



**PUBLIC COST AND REVENUE ANALYSIS
FISCAL YEAR 2008**

FINANCE



PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2008

Mail Classes and Products (note 1)	(in millions)				(per piece)			
	Revenue	Attributable	Volume	Product	Revenue	Attributable	Contribution	Cost
	(note 1)	Cost	Variable Cost	Specific Cost	\$	Cost \$	\$	Coverage
	A	B	C	F	D	E	(D-E)	(D/E)
MARKET DOMINANT MAIL								
First-Class Mail:								
Single-Piece Letters.....	\$14,353.5	\$8,443.1	\$8,434.3	\$8.8	\$0.428	\$0.252	\$0.176	170.00%
Single-Piece Cards.....	500.5	446.5	446.0	0.5	0.271	0.242	0.029	112.09%
Total Single-Piece Letters and Cards.....	14,854.0	8,889.6	8,880.3	9.2	0.420	0.251	0.169	167.09%
Presort Letters.....	16,327.8	5,441.7	5,429.0	12.6	0.337	0.112	0.225	300.05%
Presort Cards.....	732.2	282.3	281.3	0.9	0.206	0.079	0.127	259.41%
Total Presort Letters and Cards.....	17,060.0	5,723.9	5,710.4	13.6	0.328	0.110	0.218	298.05%
Flats.....	4,056.3	2,571.0	2,570.1	0.9	1.200	0.761	0.439	157.77%
Parcels.....	1,120.8	1,079.7	1,079.6	0.2	1.851	1.783	0.068	103.80%
Outbound Single-Piece First-Class Mail Intl.....	746.9	525.1	525.1	-	1.778	1.250	0.528	142.25%
Inbound Single-Piece First-Class Mail Intl.....	205.3	257.9	257.9	-	0.492	0.618	(0.126)	79.62%
Fees (note 2).....	185.5							
Total First-Class.....	38,228.9	19,047.2	19,023.4	23.8	0.415	0.207	0.208	200.71%
Standard Mail:								
High Density and Saturation Letters.....	734.2	320.5	319.9	0.6	0.131	0.057	0.074	229.08%
High Density and Saturation Flats and Parcels.....	2,158.3	844.4	842.8	1.5	0.159	0.062	0.097	255.61%
Carrier Route.....	2,731.1	1,814.3	1,812.9	1.4	0.226	0.150	0.076	150.54%
Letters.....	10,555.1	5,478.5	5,472.1	6.4	0.185	0.096	0.089	192.67%
Flats.....	3,663.7	3,891.0	3,889.9	1.1	0.366	0.389	(0.023)	94.16%
Not Flat-Machinables and Parcels.....	647.4	813.4	813.3	0.1	0.882	1.109	(0.226)	79.59%
Fees (note 2).....	96.4	-	-					
Total Standard Mail.....	20,586.3	13,162.0	13,150.9	11.1	0.208	0.133	0.075	156.41%
Periodicals:								
In County.....	89.1	94.3	94.3	0.0	0.107	0.114	(0.006)	94.47%
Outside County.....	2,187.9	2,637.8	2,637.8	0.0	0.281	0.339	(0.058)	82.94%
Fees (note 2).....	17.9							
Total Periodicals.....	2,294.9	2,732.1	2,732.1	0.0	0.267	0.317	(0.051)	83.99%
Package Services:								
Single-Piece Parcel Post.....	718.1	784.0	784.0	-	8.020	8.756	(0.736)	91.60%
Inbound Surface Parcel Post (at UPU Rates).....	9.0	5.7	5.7	-	14.944	9.420	5.523	158.63%
Bound Printed Matter Flats.....	261.9	157.6	157.6	-	0.904	0.544	0.360	166.26%
Bound Printed Matter Parcels.....	429.9	399.2	399.2	-	1.393	1.294	0.100	107.71%
Media and Library Mail.....	418.9	478.8	478.8	-	2.643	3.020	(0.378)	87.49%
Fees (note 2).....	4.2							
Total Package Services.....	1,842.1	1,825.1	1,825.1	-	2.166	2.150	0.016	100.75%
Free Mail - blind, handicapped & servicemen.....	-	52.0	52.0	-	-	0.722	NA	
Total Market-Dominant Mail.....	62,952.1	36,818.4	36,783.5	34.9	0.312	0.183	0.130	170.98%

