

**BEFORE THE POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

**Notice of Price Adjustment and
Classification Changes Related to
Move Update Assessments**

Docket No. R2010-1

COMMENTS OF PITNEY BOWES INC.

Pursuant to Order No. 318, dated October 19, 2009, Pitney Bowes Inc. (Pitney Bowes) respectfully submits these comments on the Postal Service's October 15, 2009 Notice of Price Adjustment and Classification Changes Related to Move Update Assessments (Notice). These comments discuss (1) the importance of advance notice of changes related to mailing eligibility requirements, (2) the need for additional information, and (3) the relationship between the proposed changes and the CPI-based price cap.

I. Advance Notice

Most business mailers recognize that address quality is not only a regulatory compliance matter, it is a business imperative. Cleaner addresses result in improved customer communications, increased sales, lower postage costs, improved operational efficiency, and reduced fraud. However, improved address hygiene and ensuring compliance with Move Update standards often require complicated systems or operational changes. Mailers and mail service providers need as much lead time as possible to prepare for and develop processes responsive to new eligibility or verification requirements.

The Postal Service is to be commended for initiating the instant proceeding well in advance of the minimum 45-day requirement imposed by the Commission Rule 3010.14(a)(3). This additional advance notice is very helpful to mailers and mail service providers. The Postal Service should provide similar advance notice in connection with any proposed change in the thirty-percent tolerance.

II. Additional Information

The proposed changes in Move Updates verification procedures will affect many business mailers. Yet, as noted in the Chairman's Information Request No. 1, the proposed changes to the Mail Classification Schedule are being put forward without reference to any formal description of the "pertinent parameters of the service or product[.]" CIR No. 1, at 2. The informal advisement policies referenced by the Postal Service are likewise inadequate. *See* Notice, at 3.n.5. Additional formal guidance is required.

Additional information is necessary in three areas. First, the Postal Service should clarify the distinction between satisfaction of the Move Update verification assessment and compliance with the Move Update standards. Second, the Postal Service should be required to explain the basis of the seven cent price differential for First-Class Mail and Standard Mail to ensure that these pricing adjustments are not disproportionate to the costs imposed on the Postal Service. *See* CIR No. 1, at 2, Question 3(b). This explanation takes on added importance when viewed in the context of the significant concerns raised with respect to the sampling methodology and the calculation of the penalties under proposed performance verification process. Third, the Postal Service should clearly set out the basis for future reductions in the thirty-percent tolerance so that the mailing industry will have a clear, fact-based understanding of how the Postal Service will measure progress and enforce governing standards.

III. Price Cap Compliance

The relationship between the proposed changes and the CPI-based price cap also must be addressed because changes in eligibility requirements impose real costs (including both postage and preparation costs) on mailers. This is particularly true where, as here, the proposed changes have price implications. The Postal Service asserts that the revenue effects of these pricing adjustments should have no impact on the price cap calculation. The Postal Service states that the pricing changes were “not intended as a source of revenue[.]” *Id.*, at 6. The Postal Service further contends that the pricing changes are properly characterized as price *decreases*. And while acknowledging that it treated similar changes in Docket No. R2009-2 as having an effect on cap compliance, *see id.*, at 6, the Postal Service asserts that the current proposal has no effect on the cap because the pricing changes are being introduced in the context of an interim case rather than as part of the annual price change.

These justifications merit closer examination than is possible given the time constraints of this docket. The Commission should pursue its stated intention to “initiate a rulemaking to solicit public comment on how a rate decrease should affect the cap calculation,” PRC Order 236, at 8 (July 1, 2009), in the near future. The Commission should also consider expanding that proceeding to examine the price-cap implications of changes in mail preparation requirements. Changes in mailing eligibility requirements, such as reducing the thirty-percent tolerance, that have postage implications ought to be submitted to the Commission for review. Finally the Commission should make clear that its approval of the above-reference price and classification changes is not a precedent for future interim pricing or classification changes.

