

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION

*Before:*

Chairman Blair,  
Vice Chairman Tisdale,  
Commissioners Acton, Goldway, and Hammond

Repositionable Notes  
Minor Classification Change

Docket No. MC2007-2

OPINION  
AND  
RECOMMENDED DECISION



Washington, DC 20268-0001  
June 14, 2007

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RECOMMENDED DECISION

APPENDIX ONE

## I. INTRODUCTION AND SUMMARY

[1001] Repositionable Notes (RPN) service allows mailers of First-Class Mail, Periodicals and Standard Mail to affix a Post-It-type note to the outside of a mailpiece for a fee, in addition to postage for the host piece. This service was introduced, on a provisional (or test) basis, for a one-year period beginning April 3, 2005, and renewed for an additional year. Fees, which are based on a “value pricing” concept, are one-half cent for First-Class and 1.5 cents Standard Mail and Periodicals.

[1002] In this case, the Postal Service seeks — and the Commission recommends — another one-year extension for provisional RPN classifications and rates. If the Governors approve this recommendation, rates can remain at their current levels through April 3, 2008.<sup>1</sup> As in the past, the Service will be able to seek another extension of RPN service, request permanent status for it, or allow it to expire.

[1003] The Commission’s favorable recommendation on the requested change in the RPN expiration date marks its agreement with the Postal Service that another extension is justified based on limited RPN usage; the minor impact on revenue (\$1.6 million) and volume; continuity and certainty for mailers; and the need to focus on the transition to a new ratemaking system envisioned by the Postal Accountability and Enforcement Act (PAEA). A fifth justification, which emerged while the case was pending, is that the sole filing indicating potential opposition to a settlement, was withdrawn.<sup>2</sup>

[1004] The Commission notes that the Service’s filing of the requested extension triggered an automatic stay of the April 3, 2007 expiration date, so RPN service has not been interrupted while this case was pending. It appreciates the efforts of the Postal

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<sup>1</sup> Pursuant to RPN provisions in the Domestic Mail Classification Schedule (DMCS), the act of filing a request for an extension triggers a stay; therefore, there has been no interruption to date in the availability of RPN service. See, e.g., DMCS § 424a.

<sup>2</sup> The National Newspaper Association’s opposition apparently was grounded in an interest in a lower RPN fee for mailers of Within County Periodicals.

Service and other participants in resolving this case expeditiously, including the National Newspaper Association's recognition that the need to complete pending business and direct efforts to transition to the new regulatory system envisioned under the recently-enacted PAEA militates in favor of recommending this limited extension.

## II. PROCEDURAL HISTORY

[2001] *Background.* The Postal Service filed the instant Request, along with several attachments, on April 2, 2007, pursuant to section 3623 of the Postal Reorganization Act, 39 U.S.C. § 101 *et seq.* It also filed related supporting documents, including the prepared direct testimony of witness Broderick A. Parr (USPS-T-1) and several contemporaneous pleadings. The latter included a Notice addressing, among other things, the Service's interest in settlement and a combined pleading addressing compliance with (or seeking waiver of) certain filing requirements.<sup>3</sup> The Service suggested, in the alternative, that suspension of this docket might be appropriate, on grounds that it might be advisable to wait until PAEA implementation matures sufficiently to illuminate other options for moving forward or until the Service files another request involving RPN service. Request at 1-2; Notice at 2.

[2002] The Service identified its Request as a minor classification change and sought to have it considered under the Commission's rules allowing expedited treatment for such cases. Notice at 1; 39 C.F.R. § 3001.69.

[2003] The Commission issued a notice and order announcing the instant filing on April 5, 2007.<sup>4</sup> The Order appointed an officer of the Commission to represent the interests of the general public; invited interested persons to address the appropriateness of using the expedited rules, the suggested suspension option, the Motion for Waiver, and the possibility of settlement; and set April 20, 2007 as the deadline for filing

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<sup>3</sup> Request of the United States Postal Service for a Recommended Decision on Change of Expiration Date for Provisional Repositionable Notes Classifications and Rates, April 2, 2007 (Request). Attachment A consists of the Service's proposed changes in the Domestic Mail Classification Schedule; Attachment B is an index of direct testimony; and Attachment C is a statement of compliance with Commission rules 64, 69 and 69a. *See also* Notice of Filing of Request of the United States Postal Service for a Recommended Decision on Change of Expiration Date for Provisional Repositionable Notes Classifications and Rates (Notice) and Statement of the United States Postal Service Concerning Compliance with Filing Requirements and Conditional Motion for Wavier (Conditional Motion for Waiver), both filed April 2, 2007.

