

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

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**Notice of Price Adjustment**

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**Docket No. R2009-3**

**COMMENTS OF PITNEY BOWES INC.  
ON THE UNITED STATES POSTAL SERVICE  
PROPOSAL FOR A SUMMER SALE PROGRAM**

James Pierce Myers  
Attorney at Law  
1617 Courtland Road  
Alexandria, VA 22306  
Telephone: (571) 257-7622  
Facsimile: (571) 257-7623  
E-Mail: [jpm@piercemyers.com](mailto:jpm@piercemyers.com)

Michael F. Scanlon  
K&L GATES LLP  
1601 K Street, NW  
Washington, DC 20006  
Telephone: (202) 778-9000  
Facsimile: (202) 778-9100  
E-Mail: [michael.scanlon@klgates.com](mailto:michael.scanlon@klgates.com)

Counsel to PITNEY BOWES INC.

DATED: May 21, 2009

## I. INTRODUCTION

Pursuant to Postal Regulatory Commission (Commission) Order No. 209, issued May 4, 2009, (Order) and the Commission's Rules of Practice and Procedure, Pitney Bowes, Inc. (Pitney Bowes) files these comments in support of the "Summer Sale program" proposed by the United States Postal Service (Postal Service).

On May 1, 2009, the Postal Service filed with the Commission a notice announcing its intention to adjust prices for Standard Mail letters and flats pursuant to 39 U.S.C. § 3622 and 39 C.F.R. § 3010.<sup>1</sup> The proposed adjustment is in the form of a "Standard Mail Volume Incentive Pricing Program" (also known as the Summer Sale program) with a planned implementation date of July 1, 2009 and a planned expiration date of September 30, 2009. The proposal is an exercise of the enhanced pricing flexibility afforded the Postal Service under the Postal Accountability and Enhancement Act (PAEA).<sup>2</sup> Order No. 209 describes it as "an innovative approach by the Postal Service to utilize greater pricing flexibility for market dominant products . . . ." Order at 1.

The Summer Sale program would provide a price incentive to mailers of Standard Mail letters and flats who mail volumes above a trend-adjusted baseline (TAB) during the summer months. The TAB is Standard Mail volume sent during the summer months – July through September – of 2008, as adjusted for the trend in the mailer's volume comparing FY 2008 and FY 2009 actual experience. For example, if a mailer's FY 2009 volume (through March) was ten percent below FY 2008 volume for the same period, the

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<sup>1</sup> See United States Postal Service Notice of Market-Dominant Price Adjustment, May 1, 2009 (Notice).

<sup>2</sup> See Pub. L. 109-435, 120 Stat. 3218 (Dec. 20, 2006).

baseline would be ten percent below last summer's volume. The incentive would be paid in the form of a rebate.

## **II. DISCUSSION**

Participants in the Summer Sale program will receive a rebate of 30 percent of the average postage per piece for Standard Mail letter and flat volumes that exceed the TAB. *See* Notice at 3, 4. The Postal Service describes three types of benefits it expects from the Summer Sale program. The Postal Service states that the Summer Sale program will (1) improve the Postal Service's financial position; (2) help its customers find ways to increase their use of mail during this period of recession; and (3) provide it with some intangible benefits. *See id.*, at 2-3.

The Postal Service estimates that the Summer Sale program will produce revenues of \$38 million to \$95 million net of the rebate. *See id.*, at 6. It expects administrative costs to be less than \$1 million. *See id.* While the Summer Sale program alone will not solve the Postal Service's current financial problems, the revenue generated through this program will help. And the innovative thinking it demonstrates is precisely what will be necessary for future success.

With respect to intangible benefits, the Postal Service states that it:

expects to learn a great deal through the administrative execution of the program. For example, the Postal Service will be able to examine potential improvements to postal data systems, and evaluate its communications with customers throughout this process. This evaluation will allow the Postal Service to improve its performance and become more efficient at developing and implementing new programs in the future, as the Postal Service takes advantage of the pricing flexibility provided under the PAEA.

*Id.*, at 3.

Pitney Bowes agrees that the Summer Sale program has significant promise. The Postal Service has taken care through the TAB and other requirements to manage the program carefully to ensure that qualifying volumes are incremental new volumes, as opposed to mere volume shifting. As the recent Chairman's Information Request demonstrates, the Commission also is concerned about this possibility.<sup>3</sup> The Postal Service's responses to that request are encouraging.<sup>4</sup> Pitney Bowes urges the Commission to allow this innovative use of pricing flexibility to proceed quickly, and not let the perfect serve as the enemy of the good.

Pitney Bowes commends the Postal Service for exercising the new pricing flexibility provided by PAEA. As Pitney Bowes noted in Docket No. RM2007-1,

One of the central features of the PAEA is the expanded pricing flexibility afforded to the Postal Service. This expanded pricing flexibility is critically important to the Postal Service and should inure to the benefit of all stakeholders in the mailing community.<sup>5</sup>

In particular, Pitney Bowes has supported and encouraged the concept of seasonal rates as a means to add value to and promote the use of mail.

The Commission's regulations addressing the schedule and Procedure for rate adjustments should promote flexible pricing techniques, including seasonal, variable, or other dynamic pricing.

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Through dynamic pricing the Postal Service can manage mail flows (e.g. incent mailers to enter mail at specific locations or time), address seasonal demands and respond to unanticipated changes in economic events (e.g. spikes in paper costs, fluctuations in advertising spending, economic slowdown.) This pricing flexibility will allow Postal Service to vary rates

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<sup>3</sup> See, Chairman's Information Request No. 1 (May 8, 2009).

<sup>4</sup> See Response of the United States Postal Service Chairman's Information Request No. 1 (May 8, 2009).

<sup>5</sup> Comments of Pitney Bowes Inc. in Response to Order Proposing Regulations to Establish a System of Ratemaking (September, 24, 2007) at 6.

to meet changing market dynamics, increase demand for mail and improve operational efficiency.<sup>6</sup>

Consistent with these views, Pitney Bowes strongly supports the Summer Sale program and is committed to promoting the Summer Sale program to encourage mailers to take full advantage of this opportunity. In a May 18, 2009 press release, Pitney Bowes encouraged mailers to begin preparations, pending Commission approval, to leverage the Summer Sale program as a means to “connect with their customers.”<sup>7</sup>

### **III. CONCLUSION**

Pitney Bowes appreciates the Commission’s expeditious consideration of the proposed Summer Sale program, and urges that the program be approved.

Respectfully submitted,

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/s/

James Pierce Myers  
Attorney at Law  
1617 Courtland Road  
Alexandria, VA 22306  
Telephone: (571) 257-7622  
Facsimile: (571) 257-7623  
E-Mail: jpm@piercemyers.com

Michael F. Scanlon  
K&L GATES LLP  
1601 K Street, NW  
Washington, DC 20006  
Telephone: (202) 778-9000  
Facsimile: (202) 778-9100  
E-Mail: michael.scanlon@klgates.com

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<sup>6</sup> Initial Comments of Pitney Bowes Inc. in Response to Advance Notice of Proposed Rulemaking on Regulations Establishing a System of Ratemaking (Dkt. No. RM2007-1)(April 6, 2007) at 12, 13.

<sup>7</sup> See Pitney Bowes Supports Proposed USPS Summer Sale on Standard Mail®, Postal Service Would Use Pricing Flexibility to Benefit Mailers (May 18, 2009), <[http://news.pb.com/article\\_display.cfm?article\\_id=4497](http://news.pb.com/article_display.cfm?article_id=4497)>.