

LEGAL POLICY & RATEMAKING LAW SECTION  
LAW DEPARTMENT



February 28, 2007

Hon. Steven W. Williams, Secretary  
Postal Regulatory 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 in Docket No. MC2004-2, Experimental Priority Mail Flat-Rate Box, enclosed is the Postal Service's Data Collection Report for the time period July 1, 2006, to December 31, 2006.

Sincerely,

Brian M. Reimer  
Attorney

Enclosures

**Experimental Priority Mail Flat-Rate Box  
Fourth Semi-Annual Status Report  
February 28, 2007**

I. Introduction

This is the fourth and final semi-annual report to be filed with the Postal Regulatory 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 third semi-annual report was filed: the fourth quarter of Fiscal Year 2006 (July 1 - September 30, 2006) and the first quarter of Fiscal Year 2007 (October 1 - December 31, 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, Quarter 4 and Fiscal Year 2007, Quarter 1. 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 19.0 million pieces, distributed as 64.0 percent at 0 - 5 pounds, 29.3 percent at 5 - 10 pounds, 6.1 percent at 10 - 20 pounds, and 0.6 percent at 20+ pounds. The 19.0 million pieces represented 4.08 percent of all Priority Mail volume in Fiscal Year 2006, Quarter 4 plus Fiscal Year 2007, Quarter 1. By zone, the volume was most pronounced in Zone 8 (32.1 percent) and Zone 5 (17.1 percent).

Total volume can also be disaggregated as 9,958,815 (52.5 percent) for the 14" x 12" x 3.5" box shape and 8,993,968 (47.5 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 3.7 percent.<sup>1</sup> The second figure has an MOE at the 95 percent confidence level of 3.6 percent.

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<sup>1</sup> This means that with 95 percent confidence, the figure can be estimated as 9,958,815, +/- 3.7 percent (approximately +/- 368,000).

The weight and zone distributions reflect, for the two box shapes combined, an average weight per piece of 4.93 pounds and an “average zone” (where Zone 1 = 1.0, Zone 2 = 2.0, etc.) of 5.77.<sup>2</sup> While these averages have implications for the financial impact of the experiment, USPS-LR-L-119 in Docket No. R2006-1 demonstrated that the net impact ultimately depends 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 most common method of postage payment for the Priority Mail flat-rate box in the last two quarters 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 was set to expire at the end of its second year, on November 20, 2006 — barring an earlier request by the Postal Service for a permanent classification. The Postal Service did in fact make such a request in the Docket No. R2006-1 direct testimony of Thomas M. Scherer (USPS-T-33), filed on May 3, 2006. The Governors of the Postal Service now have before them a recommended decision from the Postal Regulatory Commission that includes a recommendation for such a permanent classification.

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<sup>2</sup> For average weight, the MOE at the 95 percent confidence level is 1.5 percent. For the average zone, the MOE at the 95 percent confidence level is 7.4 percent.