<sup>4</sup> PRC Order No. 9 (April 5, 2007).

comments on those matters and for notices of intervention. Order No. 9 was published in the Federal Register on April 16, 2007. 72 FR 19059 (April 16, 2007).

[2004] The National Newspaper Association (NNA) intervened as a full participant and David B. Popkin (Popkin) intervened as a limited participant.<sup>5</sup> NNA supported authorization of settlement negotiations, but noted that if no agreement was possible, it would oppose treatment as a minor classification change, request a short period for discovery, and possibly seek a hearing. It also opposed suspension of the docket. NNA Notice at 1. NNA subsequently withdrew its opposition to settlement.<sup>6</sup>

[2005] The Commission, based on a review of the Service's pleadings and the responses to Order No. 9, found that the Service had made a convincing showing that its Request satisfies the criteria for consideration under Commission rules for minor classification changes and for the expedited treatment those rules offer. It authorized settlement negotiations, appointed Postal Service counsel as coordinator, and directed the filing of an initial report providing an assessment of the potential for settlement and progress toward settlement, and weekly reports thereafter. The Commission also found that a prehearing conference could be dispensed with, barring an affirmative request showing good cause for why one was needed. PRC Order No. 14, (May 11, 2007).

[2006] The Postal Service's subsequent Status Report stated that Popkin and the officer of the Commission had indicated that they intended to remain neutral in this case, neither supporting the Service's proposal nor opposing a settlement.<sup>7</sup> It further noted that neither of the two previous cases involving RPN service were resolved on the basis of settlement agreements. *Id.* at 1. Postal Service counsel concluded that the circumstances of this docket are sufficiently parallel to those in Docket No. MC2006-2

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<sup>5</sup> Notice of Intervention of the National Newspaper Association (NNA Notice), April 19, 2007, and Letter of David B. Popkin to Secretary Williams, April 2, 2007.

<sup>6</sup> See Comments of the National Newspaper Association on Various Procedural Matters, April 19, 2007 and Notice by the National Newspaper Association of Withdrawal of Objection to Suspension of Docket, May 2, 2007.

<sup>7</sup> Status Report of the United States Postal Service Regarding Potential for a Settlement Agreement and Notice that Settlement Does Not Appear Likely May 18, 2007 (Status Report).

that further effort on a settlement agreement is not warranted, but noted that no participant actively opposes the Request. *Id.* at 2.

[2007] Based on this Status Report, the Commission established procedures for the admission of witness Parr's testimony into the record and, on its own accord, designated into the record certain specified portions of the testimony of Postal Service witness Kaneer from Docket No. M2004-5.<sup>8</sup> It also allowed participants an opportunity to file notice of opposition to these procedures. The Commission subsequently granted the Motion of the United States Postal Service for Designation Into the Evidentiary Record of the Written Direct Testimony of Broderick A. Parr, deemed the Postal Service's Conditional Motion for Waiver of certain filing requirements moot, and closed the evidentiary record. PRC Order No. 21 (June 13, 2007).

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<sup>8</sup> The designated portions of witness Kaneer's testimony are Docket No. MC2004-5, Tr. 2/83, line 10 through Tr. 2/85, line 3 and Tr. 2/89, lines 10 through 19 (addressing classification criteria) and Tr. 2/87, line 1 (beginning with "In") through line 4 (addressing application of revenue to institutional costs).

### III. REVIEW OF THE POSTAL SERVICE'S PROPOSAL

[3001] *Rationale for seeking an extension.* Witness Parr, on behalf of the Postal Service, proposes changing the expiration date of RPN service to effectuate a limited extension. The proposed new expiration date is April 3, 2008.

[3002] Witness Parr notes that the principal justification for the initial one-year extension of the RPN test was the need for time to analyze an economic analysis by Professor Frank Wolak. This analysis had been commissioned by the Commission and published on January 16, 2006.<sup>9</sup> Parr acknowledges that the Service has now reviewed the analysis, but has not developed a position on Professor Wolak's proposals or on any alternatives, given the need to devote resources to Docket No. 2006-1. USPS-T-1 at 1-2. He also observes that the PAEA changes how Postal Service prices are set. He asserts that implementation of the PAEA; the related rulemaking, and uncertainty surrounding the potential for a final omnibus rate case under the old system, suggest that changes to existing RPN options should be forestalled for the time being. *Id.* at 2.

[3003] Witness Parr states that if the Postal Service decides against making a further RPN request, the service would expire at a time specified by the Postal Service, not later than April 3, 2008, or not later than three months after the Commission acts on the instant Request. He asserts that there is no material impact on competitors. *Id.*

[3004] *Consistency with statutory criteria.* Parr states that because the proposed classification changes maintain the current provisional service classification and rates, witness Kaneer's testimony (USPS-T-2) and the Commission's findings on the applicability of the statutory criteria in Docket No. MC2004-5 remain applicable. He also concludes that the new expiration language will be fair, equitable and desirable from the point of view of both customers and the Postal Service. *Id.* at 3.

