

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

PERIODIC REPORTING

Docket No. RM2012-6

UNITED STATES POSTAL SERVICE COMMENTS ON  
PITNEY BOWES AND GREETING CARD ASSOCIATION PLEADINGS  
(January 22, 2013)

The Postal Service believes that the record in this docket would benefit from a brief reiteration of certain statements that the Postal Service made in Docket No. R2012-3 regarding its future plans for the First-Class Mail Presort Letters discounts for Mixed AADC and 3-Digit mail. In particular, the Postal Service stated then that it was considering changes to its mail processing network and indicated that a new network could necessitate new or different sortation levels.<sup>1</sup> As the Commission knows, the Postal Service has since begun a realignment of its mail processing network, termed Network Rationalization, implementation of which will continue into at least 2014. There is a significant possibility therefore that, in the near future, the Postal Service will alter the levels of sortation available for First-Class Mail Presort Letters, including possibly replacing one or more current levels with a plant “scheme” sort.

In light of these near-term possibilities, the Postal Service sees no need to alter the benchmark for calculating the 5-Digit passthrough at this time, and furthermore does not believe that it is necessary to immediately resolve the differences in interpretation raised by Pitney Bowes, Inc. and the Greeting Card Association (GCA). The Postal

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<sup>1</sup> United States Postal Service Notice of Market-Dominant Price Adjustment, Docket No. R2012-3 (Oct. 18, 2011), at 13-14.

Service notes, however, that, while GCA's policy argument regarding the possibility of revenue loss is speculative, GCA seems to have correctly stated the Commission's traditional approach to analyzing workshare cost avoidances. Adherence to that approach in the context of the revised worksharing structure that may result from Network Rationalization would obviate the need for the hybrid approach proposed by Pitney Bowes.

Whichever approach the Commission ultimately takes, the result should respect the Postal Service's primary authority to exercise pricing flexibility. In this regard, it bears repeating GCA's observation that, regardless of the methodology used to establish a benchmark, there is no statutory requirement that a discount match the full amount of the measured cost avoidance.<sup>2</sup>

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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<sup>2</sup> Comments of the Greeting Card Association, Docket No. RM2012-6 (Jan. 7, 2013), at 11, n. 24.