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2008

Mail Classes and Products (note 1)	(in millions)				(per piece)			
	Revenue	Attributable	Volume	Product	Revenue	Attributable	Contribution	Cost
	(note 1)	Cost	Variable Cost	Specific Cost	\$	Cost \$	\$	Coverage
MARKET DOMINANT AND COMPETITIVE PRODUCTS	A	B	C	C	D	E	(D-E)	(D/E)
Ancillary Services:								
Certified Mail.....	\$ 717.8	\$ 602.6	\$ 602.5	\$0.1	\$2.669	\$2.241	\$0.429	119.13%
COD.....	8.1	6.8	6.8	-	7.044	5.917	1.126	119.03%
Insurance.....	144.6	143.9	143.8	0.0	2.802	2.788	0.014	100.51%
Registered Mail.....	56.9	57.7	57.7	0.0	14.732	14.954	(0.222)	98.52%
Stamped Envelopes.....	23.4	10.0	10.0					
Stamped Cards (note 3).....	1.0	1.4	1.4					
Other Domestic Ancillary Services (note 2).....	734.5	533.7	533.4	0.3				
Total Domestic Ancillary Services.....	1,686.3	1,356.1	1,355.7	0.4				
Total International Ancillary Services (note 2)	29.1	62.7	62.7					
Special Services:								
Money Orders.....	223.3	152.8	149.9	2.8	1.498	1.024	0.473	146.19%
Post Office Box Service.....	896.7	640.3	640.0	0.3				
Other Special Services (note 2).....	0.2	5.1	5.1	-				
Total Special Services.....	1,120.2	798.2	795.1	3.1				
Total Market Dominant Services.....	2,835.5	2,217.0	2,213.5	3.5				
Total Market Dominant Mail and Services.....	65,787.6	39,035.4	38,997.0	38.4				
Total Competitive Mail and Services.....	8,434.5	6,602.1	6,568.4	33.7				
Total All Mail and Services.....	74,222.2	45,637.6	45,565.4	72.2				
Miscellaneous items (note 2).....	708.4							
Transit Revenue.....	1.2							
Appropriations: Revenue Forgone.....	103.1							
Total Operating Revenue.....	75,034.9							
Investment Income.....	35.6							
Total (note 5).....	75,070.5	45,637.6	45,565.4					
Institutional Costs.....		32,218.8						
Total All.....	75,070.5	77,856.4						

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS
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VOLUME STATISTICS

Mail Classes and Products (note 1)	Pieces (thousands)	Weight in Pounds (thousands)	Weight per Piece (ounces)
MARKET DOMINANT AND COMPETITIVE PRODUCTS			
First-Class Mail:			
Single-Piece Letters.....	33,509,710	1,000,329	0.5
Single-Piece Cards.....	1,845,860	11,830	0.1
Total Single-Piece Letters and Cards.....	35,355,570	1,012,159	0.5
Presort Letters.....	48,379,874	2,174,874	0.7
Presort Cards.....	3,555,997	28,969	0.1
Total Presort Letters and Cards.....	51,935,871	2,203,843	0.7
Flats.....	3,379,740	693,504	3.3
Parcels.....	605,522	195,047	5.2
Outbound Single-Piece First-Class Mail Intl.....	420,033	60,543	2.3
Inbound Single-Piece First-Class Mail Intl.....	417,029	n/a	n/a
Total First-Class.....	92,113,765	4,165,096	0.7
Standard Mail:			
High Density and Saturation Letters.....	5,598,913	250,004	0.7
High Density and Saturation Flats and Parcels.....	13,584,059	2,533,242	3.0
Carrier Route.....	12,070,176	2,500,770	3.3
Letters.....	57,086,421	2,859,999	0.8
Flats.....	10,010,857	2,541,284	4.1
Not Flat-Machinables and Parcels.....	733,729	331,886	7.2
Total Standard Mail.....	99,084,155	11,017,185	1.8
Periodicals:			
In County.....	830,887	279,193	5.4
Outside County (note 2).....	7,774,339	3,397,716	7.0
Total Periodicals.....	8,605,227	3,676,909	6.8
Package Services:			
Single-Piece Parcel Post.....	89,536	470,859	84.1
Inbound Surface Parcel Post (at UPU Rates).....	604	n/a	n/a
Bound Printed Matter Flats.....	289,623	402,869	22.3
Bound Printed Matter Parcels.....	308,561	926,808	48.1
Media and Library Mail (note 2).....	158,505	354,743	35.8
Total Package Services.....	846,829	2,155,280	40.8
U.S. Postal Service Mail.....	823,685	148,948	2.9
Free Mail - blind, handicapped & servicemen.....	71,975	33,307	7.4
Total Market Dominant Mail.....	201,545,635	21,196,726	1.7
Total Competitive Mail.....	1,591,148	3,040,528	30.6
Total All Mail (not including services).....	203,136,784		

See accompanying notes.

PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2008

VOLUME STATISTICS

Mail Classes and Products (note 1)	Transactions (thousands)	Weight in Pounds (thousands)	Weight per Piece (ounces)
SERVICE TRANSACTIONS			
Ancillary Services			
Certified Mail.....	268,917	NA	NA
COD.....	1,155	NA	NA
Insurance.....	51,595	NA	NA
Registered Mail.....	3,861	NA	NA
Stamped Envelopes.....	0	NA	NA
Stamped Cards (note 3).....	0	NA	NA
Other Ancillary Services.....	1,208,210	NA	NA
Total Domestic Ancillary Services.....	1,533,738	NA	NA
Total International Ancillary Services (note 2).....	16,467	NA	NA
Special Services:			
Money Orders.....	149,125	NA	NA
Post Office Box Service.....	0	NA	NA
Other Special Services.....	139	NA	NA
Total Special Services.....	149,264	NA	NA
Total Market Dominant Service Transactions.....	1,699,469	NA	NA
Total Competitive Service Transactions.....	3,232	NA	NA
Total All Service Transactions.....	1,702,701	NA	NA

See accompanying notes.

**UNITED STATES POSTAL SERVICE
NOTES TO PUBLIC COST AND REVENUE ANALYSIS
Fiscal Year 2008**

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 from 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 were 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 2008 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 cost. 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, delivery confirmation, 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 and premium stamped cards. 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.

Other Special Services includes identifiable costs for applications and mailing permits, address list services, change-of-address, credit card authenticate and confirm service. International special services include international reply coupon services, and international business reply. Details on the domestic products are filed with the Annual Compliance Report (ACR). Details for the international products are filed in the International Cost and Revenue Analysis (ICRA) report.

Negotiated Service Agreement Mail (NSA) costs for domestic mail are included in 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 \$19.1 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. Partial Year Cost Data for Premium Forwarding Service

The costs reported for Premium Forwarding Service (PFS) do not reflect the complete amount of costs incurred by that product during Fiscal Year 2008. In connection with classification changes implemented in March of 2008, and the shift of the product from the Market Dominant to the Competitive category, attempts were made to identify PFS costs separately, in instances in which the costs previously would have been reported as Priority Mail costs. Separate in office cost data (IOCS) regarding PFS were collected for the entire year, but attempts to collect separate transportation cost data (TRACS) and city and rural carrier cost data (CCS & RCS) were not initiated until the last two quarters of FY 2008. The result was partial year cost data for PFS, and a portion of FY 2008 PFS costs still being reported as Priority Mail costs. In contrast, the volume and revenue reported for PFS do reflect the entire year, and the cost data and the volume and revenue data are thus not comparable. Therefore, no attempt is made to calculate a unit cost or a cost coverage for this product. Note, however, that incomplete separation of PFS costs from Priority Mail costs does not affect the total cost or contribution reported for Competitive Products in the aggregate, as both products are on the Competitive Products list.

5. Miscellaneous Adjustments

A) Mortgage and escrow income is included with interest income in the Annual Report and is reported as miscellaneous revenue in the CRA.

	(in millions)		(in millions)
Operating Revenue per Annual Report	\$74,932	PCRA Report Revenue	\$75,071
Interest Income per Annual Report	<u>36</u>	Less ICRA Revenue Imputation	<u>(103)</u>
Annual Report Revenue	<u>\$74,968</u>	Total	<u>\$74,968</u>

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

	(in millions)		(in millions)
Operating Expenses per Annual Report	\$77,738	PCRA Report Expenses	\$77,856
Interest expense on borrowings	<u>36</u>	Less ICRA Expense Imputation	<u>(82)</u>
Annual Report Expenses	<u>\$77,774</u>	Total	<u>\$77,774</u>

6. Public Law 109-435

Public Law 109-435, enacted December 20, 2006, made significant reforms in the governance of the Postal Service and significantly altered some of the Postal Service's financial responsibilities. A number of major provisions of the law impact USPS financial statements and reports such as this one. See note 1, paragraph 2.

7. 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.