

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

RATE AND SERVICE CHANGES TO IMPLEMENT  
FUNCTIONALLY EQUIVALENT NEGOTIATED  
SERVICE AGREEMENT WITH BRADFORD GROUP

Docket No. MC2007-4

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  
Recommended Decision of the Postal Regulatory Commission on Rate and  
Service Changes to Implement Functionally Equivalent Negotiated Service  
Agreement With The Bradford Group, Docket No. MC2007-4

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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May 29, 2008

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE  
RECOMMENDED DECISION OF THE POSTAL REGULATORY COMMISSION ON RATE AND SERVICE  
CHANGES TO IMPLEMENT FUNCTIONALLY EQUIVALENT NEGOTIATED SERVICE AGREEMENT  
WITH THE BRADFORD GROUP, DOCKET NO. MC2007-4**

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May 29, 2008

**STATEMENT OF EXPLANATION AND JUSTIFICATION**

On April 18, 2008, the Postal Regulatory Commission issued its Opinion and Recommended Decision on Rate and Service Changes to Implement Functionally Equivalent Negotiated Service Agreement With The Bradford Group in Docket No. MC2007-4. Pursuant to a Request filed by the Postal Service on August 3, 2007, the Commission recommended the negotiated rates and the proposed classification changes to allow implementation of the Agreement.

For the reasons explained below, we have concluded that the Commission's recommendation meets the Postal Reorganization Act's rate and classification criteria and is otherwise in accordance with the policies of the Act. The Commission's Opinion provides a full discussion of the record before it and the evidence showing that the proposed changes comply with the applicable statutory criteria. While we do not necessarily agree with every characterization of the evidence, we find that the discussion demonstrates substantial support on the record for the Commission's recommended decision. Therefore, we approve the changes recommended by the Commission.<sup>1</sup>

The Negotiated Service Agreement (NSA) with The Bradford Group provides discounted rates on Bradford Group Standard Mail letters and flats solicitations. The structure of this NSA is similar to the Bookspan NSA, which was implemented in June 2006. In fact, The Bradford Group NSA was first proffered as functionally equivalent to the Bookspan NSA, though the Commission decided to review the agreement under the procedures for baseline NSAs.

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<sup>1</sup> The changes are all additions to the schedules and are shown in Attachments A and B hereto.

The Bradford Group NSA is based solely on the benefits to the Postal Service of offering incentives for Bradford Group to send additional letters and flats solicitations, thereby increasing its customer base. Aside from the contribution from the additional Standard Mail letters and flats induced by the discounts, there are additional benefits to the Postal Service from the NSA, due to The Bradford Group's "multiplier effect," which results in a stream of sixty-seven additional mailpieces over the course of a year for each successful solicitation. While a precise financial benefit from this effect was never quantified on the record, it nevertheless provides the Postal Service with an additional positive financial benefit from this NSA.

In its Opinion and Recommended Decision, the Commission found that the recommended classification changes meet the statutory criteria of desirability to both the mailer and the Postal Service and increased the value of postal services to the mailer. Additionally, the Commission took into account the policies and objectives of the Postal Accountability and Enhancement Act (PAEA) in its financial analysis, and concluded that this NSA provided an acceptable level of financial risk to the Postal Service. The Commission also found that the recommended rates meet the statutory criteria of covering attributable costs and contributing to other postal costs. We agree that the changes recommended meet the applicable statutory criteria, based on the record evidence.

The Bradford Group NSA features several provisions that mitigate against risk of loss to the Postal Service, which have been present in previous NSAs. First, the discounts made available under the agreement above a certain volume level do not become payable until after The Bradford Group's volume has reached a higher volume commitment level. Second, the volume commitment levels are subject to adjustment each year, based on the previous year's actual volume. These provisions reduce the risks inherent in offering discounts based on volume forecasts. Third, the agreement terminates if The Bradford Group's volumes reach a specified, higher-than-anticipated level. This protects the Postal Service against unforeseen changed circumstances. Finally, both parties have an unconditional right to terminate the agreement upon thirty days' notice. This protects the Postal Service against loss in the event of a decrease in net contribution as a result of the NSA.

We believe that the Commission's overall approach in this case was appropriate, and not only adheres to the criteria in the PRA, but also embodies the policies inherent in the recently-enacted PAEA. The Commission appropriately analyzed the totality of circumstances to determine the consistency of the proposal with the statutory criteria of the PRA and with the objectives of the PAEA. As the Postal Service and the Commission continue working together under a new statutory and regulatory structure, we hope that in the future the Commission continues to support statutorily-consistent NSAs under the PAEA. We commend the Commission for finding a way, in the circumstances of this particular case, to further the evolution of NSAs during this time of transition.

