

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners: Edward J. Gleiman, Chairman;
W.H. "Trey" LeBlanc III, Vice Chairman;
Dana B. Covington, Sr.; Ruth Y. Goldway;
and George A. Omas

Periodicals Classification Change

Docket No. MC99-3

NOTICE AND ORDER ON REQUEST
FOR RECOMMENDED DECISION ON PERIODICALS CLASSIFICATION CHANGE

(Issued April 12, 1999)

Introduction. On April 9, 1999, the Postal Service filed a request with the Commission for a recommended decision on proposed changes in the Domestic Mail Classification Schedule (DMCS). The request was filed pursuant to § 3623 of the Postal Reorganization Act, 39 U.S.C. § 101 et seq. The request includes attachments and is supported by the testimony of one witness. It is on file in the Commission Docket Room and is available for inspection during the Commission's regular business hours.

Contents of the filing. The purpose of the Postal Service request is to provide a remedy for a rate anomaly affecting certain Nonprofit and Classroom Periodicals class members which inadvertently resulted from the last omnibus rate case (Docket No. R97-1). For certain publications, the rates available in the Nonprofit and Classroom Rate Schedules (423.3 and 423.4, respectively) generate higher postage amounts than the Regular Rate Schedule rates. The Service proposes that until Periodicals rates may be generally adjusted in the next omnibus rate case, a classification change be instituted that would allow Nonprofit and Classroom subclass mailings to use the

Regular rate schedule when such use would lower the publication's postage.¹ Request of the United States Postal Service for a Recommended Decision on Periodicals Classification Change, April 9, 1999 ("Postal Service Request") at 1. A new footnote to the Regular rate schedule also is proposed. It would exempt Nonprofit and Classroom publications with less than 10 percent advertising that use the Regular rate schedule from paying the advertising pound rates. *Id.* at 1-2.

According to the Service, the requested classification changes are not intended to reopen for consideration those rates and fees established in Docket No. R97-1, but rather to provide a means of access to the established Regular rates for qualifying Nonprofit and Classroom publications using their current permits. To this end, subject to the Commission's recommendation and the Board of Governor's approval, the Service has initiated a refund procedure to address the rate anomaly as of April 9, 1999. *Id.* at 2. Under the refund procedure, Nonprofit and Classroom mailers can submit dual mailing statements and apply for a subsequent refund for the difference between the preferred postage paid and the otherwise applicable Regular rate on mailings made from April 9, 1999 forward. The refund procedure is to be comparable to the established "application pending" procedure applicable to mailers applying for a preferred rate authorization, as described in Domestic Mail Manual (DMM) §§ E270.8.0-9.0. *Ibid.*

The Postal Service request is supported by the testimony of witness Taufique (USPS-T-1), who explains the rate anomaly and describes the Service's classification proposal. The testimony maintains that the request has minimal revenue and cost impact and conforms with the applicable standards of the Postal Reorganization Act (specifically, 39 U.S.C. § 3623(c) classification criteria).

Proposed DMCS provisions. The Postal Service's request proposes changes in Section 441 (Periodicals) of the current Domestic Mail Classification Schedule to

¹ Even without the proposed classification change, preferred mailers affected by the rate anomaly qualify for the lower Regular rates, if they relinquish their preferred authorization.

provide a remedy for the rate anomaly affecting certain Nonprofit and Classroom Periodicals class mailers. The proposed DMCS changes are Attachment A to the Service request, and likewise accompany this Notice and Order as Attachment A.

Proposed rate schedule. In Attachment B to its request, the Postal Service displays changes it proposes to DMCS Rate Schedule 421 (Periodicals Rate Schedule 421 — Regular Subclass). The Postal Service's requested changes in rates accompany this Notice and Order as Attachment B.

Procedural Proposal. The Postal Service's Request is accompanied by a Motion of the United States Postal Service for Expedition and for Waiver of Certain Provisions of Rule 64(h) ("Postal Service Motion"). The Service requests waiver of the requirement to provide the information specified in Commission Rules 64(d), 64(h), 54(f)(2), 54(f)(3), 54(h), 54(i) and 54(j), to the extent that they apply. Postal Service Motion at 6. Rule 64(h)(3) provides that the requirements may be waived if the Commission determines that it has been demonstrated that proposed changes in the classification schedule do not significantly change rates and fees or cost-revenue relationships referred to in the rule. In support of the waiver, the Service cites the limited nature and applicability of the proposed DMCS changes. In particular, it notes that the proposal does not involve a fundamental change in any classification or fee, and is extremely restricted in its impact on the revenues and costs of the affected Periodicals subclasses and on the revenues and costs of the system as a whole. Postal Service Motion at 6-8.

With regard to its motion for expedition, the Postal Service maintains that its proposal to correct the unintended rate anomaly in the Nonprofit and Classroom Periodicals subclasses entails straightforward, minor changes to the DMCS and rate schedule for the Periodicals Regular subclass, with an insignificant effect on the Service's overall volumes, revenues and costs. *Id.* at 2-3. In accordance with the simplicity and minor impact of the request, the Service suggests a number of procedures to facilitate a speedy resolution, including: (1) a relatively short intervention period; (2) a requirement that if parties desire a hearing, they so request one in their notice for intervention, with those issues believed to be of sufficient import delineated;

and (3) limited (if any) and expedited discovery, restricted to those matters bearing directly on the proposed changes. *Id.* at 3-4.

Commission Action on Docket No. MC99-3 motion. The Commission is inclined to handle the Postal Service request for a recommended decision on Periodicals classification change in an expedient manner, absent a request for a hearing on a genuine issue of material fact. To this end, the Commission directs that any interested party wishing to respond to the Postal Service Motion file an Answer by April 28, 1999.

