0.0	0.105	0.151	(0.046)	69.70%
Outside County (note 2)	1,656.7	2,306.2	2,305.7	0.5	0.271	0.377	(0.106)	71.84%
Fees (note 2)	8.3	-	-	-				
Total Periodicals	1,731.5	2,401.6	2,401.1	0.5	0.257	0.356	(0.099)	72.10%
Package Services:								
Single-Piece Parcel Post	774.0	840.4	840.4	-	10.907	11.841	(0.934)	92.11%
Inbound Surface Parcel Post (at UPU Rates)	20.5	11.6	11.6	-	18.573	10.506	8.068	176.79%
Bound Printed Matter Flats	185.8	138.3	138.3	-	0.806	0.600	0.206	134.34%
Bound Printed Matter Parcels	305.5	281.2	281.2	-	1.256	1.156	0.100	108.66%
Media and Library Mail (note 2)	320.6	376.8	376.8	-	3.193	3.752	(0.559)	85.10%
Fees (note 2)	3.2	-	-	-				
Total Package Services	1,609.7	1,648.2	1,648.2	-	2.491	2.550	(0.060)	97.67%
International Negotiated Service Agreements	120.3	145.9	145.5	0.3	0.658	0.798	(0.140)	82.46%
Free Mail - blind, handicapped & servicemen	-	39.6	39.6	-		0.695		
Total Market Dominant Mail	50,489.4	30,304.8	30,215.3	89.5	0.321	0.193	0.128	166.61%

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2012

Mail Classes and Products (note 1)	(in millions) Revenue (note 1)	Attributable Cost (note 2)	Volume Variable Cost (note 2)	Product Specific Cost (note 2)	(per piece) Revenue $	Attributable Cost $ (note 2)	Contribution $ (note 2)	Cost Coverage (note 2)
MARKET DOMINANT SERVICES	A	B	C	C	D	E	(D-E)	(D/E)
Ancillary Services								
Certified Mail	$ 662.8	$ 601.9	$ 601.8	0.1	$2.919	$2.651	$0.268	110.12%
COD	5.9	3.6	3.6	0.0	8.436	5.130	3.306	164.45%
Insurance	108.5	97.0	97.0	0.0	3.603	3.220	0.383	111.90%
Registered Mail	39.5	30.2	30.2	0.0	16.346	12.516	3.831	130.61%
Stamped Envelopes	16.6	6.4	6.4	-				
Stamped Cards (note 3)	2.1	0.7	0.7	-				
Other Ancillary Services (note 2)	696.7	547.9	547.4	0.5				
Total Domestic Ancillary Services	1,532.1	1,287.6	1,287.1	0.6				
Total International Ancillary Services (note 2)	30.0	22.6	22.6	-				
Special Services:								
Address Management Services	15.9	7.7	0.1	7.6				
Caller Service	92.5	27.0	27.0	-				
Change of Address Credit Card Authentication	13.5	1.4	1.4	-				
Confirm	0.8	0.3	0.3	-				
Customized Postage	0.9	0.1	0.1	-				
Money Orders	166.3	110.5	107.6	2.8	1.528	1.015	0.513	150.50%
Post Office Box Service	481.6	377.1	374.4	2.7				
Stamp Fulfillment Services	3.3	5.6	5.6	-				
Other Special Services (note 2)	-	-	-	-				
Total Special Services	774.8	529.7	516.5	13.2				
Total Market Dominant Special Services	2,336.9	1,840.0	1,826.2	13.7				
Total Market Dominant Mail and Services	52,826.3	32,144.8	32,041.5	103.3				

