

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

*Before:*

Chairman Gleiman, Vice Chairman Omas,  
Commissioners Covington, Goldway, and LeBlanc

Experimental "Ride-Along"  
Classification Change for Periodicals

Docket No. MC2000-1

OPINION AND RECOMMENDED DECISION  
APPROVING  
STIPULATION AND AGREEMENT



Washington, DC 20268-0001  
February 3, 2000

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### RECOMMENDED DECISION

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## I. INTRODUCTION AND SUMMARY

Currently, publishers may include eligible Standard Mail (A) enclosures and attachments in Periodicals class publications, but must pay Standard rates for this material. These rates are usually higher than Periodicals rates. In this case, the Postal Service requests — and the Commission recommends — approval of a two-year experiment allowing one qualifying Standard Mail (A) attachment or enclosure to be included (or “ride-along”) in a Periodicals publication for a flat charge of 10 cents. This is about half the estimated Standard rate for this type of piece. As is now the case, the 10-cent charge would be assessed in addition to Periodicals rate postage on the host copy.

Candidate material includes not only traditional supplements, but also creative advertising pieces such as product samples, fabric or plastic sheets, computer disks and CD-ROMs. Standard Mail (A) enclosures not qualifying as “Ride-Alongs” could still be included in the publication, but would be assessed Standard Mail (A) rates.

In addition to a limit of one “Ride-Along” per publication during the test period, the new classification specifies certain physical criteria, such as weight limits for the “Ride-Alongs” and “uniform thickness” for the host copy. These criteria have been designed to help maintain the publication’s original shape and machinability, and thereby reduce the possibility that additional piece-related costs will be incurred.

The Service intends to use the experimental period to determine reaction to this new, lower-cost alternative (especially among advertisers) and effect on costs.

The Commission recommends this experiment based on an unopposed stipulation and agreement. This document is similar to the one initially submitted by the Postal Service as a basis for settlement discussions, but includes a broader data collection and reporting plan. The expanded plan will assist in evaluating the experiment’s objectives and its potential for establishment on a permanent basis.

*Impact on volume, revenue and costs.* Total volume is estimated at about 102

million pieces. Total revenue is expected to be \$10.2 million, with net additional revenue of approximately \$4.8 million.

*Note on impact of omnibus rate filing on this recommendation.* The Service's recent filing of Docket No. R2000-1 — an omnibus rate and classification case — has no impact on the Commission's recommendation. Although underlying Periodicals class and Standard Mail (A) postage is expected to change during the course of the two-year experiment, the experimental classification and 10-cent fee — assuming adoption by the Governors — would be effective for up to two years from the date of implementation.

*Additional note.* This filing, as the Service observes in its request, is the sixth involving application of the Commission's experimental rules. These rules are relatively recent additions to provisions for handling requests for changes in rates and classification. The filing is also another in which the Service has affirmatively suggested using the Commission's rules on settlements, which allow participants to pursue resolution of issues without the need for formal hearings.

The Commission is gratified that these rules have become frequently-used, effective options fostering cooperation and flexibility among the Postal Service, the OCA, and the mailing community, to promptly resolve cases with a relatively narrow focus. The Commission looks forward to continuing use of these rules of practice to achieve mutually beneficial goals.

## II. PROCEDURAL HISTORY

The Postal Service filed its request for an experimental classification and rate change affecting Standard Mail (A) enclosures or attachments in Periodicals class publications on September 27, 1999. In brief, the proposal would allow one qualifying Standard Mail (A) attachment or enclosure to be included in a Periodicals class publication for a flat fee of 10 cents, subject to certain criteria. Request of the United

**States Postal Service for a Recommended Decision on an Experimental "Ride-Along" Classification for Periodicals.**

The request was accompanied by related attachments; the prepared direct testimony of witness Taufique (a Postal Service economist) and witness Schwartz (an industry witness employed as Director of Distribution and Postal Affairs for Condè Nast Publications Inc.); and a procedural motion. The motion sought expedition and waiver of certain provisions of a Commission rule on the contents of a formal request. Motion of the United States Postal Service for Expedition and for Waiver of Certain Provisions of Rule 64(h). The Service also filed a proposed stipulation and agreement to facilitate settlement. This document was similar, but not identical to, the stipulation and agreement underlying the opinion and recommended decision in this case.

The Commission issued a notice and order on the Service's request on September 30, 1999. It also authorized settlement negotiations, and designated the director of the Commission's Office of the Consumer Advocate (OCA) to represent the interest of the general public and act as settlement coordinator. Notice and Order on Filing of Request for Establishment of Experimental "Ride-Along" Classification (and Flat Rate) for Periodicals (filed September 30, 1999). 64 FR 54693 (October 7, 1999).

A prehearing conference was held October 28, 1999. On December 20, 1999, the Postal Service filed a motion for consideration of a stipulation and agreement. This agreement differed slightly from the one filed with the original request, primarily in terms of data collection. The record was closed on January 31, 2000.

### **III. SUMMARY OF PROPOSAL**

#### **A. Testimony of Postal Service witness Taufique**

Witness Taufique describes the Service's proposal, estimates its impact on postal revenues and costs, addresses applicable statutory criteria, and discusses the proposal's consistency with the Commission rules on experimental changes in the

classification schedule. USPS-T-1. He also presents the Service's data collection plan. Id. (in Appendix A).

