

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

Repositionable Notes Market Test }

Docket No. MC2004-5

**STATEMENT IN LIEU OF BRIEF
BY THE NATIONAL NEWSPAPER ASSOCIATION
(October 26, 2004)**

The National Newspaper Association (NNA) hereby submits a statement in lieu of a brief upon the issues raised by intervenors in this docket.

While NNA's primary focus in this docket has been upon the rate proposed by the Postal Service for Repositionable Notes, its concerns about the precedent set here are not unlike those expressed previously by the Association for Postal Commerce and others. A new wrinkle on rate setting is being introduced in this case, which has attracted little attention from the panoply of mail users because the product under which this new wrinkle is offered is of limited interest beyond those in the advertising marketplace.

The Postal Service is to be commended for seeking ever new ways to achieve its revenue needs and to provide new flexibilities to its customers. Undoubtedly any stakeholder in the system must be concerned about the multiple issues raised before this Commission and in other arenas about the changing mail mix, volume erosion and the inroads of new communications channels into the Postal Service's mix of products and services.

However, in this case, the theory of rate setting is another expression of the Postal Service's long-held desire to participate more directly in the advertising marketplace, as opposed to simply improving its vendor capabilities to those who retail

advertising sales. Its proposal is not unlike a commission on the sales made possible by customers' use of the RPNs.

The theory is akin to lease pricing, whereby retailers pay a percentage of their income to the landlord. If the sales go up, the rent goes up. (However, if sales go down, the landlord generally is protected by a stop-loss clause that gives the landlord the benefit of both the up market and the down market.)

The theory works in the private sector markets. Here, it has two problems.

First, the retailers here—in this case, newspapers, advertising mailers and others—cannot move to a mall with a better deal.

Second, most of these retailers compete with businesses that own their own malls and thereby have to pay no rent. The Postal Service has neglected to analyze the effects of this competitive pressure upon the mailers represented here. By offering the RPNs, Postal Service provides a service that the private delivery market has offered for some time. But by charging for the value, Postal Service then burdens these mailers in ways that continue to advantage the competitors.

NNA has thus far not participated in the discussions by other mailers about the theory of pricing here. Its primary concern is to have access to this marketplace. However, its silence should not be received as consent to the theory. NNA believes this new frontier in pricing, if opened at all, should be done advisedly and only after the Commission has invited wider mailer comment upon the theory. In this case, NNA would support a limited test of the RPNs, simply to permit the service to begin and to determine whether the RPNs really do have an impact upon operations. But before this value-added pricing becomes a permanent part of the classification schedule, the

Commission would be wise to entertain a wider circle of comment from stakeholders of the Postal Service. The precedent here could affect many mailers.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have filed the foregoing document online in accordance with the Commission's Rules of Practice.



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