

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

Annual Compliance Report, 2011

Docket No. ACR2011

SUPPLEMENTAL COMMENTS OF PITNEY BOWES INC.

James Pierce Myers
Attorney at Law
1420 King Street, Suite 620
Alexandria, Virginia 22306
Telephone: (571) 257-7622
E-Mail: jpm@piercemyers.com

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

Counsel to PITNEY BOWES INC.

DATED: March 12, 2012

Pitney Bowes Inc. (Pitney Bowes) respectfully submits these supplemental comments on the Annual Compliance Report for Fiscal Year 2011, in response to the Postal Service's answer to Question 2 of Chairman's Information Request No. 1, filed March 2, 2012.

As part of its response, the Postal Service filed library reference USPS-FY11-49, which includes Excel workbooks that purport to correct errors in the Postal Service's calculation of the Automation Incoming Secondaries percentages that are used in USPS-FY11-10 – FY 2011 Special Cost Studies Workpapers – Letter Cost Models (First-Class Mail and Standard Mail). *See, e.g.*, USPS-FY11-10, USPS-FY11-10 FCM_LTRS.xls, "MISC." The library reference, USPS-FY11-49, also included revised versions of the mail processing cost models originally filed as USPS-FY11-10. The versions of the mail processing cost models in USPS-FY11-49 incorporate the revised Automation Incoming Secondaries percentages.

The revised mail processing cost models are helpful; however, the corrections in the Automation Incoming Secondary percentages also affect the delivery cost model (USPS-FY11-19). This is so because the percentage of letters (by rate category) that the mail processing cost models estimate are sorted to delivery point sequence (DPS), are inputs to the delivery cost model. The Postal Service's responses to CHIR No. 1, Q2(d)-(e), acknowledge that these DPS percentages are used, among other purposes, to estimate delivery cost avoidances by rate category for First-Class Mail and Standard Mail letters. USPS-FY11-49 did not include a revised version of the delivery cost model.

An accurate assessment of the letter mail cost avoidances requires the adoption of the revised Automation Incoming Secondary percentages to estimate letter mail processing cost avoidances *and* the incorporation of the DPS percentages that result from adopting the revised Automation Incoming Secondary percentages into the delivery cost model.