### 1. Current and proposed treatment

Taufique explains that the current classification schedule allows Periodicals mailers to include Standard Mail (A) attachments or enclosures with Periodicals, but requires payment of Standard Mail (A) rates on the material. Id. at 1. He says that under this arrangement, the Service collects postage for a separate mailpiece, even though the enclosure is processed and delivered with the host piece. Id. at 2. Taufique asserts that this provides an "undue disincentive" to the sale of this type of advertising, and contends that the proposed classification change provides a simpler, more affordable alternative for publishers and advertisers. Id.

To address this situation, Taufique says the Service proposes making all subclasses of Periodicals eligible for an experimental "Ride-Along" classification change affecting Standard Mail (A) material attached to or enclosed with the Periodicals host copy. Id. at 3. He says the Service proposes charging a uniform rate of 10 cents for the attachment or enclosure. Id. According to Taufique,

... only one "Ride-Along" piece would be allowed per copy. Mailers desiring to mail multiple attachments or enclosures, that are currently ineligible for Periodicals rates, with their Periodicals copies can still use the Standard (A) arrangement for additional items. The Postal Service is not proposing to delete that portion of the DMCS that allows Standard (A) enclosures or attachments with Periodicals.

Id. at 3.

Taufique explains the Service proposes limiting mailers to one "Ride-Along" per publication to ensure that the unique characteristics of Periodicals are maintained, while still providing an effective medium for targeted advertising. He also says that the 10-cent rate will only be available if the inclusion of the "Ride-Along" piece does not cause

any significant additional mail processing or delivery costs. *Id.* at 4. To help ensure that outcome, the Service has developed proposed physical criteria. These include requirements that the weight of the “Ride-Along” piece cannot exceed the weight of the host Periodical copy, nor exceed 3.3 ounces. *Id.* Taufique indicates the attachment can be included in both letter and flat-size pieces as long as the shape and automation compatibility of the host piece does not change. *Id.* at 3.

*Class-wide eligibility; other matters.* Taufique says the Service proposes extending eligibility for the experimental change to all Periodicals subclasses, for mailing product samples and other Standard Mail (A) supplements. These subclasses are Regular Rate (including science of agriculture), Nonprofit, Classroom and Within County. *Id.* at 5. The proposed change will require that publications carrying “Ride-Along” enclosures or attachments have uniform thickness and maintain their shape and automation compatibility. Taufique associates the uniform thickness requirement with the need to maintain “stackability” of Periodicals, both for induction of the piece into an automated flat sorter and for sortation and delivery by carriers at the delivery office. *Id.* at 5-6.

*Additional details.* Taufique explains that the Service is not proposing to delete the existing Domestic Mail Classification Schedule (DMCS) provision that allows Standard Mail (A) enclosures or attachments with Periodicals. *Id.* at 3. Both revenues and costs for the proposed experimental classification will be reported with Periodicals revenues and costs for the subclass of the host piece. (This contrasts with the current treatment of reporting the small revenue stream associated with these enclosures with Standard Mail (A), and including additional costs, if any, with the Periodicals subclass.) *Id.* at 2.

## 2. Effect on DMCS

Taufique says the Service proposes effecting the proposed change by adding a new paragraph (identified as section 443.1a) to the text of the DMCS and a footnote to all Periodicals rate schedules. The proposed new DMCS provision reads:

**443.1a "Ride-Along" Attachments and Enclosures.** A limit of one Standard Mail piece, not exceeding the weight of the host copy and weighing a maximum of 3.3 ounces, from any of the subclasses listed in section 321 (Regular, Enhanced Carrier Route, Nonprofit or Nonprofit Enhanced Carrier Route) may be attached to or enclosed with an individual copy of Periodicals Mail for an additional postage payment of ten cents. Periodicals containing "Ride-Along" attachments or enclosures must maintain uniform thickness as specified by the Postal Service. The Periodicals piece with the "Ride-Along" must maintain the same shape and automation compatibility as it had before addition of the "Ride-Along" attachment or enclosure and meet other preparation requirements as specified by the Postal Service.

Postal Service Request, Attachment A.

The proposed footnote to the DMCS Periodicals rate schedules (identical for each subclass) reads:

For a "Ride-Along" item enclosed with or attached to a periodical, add \$0.10 per copy (experimental).

Id. at 1.



### 3. Volume, Revenue and Cost Estimates

*Current and projected estimates.* Taufique estimates Periodicals publications currently carry a total of about 25 million "Ride-Along"-type pieces. He estimates associated revenue (at average Standard Mail (A) rates) at approximately \$5.5 million. *Id.* at 7. Assuming implementation of the classification change as proposed, Taufique estimates total volume of about 102 million. This figure is based on conversion of the existing 25 million "Ride-Along" type enclosures, plus volume of about 77 million. Post-implementation volume, at the experimental rate of 10 cents per "Ride-Along," is expected to generate about \$10.2 million. Given that his estimate of current revenue is approximately \$5.5 million, Taufique estimates net additional revenue at approximately \$4.8 million. *Id.* at 9.

*Basis of and assumptions underlying estimates.* Taufique notes that precise volume estimates are not available. Therefore, his estimate of current volume is developed in part on data from the Centralized Postage Payment (CPP) system, which show fiscal year 1998 revenue of \$2.7 million, based on 12.6 million Standard Mail (A) pieces with Periodicals.<sup>1</sup> *Id.* at 7 (citing Exhibit 1.) It is also based on an assumption (which Taufique describes as conservative) that about only 50 percent of the pieces are reported through the CPP. *Id.* at 7.

