



## **PUBLIC COST AND REVENUE ANALYSIS**

**Fiscal Year 2016**

**FINANCE**





**PUBLIC COST AND REVENUE ANALYSIS**

Fiscal Year 2016

(in millions)

(per piece)

Mail Classes and Products (note 1)	Revenue	Vol Var &	Volume	Product	Revenue	Vol Var &	Contribution	Cost
	(note 1)	Prod Spec	Variable Cost	Specific Cost	\$	Prod Spec \$	\$	Coverage
	A	B	C	F	D	E	(D-E)	(D/E)
<b>MARKET DOMINANT PRODUCTS</b>								
First-Class Mail:								
Single-Piece Letters.....	\$9,458.4	\$5,321.7	\$5,301.0	\$20.7	\$0.500	\$0.281	\$0.219	177.73%
Single-Piece Postcards.....	282.1	232.1	231.2	0.9	0.355	0.292	0.063	121.57%
Total Single-Piece Letters and Cards.....	9,740.6	5,553.8	5,532.2	21.6	0.494	0.282	0.212	175.39%
Presort Letters.....	14,839.8	4,404.1	4,399.3	4.8	0.393	0.117	0.276	336.95%
Presort Cards.....	576.7	172.8	172.5	0.3	0.262	0.079	0.184	333.83%
Total Presort Letters and Cards.....	15,416.5	4,576.9	4,571.8	5.1	0.386	0.115	0.271	336.83%
Flats.....	2,201.9	1,530.8	1,529.6	1.1	1.402	0.975	0.427	143.85%
Parcels.....	711.1	588.0	588.0	0.0	2.800	2.315	0.485	120.93%
First-Class NSAs.....	-	-	-	-	-	-	-	-
Outbound Single-Piece First-Class Mail Int'l.....	261.6	154.7	154.4	0.3	1.522	0.900	0.622	169.06%
Inbound Single-Piece First-Class Mail Int'l.....	266.4	408.2	407.6	0.6	0.680	1.042	(0.362)	65.27%
Fees (note 2).....	136.8	-	-	-	-	-	-	-
Total First-Class.....	28,734.8	12,812.3	12,783.6	28.7	0.463	0.207	0.257	224.28%
Standard Mail:								
High Density and Saturation Letters.....	1,075.3	492.4	491.0	1.3	0.154	0.070	0.083	218.39%
High Density and Saturation Flats and Parcels.....	2,004.3	1,190.1	1,188.0	2.1	0.181	0.108	0.074	168.41%
Carrier Route Letters.....	1,792.9	1,303.7	1,302.4	1.3	0.270	0.196	0.074	137.53%
Letters.....	10,134.4	5,023.1	5,013.8	9.3	0.207	0.103	0.105	201.75%
Flats.....	2,367.7	2,969.7	2,968.5	1.2	0.375	0.471	(0.095)	79.73%
Parcels.....	53.1	83.3	83.3	0.0	1.187	1.860	(0.673)	63.80%
Standard Mail NSAs.....	53.8	49.2	49.2	-	0.236	0.216	0.020	109.37%
Every Door Direct Mail Retail.....	145.7	54.1	54.0	0.1	0.180	0.067	0.113	269.45%
Fees (note 2).....	48.0	-	-	-	-	-	-	-
Total Standard Mail.....	17,675.1	11,165.4	11,150.1	15.3	0.218	0.138	0.080	158.30%
Periodicals:								
In County.....	61.0	87.0	87.0	0.0	0.114	0.163	(0.049)	70.07%
Outside County (note 2).....	1,437.8	1,950.2	1,949.8	0.4	0.285	0.386	(0.101)	73.73%
Fees (note 2).....	7.9	-	-	-	-	-	-	-
Total Periodicals.....	1,506.7	2,037.2	2,036.7	0.5	0.270	0.365	(0.095)	73.96%
Package Services:								
Alaska Bypass.....	33.5	19.7	19.7	-	26.148	15.377	10.771	170.04%
Bound Printed Matter Flats.....	208.6	130.6	130.3	0.3	0.787	0.493	0.295	159.76%
Bound Printed Matter Parcels.....	288.7	276.9	276.6	0.2	1.155	1.108	0.047	104.27%
Media and Library Mail (note 2).....	266.4	354.3	354.3	0.1	3.552	4.725	(1.173)	75.18%
Fees (note 2).....	2.2	-	-	-	-	-	-	-
Total Package Services.....	799.4	781.5	780.9	0.6	1.352	1.322	0.030	102.29%
International Negotiated Service Agreements.....	323.8	200.3	199.9	0.4	1.516	0.938	0.578	161.68%
Free Mail - blind, handicapped & servicemen.....	-	37.1	37.1	-	-	0.818	(0.818)	-
Total Market Dominant Mail.....	49,039.8	27,033.8	26,988.3	45.5	0.327	0.180	0.147	181.40%

See accompanying notes.