**Priority Mail Flat-Rate Box  
Total ODIS-RPW Volume  
Fiscal Year 2006, Quarter 4 + Fiscal Year 2007, Quarter 1**

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	78,544	52,932	52,434	46,549	29,462	98,275	14,173	372,369	2.0%	2.0%
2 POUNDS	426,639	297,195	329,330	225,152	206,984	448,073	56,359	1,989,731	10.5%	12.5%
3 POUNDS	485,633	343,481	444,005	332,943	399,439	1,225,381	42,460	3,273,343	17.3%	29.7%
4 POUNDS	388,674	351,458	651,196	404,066	449,214	1,195,707	47,823	3,488,137	18.4%	48.1%
5 POUNDS	340,875	364,081	589,698	385,764	362,277	905,959	62,349	3,011,003	15.9%	64.0%
6 POUNDS	252,866	280,743	354,044	264,397	203,806	654,819	45,783	2,056,458	10.9%	74.9%
7 POUNDS	206,726	195,399	189,576	197,871	148,064	437,030	11,517	1,386,184	7.3%	82.2%
8 POUNDS	141,516	107,304	155,090	144,096	95,544	295,705	13,919	953,174	5.0%	87.2%
9 POUNDS	93,128	95,989	100,177	82,393	54,369	209,474	8,210	643,739	3.4%	90.6%
10 POUNDS	95,453	57,102	78,136	52,958	78,609	143,546	9,625	515,430	2.7%	93.3%
11 POUNDS	43,068	57,052	84,197	42,448	45,168	103,723	12,465	388,121	2.0%	95.4%
12 POUNDS	37,987	28,535	36,323	21,137	31,180	76,591	3,134	234,887	1.2%	96.6%
13 POUNDS	34,075	12,839	38,875	17,919	18,347	64,188	3,251	189,493	1.0%	97.6%
14 POUNDS	12,820	15,394	9,349	5,052	15,198	20,240	3,197	81,251	0.4%	98.1%
15 POUNDS	17,118	5,214	7,730	14,286	10,584	17,550	1,089	73,571	0.4%	98.4%
16 POUNDS	7,034	7,819	12,447	6,608	7,378	14,071	1,872	57,229	0.3%	98.7%
17 POUNDS	4,531	2,567	11,783	4,149	950	14,443	4,807	43,230	0.2%	99.0%
18 POUNDS	3,325	4,109	5,857	2,647	3,907	11,038	8,652	39,535	0.2%	99.2%
19 POUNDS	3,498	4,713	7,984	1,435	751	5,881	0	24,262	0.1%	99.3%
20 POUNDS	1,667	0	5,110	1,746	398	5,007	0	13,928	0.1%	99.4%
21 POUNDS	1,736	1,722	837	0	956	3,590	191	9,033	0.0%	99.4%
22 POUNDS	2,293	1,540	2,612	2,698	490	4,355	120	14,109	0.1%	99.5%
23 POUNDS	2,284	3,996	1,587	1,142	687	3,058	0	12,754	0.1%	99.6%
24 POUNDS	825	268	829	700	1,025	610	0	4,256	0.0%	99.6%
25 POUNDS	0	0	90	794	887	1,659	0	3,430	0.0%	99.6%
26 POUNDS	4,961	90	76	402	1,681	3,001	0	10,212	0.1%	99.7%
27 POUNDS	390	0	3,235	817	467	526	0	5,435	0.0%	99.7%
28 POUNDS	0	0	1,552	0	813	1,832	0	4,197	0.0%	99.7%
29 POUNDS	0	502	315	949	217	1,555	1,663	5,201	0.0%	99.7%
30 POUNDS	0	0	366	48	212	233	0	859	0.0%	99.7%
31 POUNDS	93	782	0	1,260	0	945	0	3,081	0.0%	99.8%
32 POUNDS	0	3,824	0	0	104	0	0	3,928	0.0%	99.8%
33 POUNDS	397	239	640	0	0	1,008	0	2,284	0.0%	99.8%

34 POUNDS	700	0	934	691	0	0	0	2,325	0.0%	99.8%
35 POUNDS	131	166	376	23	0	402	0	1,099	0.0%	99.8%
36 POUNDS	87	2,101	315	369	0	317	0	3,188	0.0%	99.8%
37 POUNDS	548	233	0	76	0	0	0	858	0.0%	99.8%
38 POUNDS	0	251	0	134	117	0	0	501	0.0%	99.8%
39 POUNDS	23	0	76	0	0	0	0	100	0.0%	99.8%
40 POUNDS	0	0	565	0	0	0	0	565	0.0%	99.8%
41 POUNDS	0	532	0	0	0	2,086	0	2,618	0.0%	99.9%
42 POUNDS	325	0	0	376	1,016	317	0	2,035	0.0%	99.9%
43 POUNDS	0	276	0	489	350	0	263	1,378	0.0%	99.9%
44 POUNDS	0	0	0	369	0	0	0	369	0.0%	99.9%
45 POUNDS	0	0	0	0	0	0	0	0	0.0%	99.9%
46 POUNDS	0	0	386	0	0	0	0	386	0.0%	99.9%
47 POUNDS	0	0	478	0	0	0	0	478	0.0%	99.9%
48 POUNDS	0	0	271	0	0	0	1,673	1,944	0.0%	99.9%
49 POUNDS	0	0	0	0	0	0	0	0	0.0%	99.9%
50 POUNDS	76	0	239	57	0	0	0	373	0.0%	99.9%
51 POUNDS	0	896	0	0	0	1,945	0	2,842	0.0%	99.9%
52 POUNDS	0	0	1,958	147	0	0	0	2,104	0.0%	99.9%
53 POUNDS	387	0	0	0	0	0	0	387	0.0%	99.9%
54 POUNDS	0	0	0	57	0	271	0	328	0.0%	99.9%
55 POUNDS	215	0	306	76	0	271	0	868	0.0%	99.9%
56 POUNDS	0	620	1,219	403	0	317	0	2,559	0.0%	99.9%
57 POUNDS	143	0	406	1,133	0	0	0	1,683	0.0%	99.9%
58 POUNDS	0	0	0	0	0	0	0	0	0.0%	99.9%
59 POUNDS	3,443	0	473	0	271	0	0	4,186	0.0%	100.0%
60 POUNDS	0	0	0	0	0	317	0	317	0.0%	100.0%
61 POUNDS	0	0	271	0	0	317	0	588	0.0%	100.0%
62 POUNDS	0	0	0	0	317	0	0	317	0.0%	100.0%
63 POUNDS	152	0	152	152	350	0	0	807	0.0%	100.0%
64 POUNDS	152	0	0	229	0	0	0	381	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	3,347	0	3,347	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	2,694,542	2,301,962	3,183,906	2,267,208	2,171,590	5,978,980	354,594	18,952,783		
Distribution	14.5%	12.4%	17.1%	12.2%	11.7%	32.1%		100.0%		