*Future volume: conversion pieces and new volume.* Taufique says the impact of the classification change and the proposed rate on future volume is difficult to assess because the Postal Service's customers — publishers — are not the ultimate end-users of the product. However, he develops an estimate based on two assumptions. One is that all existing pieces mailed as Standard Mail (A) enclosures or attachments, which he has estimated at approximately 25 million pieces, shift to the new classification. The other is that 77 million pieces are added to the mail stream as "Ride-Along" enclosures.

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<sup>1</sup> Taufique estimates average postage per piece, based on these figures, of approximately 21.6 cents. USPS-T-1 at 7 (citing Exh. 1).

Id. at 8-9. Taufique says he relies on mailer groups' estimates, given the Service's inability to gauge the response of advertisers. Id. at 8, citing USPS-T-2.

*Costs.* Taufique contends that the impact on Periodicals costs is minimal. Id. at 9. In support of this assessment, he notes that the costs of current Standard Mail (A) enclosures or attachments are already captured with Periodicals costs. He also says that the only potential additional costs would be caused by additional weight. He says piece-related costs, either in mail processing or delivery, are not expected to change due to the physical requirements the Service is proposing. Id. at 9.

#### 4. Experimental designation

*Compliance with the Commission's experimental rules.* In terms of the criteria in the Commission's experimental rules (39 CFR 3001.67), Taufique acknowledges that allowing Standard Mail (A) enclosures in publications is not new, but asserts that the proposal's novelty lies in offering this rate and classification, given the content restrictions of the Periodicals class. Thus, he says that providing a new, effective advertising medium for Periodicals mailers, while maintaining the educational, scientific, cultural and informational value of the mailpiece to the subscriber, is a novel concept that merits this change. Id. at 10.

With respect to the magnitude of the proposed change, Taufique says the impact on postal costs, postal revenues, mailer practices and competition should be minimal during the course of the experiment. He further notes that both current and future volume and revenues relating to this classification change are minimal when compared to either of the affected classes (Standard Mail (A) and Periodicals). Moreover, he says that when compared to overall Postal Service volume and revenues, the Ride-Along volume and revenue are even smaller. Id. at 11.

With respect to impact on competitors, Taufique says the impact of the change should be minimal. He contends that these pieces historically have been designed for inclusion with Periodicals, and are not sent independently. Therefore, he says Postal

Service competitors that provide alternate delivery of Standard Mail (A)-type material should not be materially affected by this classification change. Further, Taufique says that to the extent news stand delivery is considered alternate delivery, the fact that the current structure requires a stand alone rate puts the Postal Service at competitive disadvantage. *Id.*

Taufique also says the Service does not expect to divert volume from alternate delivery companies that distribute larger product samples, such as boxes of cereal, because these products would not meet the "stringent size, shape and machinability" criteria. *Id.* at 11-12. He contends that the market segments served by local newspapers and other alternate delivery systems are probably distinct and more local than the segments targeted by advertisers in national periodicals. *Id.*

Finally, Taufique says that Periodicals costs currently include the additional cost, if any, of the current 25 million Standard Mail (A) enclosures or attachments. He points out these are not required to meet any of the physical requirements proposed for the new classification; therefore, Service expects very minimal effect on periodicals costs resulting from this change. *Id.* at 12.

Taufique says the Service's two major objectives are to determine the reaction of advertisers and publishers to this classification change and to assess the impact on Periodicals costs. *Id.* at 9. Taufique says that given that publishers are not the ultimate consumers or end-users, offering the classification and the rate on an experimental basis is the best way to measure the reaction of the market place. *Id.* at 10. He also notes that physical requirements have been drafted to ensure that mail processing and delivery costs do not increase due to the inclusion of the ride-along piece, and during the course of the experiment, the Service intends to physically collect samples of all the pieces mailed with "Ride-Alongs." He says these will be examined to assure that additional mail processing and delivery costs are not being incurred due to these attachments or enclosures. *Id.*

## 5. Data generation

The Service expects to collect the appropriate data related to this classification change during the experiment. *Id.* at 12. This includes use of an alternate mailing statement by mailers with "Ride-Along" attachments or enclosures; provision of a sample mail piece, an additional copy of the mailing statement, and a response to a simple questionnaire. It also entails subsequent review or examination, including notation of the weight of the Ride-Along piece and the zoned distribution of pounds. *Id.* at 12 -13.

## 6. Statutory criteria

*Classification criteria.* Taufique reviews the Service's proposal in terms of the classification criteria of section 3623(c) of title 39 of the U.S. Code, and concludes that the proposal is consistent with applicable factors.<sup>2</sup> *Id.* at 13-14. With respect to criterion 1 (fairness and equity), Taufique asserts that the fairness and equity of the current arrangement for Standard Mail (A) enclosures and attachments will improve with the introduction of the proposed classification change. He reiterates that the current arrangement assumes two separate mailings whereas, from a cost perspective, the Postal Service processes and delivers just one piece. He asserts that fairness and equity "would indicate that if the enclosure or attachment does not add any additional mail processing and delivery cost, then it should not have to pay for it." *Id.* at 14.

