

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

REPOSITIONABLE NOTES MINOR CLASSIFICATION CHANGE

Docket No. MC2007-2

**REQUEST OF THE UNITED STATES POSTAL SERVICE  
FOR A RECOMMENDED DECISION ON CHANGE OF EXPIRATION DATE FOR  
PROVISIONAL REPOSITIONABLE NOTES CLASSIFICATIONS AND RATES**

UNITED STATES POSTAL SERVICE

By Its Attorneys:

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April 2, 2007

Documents relating to this request should be served upon Mr. Foucheaux  
at the address above.

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(April 2, 2007)

Pursuant to chapter 36 of title 39, United States Code, the United States Postal Service has determined that it would be in the public interest and in accordance with the policies and applicable criteria of that title to change the expiration date in Domestic Mail Classification Schedule (DMCS) sections 221.223, 221.326, 221.336, 321.8, 322.8, 323.8, 324.8, and 424 for the provisional Repositionable Notes (RPN) classifications and associated rates specified in Rate Schedules 221 (footnote 3), 321A (footnote 6), 321B (footnote 4), 322 (footnote 6), 323A (footnote 6), 323B (footnote 4), 324 (footnote 6), 421 (footnote 8), and 423 (footnote 3).<sup>1</sup> The provisional service was implemented on April 3, 2005, and, in accordance with the DMCS provisions, expires on April 3, 2007.

The Postal Service and the Postal Regulatory Commission are now actively involved with implementation of the Postal Accountability and Enhancement Act (PAEA), Public Law 109-435. At the dawn of this new era for determining postal rates, fees and classifications, discussion of how RPNs fit is premature. This Request

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<sup>1</sup> An alternative way of describing the requested DMCS changes would be to ask that all of the existing DMCS language for RPNs in each subclass be recommended again, except that the "7" in the date would be changed to an "8". For reasons of simplicity, markup of the proposed DMCS language simply substitutes an "8" for a "7" in each pertinent section.

accordingly seeks to maintain the *status quo ante*, by extending the termination date for RPN provisional service one additional year.

The existing Domestic Mail Classification Schedule (DMCS) language governing RPNs, currently provides, in pertinent part:

If a request to continue to test or make Repositionable Notes permanent is filed, this provision expires on the implementation date for the replacement service, or if no replacement is implemented, three months after the Commission takes action under section 3624 of title 39, on such request.

See, e.g., DMCS 221.336(a). Given that the instant Request constitutes a “request to continue to test” RPNs, the filing of the Request acts to postpone the current termination date of April 3, 2007.

In light of current PAEA implementation activity, the Postal Regulatory Commission has some discretion as to how this Request is handled. While the formal thrust of this Request would extend expiration of RPN provisional service until April 3, 2008, the Postal Service would also support another procedural option. The Commission could suspend all activity in this docket until PAEA implementation matures sufficiently to illuminate other options for moving forward, or until a further request involving RPNs is filed. The Postal Service is prepared to defer to the Commission’s preference here.

The requested change in expiration date conforms with the criteria of 39 U.S.C. §§ 3623(c), and will further the general policies of efficient postal operations and reasonable rates and fees enunciated in the Postal Reorganization Act. See 39 U.S.C. §§ 101(a), 403(a), and 403(b).

In light of the minor change requested, this Request is filed under the rules governing expedited minor classification cases. 39 C.F.R. §§ 3001.69–3001.69c. In this instance, no particular need for expedition exists. The proposed change of the RPN service expiration date meets the requirements of these rules: the proposed change does not involve a change in any rate or fee. It does not impose any additional eligibility restrictions. It will not significantly change the estimated institutional cost contribution of the affected subclasses. See USPS-T-1.

In accordance with the Commission's rules for minor classification cases, the Postal Service files with this Request the prepared direct evidence on which it proposes to rely, which consists of one piece of testimony. The proposed DMCS changes are shown in Attachment A.

WHEREFORE, the United States Postal Service, pursuant to 39 U.S.C. § 3623(b), hereby requests that the Postal Regulatory Commission make and submit a recommended decision to the Governors supporting the Request of the Postal Service and recommending the proposed revisions to the Domestic Mail Classification Schedule set forth in Attachment A to this Request.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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April 2, 2007

**Proposed Domestic Mail Classification Schedule language changes**  
are marked with [square brackets] for deletions and underscore for new  
language.