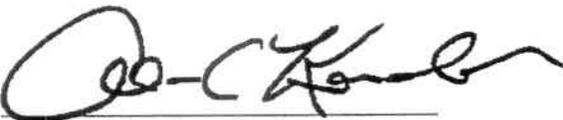
#### **ESTIMATE OF ANTICIPATED REVENUE**

The Postal Reorganization Act requires that our Decision include an estimate of anticipated impact on postal revenues (39 U.S.C. § 3625(e)). With adjustments made by the Commission on the basis of the record before it, the NSA is estimated to have a positive impact on postal revenues. The NSA's estimated three-year net benefit is \$6.5 million in contribution. This accounts for all new contribution, which is net revenue above the attributable cost minus anticipated discounts paid. This amount does not include additional value resulting from the multiplier effect.

#### **ORDER**

In accordance with the foregoing Decision of the Governors, the rate schedule changes set forth in Attachment A and the classification changes set forth in Attachment B are hereby approved and ordered into effect. In accordance with Resolution 08-14 of the Board of Governors, dated May 29, 2008, the changes will take effect at 12:01 a.m. on June 1, 2008.

By The Governors:



Alan C. Kessler, Chairman

**BRADFORD GROUP NSA  
RATE SCHEDULE 621A**

**(First Year of Agreement)**

**Eligible Standard Mail Letters**

<b>Volume Block<sup>1</sup></b>	<b>Incremental Discount</b>
147,000,000 to 157,000,000	1.5¢
157,000,001 to 167,000,000	2.0¢
167,000,001 to 177,000,000	2.5¢
177,000,001 to 183,000,000	3.0¢

**Eligible Standard Mail Flats**

<b>Volume Block<sup>1</sup></b>	<b>Incremental Discount</b>
53,500,000 to 55,500,000	1.0¢
55,500,001 to 57,500,000	1.2¢
57,500,001 to 59,500,000	1.5¢
59,500,001 to 61,500,000	2.0¢

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<sup>1</sup> Volume block beginning and ending thresholds are subject to adjustment for mergers, acquisitions, sales, or closures in accordance with DMCS § 621.24.

**BRADFORD GROUP NSA  
RATE SCHEDULE 621B**

**(Second Year of Agreement)**

**Eligible Standard Mail Letters**

<b>Volume Block<sup>1</sup></b>	<b>Incremental Discount</b>
147,000,000 to 157,000,000	1.5¢
157,000,001 to 167,000,000	2.0¢
167,000,001 to 177,000,000	2.5¢
177,000,001 to 183,000,000	3.0¢

**Eligible Standard Mail Flats**

<b>Volume Block<sup>1</sup></b>	<b>Incremental Discount</b>
54,500,000 to 56,500,000	1.0¢
56,500,001 to 58,500,000	1.2¢
58,500,001 to 60,500,000	1.5¢
60,500,001 to 62,500,000	2.0¢

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<sup>1</sup> Volume block beginning and ending thresholds are subject to adjustment for mergers, acquisitions, sales, or closures in accordance with DMCS § 621.24.

**BRADFORD GROUP NSA  
RATE SCHEDULE 621C**

**(Third Year of Agreement)**

**Eligible Standard Mail Letters**

<b>Volume Block<sup>1</sup></b>	<b>Incremental Discount</b>
147,000,000 to 157,000,000	1.5¢
157,000,001 to 167,000,000	2.0¢
167,000,001 to 177,000,000	2.5¢
177,000,001 to 183,000,000	3.0¢

**Eligible Standard Mail Flats**

<b>Volume Block<sup>1</sup></b>	<b>Incremental Discount</b>
57,000,000 to 59,000,000	1.0¢
59,000,001 to 61,000,000	1.2¢
61,000,001 to 63,000,000	1.5¢
63,000,001 to 65,000,000	2.0¢

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<sup>1</sup> Volume block beginning and ending thresholds are subject to adjustment for mergers, acquisitions, sales, or closures in accordance with DMCS § 621.24.

**NEGOTIATED SERVICE AGREEMENTS  
CLASSIFICATION SCHEDULE****621 BRADFORD GROUP NEGOTIATED SERVICE AGREEMENT****621.1 Eligible Standard Mail**

**621.11 Bradford Group.** Eligible Standard Mail under this section is defined as letter-shaped and flat-shaped pieces sent by Bradford Group for the purpose of soliciting prospective customers and clients of Bradford Group, as well as advertising to existing Bradford Group clients. Such letters and flats may be sent by Bradford Group, by entities in which Bradford Group holds controlling shares, or by their vendors on their behalf. Such solicitations may include up to two inserts promoting Bradford Group's strategic business alliances.

