



August 31, 2005

Hon. Steven W. Williams, Secretary
Postal Rate Commission
1333 H Street, NW, Suite 300
Washington, D.C. 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, the Postal Service's First Semiannual Data Report, covering the period from the experiment's commencement midway through Quarter 1 (November 20, 2004) to the end of Quarter 3 (June 30, 2005) is attached.

Sincerely,

Brian M. Reimer
Attorney

Docket No. MC2004-2
Experimental Priority Mail Flat-Rate Box
First Semi-Annual Status Report
August 31, 2005

I. Introduction

This is the first 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 first three quarters of Fiscal Year 2005, from the experiment’s commencement midway through Quarter 1 on November 20, 2004, to the end of Quarter 3 on June 30, 2005.

II. Data Collected

The attached table shows the distribution of total Priority Mail flat-rate-box volume by weight and zone in Fiscal Year 2005, Quarters 1 - 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 8.0 million pieces, distributed as 65.2 percent at 0 - 5 pounds, 28.9 percent at 5 - 10 pounds, 5.2 percent at 10 - 20 pounds, and 0.7 percent at 20+ pounds. The 8.0 million pieces represents 1.2 percent of all Priority Mail volume in Fiscal Year 2005, Quarters 1 - 3. By zone, the volume distribution is most pronounced in Zone 8 (32.2 percent) and Zone 5 (18.2 percent).

Total volume can also be disaggregated as 4,225,393 (53.1 percent) for the 14” x 12” x 3.5” box shape and 3,728,541 (46.9 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 interval of 4.7 percent.¹ The second figure has an MOE at the 95 percent confidence interval of 5.1 percent.

From the weight and zone distributions, it can be calculated for the two box shapes combined that the average weight per piece was 4.83 pounds and the “average zone” (where Zone 1 = 1.0, Zone 2 = 2.0, etc.) was 5.82.² 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. It is hoped that market research in the second year of the experiment will help discern this balance.

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

III. Future

Per the Data Collection Plan in Docket No. MC2004-2, the next semi-annual report on the Priority Mail flat-rate-box experiment will be prepared in the second half of February 2006. Data collected for the last quarter of Fiscal Year 2005 and the first quarter of Fiscal Year 2006 will be presented in that report.

¹ This means that with 95 confidence, the figure can be estimated as 4,225,393, +/- 4.7 percent (approximately 199,000).

² For average weight, the MOE at the 95 percent confidence interval is 1 percent. For the average zone, the MOE at the 95 percent confidence interval is 8.7 percent.

