

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

Periodic Reporting Rules

Docket No. RM2008-4

REPLY COMMENTS OF PITNEY BOWES INC.

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I. INTRODUCTION

Pitney Bowes Inc. (Pitney Bowes) submits these reply comments in response to the Postal Regulatory Commission's (Commission) Order No. 104 (Order), the Notice of Proposed Rulemaking Prescribing Form and Content of Periodic Reports, issued August 22, 2008 (PRC Dkt. No. RM2008-4).

Pitney Bowes' views are in accord with those of the other commenters who filed initial comments in support of the proposed rules. The proposed rules reflect the fundamental shift of responsibilities between the Postal Service and the Commission under the Postal Accountability and Enhancement Act (PAEA):¹ recognizing both the increased autonomy and flexibility afforded to the Postal Service and the increased information gathering, reporting, and oversight responsibilities of the Commission. The proposed rules appropriately afford the public timely, adequate information to assess the compliance of proposed postal prices with the requirements of the PAEA, without imposing an unnecessary or unwarranted administrative burden on the Postal Service.

Pitney Bowes offers the following comments and suggested clarifications for the Commission's consideration.

II. DISCUSSION

A. Pitney Bowes Supports the General Approach of Order No. 104

The majority of the initial comments expressed support for the proposed periodic reporting rules. *See* MMA Comments at 1; Postal Service Comments at 2; Public Representative Comments at 1; Time Warner Comments at 1. Pitney Bowes also supports the proposed rules. They establish a comprehensive system of periodic

¹ *See* Pub. L. No. 109-435, 120 Stat. 3198 (Dec. 20, 2006). The PAEA amends various sections of title 39 of the United States Code. Unless otherwise noted, section references in these comments are to sections of title 39.

reporting requirements designed to satisfy the transparency and accountability objectives of the PAEA and to ensure meaningful public access to, participation in, and understanding of the development of postal prices. The proposed rules appropriately recognize the importance of periodic reporting and the annual compliance determination (ACD) under the PAEA as a means of ensuring that the Commission and the public can assess the degree to which postal prices and service levels comply with the requirements, objectives, and factors of the PAEA. *See* PRC Order No. 104, at 2. The proposed rules further recognize the importance of accurate costing and pricing information as a means to drive postal pricing decisions that should promote the overarching efficiency and value of service imperatives of the PAEA. *See id.*, at 2-3. For all of these reasons, Pitney Bowes supports the general approach of Order No. 104.

B. The Commission Should Clarify the Nature and Scope of the Reporting Requirements Under Part 3050.14.

Proposed rule 3050.14 requires the Postal Service to present its Cost and Revenue Analysis (CRA) report in a format that corresponds to the classification structure in the current Mail Classification Schedule (MCS), and in an alternative, more disaggregated format that can be used to reformat the results to match the classification structure that was in effect immediately prior to the adoption of the PAEA. The proposed rules thus contemplate that the Postal Service will provide costs, volumes, and revenues for CRA and Cost Segments and Components (CSC) reports as defined in the current MCS and by each product's constituent rate categories. *See* PRC Order No. 104, at 16. In addition, “[a]t least for the first several years,” the Commission proposes that the Postal Service also report that same information “by product and rate category, reflecting the

classification structure that was in effect immediately before the implementation of PAEA.” *Id.*

Pitney Bowes agrees that this parallel reporting will facilitate more meaningful comparisons during the transition to the new reporting system under the PAEA; however, the proposed rules could be improved by including a time certain expiration for the dual reporting requirement. Pitney Bowes suggests that three years of parallel reporting would be more than adequate to provide a bridge to the new PAEA reporting requirements, without imposing an unwarranted or unnecessary administrative burden on the Postal Service.