With respect to criteria 2 and 5 (the relative value of the mail matter and the desirability and justification of special classifications from the point of view of the user

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<sup>2</sup> These include the establishment and maintenance of a fair and equitable classification system (criterion 1); 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 (criterion 2); the importance of providing classifications with extremely high degrees of reliability and speed of delivery; the importance of providing classifications which do not require an extremely high degree of reliability and speed of delivery (criterion 4); the desirability of special classifications from the point of view of both the user and of the Postal Service (criterion 5); and such other factors as the Commission may deem appropriate (criterion 6).

and the Postal Service), Taufique says these also support the proposed change. He invokes witness Schwartz's knowledge as a member of the industry and cites the support the proposal has gained from Magazine Publishers of America, American Business Press and Time Warner. Taufique notes that the publishing industry initiated the process that was the genesis of this filing. *Id.* at 14, citing USPS-T-2 at 14. He says the classification is designed to encourage a low cost, targeted advertising attachment or enclosure without significantly impacting the educational, scientific, cultural and informational (ECSI) consideration of the Periodicals subclass. He notes that additional revenue, although small, could help increase the low cost coverage of the Periodicals class. He regards it as providing a desirable outcome both from the perspective of the Postal Service and mailers. *Id.* at 14.

*Pricing criteria.* Taufique states that the Postal Service has also addressed the factors contained in 39 U.S.C. § 3622(b).<sup>3</sup> With respect to these criteria, Taufique says that as indicated in his discussion of the classification criteria, the proposed classification change will improve the fairness and equity of the current structure. He says mailers would be required to pay for the service actually received, rather than paying for a separate mailpiece which in reality is processed and delivered with the host piece, thus satisfying the intent of criteria 1 and 2. *Id.* at 15-16.

Taufique notes that criterion 3 requires that each class of mail service bear the direct and indirect cost attributable to that class, plus that portion of all other costs of the

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<sup>3</sup> 39 U.S.C § 3622(b) includes the following criteria: the establishment and maintenance of a fair and equitable schedule (criterion 1); the value of mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery (criterion 2); the requirement that each class of mail service bear the direct and indirect postal costs attributable to that class or type plus that portion of all other costs of the Postal Service reasonably assignable to such class or type (criterion 3); the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters (criterion 4); the available alternative means of sending and receiving letters and other mail matter at reasonable costs (criterion 5); the degree of preparation of mail for delivery into the postal system performed by the mailer and its effects upon reducing costs to the Postal Service (criterion 6); simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services (criterion 7); the educational, cultural, scientific, and informational value to the recipient of mail matter (criterion 8); and such other factors as the Commission deems appropriate (criterion 9).

Postal Service reasonably assignable to such class. *Id.* at 16. He says that the 10-cent rate should cover any additional cost as well as provide adequate contribution. *Id.* at 16. He also says that in the case of Standard Mail (A) enclosures in and attachments to Periodicals pieces, revenue and any costs are assigned to different classes. He therefore concludes that the proposed change is a move in the right direction to fulfill the intent of criterion 3. *Id.* at 16.

With respect to criterion 4, Taufique notes that the proposed experimental change is expected to reduce the rate for such mailings. *Id.* He expects the effect on other mail classes and other enterprises engaged in delivery of mail matter to be minimal or nonexistent. Taufique also says that his discussion of the magnitude of the proposed change also indicates a minimal impact on the Postal Service's competitors, thereby meeting the intent of criterion 4. *Id.*, citing USPS-T-2 at 4.

With respect to criterion 7, Taufique says the current rate structure for mailing a Standard Mail (A) attachment or enclosure is fairly complicated, as it requires both the mailer and the Postal Service to deal with two separate rate schedules in calculating the postage for Periodicals with Standard Mail (A) enclosures. Taufique says the proposed experimental change would simplify the existing structure, thus satisfying the intent of criterion 7. *Id.* at 17.

Taufique says criterion 8, which requires consideration of ECSI value, is satisfied with the proposed experimental classification change because of the one-piece restriction. *Id.*

#### B. Testimony of Postal Service witness Schwartz

Witness Schwartz discusses the genesis of the proposal, Condè Nast Publications Inc. (CNP) support for it, and its expected effect on CNP and the Postal Service. USPS-T-2 at 1.

*Description of business.* Witness Schwartz states that he receives many requests for innovative types of advertisements, but says the additional postage beyond that for normal Periodicals pound-rate postage has been so high that only a handful of

advertisers have been willing to pay the premium. He refers to this postage as the "deal breaker," because the premium results in the advertiser's decision against pursuing the project. *Id.*

Schwartz identifies potential candidates for the classification as product samples (such as swatches of fabric, packets of skin care cream or cosmetics); advertisements made up of non-printed sheets (such as fabric or plastic); battery-operated lights; advertisements with a tone activator (such as a music chip found in a greeting card); and a computer disk or CD-ROM. *Id.* at 2.

Schwartz notes that the Standard Mail (A) minimum-per-piece rate (for pieces weighing under 3.387 ounces) is based on the Postal Service's costs of handling that particular piece as part of a stand-alone mailing. However, he says that when the Standard Mail (A) rate is assessed on a non-qualifying component of a Periodical publication, the Postal Service is providing no additional services to the component beyond those provided to the host piece. *Id.* at 2. The host periodical is assessed postage upon the per-piece rate as well as the per-pound rates for advertising and editorial. He asserts that the only additional cost to the Postal Service for the Standard Mail (A) unit in question would be the incremental cost of transportation based on the weight of the Standard Mail (A) unit from the point of entry into the mail to the subscriber's mailbox. *Id.* at 2-3. Witness Schwartz says that in the case of Condè Nast, the majority of its copies are entered at the sectional center facility (SCF). He therefore says that the incremental transportation cost would be minimal to nonexistent. *Id.* at 3.