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<sup>9</sup> See Notice of Filing of Library Reference (PRC-LR-1), January 9, 2006; Notice of Filing Revised Library Reference (PRC-LR-1 revised), January 19, 2006, and Notice of Public Briefing, January 12, 2006.



[3005] *Revenue and cost impact.* Parr states that no impact on costs has been reported to date, so RPN revenues go entirely toward the institutional cost burden of the host piece subclasses. *Id.* at 3. Parr’s methodology yields an estimated revenue impact of \$1.6 million for the extension period (April 2007 through March 2008), based on total First-Class Mail, Standard Mail and Periodicals RPN revenues. *Id.* at 4-5. The following table summarizes his estimate.

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**Table III-1**

**Summary of Postal Service Witness Parr’s  
Derivation of Estimated RPN Revenue  
Associated with Requested Extension**

<b>Monthly Volume Average: March 2006 – February 2007*</b>	<b>No. of Months</b>	<b>Annualized Volume: April 2007 – March 2008</b>	<b>Current Rates</b>	<b>Revenue: April 2007 – March 2008</b>
First-Class: 496,793	x 12	5,961,521	\$ 0.005	\$29,808
Periodicals: 135,811	x 12	1,629,729	\$ 0.015	\$24,446
Standard Mail: 8,646,394	x 12	103,756,733	\$ 0.015	\$1,556,351
				\$1,610,605

\*Based on historical data. USPS-T-1 at 4.

Source: Adapted from USPS-T-1 (Docket No. MC2007-2) at 5 (Figure 1).

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#### IV. THE PARTICIPANTS' POSITIONS

[4001] Participants, other than the Postal Service, include the Office of the Consumer Advocate, the National Newspaper Association (NNA), and David B. Popkin. NNA initially opposed the settlement, but later withdrew its opposition. None of these participants expresses support for the Service's proposal, but none opposes it.

## V. COMMISSION ANALYSIS

[5001] This case, perhaps due to the static nature of the Service's proposal and interest in transitioning to the new ratemaking system, has attracted little attention from users of RPN service. Moreover, no material question has been raised about revenue and volume estimation or the consistency of the proposed extension with applicable statutory criteria. At the same time, NNA's initial opposition signals an interest in revisiting the pricing of RPN service for Periodicals in the future. The Commission believes this review could logically take place within the context of a discussion of the continued validity of the value pricing concept, which underlies the RPN fees, or other pricing concepts.

[5002] The Commission has reviewed witness Parr's methodology and resulting revenue and volume estimates, and finds that they appear to be valid. The Commission also has reviewed the proposal in terms of the statutory classification and rate criteria, and finds it consistent therewith.

[5003] The Commission agrees with witness Parr's assessment that the Commission's findings regarding the applicability of the statutory criteria in Docket No. MC2004-5 remain sound, as does witness Kaneer's testimony on this subject, to the extent it is consistent therewith. *See generally* PRC Op. MC2004-5 at 18-23. Certain additional considerations further support the consistency of the requested extension with statutory criteria. For example, a limited extension of RPN service is fair and equitable, in line with 39 U.S.C. § 3623(c)(1), as it allows senders or potential senders to make use of this service without interruption, pending further action on the merits. Witness Parr's testimony also supports a finding that the extension of RPN service will not have a substantial impact on mailers and the Postal Service, and that it will make a positive contribution to institutional costs.

[5004] With respect to the pricing criteria, the Commission finds that 39 U.S.C. § 3623(b)(9) has a direct bearing on this case, in that the PAEA revamps the longstanding approach to developing postal rates and classifications. The need to

devote efforts to the transition to the new system, while providing current and potential users of RPN service with a measure of certainty, lends support to recommending a limited extension of RPN service on existing terms and at existing rates.

[5005] The Commission's overall conclusion is that the recommended classifications and rates comport with statutory considerations of fairness and equity.

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners: Dan G. Blair, Chairman;  
Dawn A. Tisdale, Vice Chairman;  
Mark Acton; Ruth Y. Goldway; and Tony Hammond

Repositionable Notes  
Minor Classification Change

Docket No. MC2007-2

RECOMMENDED DECISION

(Issued June 14, 2007)

The Commission having considered the Postal Service Request, has issued its Opinion thereon. Based on that Opinion, which is attached hereto and made a part hereof,

IT IS ORDERED:

The Commission's Opinion and Recommended Decision shall be transmitted to the Governors of the Postal Service and the Governors shall thereby be advised that the amendments to the Domestic Mail Classification Schedule set forth in Appendix One are in accordance with the policies of Title 39, United States Code, and the factors set forth in §§ 3622(b) and 3623(c) thereof, and they are hereby recommended to the Governors for approval.

