

LEGAL POLICY & RATEMAKING LAW SECTION  
LAW DEPARTMENT

Postal Rate Commission  
Submitted 8/31/2006 11:57 am  
Filing ID: 52974  
Accepted 8/31/2006



August 31, 2006

Hon. Steven W. Williams, Secretary  
Postal Rate Commission  
901 New York Avenue, NW  
Suite 200  
Washington, DC 20268-0001

**RE: Docket No. MC2004-2**

Dear Mr. Williams:

In accordance with the Commission's Opinion and Recommended Decision Approving Stipulation and Agreement for the Experimental Priority Mail Flat-Rate Box, Docket No. MC2004-2, enclosed is the Postal Service's Third Semiannual Data Report, covering the time period January 1, 2006, to June 30, 2006.

Sincerely,

Brian M. Reimer  
Attorney

Enclosures

**Experimental Priority Mail Flat-Rate Box  
Third Semi-Annual Status Report  
August 31, 2006**

I. Introduction

This is the third semi-annual report to be filed with the Postal Rate Commission – pursuant to Attachment C (Data Collection Plan) of the Stipulation and Agreement approved in Docket No. MC2004-2 – summarizing use of the experimental Priority Mail flat-rate box. Volume data are presented for the two quarters that have transpired since the second semi-annual report was filed: the second quarter of Fiscal Year 2006 (January 1 - March 31, 2006) and the third quarter of Fiscal Year 2006 (April 1 - June 30, 2006).

II. Data Collected

The attached table shows the distribution of total Priority Mail flat-rate-box volume by weight and zone in Fiscal Year 2006, Quarters 2 and 3. The data are derived from ODIS-RPW sampling (for non-permit mail) and from the Postal One data system (for permit mail). Total volume was 15.5 million pieces, distributed as 63.3 percent at 0 - 5 pounds, 29.4 percent at 5 - 10 pounds, 6.7 percent at 10 - 20 pounds, and 0.6 percent at 20+ pounds. The 15.5 million pieces represented 3.35 percent of all Priority Mail volume in Fiscal Year 2006, Quarters 2 and 3. By zone, the volume was most pronounced in Zone 8 (31.2 percent) and Zone 5 (17.3 percent).

Total volume can also be disaggregated as 7,953,246 (51.5 percent) for the 14" x 12" x 3.5" box shape and 7,498,192 (48.5 percent) for the 11.25" x 8.75" x 6" box shape. The first figure has a margin of error (MOE) at the 95 percent confidence level of 3.6 percent.<sup>1</sup> The second figure has an MOE at the 95 percent confidence level of 3.8 percent.

---

<sup>1</sup> This means that with 95 percent confidence, the figure can be estimated as 7,953,246, +/- 3.6 percent (approximately +/- 286,000).

The weight and zone distributions reflect, for the two box shapes combined, an average weight per piece of 4.95 pounds and an "average zone" (where Zone 1 = 1.0, Zone 2 = 2.0, etc.) of 5.76.<sup>2</sup> While these averages have implications for the financial impact of the experiment, ultimately the net impact will depend on the balance between volume that has migrated from elsewhere in the Priority Mail rate schedule and volume that is newly attracted to Priority Mail by the flat-rate box. The Postal Service has provided an estimate of this net impact for FY 2005 in Docket No. R2006-1, USPS-LR-L-119.

The most common method of postage payment for the Priority Mail flat-rate box in Quarters 2 and 3 was the postage validation imprinter (PVI), a retail postage label similar to a meter stamp strip. Following in order of prevalence were information-based indicia (e.g., PC Postage, Click-N-Ship, eBay Online Postage); traditional postage meters; postage stamps; and, lastly, permits.

### III. Future

The Priority Mail flat-rate-box experiment is set to expire at the end of its second year, on November 20, 2006. In anticipation of this event, the Postal Service has included a proposal for a permanent classification in Docket No. R2006-1, the omnibus rate case proceeding currently before the Postal Rate Commission. The proposal is contained in USPS-T-33, the direct testimony of Thomas M. Scherer.

---

<sup>2</sup> For average weight, the MOE at the 95 percent confidence level is 1.8 percent. For the average zone, the MOE at the 95 percent confidence level is 6.9 percent.