**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.

\* \* \* \* \*

- 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, 20078.

**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, 20078.

INDEX OF TESTIMONIES: DOCKET NO. MC2007-2

<b>WITNESS</b>	<b>TESTIMONY</b>	<b>EXHIBIT</b>	<b>WORKPAPERS</b>	<b>ATTORNEY</b>
Mr. Parr	USPS-T-1	None	None	Ken Hollies 202-268-3083 <a href="mailto:khollies@usps.gov">khollies@usps.gov</a>

Docket No. MC2007-2 Request

ATTACHMENT C

**COMPLIANCE STATEMENT**

This Attachment contains a statement of the manner in which the Postal Service has supplied the information requested by Rules 64, and 69 and 69a of the Commission's Rules of Practice and Procedure (39 CFR §§3001.64, and 3001.69, 3001.69a). Where information required by these rules is not included in direct testimony or exhibits of the Postal Service's witness, it is contained in the Request or its attachments, or has been incorporated by reference in the Request, testimony, exhibits, or attachments made available to the Commission in Docket No. R2006-1. Alternatively, the pertinent filing requirements should be waived in accordance with the accompanying Statement of the United States Postal Service Concerning Compliance with Filing Requirements and Conditional Motion for Waiver, also filed today.

Rule: 64(b)(1), (2), (3), (4)

INFORMATION REQUESTED:

These subsections request, for every classification change proposed:

- (1) copies of the currently-effective Domestic Mail Classification Schedule and the proposed changes thereto;
- (2) specification of the Rules, regulations and practices that establish the conditions of mailability and standards of service;
- (3) a statement of the degree of economic substitutability between the various classes and subclasses; and
- (4) an identification of all nonpostal services.

RESPONSE:

1. Present and Proposed Rates, Fees and Classification Schedule Provisions.

Attachment A to this Request sets forth the proposed changes to the Domestic Mail Classification Schedule sections 221.223, 221.326, 221.336, 321.8, 322.8, 323.8, 324.8 and 424.

2. Rules, Regulations, and Practices that Establish Conditions of Mailability and Standards of Service.

The rules, regulations, and practices that establish conditions of mailability and standards of service generally are published in the Domestic Mail Manual (DMM<sup>®</sup>) and are incorporated by reference in 39 C.F.R. § 111.1. The Postal Service's response to Rule 64(b)(2) should not be construed to admit that the Commission's jurisdiction extends to any of the specified rules, regulations, or practices.

3. Degree of Economic Substitutability and Identification of Nonpostal Services.

With regard to classes of mail and special services generally, and identification of nonpostal services, the Postal Service incorporates by reference the testimony and supporting documentation filed with its Request in Docket No. R2006-1. Substantial information relevant to economic substitutability was included in the testimonies of witnesses Thress and Bernstein (USPS-T-7, USPS-T-8).

The proposed change in the expiration date of the provisional Repositionable Notes service is not expected to cause significant substitution among mail classes, subclasses or rate categories, or have a significant impact on mail volumes.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.<sup>1</sup>

4. Identification of Nonpostal Services

There are no nonpostal services in this request.

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<sup>1</sup> See Statement of the United States Postal Service Concerning Compliance with Filing Requirements and Conditional Motion for Waiver, also filed today.

Rule: 64(c)(1), (2), (3)

#### INFORMATION REQUESTED:

This Rule asks for information regarding the users of the Postal Service, the nature of the items mailed and the methods of mailing used. Specifically, this section requests the following:

- 1) an identification of the characteristics of the mailer and the recipient, and a description the contents of items mailed within each class and subclass;
- 2) identification of the physical attributes of the items mailed by class and subclass, including shape, weight and distance; and
- 3) to the extent it is not provided under paragraph (b)(2), a summary statement that describes special service arrangements provided to, or requested or required of, mailers by the Postal Service that affect the cost of service or its value to the mailer or recipient.