By the Commission.

Steven W. Williams  
Secretary

**RECOMMENDED CHANGES IN  
DOMESTIC MAIL CLASSIFICATION SCHEDULE**

The following material represents changes to the Domestic Mail Classification Schedule recommended by the Postal Regulatory Commission in response to the Postal Service's Docket No. MC2007-2 Request. The underlined text signifies that the text is new, and shall appear in addition to all other Domestic Mail Classification Schedule text. Deleted text is contained in brackets.

**FIRST-CLASS MAIL  
CLASSIFICATION SCHEDULE**

\* \* \* \* \*

**221.223** **Repositionable Notes.** Repositionable Notes may be attached to the exterior of letter-size and flat-size presort rate category mail, as specified by the Postal Service. The additional charge for the Repositionable Note is specified in note 3 to Rate Schedule 221.

This provision for Repositionable Notes expires as provided below.

\* \* \* \* \*

- b. If the Postal Service determines not to file such request, this provision expires on such date as specified by the Postal Service, but no later than April 3, 200[7]8.

\* \* \* \* \*

**221.326** **Repositionable Notes.** Repositionable Notes may be attached to the exterior of automation letter rate category mail, as specified by the Postal Service. The additional charge for the Repositionable Note is specified in note 3 to Rate Schedule 221.

This provision for Repositionable Notes expires as provided below.

\* \* \* \* \*

- b. If the Postal Service determines not to file such request, this provision expires on such date as specified by the Postal Service, but no later than April 3, 200[7]8.

\* \* \* \* \*

**221.336** **Repositionable Notes.** Repositionable Notes may be attached to the exterior of automation flats rate category mail, as specified by the Postal Service. The additional charge for the Repositionable Note is specified in note 3 to Rate Schedule 221.

This provision for Repositionable Notes expires as provided below.

\* \* \* \* \*

- b. If the Postal Service determines not to file such request, this provision expires on such date as specified by the Postal Service, but no later than April 3, 200[7]8.

\* \* \* \* \*

**321.8**      **Repositionable Notes.** Repositionable Notes may be attached to the exterior of letter-size or flat-size Regular subclass mail, as specified by the Postal Service. The additional charge for the Repositionable Note is specified in note 6 to Rate Schedule 321A or note 4 to Rate Schedule 321B.

This provision for Repositionable Notes expires as provided below.

\* \* \* \* \*

- b. If the Postal Service determines not to file such request, this provision expires on such date as specified by the Postal Service, but no later than April 3, 200[7]8.

\* \* \* \* \*

**322.8**      **Repositionable Notes.** Repositionable Notes may be attached to the exterior of letter-size or flat-size Enhanced Carrier Route subclass mail, as specified by the Postal Service. The additional charge for the Repositionable Note is specified in note 6 to Rate Schedule 322.

This provision for Repositionable Notes expires as provided below.

\* \* \* \* \*

- b. If the Postal Service determines not to file such request, this provision expires on such date as specified by the Postal Service, but no later than April 3, 200[7]8.

\* \* \* \* \*

**323.8**      **Repositionable Notes.** Repositionable Notes may be attached to the exterior of letter-size or flat-size Nonprofit subclass mail, as specified by the Postal Service. The additional charge for the Repositionable Note is specified in note 6 to Rate Schedule 323A or note 4 to Rate Schedule 323B.

This provision for Repositionable Notes expires as provided below.



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- b. If the Postal Service determines not to file such request, this provision expires on such date as specified by the Postal Service, but no later than April 3, 200[7]8.

**324.8**      **Repositionable Notes.** Repositionable Notes may be attached to the exterior of letter-size or flat-size Nonprofit Enhanced Carrier Route subclass mail, as specified by the Postal Service. The additional charge for the Repositionable Note is specified in note 6 to Rate Schedule 324.

This provision for Repositionable Notes expires as provided below.

\* \* \* \* \*

- b. If the Postal Service determines not to file such request, this provision expires on such date as specified by the Postal Service, but no later than April 3, 200[7]8.

**424**      **Repositionable Notes.** Repositionable Notes may be attached to the exterior of letter-size and flat-size Periodicals mail, as specified by the Postal Service. The additional charge for the Repositionable Note is specified in note 8 to Rate Schedule 421 or note 3 to Rate Schedule 423.

This provision for Repositionable Notes expires as provided below.

\* \* \* \* \*

- b. If the Postal Service determines not to file such request, this provision expires on such date as specified by the Postal Service, but no later than April 3, 200[7]8.

\* \* \* \* \*