

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

PERIODICALS NOMINAL RATE
MINOR CLASSIFICATION CHANGE

Docket No. MC2006-5

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF DECISION OF THE GOVERNORS
(September 15, 2006)

The United States Postal Service hereby provides notice of the attached
Decision of the Governors in Docket No. MC2006-5:

Decision of the Governors of the United States Postal Service on the
Opinion and Recommended Decision of the Postal Rate Commission
Approving Stipulation and Agreement on Periodicals Nominal Rate Minor
Classification Change, Docket No. MC2006-5 (September 11, 2006).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -6187
September 15, 2006

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE
ON THE OPINION AND RECOMMENDED DECISION OF THE POSTAL RATE
COMMISSION APPROVING STIPULATION AND AGREEMENT ON PERIODICALS
NOMINAL RATE MINOR CLASSIFICATION CHANGE, DOCKET No. MC2006-5**

September 11, 2006

STATEMENT OF EXPLANATION AND JUSTIFICATION

On August 30, 2006, the Postal Rate Commission issued its Opinion and Recommended Decision Approving Stipulation and Agreement in Docket No. MC2006-5, Periodicals Nominal Rate Minor Classification Change. Pursuant to a request by the Postal Service, the Commission recommended a classification change that would change the definition of "nominal rate" in Domestic Mail Classification Schedule (DMCS) section 412.33b. Specifically, the recommendation is to change from 50 percent to 70 percent the reduction from the basic annual subscription rate used to determine whether the subscriber has paid more than a nominal rate.

The Postal Service initiated this proceeding on July 6, 2006, by filing its Request for a Recommended Decision on Definition of Periodicals Nominal Rate with the Commission. The Request proposed the revised definition of nominal rate subscriptions.

For purposes of qualifying for the Postal Service's low Periodicals rates, publications must show that more than 50 percent of their circulation goes to persons who have paid more than a nominal rate for a subscription. A "nominal" rate currently is defined as a reduction of more than 50 percent of the basic annual subscription rate. After discussions with Periodicals mailers, the Postal Service proposed revising 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, without the rate being considered a nominal rate.

Some publishers have expressed a need for this regulation change. It offers marketing and pricing flexibility as publishers promote their publications. The proposed change could also help provide lower subscription prices to magazine readers, since lower prices could be offered without jeopardizing eligibility for Periodicals rates. Moreover, a change to the nominal rate definition could help offset some of the lost marketing flexibility resulting from recent legislation that limits advertising of sweepstakes, and encourage start-up publications of interest to readers.

Following negotiations among the participants in the proceeding, the Postal Service filed, on August 14, 2006, a Stipulation and Agreement intended to settle all the issues in the case. The Stipulation and Agreement follows the terms of the Postal Service's original request. The Commission's Opinion that accompanies its Recommended Decision thoroughly describes the background and the settlement proposal presented to the Commission. We need not repeat that description here. The Stipulation and Agreement was signed by 7 of the 8 participants, and no parties opposed the settlement.

The Commission's August 30, 2006 Opinion and Recommended Decision approved the settlement. It incorporated the change to Domestic Mail Classification Schedule § 412.33b reflected in the Stipulation and Agreement. The Commission concluded that the requested classification change is supported by substantial evidence of record, and satisfies the applicable criteria and policies of the Postal Reorganization Act.

Because of the cooperation of the participants in negotiating the terms of the Stipulation and Agreement, and the Commission's expeditious handling of the filing, the Commission was able to consider the issues raised in Docket No. MC2006-5 within 60 days of the filing of the Postal Service's Request, consistent with its rules governing the consideration of minor classification change cases. The Commission's effort is appreciated, and allows us to take action that will enable the Postal Service to implement the proposed change quickly.

We have concluded that the classification change recommended by the Postal Rate Commission will help maintain a fair and equitable mail classification system, and is otherwise in accordance with the policies of the Postal Reorganization Act. Therefore, we approve the classification change recommended by the Commission.

ESTIMATE OF ANTICIPATED REVENUE

The Postal Reorganization Act requires that our Decision include an estimate of anticipated impact on postal revenues (39 U.S.C. § 3625(e)). The evidentiary record indicates that implementation of the recommended change is expected to have no measurable impact on the Postal Service's financial position.

ORDER

In accordance with the foregoing Decision of the Governors, the change in classification set forth in Attachment A hereto, and incorporated herein, is hereby approved and ordered into effect. In accordance with Resolution 06-7 of the Board of Governors, dated September 11, 2006, the changes will take effect at 12:01 a.m. on September 13, 2006.

By The Governors:


James C. Miller III, Chairman

Attachment A
CHANGES IN DOMESTIC MAIL CLASSIFICATION SCHEDULE

[Addition is underlined and deletion marked with strikethrough.]

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.

**RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE**

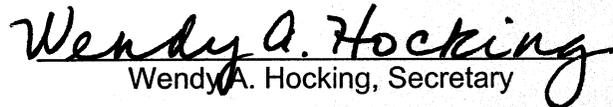
Resolution No. 06-7

Effective Date of New Classification

RESOLVED:

Pursuant to Section 3625(f) of Title 39, United States Code, the Board of Governors determines that the classification change that was ordered to be placed into effect by the Decision of the Governors of the United States Postal Service on the Opinion and Recommended Decision of the Postal Rate Commission Approving Stipulation and Agreement for Docket No. MC2006-5, Periodicals Nominal Rate Minor Classification Change, adopted on September 11, 2006, shall become effective at 12:01 a.m. on September 13, 2006.

The foregoing Resolution was adopted by the Board of Governors on September 11, 2006.


Wendy A. Hocking, Secretary