

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

**Modification of Analytical Principles
in Periodic Reporting
(Proposals Nine through Twelve)**

Docket No. RM2011-5

COMMENTS OF PITNEY BOWES INC.

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DATED: January 28, 2011

I. INTRODUCTION

Pursuant to Order No. 625, Pitney Bowes Inc. (Pitney Bowes) respectfully submits these comments in response to the December 20, 2010 Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytic Principles (Proposals Nine – Twelve)(Petition). Pitney Bowes supports Proposal Nine.

II. DISCUSSION

Proposal Nine would incorporate new input data and a new bundle sorting cost methodology into the First-Class Mail presort letters and Standard Mail presort letters mail processing cost models. *See* Petition at 1. All but one of the recommended changes concern updates to cost model input data. *See id.* Because Proposal Nine generally updates old input data in these cost models, thereby improving them, Pitney Bowes supports it.

It bears noting, however, that not all of the new inputs are empirically based. Some of the inputs rely, in part, on assumptions not empirical data. For example, Proposal Nine is based, in part, on the educated assumptions that (1) no manual incoming secondary sortation of letters occurs at plants; and (2) outgoing sort schemes do not sort any First-Class Mail Presort Letters or Standard Mail Letters to 5-Digit ZIP Code. *See* Petition, Proposal Nine at 3, 7. While the Postal Service provides reasonable operational analysis to support these assumptions, replacing old inputs with assumptions is sub-optimal; it would be better to derive all of the new inputs empirically.

The implementation of the Intelligent Mail barcode (IMb) program may provide additional opportunities to improve the models. Through the IMb program, the Postal Service has access to a great deal of additional data regarding where various types of mail enter and how

they flow through its network. Moving forward, the Postal Service should consider how this information could be used to replace assumptions with data.

For example, one assumption that should be reviewed is the entry point of Automation Letters by presort level (i.e., what is the first sort received by an AADC Automation Letter?).

The letter cost models currently assume:

- AADC Automation letters enter the Postal Service in the Managed Mail Program (MMP) Automation scheme;
- 3-Digit Automation letters enter the Postal Service in the Incoming Sectional Center Facility (SCF)/Primary Automation scheme; and
- 5-Digit Automation letters enter the Postal Service in the Incoming Secondary/Delivery Point Sequence Automation scheme.¹

The current assumption for 3-Digit Automation Letters, in particular, may be incorrect.

Due to the relative similarity of the MMP and the Incoming SCF/Primary sort schemes (the MMP sort scheme finalizes in excess of ninety percent of letters to 5-Digit while the Incoming SCF/Primary scheme is assumed to finalize all letters that are not rejected to 5-Digit)² and that the MMP sort scheme is a “workhorse” scheme,³ it is likely that 3-Digit Automation Letters frequently enter the Postal Service in the MMP scheme. Pitney Bowes encourages the Postal Service to review this assumption and revise it as appropriate.

¹ Entry point assumptions are critical because they give rise to the workshare cost avoidance, e.g., the estimated 3-Digit Automation Letter cost avoidance is the result of the assumption that the first sort received by 3-Digit Automation Letters is an Incoming SCF/Primary sort while the first sort received by AADC Automation Letters is an MMP sort. These entry point assumptions can be seen in the “AUTO AADC Model”, “AUTO 3-DIGIT MODEL”, and “AUTO 5-DIGIT MODEL” tabs in the USPS-FY10-10 spreadsheets.

² USPS-FY10-10, USPS-FY10-10, USPS-FY-10_FCM_PRST_LETTERS_MPFinal.xlsx, “Density”, G13 and “AUTO 3-DIGIT MODEL,” S38:W41.

³ Referred to as a “workhorse” scheme because it is often run on multiple machines at the same time. Docket No. R2006-1, MPA/USPS-T42-22(e).

III. CONCLUSION

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

Respectfully submitted:

/s/

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