Schwartz says Condè Nast first suggested the idea of a reduced rate of postage for Standard Mail (A) material which could be easily incorporated into Periodicals. He says the proposal, as developed, is also supported by the Magazine Publishers of America (MPA) and American Business Press (ABP). *Id.*

Regarding likely interest in the proposal and its acceptance in the advertising community, Schwartz says:

In general, the halving of the current average postage rates for Standard A pieces that are combined with our CNP periodicals should result in a greatly increased volume of new business for us as well as the Postal Service. . . . [M]y experience indicates that the proposed experimental rates could produce approximately four times the actual volumes of Standard A pieces Condé Nast generated in 1998.

Id. at 3-4.

Witness Schwartz states that MPA conducted an informal survey of its Postal Committee members, asking for projected annual Ride-Along volume. He says the survey projected approximately 91,336,000 pieces, versus existing volume of 14,189,000. Id. at 4.

Schwartz testifies that he expects little or no volume or revenue diversion if this experimental rate is approved. Id. at 4. This is because current Standard Mail (A) material which is either "on-sorted" within a mailing wrapper or bound into periodicals is not the type that advertisers would send directly to consumers via any other class of mail (Standard Mail (A) or First-Class Mail.) Id. at 4. Instead, Schwartz says these units are creative pieces designed for inclusion with periodicals (even though they do not qualify for the Periodicals rates of postage), and are not pieces normally sent independently of Periodicals or historically subject to mass distribution via Standard Mail (A). Id. at 4.



V. SUMMARY OF STIPULATION AND AGREEMENT UNDERLYING  
COMMISSION RECOMMENDATION

*Participants' positions.* The agreement was signed by Advertising Mail Marketing Association<sup>4</sup>, Alliance of Nonprofit Mailers, American Business Press, Association of American Publishers, Classroom Publishers Association, Cox Consumer Sampling, Cox Target Media, Inc., Imagine Media, Inc., Magazine Publishers of America, Marietta Corporation, McGraw-Hill Companies, Inc., National Newspaper Association, OCA, Time Warner Inc., and the Postal Service.

Mail Advertising Service Association International, Newspaper Association of America, and David B. Popkin did not sign the agreement, but did not oppose it.

*Summary of stipulation and agreement.* The agreement consists of two parts. Part I, captioned Background, notes the date the Service's request was filed, its designation as Docket No. MC2000-1, relevant statutory authority, and the identity of the two witnesses the Service sponsors in support of its proposal.

Part II, Terms and Conditions, consists of 11 numbered paragraphs. Paragraph 1 notes that the Stipulation and Agreement represents a negotiated settlement of all issues raised by the Docket No. MC2000-1 Request of the United States Postal Service for an expedited recommended decision on an experimental "ride-along" classification change for Periodicals.

Paragraph No. 2 states that the signatories agree, for purposes of this proceeding only, that the Docket No. MC2000-1 direct testimonies and designated written cross-examination of Postal Service witnesses Taufique (USPS-T-1) and Schwartz (USPS-T-2) listed in attachment A should be entered into the evidentiary record in this proceeding. This paragraph also states that the signatories have agreed to amplification of the data collection plan filed as Attachment A to the testimony of Postal Service witness Taufique (USPS-T-1). This amplification, provided as

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<sup>4</sup> While this case was pending, AMMA filed a notice indication that its name has been changed to Association for Postal Commerce.

Attachment B, takes the form of a statement of understanding concerning the scope and objectives of the data collection plan.

This paragraph further states that the testimonies and designated written cross-examination of witnesses Taufique and Schwartz, the designated interrogatory responses of the Postal Service, and the amplification of the data collection plan all provide substantial evidence which, taken together with the Postal Service's Docket No. MC2000-1 Request and attachments thereto, justify a decision recommending the experimental change to the Domestic Mail Classification Schedule (DMCS) § 443 and Rate Schedules 421, 423.3, 423.4 and 423.2, which are attached to the Stipulation and Agreement.

Paragraph No. 3 states that on the basis of the record, for purposes of this proceeding only, the undersigned participants stipulate that the experimental DMCS and rate schedule changes set forth in the attachment to the agreement are in accordance with the policies of title 39, United States Code and, in particular, the criteria and factors of 39 U.S.C. §§ 3622 and 3623.

Paragraph No. 5 addresses signatories' reservation of rights to withdraw from the agreement. If the Commission adopts a recommended decision that deviates from the experimental classification and rate proposal in this agreement, or if the Governors of the Postal Service fail to approve the Commission's recommended decision adopting the experimental classification and rate as proposed by the Postal Service, then each signatory reserves the right to withdraw from the agreement on specified terms.

Paragraph Nos. 6, 7 and 8 note the agreement pertains only to this proceeding. its precedential effect.

Paragraph No. 9 states that the signatories request that the Commission expeditiously issue a decision recommending adoption of the experimental DMCS and rate schedule provisions appended to the agreement.

Paragraph No. 10 states that the signatories have agreed to amplification of the data collection plan filed as attachment A to the testimony of Postal Service witness Taufique (USPS-T-1). It notes that amplification takes the form of a statement of

understanding that the data collected should enable the Postal Service to analyze the source of "Ride-Along" pieces, and to estimate the net impact on Postal Service revenues. The statement of understanding, Attachment B hereto, states the agreement of the signatories concerning the scope and purpose of the data collection plan.