**Priority Mail Flat-Rate Box  
Total ODIS-RPW Volume  
FY 2006, Quarters 2 & 3**

Weight Step	Local & Zones 1-3			Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Zone Unknown		Total	Perc. of Total	Cum. Perc.
	Zones 1-3	Zone 4	Zone 5						Zone 6	Zone 7			
1 POUND	79,944	31,460	66,749	36,782	35,856	54,111	5,062	309,963	2.0%	2.0%			
2 POUNDS	320,751	206,446	284,977	185,701	177,759	373,462	47,757	1,596,854	10.3%	12.3%			
3 POUNDS	415,714	288,921	358,881	274,994	318,840	1,071,082	47,869	2,776,301	18.0%	30.3%			
4 POUNDS	284,826	307,093	508,909	372,409	356,098	931,621	57,730	2,818,687	18.2%	48.6%			
5 POUNDS	246,654	338,429	409,921	326,133	279,305	647,205	32,345	2,279,993	14.8%	63.3%			
6 POUNDS	205,951	250,170	282,512	208,265	188,412	506,204	24,719	1,666,232	10.8%	74.1%			
7 POUNDS	137,815	165,944	195,335	128,443	114,510	287,205	21,844	1,051,095	6.8%	80.9%			
8 POUNDS	113,067	97,712	134,063	101,693	88,359	187,509	13,482	735,884	4.8%	85.7%			
9 POUNDS	86,890	61,139	98,843	91,556	62,191	162,462	7,910	570,991	3.7%	89.4%			
10 POUNDS	95,281	60,537	83,063	71,974	41,720	158,764	8,752	520,090	3.4%	92.7%			
11 POUNDS	38,821	36,792	64,689	42,916	32,276	85,381	10,531	311,405	2.0%	94.7%			
12 POUNDS	26,930	25,187	33,227	27,880	19,872	110,912	4,927	248,937	1.6%	96.3%			
13 POUNDS	22,238	28,214	29,282	18,140	16,213	44,213	1,208	159,508	1.0%	97.4%			
14 POUNDS	11,851	10,240	15,165	11,279	4,893	36,890	6,405	96,723	0.6%	98.0%			
15 POUNDS	17,511	2,754	13,134	8,883	16,307	15,585	190	74,363	0.5%	98.5%			
16 POUNDS	10,666	3,338	3,593	16,191	2,365	17,190	97	53,440	0.3%	98.8%			
17 POUNDS	4,324	6,890	5,548	6,351	9,525	4,532	324	37,494	0.2%	99.1%			
18 POUNDS	4,222	2,587	3,244	2,251	1,358	4,210	16	17,887	0.1%	99.2%			
19 POUNDS	1,305	1,995	3,454	2,204	0	5,845	0	14,801	0.1%	99.3%			
20 POUNDS	2,473	39	6,994	0	0	1,425	973	11,905	0.1%	99.4%			
21 POUNDS	542	0	453	876	4,017	2,720	433	9,040	0.1%	99.4%			
22 POUNDS	530	5,153	1,942	913	0	1,748	0	10,285	0.1%	99.5%			
23 POUNDS	96	164	1,331	194	553	671	0	3,009	0.0%	99.5%			
24 POUNDS	0	529	744	312	754	4,894	0	7,234	0.0%	99.6%			
25 POUNDS	189	0	240	617	1,379	703	0	3,127	0.0%	99.6%			
26 POUNDS	1,124	1,173	2,463	0	0	2,008	0	6,768	0.0%	99.6%			
27 POUNDS	0	0	0	668	0	369	0	1,037	0.0%	99.6%			
28 POUNDS	841	0	661	1,299	0	4,485	0	7,285	0.0%	99.7%			
29 POUNDS	359	1,011	0	0	721	3,176	0	5,268	0.0%	99.7%			
30 POUNDS	0	238	238	673	461	0	0	1,610	0.0%	99.7%			
31 POUNDS	0	0	132	0	336	1,009	0	1,477	0.0%	99.7%			
32 POUNDS	0	0	651	0	0	1,108	0	1,759	0.0%	99.7%			
33 POUNDS	0	320	0	0	251	703	0	1,275	0.0%	99.7%			

34 POUNDS	0	0	0	0	360	245	0	606	0.0%	99.7%
35 POUNDS	1,036	0	865	0	0	721	0	2,622	0.0%	99.8%
36 POUNDS	0	0	0	0	574	245	0	820	0.0%	99.8%
37 POUNDS	0	0	0	238	1,198	246	0	1,682	0.0%	99.8%
38 POUNDS	0	477	559	0	715	136	0	1,887	0.0%	99.8%
39 POUNDS	0	108	0	0	0	0	0	108	0.0%	99.8%
40 POUNDS	745	0	0	0	0	0	0	745	0.0%	99.8%
41 POUNDS	0	1,295	0	0	433	0	117	1,844	0.0%	99.8%
42 POUNDS	0	1,362	0	397	0	245	0	2,004	0.0%	99.8%
43 POUNDS	0	0	953	0	0	0	0	953	0.0%	99.8%
44 POUNDS	0	0	0	0	0	243	0	243	0.0%	99.8%
45 POUNDS	0	0	0	1,092	73	0	0	1,165	0.0%	99.8%
46 POUNDS	728	0	1,532	243	0	0	0	2,503	0.0%	99.9%
47 POUNDS	0	0	0	0	0	0	0	0	0.0%	99.9%
48 POUNDS	0	0	0	0	0	46	0	46	0.0%	99.9%
49 POUNDS	0	300	0	0	0	0	0	300	0.0%	99.9%
50 POUNDS	0	0	659	0	0	0	0	659	0.0%	99.9%
51 POUNDS	0	0	0	0	0	0	0	0	0.0%	99.9%
52 POUNDS	0	481	0	0	0	0	0	481	0.0%	99.9%
53 POUNDS	322	0	0	73	0	0	0	394	0.0%	99.9%
54 POUNDS	0	0	238	0	0	0	0	238	0.0%	99.9%
55 POUNDS	0	0	0	292	0	0	0	292	0.0%	99.9%
56 POUNDS	437	299	1,507	583	136	964	0	3,926	0.0%	99.9%
57 POUNDS	292	6,598	966	2,858	192	875	0	11,781	0.1%	100.0%
58 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
59 POUNDS	0	0	299	0	0	0	0	299	0.0%	100.0%
60 POUNDS	0	421	0	0	0	0	0	421	0.0%	100.0%
61 POUNDS	371	0	0	0	0	0	0	371	0.0%	100.0%
62 POUNDS	0	841	0	0	0	0	0	841	0.0%	100.0%
63 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
64 POUNDS	233	0	0	0	0	0	0	233	0.0%	100.0%
65 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
66 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
67 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
68 POUNDS	0	0	0	0	60	546	0	606	0.0%	100.0%
69 POUNDS	0	0	0	0	0	1,638	0	1,638	0.0%	100.0%
70 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
Total	2,135,079	1,946,657	2,618,016	1,945,373	1,778,071	4,735,549	292,692	15,451,438		
Distribution	14.1%	12.8%	17.3%	12.8%	11.7%	31.2%		100.0%		