

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

**Notice of Market Dominant
Price Adjustment**

Docket No. R2018-1

**COMMENTS OF PITNEY BOWES INC.
(October 26, 2017)**

Pursuant to Order No. 4153, Pitney Bowes Inc. (Pitney Bowes) respectfully submits these comments in response to the United States Postal Service's (Postal Service) October 6, 2017 Notice of Market-Dominant Price Adjustment (Notice).

These comments address: (1) why maintaining key rate relationships within First-Class Mail Presort Letters will help encourage efficient mail preparation, reduce Postal Service costs, and encourage investment in mail, and (2) the importance of maintaining the current price differential between Stamped and Metered Single-Piece Letters.

I. Maintaining Key Presort Discounts Will Encourage More Efficient Mail Preparation, Reduce Postal Service Costs, and Stimulate Investment in the Mail

Pitney Bowes supports the Postal Service's decision to minimize structural changes to its price schedules and to maintain stable rate relationships within First-Class Mail Presort Letters. The First-Class Mail Presort Letters rate design was substantially improved in the last price adjustment. Specifically, in Docket No. R2017-1, the Postal Service increased the 5-Digit Automation Letters discount to encourage mailers to produce a more efficient, lower-cost, and higher-contribution mail stream. Getting this discount right is important because the 5-Digit Automation Letters is a valued product for the Postal Service's largest commercial mailers and

accounts for a substantial majority of all First-Class Mail Presort Letters. Mail that shifts to 5-Digit Automation Letters in response to these discounts will help reduce Postal Service costs. Increasing the 5-Digit Automation Letters discount also lowers the price of that mail; thus, mailers and mail service providers will be encouraged to mail more and make additional investments in the mail.

For these reasons, maintaining key rate relationships within Presort letters will encourage efficient mail preparation, reduce Postal Service costs, and stimulate investment in the mail. The Postal Service should further increase the 5-Digit Automation Letters discount in a future price adjustment so that discount fully reflects the savings produced by the work performed by mailers to earn the discount (costs avoided).

II. Maintaining the Current Price Differential for Metered Letters Benefits Small and Medium-Size Business Mailers, Mailers of Presort Letters, and the Postal Service

Pitney Bowes also supports the Postal Service's decision to maintain the three-cent price differential between Stamped Single-Piece Letters and Metered Single-Piece Letters (Metered Letters). Maintaining this price differential will allow the Postal Service to continue to segment its retail and commercial Single-Piece First-Class Mail customers. Keeping the three cent price differential in place produces a lower price that matters for small and medium-sized business (SMB) mailers, encouraging them to stay in the mail and to use the mail in new ways to help grow their businesses. Maintaining the current price differential for Metered Letters will also continue to encourage SMB mailers to use the Postal Service products. Encouraging SMB mailers to use a more secure, efficient postage payment channel benefits the Postal Service because it avoids the costs associated with stamp production, distribution, and cancellation.

The Metered Letters category also serves an important function as the benchmark for setting First-Class Mail Presort Letter prices. Maintaining the three-cent price differential avoids higher prices not just for Metered Letters, but also for all Presort letters. These lower prices, of course, encourage the retention and growth of the Postal Service's more profitable and price sensitive First-Class Mail product.

III. CONCLUSION

Pitney Bowes commends the Postal Service for maintaining these important rate relationships within First-Class Mail Letters. Maintaining these rate design relationships will continue to encourage efficient mail preparation and reduced costs for the Postal Service and its largest commercial mailers, while continuing to provide incentives to encourage SMB customers to stay in the mail and use an expanded array of Postal Service products.

Respectfully submitted:

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