

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

PERIODICALS NOMINAL RATE
MINOR CLASSIFICATION CHANGE

Docket No. MC2006-5

DIRECT TESTIMONY
OF
NINA YEH
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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AUTOBIOGRAPHICAL SKETCH

My name is Nina Yeh. I am an Economist in Pricing and Classification, United States Postal Service. Since joining the Postal Service in 2003, I have worked on issues related to Bound Printed Matter, Library Mail, Media Mail and Periodicals. This is the first time I am testifying before the Postal Rate Commission, though I have also submitted testimony in the current rate case, Docket No. R2006-1.

Prior to joining the Postal Service I worked for the Long Island Business Institute as a Business Mathematics lecturer.

I earned a B.A. in Economics and Mathematics from New York University in 2000, and a M.A. degree in Economics from New York University in 2002.

I. PURPOSE AND SCOPE OF TESTIMONY

My testimony presents the Postal Service's expedited minor classification change proposal to amend the nominal rate provisions of the eligibility requirements for Periodicals. The Postal Service is proposing to revise the nominal rate definition for Periodicals to allow a reduction of up to 70 percent of the basic annual subscription rate, instead of the current 50 percent, for a copy to qualify as part of paid circulation.

II. BACKGROUND

A. Overview of nominal rate rule

DMCS 412 contains the requirements for Periodicals mail to qualify as a General Publication. DMCS 412.31 states that a

General Publication must be designed primarily for paid circulation. At least 50 percent or more of the copies of the publication must be distributed to persons who have paid above a nominal rate.

DMCS 412.33 states that:

[a]s 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 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.

B. Summary of proposed change

The proposed change would revise DMCS 412.33b to allow a reduction of up to 70 percent of the basic annual rate, instead of the current 50 percent, for a subscription to be counted as part of a publication's paid circulation. The proposal would not change the requirement in DMCS 412.31 that more than 50 percent of the copies be circulated to persons who have paid more than a nominal rate.

III. JUSTIFICATION

The revised nominal rate definition addresses an existing problem and provides an effective solution that is beneficial to all parties concerned: periodicals mailers, readers, and the Postal Service.

A. Beneficial to Readers

The proposed change would help provide lower subscription rates to periodicals readers, since lower rates could be offered without jeopardizing paid circulation counts. Moreover, the change would encourage start-up publications of interest to some readers. Finally, the change might avoid lost subscriptions and volume, thus relieving pressure on mailers to raise subscription prices.

B. Beneficial to Mailers

The proposed change would benefit mailers by enhancing marketing and pricing flexibility of Periodicals publications. The proposed change would allow publishers to take advantage of the elimination of a similar "nominal rate" definition in the bylaws and rules of the national audit bureaus, the Audit Bureau of Circulations (ABC) and Business Publications Audit of Circulations

International (BPA). Publishers have expressed the need for such flexibility in view of the audit bureau changes. Moreover, the change would help offset the loss of subscriptions resulting from recent sweepstakes legislation. It is my understanding that a change to the nominal rate rule could help offset some of those lost subscriptions and volume.

C. Beneficial to the Postal Service

The proposed change might benefit the Postal Service through increased Periodicals volume and volume in other mail classes, such as renewal notices sent as either Standard Mail or First-Class Mail. The change will also reduce the disparity between the Postal Service definition of paid circulation and the definition recognized elsewhere in the industry, such as the audit bureaus.

IV. CLASSIFICATION CRITERIA AND ISSUES

Title 39, Section 3623 requires that the Commission make recommended decisions on changes in the classification schedule in accordance with the policies of the Title and the following factors:

- (1) the establishment and maintenance of a fair and equitable classification system for all mail;
- (2) the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;
- (3) the importance of providing classifications with extremely high degrees of reliability and speed of delivery;

- (4) the importance of providing classifications which do not require an extremely high degree of reliability and speed of delivery;
- (5) the desirability of special classifications from the point of view of both the user and of the Postal Service; and
- (6) such other factors as the Commission may deem appropriate.

The revised nominal rate definition would relax a restriction in the current Periodicals classification so as to benefit all parties concerned (criteria 2 and 5). The classification change recognizes Periodicals mailers' need for marketing and pricing flexibility wherserving the p ublic. The classification change provides an effective mechanism to do so in a manner that is beneficial to all, as explained in section III, Justification, above.

It is fair and equitable for the classification schedule to recognize the unique needs of the mailers and consumers who would benefit from the flexibility provided by the proposed change. Facilitating marketing and pricing flexibility is desirable and has a commercial value for mailers, recipients, and the Postal Service (criterion 1). There is also no foreseeable impact on competitors.

V. EXPEDITED MINOR CLASSIFICATION CASE CRITERIA

The requested change meets the Commission's criteria for an expedited minor classification change. 39 C.F.R. 3001.69a. First, the classification change does not involve a change in any existing rate or fee. Second, the proposal would not impose any additional restriction on eligibility. As a matter of fact, the proposal extends eligibility for the General Publication category, by allowing an increased reduction of up to 70 percent of the basic annual subscription price, instead of 50 percent, to be counted as a paid subscription. Third, the proposal

would not significantly increase or decrease the estimated institutional cost contribution from Periodicals or any other class of mail. For these reasons, the proposal described in my testimony meets the criteria of an expedited minor classification case.

VI. FINANCIAL IMPACT

The Postal Service foresees no measurable financial impact from this proposal.