The proposed rules acknowledge that it may be impractical for the Postal Service to “separately estimate attributable costs for some rate categories” and notes that in such cases, “the Postal Service should . . . provide a footnote in the attributable cost column explaining the reasons that separate attributable costs could not be estimated, or a suitable proxy found.” PRC Order No. 104, at 17. Pitney Bowes suggests that part 3050.14 of the proposed rules be clarified to make clear that the Postal Service need not expand the In-Office Cost System (IOCS) or other costing systems to include costs for presort levels of workshared mail or for zones in mail with destination entry or drop ship rates absent a change in analytical principle. Recognizing the presumptive validity of the existing costing systems will obviate the need for the Postal Service to engage in expensive and often impractical disaggregation of data.

C. The Commission Should Simplify the Annual Disclosure Requirements Under Part 3050.60(f).

Proposed rule 3050.60(f) requires the Postal Service to provide each year “a succinct description of the analytic principles that have been used to arrive at the

estimates in the most recent [Annual Compliance Determination] and the reasons that those principles have been accepted.” PRC Order No. 104, at 20. Pitney Bowes agrees that it is important that interested parties be told these principles, but consistent with the pervasive sentiment expressed in the initial comments of the Postal Service, we suggest that there is a less burdensome and less expensive way to do this. Rather than require a comprehensive description of all analytic principles every year, the proposed rules should require that the Postal Service provide a full narrative explanation in the first year and in subsequent years provide a narrative for only those sections for which there is a change in principle. To ensure a comprehensive digest is maintained, the proposed rules could further provide that the Postal Service file a complete, updated narrative description every five years. These proposed changes should ease the reporting requirements and eliminate redundant documentation, *see* PRC Order No. 104, at 21, while preserving the most recently approved ACD as an appropriate “methodological baseline.” *Id.* Such an approach is also consistent with the intent of the proposed rules that no supporting documentation need be filed in the Annual Compliance Report (ACR) with respect to input data, quantification techniques, or analytical principles that are unchanged.

D. The Commission Should Adopt More Structured Procedures for Changing Analytical Principles.

Several commenters raised concerns about the procedures for changing analytical principles related to collection and analysis of data under proposed rule 3050.11. *See* MMA Comments at 4; Public Representative Comments at 7. The proposed rules recognize that under the PAEA the Commission bears the ultimate responsibility for selecting appropriate input data and analytical methods to be used in the Postal Service’s ACR. *See* PRC Order No. 104, at 30. Order No. 104 further recognizes that under the

PAEA a change in a proposed analytical principle may be initiated by the Postal Service, the Commission, or an interested party within the mailing community. *See id.*, at 31.

Notwithstanding the flexibility and “freedom . . . to decide analytical issues in a non-adversarial context” afforded by the PAEA, Pitney Bowes believes that the proposed rules could be improved by providing more structure for changes in analytical principles. PRC Order No. 104, at 30. Pitney Bowes submits that additional structure would address the timing and sequencing issues raised by the Public Representative, the due process and fairness concerns expressed by MMA, and would better allow the Postal Service, the Commission, and the mailing community to establish priorities among competing changes in analytical principles.

As Pitney Bowes and several other parties – including MMA, NAPM, Time Warner, and Val Pak – commented in Docket No. ACR2007-1, selective data updates and changes in costing methodologies can significantly affect rate relationships.² Accordingly, Pitney Bowes suggests that the Commission adopt an annual, structured process for the review of proposed changes in analytical principles immediately following its ACD. An annual review at this time would not interfere with the Postal Service’s traditional field work or the preparation of the next ACR. A structured process at this time would also allow sufficient time for incorporation of any adopted changes in analytical principles in time for the next ACR and would allow for a prioritization of competing changes. A structured, annual review could complement “strategic rulemakings” that seek to assess exploratory or longer-term methodological inquiries. Finally, a structured, annual review process has the benefit of facilitating an orderly,

² *See* Reply Comments of Pitney Bowes Inc. in Response to Notice of Filing of Annual Compliance Report by the Postal Service and Solicitation of Public Comment, 5 (February 13, 2008) (Docket No. ACR2007-1).

deliberate process that allows all interested parties and the Postal Service to review and comment on such changes.

III. CONCLUSION

Pitney Bowes appreciates the Commission's consideration of these comments.

Respectfully submitted:

/s/

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