Paragraph No. 11 states the agreement represents the entire agreement of the signatories, and supersedes any understandings or representations not contained in it.

## V. FINDINGS AND CONCLUSIONS

Based on representations in the Postal Service's motion for acceptance of the stipulation and agreement and an independent review of the record, the Commission finds that all participants have had an opportunity to participate in the settlement proceedings that led to the filing of the December 20, 1999 settlement agreement. The Commission is also satisfied that all participants have had an adequate opportunity to comment on the appropriateness of the settlement as a resolution of the issues raised in this case, and to determine their position on its suitability as a basis for this opinion and recommended decision.

Having made these determinations, the Commission has reviewed the evidentiary record pursuant to its statutory obligation under chapter 36 of title 39 of the U.S. Code. This includes an independent review of the testimony of Postal Service witnesses Taufique and Schwartz. This review leads to the conclusion that the record supports the proposed classification and rate changes set out in the December 20, 1999 settlement agreement, and that they meet the policies of the Postal Reorganization Act. The Commission therefore recommends to the Governors of the Postal Service that the DMCS be amended as set forth in Appendices One and Two of the accompanying Recommended Decision.

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

Before Commissioners: Edward J. Gleiman, Chairman;  
George A. Omas, Vice Chairman;  
Dana B. Covington, Sr.; Ruth Y. Goldway;  
and W.H. "Trey" LeBlanc III

Experimental "Ride-Along"  
Classification Change for Periodicals

Docket No. MC2000-1

RECOMMENDED DECISION

(Issued February 3, 2000)

The Commission, having considered the Stipulation and Agreement filed and entered into the record of this proceeding, has issued its Opinion thereon. Based on that Opinion, which is attached hereto and made a part hereof,

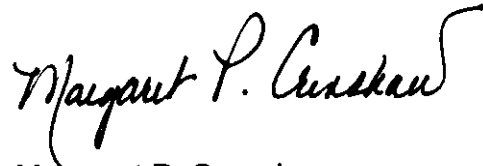
It is ordered:

1. The Postal Service's December 20, 1999 motion for consideration of stipulation and agreement is granted and the Stipulation and Agreement filed by the Postal Service is accepted.
2. The Commission's Opinion and this Recommended Decision shall be transmitted to the Governors of the Postal Service and the Governors shall thereby be advised that the proposed fees (set forth in Appendix One) and the proposed amendment to the DMCS (set forth in Appendix Two) 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.

3. Motions not addressed at the October 28, 1999 prehearing conference or otherwise granted are denied.

By the Commission.

(S E A L)

A handwritten signature in black ink, reading "Margaret P. Crenshaw". The signature is written in a cursive, flowing style with a large initial 'M' and a long, sweeping tail.

Margaret P. Crenshaw  
Secretary

## RECOMMENDED CHANGES IN RATE SCHEDULES

The following changes represent the fee schedule recommendations of the Postal Rate Commission in response to the Postal Service's Docket No. MC2000-1 Request. Proposed additions are underlined.

**PERIODICALS  
RATE SCHEDULE 421  
Regular Subclass<sup>1, 2, 12</sup>**

	<b>Postage Rate Unit</b>	<b>Rate<sup>3</sup> (cents)</b>
Nonadvertising Portion:	Pound	16.1
Advertising Portion: <sup>11</sup>		
Delivery Office <sup>4</sup>	Pound	15.5
SCF <sup>5</sup>	Pound	17.8
1&2	Pound	21.5
3	Pound	22.9
4	Pound	26.3
5	Pound	31.6
6	Pound	37.1
7	Pound	43.8
8	Pound	49.5
Science of Agriculture		
Delivery Office	Pound	11.6
SCF	Pound	13.3
Zones 1&2	Pound	16.1
Less Nonadvertising Factor <sup>6</sup>		5.9

Required Preparation <sup>7</sup>	Piece	29.4
Presorted to 3-digit	Piece	25.3
Presorted to 5-digit	Piece	19.7
Presorted to Carrier Route	Piece	12.2

## Discounts:

Prepared to Delivery Office <sup>4</sup>	Piece	1.3
Prepared to SCF <sup>5</sup>	Piece	0.7
High Density <sup>8</sup>	Piece	1.9
Saturation <sup>9</sup>	Piece	3.7

Automation Discounts for Automation  
Compatible Mail<sup>10</sup>

## From Required:

Prebarcoded letter size	Piece	6.2
Prebarcoded flats	Piece	4.6

## From 3-Digit:

Prebarcoded letter size	Piece	4.7
Prebarcoded flats	Piece	3.9

## From 5-Digit:

Prebarcoded letter size	Piece	3.5
Prebarcoded flats	Piece	2.9



**SCHEDULE 421 NOTES**

1. The rates in this schedule also apply to commingled nonsubscriber, non-requester, complimentary, and sample copies in excess of 10 percent allowance in regular-rate, non-profit, and classroom periodicals.
2. Rates do not apply to otherwise regular rate mail that qualifies for the Within County rates in Schedule 423.2.
3. Charges are computed by adding the appropriate per-piece charge to the sum of the nonadvertising portion and the advertising portion, as applicable.
4. Applies to carrier route (including high density and saturation) mail delivered within the delivery area of the originating post office.
5. Applies to mail delivered within the SCF area of the originating SCF office.
6. For postage calculations, multiply the proportion of nonadvertising content by this factor and subtract from the applicable piece rate.
7. Mail not eligible for carrier-route, 5-digit or 3-digit rates.
8. Applicable to high density mail, deducted from carrier route presort rate.
9. Applicable to saturation mail, deducted from carrier route presort rate.
10. For automation compatible mail meeting applicable Postal Service regulations.
11. Not applicable to qualifying Nonprofit and Classroom publications containing 10 percent or less advertising content.
12. For a "Ride-Along" item enclosed with or attached to a periodical, add \$0.10 per copy (experimental).

