

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODICALS NOMINAL RATE  
MINOR CLASSIFICATION CHANGE

Docket No. MC2006-5

**REQUEST OF THE UNITED STATES POSTAL SERVICE  
FOR A RECOMMENDED DECISION ON CHANGE OF DEFINITION OF NOMINAL  
RATE FOR PERIODICALS SUBSCRIPTIONS**

UNITED STATES POSTAL SERVICE

By Its Attorneys:

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202-268-2986  
July 6, 2006

Documents relating to this request should be served upon Mr. Foucheaux  
at the above address.

BEFORE THE  
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WASHINGTON, D.C. 20268-0001

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Docket No. MC2006-5

**REQUEST OF THE UNITED STATES POSTAL SERVICE  
FOR A RECOMMENDED DECISION ON  
DEFINITION OF PERIODICALS NOMINAL RATE**  
(July 6, 2006)

Pursuant to chapter 36 of title 39, United States Code, the United States Postal Service has determined that it would be in the public interest and in accordance with the policies and applicable criteria of that title to change the definition of “nominal rate” in Domestic Mail Classification Schedule (DMCS) section 412.33b. Specifically, the Postal Service proposes to change from 50 percent to 70 percent the reduction in subscription price that would constitute a nominal rate.

The requested change in definition conforms with the criteria of 39 U.S.C. §§ 3623(c), and will further the general policies of efficient postal operations and reasonable rates and fees enunciated in the Postal Reorganization Act. See 39 U.S.C. §§ 101(a), 403(a), and 403(b); Testimony of witness Yeh, USPS-T-1.

The Postal Service believes that this request will not be controversial, since it is intended to meet the interests of the Postal Service and its Periodicals customers. The

proposal would relax an eligibility requirement, and is not expected to harm any mailers. The Postal Service is therefore asking the Commission to establish settlement procedures for this docket and will contact all participants to advance the possibility of settlement.

In the interest of expedited consideration, and in light of the limited nature of the proposed change, this Request is filed under the rules governing expedited minor classification cases. 39 C.F.R. §§ 3001.69–3001.69c. The proposed change of the nominal rate definition meets the requirements of these rules: The proposed change does not involve a change in any rate or fee. It does not impose any additional eligibility restrictions. It will not significantly change the estimated institutional cost contribution of the affected subclasses. See USPS-T-1.

In accordance with the Commission's rules for minor classification cases, the Postal Service files with this Request the prepared direct evidence on which it proposes to rely, consisting of one piece of testimony. The proposed DMCS change is shown in Attachment A.

WHEREFORE, the United States Postal Service, pursuant to 39 U.S.C. § 3623(b), hereby requests the Postal Rate Commission to make and submit a recommended decision to the Governors supporting the Request of the Postal Service and recommending the proposed revision to the Domestic Mail Classification Schedule

set forth in Attachment A to this Request.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 6, 2006

**DOMESTIC MAIL CLASSIFICATION SCHEDULES**

**PERIODICALS  
CLASSIFICATION SCHEDULE**

\* \* \* \* \*

**412 General Publications**

\* \* \* \* \*

**412.3 Paid Circulation**

\* \* \* \* \*

**412.33 Nominal Rates.** As used in section 412.31, nominal rate means:

- a. A token subscription price that is so low that it cannot be considered a material consideration.
- b. A reduction to the subscriber, under a premium offer or any other arrangements, of more than ~~70~~50 percent of the amount charged at the basic annual rate for a subscriber to receive one copy of each issue published during the subscription period. The value of a premium is considered to be its actual cost to the publishers, the recognized retail value, or the represented value, whichever is highest.

INDEX OF TESTIMONY: DOCKET NO. MC2006-5

<b>WITNESS</b>	<b>TESTIMONY</b>	<b>EXHIBIT</b>	<b>WORKPAPERS</b>	<b>ATTORNEY</b>
Ms. Yeh	USPS-T-1	None	None	David Rubin 202-268-2986 David.H.Rubin@usps.gov

Docket No. MC2006-5 Request

ATTACHMENT C

**COMPLIANCE STATEMENT**

This Attachment contains a statement of the manner in which the Postal Service has supplied the information requested by Rules 64 and 69a of the Commission's Rules of Practice and Procedure (39 CFR §§3001.64 and 3001.69a). Where information required by these rules is not included in direct testimony of the Postal Service's witness, it is contained in the Request or its attachments, or has been incorporated by reference in the Request, testimony, exhibits, or attachments made available to the Commission in Docket No. R2006-1. Alternatively, the pertinent filing requirements should be waived in accordance with the accompanying Statement of the United States Postal Service Concerning Compliance with Filing Requirements and Conditional Motion for Waiver, also filed today.

Rule: 64(b)(1), (2), (3), (4)

INFORMATION REQUESTED:

These subsections request, for every classification change proposed:

- (1) copies of the currently-effective Domestic Mail Classification Schedule and the proposed changes thereto;
- (2) specification of the Rules, regulations and practices that establish the conditions of mailability and standards of service;
- (3) a statement of the degree of economic substitutability between the various classes and subclasses; and
- (4) an identification of all nonpostal services.

1. Present and Proposed Rates, Fee and Classification Schedule Provisions.

Attachment A to this Request sets forth the proposed change to the Domestic Mail Classification Schedule, section 412.33.

