

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

REPOSITIONABLE NOTES MINOR CLASSIFICATION CHANGE

Docket No. MC2007-2

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF DECISION OF THE GOVERNORS

The United States Postal Service hereby provides notice of the attached

Decision of the Governors:

Decision of the Governors of the United States Postal Service on the
Opinion and Recommended Decision of the Postal Regulatory Commission
on Repositionable Notes Minor Classification Change, Docket No.
MC2007-2.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 5, 2007

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE
ON THE RECOMMENDED DECISION OF THE POSTAL REGULATORY COMMISSION
ON REPOSITIONABLE NOTES MINOR CLASSIFICATION CHANGE,
DOCKET No. MC2007-2**

June 27, 2007

STATEMENT OF EXPLANATION AND JUSTIFICATION

On June 14, 2007, the Postal Regulatory Commission issued its Opinion and Recommended Decision on Repositionable Notes Minor Classification Change in Docket No. MC2007-2. Pursuant to a Request filed by the Postal Service on April 2, 2007, the Commission recommended that the expiration date of the Repositionable Notes (RPN) provisional service be changed from April 3, 2007 to April 3, 2008.

For the reasons explained below, we have concluded that the Commission's recommendation will help maintain a fair and equitable mail classification system, and is otherwise in accordance with the policies of the Postal Reorganization Act. Therefore, we approve the changes recommended by the Commission.

The Postal Service has been offering provisional RPN service as a test since April 3, 2005. This service allows bulk mailers of letters and flats to mechanically attach removable self-adhesive notes to the outside of their mailpieces for a small additional charge. In originally recommending the service, the Commission had found, and we agreed, that the provisional service was supported on the record of that proceeding and satisfied the criteria of the Postal Reorganization Act. As we noted in our decision of January 11, 2005, the Commission deferred issues regarding "value pricing" that had been raised by some parties in the case,¹ and indicated that it would engage an economist to produce a "white paper" to address those economic issues for consideration in the future.²

¹ Such issues were highlighted because there is no additional cost to the Postal Service in processing pieces with RPNs.

² PRC Op, MC2004-5, at 3, 19 (December 10, 2004).

By late 2005, the Postal Service, anticipating the approaching expiration of the one-year provisional service for RPN, was preparing a request for further testing of RPN service when the Commission issued its "white paper." In light of this timing, the Governors instead requested an extension of provisional RPN service. The Commission expeditiously recommended that extension on March 20, 2006, which we promptly accepted. During the additional year of provisional RPN service, the Postal Service considered Prof. Wolak's white paper but did not formulate its position or alternatives to the professor's proposals.³

Also during the extension year, the Postal Service litigated the Docket No. R2006-1 omnibus rate case. On December 20, 2006, the Postal Accountability and Enhancement Act (PAEA), Public L. No. 109-435, became effective with the President's signature; the PAEA now overshadows all other rate and classification activity. In light of the consequent uncertainties, we filed another request seeking an additional year's extension for provisional RPN service on April 2, 2007, Docket No. MC2007-2. This most recent request relied upon Domestic Mail Classification Schedule (DMCS) language inserted upon approval of the first RPN extension, which tolled expiration of RPN service upon the filing of any further request "to test or make Repositionable Notes permanent."⁴

As was the previous request to extend provisional RPN service in Docket No. MC2006-2, the most recent request was filed as an "expedited minor classification case" under the Commission's rules. Also as before, no participants objected to the change in expiration date or requested hearings. The Commission has now recommended changes in the DMCS needed to maintain the current service, pending further proceedings on RPNs, setting a new expiration date of April 3, 2008. The newly recommended DMCS changes, which we approve today, consist of eight instances where the "7" in the year 2007 is replaced with an "8" making the expiration date April 3, 2008. These changes, placed in a larger context, are attached with deletions marked by square brackets "[]" and insertions underlined.

³ See Opinion and Recommended Decision, Docket No. MC2007-2, at 4.

⁴ See, e.g., DMCS 322.8a.

ESTIMATE OF ANTICIPATED REVENUE

The Postal Reorganization Act requires that our Decision include an estimate of anticipated impact on postal revenues (39 U.S.C. § 3625(e)). According to the evidentiary record, a third year of provisional RPN service at current rates will produce just over \$1.6 million in revenue.

ORDER

In accordance with the foregoing Decision of the Governors, the classification schedule changes set forth in the Attachment are hereby approved and ordered into effect. In accordance with Resolution 07-6 of the Board of Governors, dated June 27, 2007, the changes will take effect at 12:01 a.m. on June 29, 2007.

By The Governors:


James C. Miller III, Chairman

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

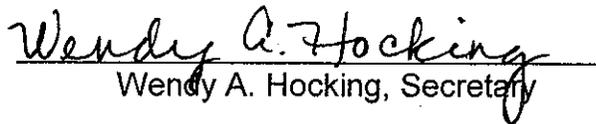
Resolution No. 07-6

Effective Date of New Classification

RESOLVED:

Pursuant to Section 3625(f) of Title 39, United States Code, the Board of Governors determines that the changes in classification that were ordered to be placed into effect by the Decision of the Governors of the United States Postal Service on the Opinion and Recommended Decision of the Postal Regulatory Commission on Repositionable Notes Minor Classification Change in Docket No. MC2007-2, adopted on June 27, 2007, shall become effective at 12:01 a.m. on June 29, 2007.

The foregoing Resolution was adopted by the Board of Governors on June 27, 2007.


Wendy A. Hocking, Secretary

**FIRST-CLASS MAIL
CLASSIFICATION SCHEDULE**

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221 Letters and Sealed Parcels Subclass

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221.22 Presort Rate Category.

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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.

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221.3 Automation Rate Categories – Letters and Flats

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221.32 Letter Categories

* * * * *

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.

221.33 Flats Categories.

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.

**STANDARD MAIL
CLASSIFICATION SCHEDULE**

321 Regular Subclass

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 Enhanced Carrier Route Subclass

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 Nonprofit Subclass

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 Nonprofit Enhanced Carrier Route Subclass

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.

**PERIODICALS
CLASSIFICATION SCHEDULE**

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.