**PUBLIC COST AND REVENUE ANALYSIS**

Fiscal Year 2016

(in millions)

(per piece)

Mail Classes and Products (note 1)	Revenue (note 1)	Vol Var & Prod Spec (note 2)	Volume Variable Cost (note 2)	Product Specific Cost (note 2)	Revenue \$	Vol Var & Prod Spec \$ (note 2)	Contribution \$ (note 2)	Cost Coverage (note 2)
	A	B	C	F	D	E	(D-E)	(D/E)
<b>MARKET DOMINANT SERVICES</b>								
Ancillary Services								
Certified Mail.....	670.5	521.1	521.1	0.0	3.390	2.635	0.755	128.67%
COD.....	2.0	4.9	4.9	0.0	10.068	24.515	(14.447)	41.07%
Insurance.....	76.9	42.8	42.8	0.0	5.014	2.792	2.222	179.59%
Registered Mail.....	31.6	16.3	16.3	0.0	15.719	8.074	7.644	194.67%
Stamped Envelopes.....	9.1	9.5	9.5	-				
Stamped Cards (note 3).....	0.6	0.3	0.3	-				
Other Ancillary Services (note 2).....	447.5	206.8	206.6	0.2				
Total Domestic Ancillary Services.....	1,238.3	801.7	801.6	0.2				
Total International Ancillary Services (note 2).....	43.3	43.7	43.7	-	1.499	1.512	(0.013)	99.16%
Special Services:								
Address Management Services.....	16.7	6.8	0.1	6.7				
Caller Service.....	94.4	23.1	23.1	-				
Credit Card Authentication (note 4).....	16.9	1.7	1.7	-				
Customized Postage.....	0.0	0.1	0.1	-				
Money Orders.....	156.4	116.7	114.0	2.7	1.732	1.293	0.439	133.99%
Post Office Box Service.....	284.0	229.6	229.1	0.5				
Stamp Fulfillment Services.....	3.7	4.3	4.3	-				
Total Special Services.....	572.1	382.2	372.3	9.9				
Total Market Dominant Services.....	1,853.7	1,227.6	1,217.6	10.1				
Total Market Dominant Mail and Services.....	50,893.5	28,261.4	28,205.9	55.5				

PUBLIC COST AND REVENUE ANALYSIS								
Fiscal Year 2016								
Mail Classes and Products (note 1)	(in millions)				(per piece)			
	Revenue	Vol Var &	Volume	Product	Revenue	Vol Var &	Contribution	Cost
	(note 1)	Prod Spec	Variable Cost	Specific Cost	\$	Prod Spec \$	\$	Coverage
	A	B	C	F	D	E	(D-E)	(D/E)
<b>COMPETITIVE MAIL AND SERVICES</b>								
Total Priority Mail Express.....	809.4	356.7	353.5	3.3	24.496	10.796	13.700	226.90%
Total First-Class Package Service.....	2,075.7	1,468.6	1,467.8	0.7	2.674	1.892	0.782	141.35%
Total Priority Mail.....	7,784.9	6,127.9	6,072.7	55.2	7.752	6.102	1.650	127.04%
Total Ground.....	5,191.6	3,055.3	3,037.7	17.6	2.113	1.243	0.869	169.92%
Total Competitive International.....	1,800.7	1,062.2	1,047.5	14.7	7.882	4.650	3.233	169.53%
Total Domestic Competitive Services.....	833.1	425.5	390.2	35.3				
Total Competitive Mail and Services.....	18,495.4	12,496.2	12,369.4	126.8				
<hr/>								
Total All Mail and Services.....	69,388.9	40,757.6	40,575.3	182.3				
Miscellaneous Items.....	2,050.5	-	-	-				
Appropriations: Revenue Forgone.....	59.2	-	-	-				
Total Operating Income.....	71,498.6	40,757.6	40,575.3	182.3				
Investment Income.....	31.9	-	-	-				
Total .....	71,530.4	40,757.6	40,575.3	182.3				
All Other.....		36,363.4						
Total.....		77,121.1						