**621.2 Standard Mail Declining Block Rates**

**621.21 Volume Commitments.** The following volume commitments for otherwise eligible letter-shaped and flat-shaped Standard Mail pieces must be met before any discounts under this section are payable:

- a. 154 million letter-shaped pieces and 54.5 million flat-shaped pieces for the first year of the Agreement;
- b. 154 million letter-shaped pieces and 55.5 million flat-shaped pieces for the second year of the Agreement, subject to adjustment as specified below; and,
- c. 154 million letter-shaped pieces and 58 million flat-shaped pieces for the third year of the Agreement, subject to adjustment as specified below.

If Bradford Group does not mail at least 166 million Standard Mail letter-shaped and flat-shaped pieces during the first year of this Agreement, it will pay the Postal Service a one-time transaction fee of \$200,000.

**621.22 Volume Commitment Adjustment Mechanism.** At the end of each year of the Agreement other than its final year, the volume commitment for the following year will be adjusted, as follows.

- a. If, at the end of the year, actual volume is 12 percent or more above that year's volume commitment, the following year's commitment will be revised to be the average of the completed year's actual volume and the original volume commitment for the following year.

- b. If, at the end of the year, actual volume is 5 percent or more below that year's volume commitment, the following year's commitment will be decreased by the percentage difference between the completed year's original volume commitment and its actual volume, but in no case to lower than 140 million for letters or 50 million for flats. If the volume commitment as adjusted by the previous sentence falls below the following year's starting threshold: the starting threshold must then be adjusted to equal the following year's volume commitment as adjusted by the previous sentence; and, the following year's volume commitment will be further adjusted to equal the following year's starting threshold plus 7 million pieces for letters, and the following year's starting threshold plus 1 million pieces for flats.

**621.23 Incremental Discounts.** Bradford Group's eligible Standard Mail is subject to the otherwise applicable Standard Mail postage in Rate Schedules 321A or 321B, less the discounts shown in Rate Schedule 621A for the first year of the Agreement, in Rate Schedule 621B for the second year of the Agreement, and in Rate Schedule 621C for the third year of the Agreement, if Bradford Group meets the applicable volume commitments specified in 621.21, or as adjusted in accordance with 621.22. Each incremental discount applies only to the incremental volume within each volume block.

**621.24 Volume Block Adjustments for Mergers, Acquisitions, Sales, or Closures.** In the event that Bradford Group merges with and/or acquires an entity or entities and/or purchases a portfolio with annual Standard Mail letters and flats volume in excess of 5 million pieces, the volume blocks will be adjusted to add the volume of Standard Mail sent by the merged or acquired entity during the 12 months preceding the merger, acquisition, or purchase. The adjustment becomes effective for the succeeding fiscal quarter immediately following the date that mail volumes due to the merger, acquisition, or purchase begin to be mailed through the threshold permit accounts.

In the event that Bradford Group has sold or close one or more divisions or entities with combined annual Standard Mail volume in excess of 5 millions pieces, the volume blocks will be adjusted to subtract the volume of Standard Mail sent by the sold or closed division or entity during the 12 months preceding the sale or closure. The adjustment becomes effective for the succeeding fiscal quarter immediately following the date that mail volumes due to the sale or closure begin to be mailed through the threshold permit accounts.

**621.25 Termination.** The Agreement automatically terminates and eligibility for all discounts under this section ceases if Bradford Group's Standard Mail volume exceeds 12 million pieces above the maximum volume in the top tier of Rate Schedules 621A, 621B, or 621C (for either letters or flats), in any year of this Agreement, or if the Agreement is terminated by either party with 30 days' written notice to the other party.

**621.3 Rates**

The rates applicable to this Agreement are set forth in the following Rate Schedules:

621A  
621B  
621C

**621.4 Expiration**

The provisions of section 621 expire on June 1, 2011.

**621.5 Precedence**

To the extent any provision of section 621 is inconsistent with any other provision of the Domestic Mail Classification Schedule, the former shall control.

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

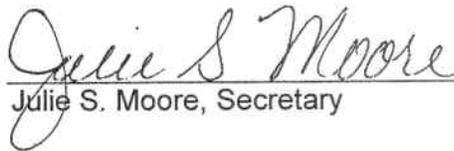
Resolution No. 08-14

Effective Date of New Classification and Rates

**RESOLVED:**

Pursuant to Section 3625(f) of Title 39, United States Code, the Board of Governors determines that the changes in classification and rates 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 Rate and Service Changes to Implement Functionally Equivalent Negotiated Service Agreement With The Bradford Group in Docket No. MC2007-4, adopted on May 29, 2008, shall become effective at 12:01 a.m. on June 1, 2008.

The foregoing Resolution was adopted by the Board of Governors on May 29, 2008.

  
Julie S. Moore, Secretary