2. Rules, Regulations, and Practices that Establish Conditions of Mailability and Standards of Service.

The rules, regulations, and practices that establish conditions of mailability and standards of service generally are published in the Domestic Mail Manual (DMM<sup>®</sup>) and are incorporated by reference in 39 C.F.R. § 111.1. The Postal Service's response to Rule 64(b)(2) should not be construed to admit that the Commission's jurisdiction extends to any of the specified rules, regulations, or practices.

3. Degree of Economic Substitutability and Identification of Nonpostal Services.

With regard to classes of mail and special services generally, and identification of nonpostal services, the Postal Service incorporates by reference the testimony and

supporting documentation filed with its Request in Docket No. R2006-1. Substantial information relevant to economic substitutability was included in the testimony of witness Thress (USPS-T-7).

The proposed change in the definition of the Periodicals nominal rate is not expected to cause significant substitution among mail classes, subclasses or rate categories, or have a significant impact on mail volumes.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.<sup>1</sup>

#### 4. Identification of Nonpostal Services

There are no nonpostal services in this request.

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<sup>1</sup> See Statement of the United States Postal Service Concerning Compliance with Filing Requirements and Conditional Motion for Waiver, also filed today.

Rule: 64(c)(1), (2), (3)

INFORMATION REQUESTED:

This Rule asks for information regarding the users of the Postal Service, the nature of the items mailed and the methods of mailing used. Specifically, this section requests the following:

- 1) an identification of the characteristics of the mailer and the recipient, and a description the contents of items mailed within each class and subclass;
- 2) identification of the physical attributes of the items mailed by class and subclass, including shape, weight and distance; and
- 3) to the extent it is not provided under paragraph (b)(2), a summary statement that describes special service arrangements provided to, or requested or required of, mailers by the Postal Service that affect the cost of service or its value to the mailer or recipient.

(1) With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. With regard to the nominal rate definition change, information responsive to this rule may be found in witness Yeh's testimony (USPS-T-1).

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

(2) With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Specific information regarding the physical attributes

of items related to the Periodicals nominal rate definition is provided in witness Yeh's testimony.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

(3) Information responsive to this rule is contained in the Request and supporting materials filed in Docket No. R2006-1 (see Docket No. R2006-1 Compliance Statement, Rule 54(e)), which are incorporated by reference here. With regard to the nominal rate definition, information responsive to this rule may be found in witness Yeh's testimony.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

Rule: 64(d)

INFORMATION REQUESTED:

This Rule requests that effects of the changes on cost assignments, total costs, and total revenues be provided, on a before and after change basis.

The total actual accrued costs for FY 2005 are presented in the Cost & Revenue Analysis (CRA) Report, filed in Docket No. R2006-1 as Exhibit USPS-9C.

With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the expected limited impact on Postal Service revenues and costs of the proposed definitional change for nominal rate, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs in the present fiscal year, or a rollforward analysis in a future test year. No changes in rates or fees are sought. If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

Further, the Postal Service incorporates by reference the testimony and supporting documentation of witness Loutsch submitted in connection with the Postal Service's Request in Docket No. R2006-1. Witness Loutsch's testimony presents operating costs and other financial expenses with regard to all existing mail categories and services. Because of the minor nature of the classification change proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

Rule: 64(e)

INFORMATION REQUESTED:

This subsection requires that, whenever the Postal Service proposes to reassign a portion of one existing class or subclass of mail or service to another existing class or subclass of mail or service, the request must include a comparison of the before and after costs and revenues of handling the relevant classes or subclasses, and before and after costs and revenues of the portion that is to be reassigned.

This proposal does not involve the reassignment of part of an existing class or subclass of mail to another existing class or subclass.

Rule: 64(f)

INFORMATION REQUESTED:

This Rule requests a complete statement of the reasons and bases for the proposed changes.

The testimony of witness Yeh (USPS-T-1) together with the Request and related documentation provide the reasons and bases for proposed nominal rate definition change.

Rule: 64(g)

INFORMATION REQUESTED:

This Rule sets forth the requested format and filing requisites for workpapers.

There are no workpapers in this case.

Rule: 64(h)

INFORMATION REQUESTED:

This Rule calls for compliance with specified subsections of Rule 54 when the Postal Service proposes a change in the mail classification schedule having a rate, fee or total cost change implication.

The proposed minor classification change, and its cost and revenue implications, are explained in the testimony of witness Yeh (USPS-T-1). Other pertinent information is provided in the response to this rule in Docket No. R2006-1 and in the testimony and supporting materials filed in that docket. These materials are incorporated by reference. A statement and conditional motion setting forth grounds for waiver of portions of Rule 64, if necessary, accompanies this Request.

In addition to the information required by Rule 64, Rule 69a establishes specific requirements for minor classification changes. The requirements are listed below, followed by the responses.

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Rule: 69a(a)

INFORMATION REQUESTED:

- 1) A description of the proposed classification change or changes, including proposed changes in the text of the Domestic Mail Classification Schedule and any pertinent rate schedules;
- 2) A thorough explanation of the grounds on which the Postal Service submits that the requested change in mail classification is minor in character; and
- 3) An estimate, prepared in the greatest level of detail practicable, of the overall impact of the requested change in mail classification on postal costs and revenues, mail users, and competitors of the Postal Service.

RESPONSE:

- (1) A description of the classification change is included in Attachment A and in the testimony of witness Yeh (USPS-T-1).
- (2) The minor nature of the proposal is explained in the body of the Request and in the testimony of witness Yeh (USPS-T-1).
- (3) Witness Yeh (USPS-T-1) explains that the proposal would have no appreciable impact on contribution or competitors. To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.