#### RESPONSE:

(1) With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. With regard to Repositionable Notes, information responsive to this rule may be found in the Postal Service's testimony in Docket No. MC2004-5.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

(2) With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Specific information regarding the physical attributes

of items to which Repositionable Notes may be attached is provided in the Postal Service's testimony in Docket No. MC2004-5.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

(3) Information responsive to this rule is contained in the Request and supporting materials filed in Docket No. R2006-1 (see Docket No. R2006-1 Compliance Statement, Rule 54(e)), which are incorporated by reference here. With regard to Repositionable Notes, information responsive to this rule may be found in the Postal Service's testimony in Docket No. MC2004-5.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

Rule: 64(d)

INFORMATION REQUESTED:

This Rule requests that effects of the changes on cost assignments, total costs, and total revenues be provided, on a before and after change basis.

RESPONSE:

The total actual accrued costs for FY 2005 are presented in the Cost & Revenue Analysis (CRA) Report, filed in Docket No. R2006-1 as Exhibit USPS-9C and also filed with the Commission on May 15, 2006.

With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the continued provisional nature of RPN service, and its expected limited impact on Postal Service revenues and costs, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs in the present fiscal year, or a rollforward analysis in a future test year. No changes in rates and no substantive changes in classification are sought. If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

Further, the Postal Service incorporates by reference the testimony and supporting documentation of witness Loutsch submitted in connection with the Postal Service's Request in Docket No. R2006-1. Witness Loutsch's testimony presents operating costs and other financial expenses with regard to all existing mail categories and services. Because continuation of a limited, provisional service is being proposed,

the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes in the present fiscal year, or a rollforward analysis in a future test year.

If the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

Rule: 64(e)

**INFORMATION REQUESTED:**

This subsection requires that, whenever the Postal Service proposes to reassign a portion of one existing class or subclass of mail or service to another existing class or subclass of mail or service, the request must include a comparison of the before and after costs and revenues of handling the relevant classes or subclasses, and before and after costs and revenues of the portion that is to be reassigned.

**RESPONSE:**

This proposal does not involve the reassignment of part of an existing class or subclass of mail to another existing class or subclass.

Rule: 64(f)

INFORMATION REQUESTED:

This Rule requests a complete statement of the reasons and bases for the proposed changes.

RESPONSE:

The testimony of witness Parr (USPS-T-1) together with the Request and related documentation provide the reasons and bases for proposed change of expiration date.

Rule: 64(g)

INFORMATION REQUESTED:

This Rule sets forth the requested format and filing requisites for workpapers.

RESPONSE:

There are no workpapers in this case.

Rule: 64(h)

INFORMATION REQUESTED:

This Rule calls for compliance with specified subsections of Rule 54 when the Postal Service proposes a change in the mail classification schedule having a rate, fee or total cost change implication.

RESPONSE:

The proposed continuation of existing classifications and rates, and their cost and revenue implications, are explained in the testimony of witness Parr (USPS-T-1). Other pertinent information is provided in the response to this rule in Docket No. R2006-1 and in the testimony and supporting materials filed in that docket. These materials are incorporated by reference. A statement and conditional motion setting forth grounds for waiver of portions of Rule 64, if necessary, accompanies this Request.

In addition to the information required by Rule 64, Rule 69(c)(1-3) establishes specific requirements for minor classification changes. The requirements are listed below, followed by the responses.

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Rule: 69(c)(1-3)

**INFORMATION REQUESTED:**

- 1) A description of the proposed classification change or changes, including proposed changes in the text of the Domestic Mail Classification Schedule and any pertinent rate schedules;
- 2) A thorough explanation of the grounds on which the Postal Service submits that the requested change in mail classification is minor in character; and
- 3) An estimate, prepared in the greatest level of detail practicable, of the overall impact of the requested change in mail classification on postal costs and revenues, mail users, and competitors of the Postal Service.

**RESPONSE:**

- (1) A description of the classification changes is included in Attachment A and in the testimony of witness Parr (USPS-T-1).
- (2) The minor nature of the proposal is explained in the body of the Request and in the testimony of witness Parr (USPS-T-1).
- (3) Witness Parr (USPS-T-1) explains that the proposal would have no appreciable impact on contribution or competitors. To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.