**PERIODICALS  
RATE SCHEDULE 423.3<sup>11</sup>**

**PUBLICATIONS OF AUTHORIZED NONPROFIT ORGANIZATIONS<sup>10</sup>  
(FULL RATES)**

	<b>Postage Rate Unit</b>	<b>Rate<sup>1</sup> (cents)</b>
<b>Per Pound</b>		
Nonadvertising portion:	Pound	15.6
Advertising portion: <sup>9</sup>		
Delivery Office <sup>2</sup>	Pound	15.5
SCF <sup>3</sup>	Pound	17.8
1&2	Pound	21.5
3	Pound	22.9
4	Pound	26.3
5	Pound	31.6
6	Pound	37.1
7	Pound	43.8
8	Pound	49.5
<b>Per Piece</b>		
Less Nonadvertising Factor <sup>4</sup>		4.4
Required Preparation <sup>5</sup>	Piece	25.1
Presorted to 3-digit	Piece	20.8
Presorted to 5-digit	Piece	18.3

Presorted to Carrier Route	Piece	11.3
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## Discounts:

Prepared to Delivery Office <sup>2</sup>	Piece	0.7
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Prepared to SCF <sup>3</sup>	Piece	0.4
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High Density (formerly 125-Piece) <sup>6</sup>	Piece	1.9
--	-------	-----

Saturation <sup>7</sup>	Piece	3.7
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Automation Discounts for Automation  
Compatible Mail<sup>8</sup>

## From Required:

Prebarcoded letter size	Piece	6.2
-------------------------	-------	-----

Prebarcoded flats	Piece	4.6
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## From 3-Digit:

Prebarcoded letter size	Piece	4.7
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Prebarcoded flats	Piece	2.4
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## From 5-Digit:

Prebarcoded letter size	Piece	3.5
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Prebarcoded flats	Piece	2.1
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### **SCHEDULE 423.3 NOTES**

1. Charges are computed by adding the appropriate per-piece charge to the sum of the nonadvertising portion and the advertising portion, as applicable.
2. Applies to carrier route (including high density and saturation) mail delivered within the delivery area of the originating post office.
3. Applies to mail delivered within the SCF area of the originating SCF office.
4. For postage calculation, multiply the proportion of nonadvertising content by this factor and subtract from the applicable piece rate.
5. Mail not eligible for carrier route, 5-digit or 3-digit rates.
6. Applicable to high density mail, deducted from carrier route presort rate.
7. Applicable to saturation mail, deducted from carrier route presort rate.
8. For automation compatible mail meeting applicable Postal Service regulations.
9. Not applicable to publications containing 10 percent or less advertising content.
10. If qualified, nonprofit publications may use Within County rates for applicable portions of a mailing.
11. For a "Ride-Along" item enclosed with or attached to a periodical, add \$0.10 per copy (experimental).

**PERIODICALS**  
**RATE SCHEDULE 423.4**

**CLASSROOM PUBLICATIONS<sup>10,11</sup>**  
**(Full Rates)**

	<b>Postage Rate<sup>1</sup></b>	<b>Rate Unit (cents)</b>
<b>Per Pound</b>		
Nonadvertising Portion:	Pound	15.6
Advertising Portion: <sup>9</sup>		
Delivery Office <sup>2</sup>	Pound	15.5
SCF <sup>3</sup>	Pound	17.8
1&2	Pound	21.5
3	Pound	22.9
4	Pound	26.3
5	Pound	31.6
6	Pound	37.1
7	Pound	43.8
8	Pound	49.5
<b>Per Piece</b>		
Less Nonadvertising Factor <sup>4</sup>		4.4
Required Preparation <sup>5</sup>	Piece	25.1
Presorted to 3-digit	Piece	20.8

Presorted to 5-digit	Piece	18.3
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Presorted to Carrier Route	Piece	11.3
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## Discounts:

Prepared to Delivery Office <sup>2</sup>	Piece	0.7
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Prepared to SCF	Piece	0.4
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High Density (formerly 125-Piece) <sup>6</sup>	Piece	1.9
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Saturation <sup>7</sup>	Piece	3.7
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Automation Discounts for Automation  
Compatible Mail<sup>8</sup>

## From Required:

Prebarcoded Letter size	Piece	6.2
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Prebarcoded Flats	Piece	4.6
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## From 3-Digit:

Prebarcoded Letter size	Piece	4.7
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Prebarcoded Flats	Piece	2.4
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## From 5-Digit:

Prebarcoded Letter size	Piece	3.5
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Prebarcoded Flats	Piece	2.1
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### **SCHEDULE 423.4 NOTES**