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2012

Mail Classes and Products (note 1)	(in millions) Revenue (note 1)	Attributable Cost (note 2)	Volume Variable Cost (note 2)	Product Specific Cost (note 2)	(per piece) Revenue $	Attributable Cost $ (note 2)	Contribution $ (note 2)	Cost Coverage (note 2)
COMPETITIVE MAIL AND SERVICES	A	B	C	C	D	E	(D-E)	(D/E)
Total Express Mail	$ 801.6	$ 467.2	$ 460.6	$6.6	$ 20.128	$ 11.733	$8.395	171.56%
Total First-Class Package Service	875.7	766.7	766.7	-	2.128	1.864	0.265	114.21%
Total Priority Mail	5,939.7	4,545.3	4,494.8	50.6	7.207	5.515	1.692	130.68%
Total Ground	1,456.2	1,105.8	1,105.8	0.0	1.480	1.124	0.356	131.69%
Total Competitive International	1,847.2	1,225.1	1,217.4	7.8	6.758	4.482	2.276	150.78%
Total Domestic Competitive Services	504.7	273.1	238.4	34.7				
Total Competitive Mail and Services	11,425.1	8,383.3	8,283.6	99.7				
TOTAL ALL MAIL AND SERVICES	64,251.4	40,528.1	40,325.1	203.0				
RPW items:								
Miscellaneous Items	926.3							
Appropriations: Revenue Forgone	46.2							
Total Operating Income	65,223.8	40,528.1	40,325.1	203.0				
Investment Income	24.3							
Total	65,248.1	40,528.1	40,325.1	203.0				
All Other		40,625.2						
Total		81,153.3						

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2012

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	22,755,167	710,601	0.5
Single-Piece Postcards	1,158,305	7,404	0.1
Total Single-Piece Letters and Cards	23,913,473	718,005	0.5
Presort Letters	39,935,898	2,138,306	0.9
Presort Cards	2,588,140	21,129	0.1
Total Presort Letters and Cards	42,524,039	2,159,435	0.8
Flats	2,049,176	418,597	3.3
Parcels	293,413	91,243	5.0
First-Class NSAs	209,577	13,170	1.0
Outbound First-Class Mail International	263,548	55,328	3.4
Inbound International Single-Piece Letter Post	209,123	57,283	4.5
Total First-Class	69,462,386	3,513,062	0.8
Standard Mail:			
High Density and Saturation Letters	5,563,559	233,650	0.7
High Density and Saturation Flats and Parcels	11,770,275	2,147,582	2.9
Carrier Route	9,119,946	2,002,721	3.5
Letters	46,149,847	2,420,630	0.8
Flats	5,939,635	1,495,809	4.0
Not Flat-Machinables and Parcels	303,559	126,286	6.7
Standard Mail NSAs	952,844	42,200	0.7
Total Standard Mail	79,799,664	8,468,877	1.7
Periodicals:			
In County	631,286	181,788	4.6
Outside County (note 2)	6,110,064	2,353,700	6.2
Total Periodicals	6,741,351	2,535,488	6.0
Package Services:			
Single-Piece Parcel Post	70,971	500,018	112.7
Inbound Intl. Surface Parcel Post (at UPU Rates)	1,101	18,954	275.5
Bound Printed Matter Flats	230,522	341,024	23.7
Bound Printed Matter Parcels	243,308	673,444	44.3
Media and Library Mail (note 2)	100,422	242,752	38.7
Total Package Services	646,323	1,776,192	44.0
International Negotiated Service Agreements	190,250	35,778	3.0
U.S. Postal Service	440,452	144,763	5.3
Free Mail - blind, handicapped & servicemen	56,952	24,919	7.0
Total Domestic Market Dominant Mail	157,337,378	16,499,079	1.7

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2012

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	227,055	NA	NA
COD	703	NA	NA
Insurance	30,115	NA	NA
Registered Mail	2,415	NA	NA
Other Ancillary Services (note 2)	2,017,035	NA	NA
Total International Ancillary Services (note 2)	-	NA	NA
Special Services			
Money Orders	108,841	NA	NA
Total Market Dominant Service Transactions	2,386,164	NA	NA
COMPETITIVE PRODUCTS			
Total Express Mail	39,823	40,971	16.5
Total First-Class Package Service	411,424	139,396	5.4
Total Priority Mail	824,202	1,693,667	32.9
Total Ground	984,202	1,881,749	30.6
Total Competitive International	273,352	314,370	18.4
Total Competitive Mail	2,533,003	4,070,153	25.7

Total Market Dominant Mail (no services)	157,321,813
Total Competitive Mail (no services)	2,533,003
Total All Mail (no services)	159,854,816

See accompanying notes.

UNITED STATES POSTAL SERVICE
NOTES TO PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2012

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 bears 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 2012 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 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 stationery, 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. 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

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 the 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	$65,223		
Interest Income per Annual Report	25		
Annual Report Revenue	$65,248	NPCRA Report Revenue	$65,248

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	$80,964		
Interest expense on borrowings	190		
Annual Report Expenses	$81,154	NPCRA Report Expense	$81,153

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.