

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

NOTICE OF PRICE ADJUSTMENT

Docket No. R2008-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING OF USPS-R2008-1/NP2
(March 13, 2008)

The Postal Service hereby gives notice of filing of the material indicated below as part of the **Non-Public Annex** in this proceeding:

USPS-R2008-1/NP2 Materials Relating to the Periodicals Revenue
Leakage Due to the Limited Circulation
Discount

The Postal Service requests that, as part of the Non-Public Annex, these materials be treated as confidential. Section 410(c)(2) of title 39 provides that “information of a commercial nature...which under good business practice would not be publicly disclosed” is exempt from mandatory disclosure under the PAEA.¹ Here, USPS-R2008-1/NP2 contains detailed mailer-specific volume and postage information. Historically, mailer-specific information has always been at or near the top of the list of materials upon which a consensus exists regarding the danger of public disclosure. Although efforts have been made in this instance to shield the identity of individual mailers, there is always a concern that knowledgeable observers could draw reasonable inferences and thereby identify at least some of the publications and their confidential data.

¹ See 39 U.S.C. § 504(g)(1).

While shielding the individual data elements, however, the Postal Service is nonetheless providing as clear as possible an explanation of the details of the methodology used, so that observers may fully understand how the necessary calculations were performed. The revenue leakage due to the Limited Circulation discount was calculated by aggregating FY 2007 Periodicals mailing statement data by publication and rate element. Then qualifying publications were identified as those with fewer than 5,000 Outside County pieces per issue -- FY 2007 Outside County volume divided by annual number of issues -- having at least one Inside County piece, and having no Nonprofit or Classroom preferred discount reported in FY 2007. This identified 5,290 publications with 197,612,698 Outside County pieces in FY 2007.

Then, for each identified publication, average revenue per Outside County piece was calculated, excluding advertising pound revenue, for transactions entered post R2006-1 rate implementation -- $(\text{Total R2006-1 revenue} - \text{R2006-1 advertising pound revenue}) / \text{R2006-1 pieces}$. The post R2006-1 average revenue per Outside County piece for each publication was then multiplied by total FY 2007 Outside County pieces for the publication to calculate an estimate of what the FY 2007 Outside County revenue ("qualifying revenue") would have been if the R2006-1 rates had been in effect all of FY2007. Adding these "qualifying revenue" estimates across all identified publications produces an estimate of \$68,084,055 that would be subject to the proposed discount. With a discount of 5 percent, this would result in an estimated leakage of \$3,404,203.

For example, assume a publication identified as eligible (based on the above criteria, including fewer than 5,000 Outside County pieces per issue) had a total Outside County FY2007 volume of 40,000, split as 35,000 pieces before R2006-1 rates, and

5,000 pieces after R2006-1 rates. Moreover, assume that total Outside County postage at R2006-1 rates (after the subtraction of advertising pound postage) was \$2100. Average post-R2006-1 Outside County revenue per piece would be $\$2100/5000$ pieces, or 42 cents per piece. Multiplying this per-piece revenue by total FY 2007 Outside County volume of 40,000 pieces, the “qualifying revenue” estimate for the whole year would be 40,000 pieces times 42 cents, or \$16,800. This amount would be added to the “qualifying revenue” estimates for the other 5289 publications, and the aggregate revenue would be multiplied by 5 percent (.05) to yield the total estimated leakage of \$3,404,203.

To be as transparent as possible, a sample spreadsheet is attached electronically to this notice, providing a row of information corresponding to the hypothetical publication described in the above example. It shows the format of the spreadsheet, the formulas, and includes footnotes explaining the source of each of the data elements used in the real spreadsheet. The sample spreadsheet provides an alternative means for reviewers to understand the exact methodology employed in

USPS-R2008-1/NP2, without revealing the actual content of any mailer-specific data.

The spreadsheet in USPS-R2008-1/NP2, of course, has 5290 rows of real data.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

Eric P. Koetting

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