1. Charges are computed by adding the appropriate per-piece charge to the sum of the nonadvertising portion and the advertising portion, as applicable.
2. Applies to carrier route (including 125-piece walk sequence and saturation) mail delivered within the delivery area of the originating post office.
3. Applies to mail delivered within the SCF area of the originating SCF office.
4. For postage calculation, multiply the proportion of nonadvertising content by this factor and subtract from the applicable piece rate.
5. Mail not eligible for carrier route, 5-digit, or 3-digit rates.
6. For walk sequenced mail in batches of 125 pieces or more from carrier route presorted mail.
7. Applicable to saturation mail; deducted from carrier route presort rate.
8. For automation compatible mail meeting applicable Postal Service regulations.
9. Not applicable to publications containing 10 percent or less of advertising content.
10. If qualified, classroom publications may use Within County rates for applicable portions of a mailing.
11. For a "Ride-Along" item enclosed with or attached to a periodical, add \$0.10 per copy (experimental).

**PERIODICALS  
RATE SCHEDULE 423.2<sup>s</sup>****WITHIN COUNTY  
(Full Rates)**

	<b>Rate (cents)</b>
<b>Per Pound</b>	
General	13.3
Delivery Office <sup>1</sup>	10.7
<b>Per Piece</b>	
Required Presort	9.5
Presorted to 3-digit	8.8
Presorted to 5-digit	8.0
Carrier Route Presort	4.3
<b>Per Piece Discount</b>	
Delivery Office <sup>2</sup>	0.4
High Density (formerly 125 piece) <sup>3</sup>	1.4
Saturation	1.8
Automation Discounts for Automation Compatible Mail <sup>4</sup>	
From Required:	
Prebarcoded Letter size	4.9
Prebarcoded Flat size	3.0
From 3-digit:	
Prebarcoded Letter size	4.4
Prebarcoded Flat size	2.6
From 5-digit:	
Prebarcoded Letter size	3.9
Prebarcoded Flat size	2.2



**SCHEDULE 432.2 NOTES**

1. Applicable only to carrier route (including high density and saturation) presorted pieces to be delivered within the delivery area of the originating post office.
2. Applicable only to carrier presorted pieces to be delivered within the delivery area of the originating post office.
3. Applicable to high density mail, deducted from carrier route presort rate. Mailers also may qualify for this discount on an alternative basis as provided in DMCS section 423.83.
4. For automation compatible pieces meeting applicable Postal Service regulations.
5. For a "Ride-Along" item enclosed with or attached to a periodical, add \$0.10 per copy (experimental).

**RECOMMENDED CHANGE IN  
DOMESTIC MAIL CLASSIFICATION SCHEDULE**

The following changes represent the changes to the Domestic Mail Classification Schedule recommended by the Postal Rate Commission in response to the Postal Service's Docket No. MC2000-1 Request. Proposed additions are underlined.

## PERIODICALS CLASSIFICATION SCHEDULE

### 443 Attachments and Enclosures

#### 443.1. General.

\* \* \* \*

**443.1a "Ride-Along" Attachments and Enclosures.** A limit of one Standard Mail piece, not exceeding the weight of the host copy and weighing a maximum of 3.3 ounces, from any of the subclasses listed in section 321 (Regular, Enhanced Carrier Route, Nonprofit or Nonprofit Enhanced Carrier Route) may be attached to or enclosed with an individual copy of Periodicals Mail for an additional postage payment of ten cents. Periodicals containing "Ride-Along" attachments or enclosures must maintain uniform thickness as specified by the Postal Service. The Periodicals piece with the "Ride-Along" must maintain the same shape and automation compatibility as it had before addition of the "Ride-Along" attachment or enclosure and meet other preparation requirements as specified by the Postal Service.

This provision expires [insert date corresponding to two years after its effective date].

**PARTICIPANTS AND COUNSEL**

*(Italicized boldface type indicates that participants signed the Stipulation and Agreement underlying the Commission's recommendation)*

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***Alliance of Nonprofit Mailers (ANM)***

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***American Business Press (ABP)***

David R. Straus

***Association of American Publishers (AAP)***

Mark L. Pelesh

John R. Przypyszny

***†Classroom Publishers Association (CPA)***

Stephen F. Owen, Jr.

***Cox Consumer Sampling (CCS)***

William J. Olson

John S. Miles

***Cox Target Media, Inc. (CTM)***

William J. Olson

John S. Miles

***Imagine Media, Inc. (Imagine)***

Peter J. Moore

***Magazine Publishers of America (MPA)***

James R. Cregan

Anne Rowell Noble

***Mail Advertising Service Association International (MASA)***

Graeme W. Bush

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\* This participant changed its name to Association for Postal Commerce (PostCom) during the pendency of this case.

† Limited Participant

**<sup>†</sup>Marietta Corporation (Marietta)**

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David A. Schlesinger

**McGraw-Hill Companies, Inc. (McGraw-Hill)**

Timothy W. Bergin

**National Newspaper Association (NNA)**

Tonda F. Rush  
Senny Boone

**Newspaper Association of America (NAA)**

William B. Baker

**Office of the Consumer Advocate (OCA)**

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**<sup>†</sup>David B. Popkin (Popkin)**

David B. Popkin

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John M. Burzio  
Timothy L. Keegan

**United States Postal Service (Postal Service)**

Daniel J. Foucheaux, Jr.  
Scott L. Reiter  
Susan M. Duchek

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**WITNESSES**

Postal Service

Altaf H. Taufique	USPS-T-1
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Howard Schwartz	USPS-T-2
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