**Priority Mail Flat-Rate Box
Total ODIS-RPW Volume
FY 2005, Quarters 1 - 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.
1 POUND	28,836	19,472	22,069	13,789	22,146	23,105	2,925	132,341	1.7%	1.7%
2 POUNDS	170,586	118,189	137,388	103,907	76,885	185,465	25,979	818,400	10.3%	12.0%
3 POUNDS	187,645	163,169	199,946	140,519	203,857	601,983	21,061	1,518,181	19.1%	31.0%
4 POUNDS	153,255	146,915	311,803	191,380	185,809	509,836	21,477	1,520,475	19.1%	50.2%
5 POUNDS	114,568	150,939	227,480	157,710	153,120	376,987	18,666	1,199,470	15.1%	65.2%
6 POUNDS	97,636	128,814	174,387	106,512	73,218	243,503	8,033	832,103	10.5%	75.7%
7 POUNDS	51,799	87,382	110,012	71,194	59,121	169,453	2,099	551,059	6.9%	82.6%
8 POUNDS	42,874	60,566	70,718	45,153	32,002	133,669	6,509	391,491	4.9%	87.5%
9 POUNDS	49,944	52,718	45,546	42,078	22,194	90,000	951	303,432	3.8%	91.4%
10 POUNDS	35,279	20,773	45,869	37,650	21,828	53,070	3,136	217,606	2.7%	94.1%
11 POUNDS	33,300	12,083	23,535	16,096	15,120	32,559	583	133,276	1.7%	95.8%
12 POUNDS	9,790	8,340	21,859	5,107	5,036	26,194	1,745	78,071	1.0%	96.8%
13 POUNDS	10,274	8,195	12,179	7,068	7,046	14,652	409	59,823	0.8%	97.5%
14 POUNDS	6,454	8,337	3,427	3,352	5,182	14,336	535	41,623	0.5%	98.0%
15 POUNDS	821	7,538	9,131	6,731	4,281	10,373	278	39,152	0.5%	98.5%
16 POUNDS	9,631	4,828	2,544	699	3,647	9,454	0	30,803	0.4%	98.9%
17 POUNDS	798	1,374	1,158	2,624	1,141	4,497	0	11,593	0.1%	99.1%
18 POUNDS	2,084	1,978	1,961	79	0	3,841	0	9,942	0.1%	99.2%
19 POUNDS	684	0	269	2,433	238	1,591	5	5,219	0.1%	99.2%
20 POUNDS	660	1,812	261	1,389	2,125	1,042	545	7,835	0.1%	99.3%
21 POUNDS	2,542	1,784	1,210	518	0	194	0	6,248	0.1%	99.4%
22 POUNDS	500	1,250	0	847	0	919	0	3,517	0.0%	99.5%
23 POUNDS	0	346	242	0	0	6,269	0	6,857	0.1%	99.6%
24 POUNDS	3	0	0	401	0	335	0	739	0.0%	99.6%
25 POUNDS	0	1,737	0	174	426	1,046	0	3,383	0.0%	99.6%
26 POUNDS	0	0	733	347	3,630	3,800	0	8,510	0.1%	99.7%
27 POUNDS	161	0	968	0	6,103	0	0	7,232	0.1%	99.8%
28 POUNDS	0	0	0	492	0	0	0	492	0.0%	99.8%
29 POUNDS	0	0	579	0	0	0	0	579	0.0%	99.8%
30 POUNDS	0	0	0	497	0	347	0	844	0.0%	99.8%
31 POUNDS	5	0	0	347	0	282	0	635	0.0%	99.8%
32 POUNDS	0	242	0	0	0	0	0	242	0.0%	99.8%
33 POUNDS	0	291	0	0	0	121	0	412	0.0%	99.8%

34 POUNDS	0	0	0	0	0	0	0	0	0.0%	99.8%
35 POUNDS	1,204	0	0	847	0	0	0	2,051	0.0%	99.9%
36 POUNDS	0	0	0	0	0	799	0	799	0.0%	99.9%
37 POUNDS	0	0	19	0	0	0	0	19	0.0%	99.9%
38 POUNDS	0	0	0	373	0	324	0	698	0.0%	99.9%
39 POUNDS	0	0	0	0	0	0	0	0	0.0%	99.9%
40 POUNDS	0	261	0	0	0	0	14	276	0.0%	99.9%
41 POUNDS	0	0	486	0	0	0	0	486	0.0%	99.9%
42 POUNDS	0	0	0	0	0	0	0	0	0.0%	99.9%
43 POUNDS	0	0	0	0	0	0	0	0	0.0%	99.9%
44 POUNDS	145	0	0	0	0	0	0	145	0.0%	99.9%
45 POUNDS	581	0	0	0	0	0	0	581	0.0%	99.9%
46 POUNDS	807	0	0	0	837	0	0	1,644	0.0%	99.9%
47 POUNDS	0	0	0	0	1,256	0	0	1,256	0.0%	99.9%
48 POUNDS	0	0	0	0	419	0	0	419	0.0%	100.0%
49 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
50 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
51 POUNDS	0	0	0	463	419	0	0	882	0.0%	100.0%
52 POUNDS	194	0	1,270	0	0	0	0	1,464	0.0%	100.0%
53 POUNDS	0	0	97	363	0	194	0	654	0.0%	100.0%
54 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
55 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
56 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
57 POUNDS	0	0	654	0	0	0	0	654	0.0%	100.0%
58 POUNDS	0	320	0	0	0	0	0	320	0.0%	100.0%
59 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
60 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
61 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
62 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
63 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
64 POUNDS	0	0	0	0	0	0	0	0	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	0	0	0	0	0.0%	100.0%
69 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
70 POUNDS	0	0	0	0	0	0	0	0	0.0%	100.0%
Total	1,013,061	1,009,652	1,427,802	961,141	907,086	2,520,241	114,950	7,953,934		
Distribution	12.9%	12.9%	18.2%	12.3%	11.6%	32.2%		100.0%		