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POSTAL REGULATORY  
COMMISSION  
OFFICE OF THE SECRETARY

July 1, 2011

Hon. Shoshana M. Grove, Secretary  
Postal Regulatory Commission  
901 New York Avenue NW, Suite 200  
Washington, D.C. 20268-0001

Dear Ms. Grove:

In connection with the Commission's rules pertaining to periodic reports, I have enclosed copies of the quarterly Billing Determinants for Quarter 2 of Fiscal Year (FY) 2011 (39 C.F.R. § 3050.25(e)). This report consists of three parts:

1. Market Dominant Products Billing Determinants – FY 2011 Quarter 2 (This part is **Public**);
2. Competitive Products Billing Determinants – FY 2011 Quarter 2 (This part is **Non-Public**); and
3. International Products Billing Determinants – FY 2011 Quarter 2.
  - a. International Market Dominant Products Billing Determinants -- FY 2011 Quarter 2 (This subpart is **Public**); and
  - b. International Competitive Products and ICM Billing Determinants -- FY 2011 Quarter 2 (This subpart is **Non-Public**)

I have enclosed computer disks with machine-readable versions of each of these parts.

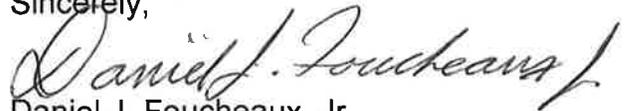
Please note that, as a result of changes in postage statements for Standard Mail employed for the first time in Quarter 2, there are relatively minor inconsistencies in the data for Standard Mail reported in the Billing Determinants for Quarter 2, as compared with the data reported in the previously-filed Revenue, Pieces, and Weight report for Quarter 2, FY 2011. We have attached a discussion that explains and reconciles these inconsistencies. Future quarterly reports for RPW and Billing Determinants will be consistent, and the Postal Service intends to file with the Commission a revised RPW report for Quarter 2, at the end of FY 2011.

As noted above, part 1 of the Billing Determinants for Quarter 2 (Market Dominant Products Billing Determinants) is public and may be posted on the Commission's internet web site. Part 2 (Competitive Products Billing Determinants) is confidential and non-public and should not be posted on the Commission's internet web site. The Postal Service has determined that the entire contents of this competitive products document should be withheld from public disclosure and that redaction of only parts would not be meaningful or practicable. Subpart 3a (International Market Dominant Products Billing Determinants) is public and may be posted on the Commission's web site. Subpart 3b (International Competitive Products and ICM Billing Determinants), however, is confidential and non-public and should not be posted on the Commission's web site. The Postal Service has determined that the entire contents of subpart 3b (International Competitive Products and ICM Billing Determinants) should be withheld from public disclosure, and that redaction of only parts would not be meaningful or practicable.

In my letter to the Commission of March 3, 2010, which transmitted the Billing Determinants for Quarter 1 of FY 2010, I enclosed, as Attachment 1, the Postal Service's "Application of the United States Postal Service for Non-Public Treatment of Materials." The Postal Service incorporates this application by reference here. References to Quarter 1 in the document should be read to refer to Quarter 2 of FY 2011. The application applies to all of the materials described above that the Postal Service has designated as non-public and for which it has requested confidentiality.

If you have any questions regarding this report or the discussion above, please call.

Sincerely,



Daniel J. Foucheaux, Jr.  
Chief Counsel, Pricing and Product  
Support

Enclosures

cc: Ms. Taylor

## **Standard Mail Billing Determinants for Quarter 2 of Fiscal Year 2011**

### **Introduction:**

In an effort to gather additional information, the Postage Statements for Standard Mail (Form 3602) used in Quarter 2 (Q2) of Fiscal Year 2011 (FY 2011) were expanded to include more data fields reflecting the current pricing and classification of certain Standard Mail Flats and Letters. The data resulting from these additional fields were summed differently in the Q2 Revenue Pieces and Weight (RPW) report than in the Billing Determinants for Q2. The data reported in the Billing Determinants, which were completed after the RPW was filed, align with the Mail Classification Schedule (MCS) product definitions, rather than the categories reported in the Q2 RPW report.. This resulted in some of the subtotals in the Q2, RPW report not matching the subtotals in the Q2 Billing Determinants.

The following is an explanation of the differences between the Q2 RPW report and the Q2 Billing Determinants. Starting with Quarter 3 of FY 2011, the quarterly reports for RPW and Billing Determinants will be consistent. When the annual RPW report is prepared for FY 2011, the Q2 RPW report will be revised to conform to the Q2 Billing Determinants, and will be filed with the Commission.

### **The Quarter 2, FY 2011, RPW Report:**

The Q2 RPW report for FY 2011 reported Standard Mail nonmachinable, letter-shaped pieces weighing more than 3.3 ounces as Letters. These pieces paid the Flats prices, and, accordingly, in the past, the RPW report counted them as Flats. Furthermore, in the past, the only place on the postage statements where the prices paid by these pieces appeared was in the portion of the statements showing Flats prices. As noted above, the postage statements were changed in Q2. In the revised statements, the Flats prices paid by these pieces were replicated in a separate table in the Letter mail portion of the statements. In the Q2 RPW report, the revenues associated with these pieces reflected the fact that they are still paying Flats prices, but, as a result of the changes in the postage statements, new categories appeared in the Q2 RPW report. These categories were summed up as Letters in the RPW report.

Separate price tables were also established in the postage statements for ECR Letters that were not automation compatible. Formerly, these pieces paid Flats prices and were counted as ECR Flats. These letter-shaped pieces still pay Flats prices, but were included in their respective carrier-route presorted Letters categories, rather than Flats categories in the Q2 RPW report.

### **The Quarter 2, FY 2011 Billing Determinants:**

In the Q2 Billing Determinants for FY 2011, the new categories for letter-shaped pieces that appear in the RPW report as letters are included in the Flats tables. The Postal Service believes this presentation is most consistent with their classification in the MCS, as well as the prices they pay. The pieces are reported separately, so that their revenues, pieces and weights remain transparent to the Commission and other interested parties.

Future RPW reports and Billing Determinants will report these letter-shaped pieces as Flats, as has been done historically. Consequently, this particular inconsistency in the two reports will be limited to one quarter (Q2). At the end of FY 2011, the Q2 RPW report will be revised to be consistent with the Q2 Billing Determinants categorization and with the historic RPW report categorization of these pieces.

**Crosswalk:**

The new items are highlighted in yellow in the billing determinants. To crosswalk from the Q2 Billing Determinants to the Q2 RPW report, add the letter-shaped, nonautomation Flats to total Letters to get the Letters total as seen in the RPW report. Subtract the letter-shaped, nonautomation Flats from total Flats to get the Flats total as seen in the RPW report.

Similarly, add the letter-shaped, High Density and Saturation Flats to High Density and Saturation Letters to get the High Density and Saturation Letters total, as seen in the RPW report. Subtract the letter-shaped, High Density and Saturation Flats from the total High Density and Saturation Flats to get the High Density and Saturation Flats total as seen in the RPW report.