PUBLIC COST AND REVENUE ANALYSIS  
Fiscal Year 2016

VOLUME STATISTICS

Mail Classes and Products (note 1)	Pieces (thousands)	Weight in Pounds (thousands)	Weight per Piece (ounces)
<b>MARKET DOMINANT PRODUCTS</b>			
First-Class Mail:			
Single-Piece Letters.....	18,910,477	577,042	0.5
Single-Piece Postcards.....	795,244	5,078	0.1
Total Single-Piece Letters and Cards.....	19,705,721	582,120	0.5
Presort Letters.....	37,745,771	2,141,254	0.9
Presort Cards.....	2,197,374	17,947	0.1
Total Presort Letters and Cards.....	39,943,145	2,159,201	0.9
Flats.....	1,570,219	315,936	3.2
Parcels.....	253,945	76,531	4.8
First-Class NSAs.....	0	0	0.0
Outbound Single-Piece First-Class Mail Int'l.....	171,873	10,733	1.0
Inbound Single-Piece First-Class Mail Int'l.....	391,765	104,111	4.3
Total First-Class.....	62,036,668	3,248,631	0.8
Standard Mail:			
High Density and Saturation Letters.....	6,991,880	256,572	0.6
High Density and Saturation Flats and Parcels.....	11,047,259	2,058,053	3.0
Carrier Route.....	6,642,331	1,491,801	3.6
Letters.....	48,858,797	2,451,814	0.8
Flats.....	6,306,794	1,599,550	4.1
Parcels.....	44,767	17,163	6.1
Standard Mail NSAs.....	227,868	0	0.0
Every Door Direct Mail Retail.....	810,238	102,770	2.0
Total Standard Mail.....	80,929,933	7,977,723	1.6
Periodicals:			
In County.....	534,172	149,903	4.5
Outside County (note 2).....	5,052,010	1,907,762	6.0
Total Periodicals.....	5,586,182	2,057,665	5.9
Package Services:			
Alaska Bypass.....	1,282	86,407	1078.4
Bound Printed Matter Flats.....	264,935	424,949	25.7
Bound Printed Matter Parcels.....	249,957	571,731	36.6
Media and Library Mail (note 2).....	74,999	179,996	38.4
Total Package Services.....	591,173	1,263,083	34.2
International Negotiated Service Agreements.....	213,595	101,826	7.6
U.S. Postal Service.....	421,035	117,327	4.5
Free Mail - blind, handicapped & servicemen.....	45,316	18,539	6.5
Total Market Dominant Mail.....	149,823,902	14,784,795	1.6

PUBLIC COST AND REVENUE ANALYSIS  
Fiscal Year 2016

VOLUME STATISTICS

Mail Classes and Products (note 1)	Pieces (thousands)	Weight in Pounds (thousands)	Weight per Piece (ounces)
<b>MARKET DOMINANT SERVICES</b>			
Ancillary Services			
Certified Mail.....	197,771		
COD.....	202		
Insurance.....	15,347		
Registered Mail.....	2,013		
Other Ancillary Services (note 2).....	4,504,659		
Total International Ancillary Services (note 2).....	28,903		
Special Services			
Money Orders.....	90,289		
Total Market Dominant Service Transactions.....	4,839,184		
<hr/>			
<b>COMPETITIVE PRODUCTS</b>			
Total Priority Mail Express.....	33,043	35,275	17.1
Total First-Class Package Service.....	776,203	300,217	6.2
Total Priority Mail.....	1,004,246	2,321,006	37.0
Total Ground.....	2,457,488	5,329,477	34.7
Total Competitive International.....	228,447	272,094	19.1
Total Competitive Mail.....	4,499,428	8,258,069	29.4
<hr/>			
TOTAL ALL MAIL.....	154,323,329		

# UNITED STATES POSTAL SERVICE

## NOTES TO PUBLIC COST AND REVENUE ANALYSIS

### Fiscal Year 2016

#### 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 2016 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 mail category’s estimated volume variable and product specific aggregate 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 activities 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 costs that are not volume variable but, for certain products, are directly or indirectly caused by that product.

Volume Variable and Product Specific Cost – Sum of volume variable and product specific cost.

Contribution – Revenue per piece minus the sum of volume variable and product specific cost per piece.

Cost Coverage – Revenue per piece as a percentage of the aggregate volume variable and product specific cost per piece (unit revenue divided by unit volume variable and product specific 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, customs clearance and delivery fees, reply coupon service, inbound reply coupon service, business reply mail service and inbound business reply mail service. 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 \$3.6 million of imputed interest earned on money order float, which is reclassified to domestic and international money orders. Includes \$948.5 million revenue (prior years) due to the update of customers' retention and usage habits of Forever Stamps. Refer to Form 10-K for additional discussion.

### 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 2016 Annual Report (Form 10-K) but is distributed to money order products in the PCRA Report.

	(millions)		
Operating and Other Revenue per 10-K Annual Report	\$71,498		
Interest Income per 10-K Annual Report	<u>32</u>		
Total Revenue	<u>\$71,530</u>	PCRA Report Revenue	<u>\$71,530</u>

- B) Interest expense shown separately in the 2016 Annual Report (Form 10-K) is reported as part of total expenses in the PCRA Report.

	(millions)		
Operating Expenses per 10-K Annual Report	\$76,899		
Interest expense per 10-K Annual Report	<u>222</u>		
Total Expenses	<u>\$77,121</u>	PCRA Report Expense	<u>\$77,121</u>

### 6. **Other**

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