Intervention in these proceedings. Anyone wishing to be heard in this case is directed to file a written notice of intervention with Margaret P. Crenshaw, Secretary of the Commission, 1333 H Street, NW, Suite 300, Washington, DC 20268-0001 no later than April 28, 1999. Notices should indicate whether an intervenor is seeking full or limited participation status and whether a hearing is requested. See 39 CFR §§ 3001.20 and 3001.20a. Participants should state with specificity the issues which they believe will merit evidentiary hearings. There will be a prehearing conference in this Docket on May 3, 1999, and if no requests for hearing are received by April 28, the Commission will entertain a motion from the Postal Service to enter its testimony into evidence at that time and to discuss the need for additional procedural steps.

Representation of the general public. In conformance with § 3624(a) of title 39, U.S. Code, the Commission designates Ted P. Gerarden, Director of the Commission's Office of the Consumer Advocate (OCA), to represent the interests of the general public in this proceeding. Pursuant to this designation, Mr. Gerarden will direct the activities of Commission personnel assigned to assist him and, upon request, supply their names for the record. Neither Mr. Gerarden nor any of the assigned personnel will participate in or provide advice on any Commission decision in this proceeding. The OCA shall be separately served with three copies of all filings, in addition to and contemporaneous with, service on the Commission of the 24 copies required by section 10(c) of the Commission's rules of practice [39 CFR § 3001.10(c)].

It is ordered:

1. The Commission will sit en banc in Docket No. MC99-3.
2. Notices of intervention in Docket No. MC99-3 shall be filed no later than April 28, 1999.
3. Ted P. Gerarden, director of the Commission's Office of the Consumer Advocate, is designated to represent the interests of the general public in Docket No. MC99-3.
4. Answers to the Postal Service's April 9, 1999 motion referenced in the body of this order concerning waiver of certain filing requirements and expedition of its request shall be filed no later than April 28, 1999.
5. A prehearing conference for the consideration of procedural matters in Docket No. MC99-3 shall be held in the hearing room of the Commission, 1333 H Street, NW, Washington, DC on May 3, 1999, at 9:30 am.
6. The Secretary of the Commission shall arrange for publication of this order in the *Federal Register* in a manner consistent with applicable requirements.

By the Commission.

(S E A L)

Secretary

Margaret P. Crenshaw

**PERIODICALS
CLASSIFICATION SCHEDULE**

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440 POSTAGE AND PREPARATION

- 441 **Postage.** Postage must be paid on Periodicals class mail as set forth in section 3000. When the postage computed for a particular issue using the Nonprofit or Classroom rate schedule is higher than the postage computed using the Regular rate schedule, that issue is eligible to use the Regular rate schedule. For purposes of this section, the term issue is subject to certain exceptions related to separate mailings of a particular issue, as specified by the Postal Service.

**PERIODICALS
RATE SCHEDULE 421**

Regular Subclass^{1, 2}

Per Pound	Postage Rate Unit	Rate³ (cents)
Nonadvertising Portion:	Pound	16.1
Advertising Portion: ¹¹		
Delivery Office ⁴	Pound	15.5
SCF ⁵	Pound	17.8
1&2	Pound	21.5
3	Pound	22.9
4	Pound	26.3
5	Pound	31.6
6	Pound	37.1
7	Pound	43.8
8	Pound	49.5
Science of Agriculture		
Delivery Office	Pound	11.6
SCF	Pound	13.3
Zones 1&2	Pound	16.1

Per Piece

Less Nonadvertising Factor ⁶		5.9
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Required Preparation ⁷	Piece	29.4
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Presorted to 3-digit	Piece	25.3
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Presorted to 5-digit	Piece	19.7
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Presorted to Carrier Route	Piece	12.2
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Discounts:

Prepared to Delivery Office ⁴	Piece	1.3
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Prepared to SCF ⁵	Piece	0.7
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High Density ⁸	Piece	1.9
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Saturation ⁹	Piece	3.7
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Automation Discounts for Automation
Compatible Mail¹⁰

From Required:

Prebarcoded letter size	Piece	6.2
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Prebarcoded flats	Piece	4.6
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From 3-Digit:

Prebarcoded letter size	Piece	4.7
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Prebarcoded flats	Piece	3.9
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From 5-Digit:

Prebarcoded letter size	Piece	3.5
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Prebarcoded flats	Piece	2.9
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SCHEDULE 421 NOTES

1. The rates in this schedule also apply to commingled nonsubscriber, non-requester, complimentary, and sample copies in excess of 10 percent allowance in regular-rate, non-profit, and classroom periodicals.
2. Rates do not apply to otherwise regular rate mail that qualifies for the Within County rates in Schedule 423.2.
3. Charges are computed by adding the appropriate per-piece charge to the sum of the nonadvertising portion and the advertising portion, as applicable.
4. Applies to carrier route (including high density and saturation) mail delivered within the delivery area of the originating post office.
5. Applies to mail delivered within the SCF area of the originating SCF office.
6. For postage calculations, multiply the proportion of nonadvertising content by this factor and subtract from the applicable piece rate.
7. Mail not eligible for carrier-route, 5-digit or 3-digit rates.
8. Applicable to high density mail, deducted from carrier route presort rate.
9. Applicable to saturation mail, deducted from carrier route presort rate.
10. For automation compatible mail meeting applicable Postal Service regulations.
11. Not applicable to qualifying Nonprofit and Classroom publications containing 10 percent or less advertising content.