

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

**Modification of Mail Classification Schedule
Regarding Bound Printed Matter**

Docket No. MC2008-3

**COMMENTS OF PITNEY BOWES INC. IN RESPONSE TO NOTICE OF
CLASSIFICATION CHANGE FOR MARKET DOMINANT PRODUCTS**

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I. INTRODUCTION

On March 20, 2008, the Postal Service filed a notice with the Postal Regulatory Commission (PRC or Commission) concerning a proposed change in classification that would require all Bound Printed Matter (BPM) mailings be paid by mailing permit, a requirement that currently applies only to destination-entered BPM.¹ On March 27, 2008, the Postal Service filed notice of amendment to the proposed classification change that would further require all BPM Flats and Parcels to be paid by permit imprint only.²

By Notices dated March 21 and March 28, 2008, the Commission, pursuant to rule 3020.92, *see* 39 C.F.R. § 3020.92, provided notice of the Postal Service's proposed classification changes and invited interested parties to express their views and offer comments on whether the planned changes are consistent with section 3642 of the Postal Accountability and Enhancement Act (PAEA).³ *See* 39 U.S.C. § 3642.

Pitney Bowes is pleased to provide these comments in response to the Commission's Notice.

II. DISCUSSION

The classification changes at issue in this proceeding were proposed by the Postal Service in response to a complaint contending that the Postal Service's decision not to offer BPM at retail windows unduly discriminated against individual and small business mailers. *See* PRC Docket No. C2008-2. Specifically, the Complaint alleged that Postal Service policy effectively denied individual and small business customers access to BPM

¹ *See* Notice of the United States Postal Service of Classification Change (Mar. 20, 2008).

² *See* Notice of the United States Postal Service of Amendment to Conforming Changes in Mail Classification Schedule submitted with Notice of Classification Change (Mar. 27, 2008)(Amendment).

³ *See* Pub. L. 109-435, 120 Stat. 3198 (Dec. 20, 2006).

service and, thus, violated statutory nondiscrimination provisions. *See* 39 U.S.C. § 403(c).

In response to the Complaint, the Postal Service stated:

The Postal Service does not believe that it is providing service that violates the policies of the Act. The Postal Service's actions about which the complainant complains do not constitute undue discrimination; rather they are rational efforts to function efficiently and economically, and to provide its various services through appropriate channels.⁴

The Postal Service justified its decision to discontinue retail BPM service on the grounds that removing BPM as an option offered at retail would streamline parcel transactions at the retail window and reduce the programming complexity for distributed postal solutions such as automated postal center (APC) kiosks.

Pitney Bowes supports the Postal Service's exercise of the enhanced rate and classification authority afforded to it under the PAEA to promote the efficiency of its operations, to reduce the costs of retail window transactions, and to promote expanded retail access alternatives. We are concerned, however, that the proposed classification changes are needlessly overbroad and could adversely affect the small business segment of the mailstream by eliminating postage meters as a postage payment option for BPM.

Section 3642(b)(3)(C) specifically directs the Commission to assess the "likely impact of the proposed action on small business concerns" 39 U.S.C. § 3642(b)(3)(C). Because the majority of postage meter customers are small business mailers, small business mailers would be disproportionately and adversely affected by that change.⁵ Moreover, the harm to small business mailers appears to be unnecessary

⁴ Statement of the United States Postal Service, at 1 (Mar. 7, 2008)(Dkt. No. C2008-2).

⁵ According to the QSR reports, in FY 2007, there were 5.2 million BPM metered mail pieces and an additional 9.1 million BPM pieces sent with some form of information based indicia (IBI), including a postage meter indicia.

and collateral. As noted above, the Postal Service's stated rationale for the proposed classification changes, to streamline parcel transactions at the retail window and to minimize the programming complexity for kiosks and other distributed postal solutions, arguably support a limitation on retail postage sales for BPM, but neither ground explains why small business mailers should not be permitted to pre-affix proper postage with a postage meter.

Nor does the Postal Service offer any independent rationale as to why postage meters are being eliminated as a payment evidencing option for BPM or what the impact on small business mailers would be from the change. Although many small business meter users may shift their BPM volumes to Parcel Post, Media Mail, or Priority Mail in response to the classification change, they will be forced to bear the increased cost of these services. In sum, the proposed classification change to eliminate postage meters as a postage payment option for BPM could disproportionately (and unnecessarily) harm small business mailers, without any apparent countervailing efficiency gains for the Postal Service.

Furthermore, the Postal Service's proposal to eliminate postage meters as a postage payment option for BPM and to limit the services offered via distributed postal solutions like APC kiosks is contrary to the express direction of PAEA encouraging the Postal Service to "expand and market retail access to postal services" via "postage meters" and "postal kiosks" among other channels.⁶

Accordingly, for purposes of this and future proposed classification changes, Pitney Bowes respectfully urges the Commission to (1) narrowly construe proposed limitations on payment evidencing channels and access to postal services, and (2) require

⁶ Section 302(d) of H.R. 6407 (not included in Title 39).

