

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

Review of Commission's Price Cap Rules

Docket No. RM2013-2

COMMENTS OF PITNEY BOWES INC.

James Pierce Myers
Attorney at Law
320 South West Street, Suite 110
Alexandria, Virginia 22314
Telephone: (703) 627-5112
E-Mail: jpm@piercemyers.com

Michael F. Scanlon
K&L GATES LLP
1601 K Street, NW
Washington, DC 20006
Telephone: (202) 661-3764
Email: michael.scanlon@klgates.com

Counsel to PITNEY BOWES INC.

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Pursuant to Order No. 1678, Pitney Bowes Inc. (Pitney Bowes) respectfully submits these comments in support of the proposed change to Commission rule 3010.12(e) and to raise concerns with respect to proposed new rules 3010.23(e) and 3010.23(f).

The proposed change to rule 3010.12(e) will require the Postal Service to calculate costs, avoided costs, volumes, and revenues using the most recent analytical principles approved by the Commission, rather than the principles used in the most recent Annual Compliance Report. As explained by the Commission, the proposed change conforms the rules to current practice and ensures that costing, pricing, and compliance decisions are made on the best available information:

Initially, the Postal Service filed notices of rate adjustments more or less contemporaneously with the Annual Compliance Report. However, in recent years, the Postal Service has filed notices of rate adjustments at other intervals between Annual Compliance Reports. Often, those notices are filed after the Commission has approved changes to the analytical principles used for the most recent Annual Compliance Report. The proposed rule reflects the Commission's position that the Postal Service will be able to make more accurate calculations in notices of rate adjustments if its calculations use the most recent approved analytical principles.

PRC Order No. 1678 at 12.

The proposed change is a welcome improvement that addresses concerns previously raised by Pitney Bowes regarding the use of outdated cost avoidance data. *See* Dkt. No. ACR2012, Comments of Pitney Bowes (Feb. 1, 2013) at 7; Dkt. No. R2013-1, Comments of Pitney Bowes (Nov. 1, 2012) at 6-7.

Order 1678 also invited interested parties to suggest additional changes. *See* Order No. 1678 at 12. As part of its most recent Annual Compliance Report, the Postal Service requested that the Commission file "alongside its FY 2012 ACD, all of the models that the Commission has applied in preparing the ACD, so that the Postal Service can ascertain that it has the most up-to-date models when it prepares the FY 2013 ACR." *See* PRC Dkt. No. ACR2012, FY 2012

Annual Compliance Report (Dec. 28, 2012) at 6, n.5. Pitney Bowes supports the creation and maintenance of an indexed library of Commission-approved cost models. An up-to-date library of Commission-approved cost models would further the goals of the current rulemaking, facilitate Postal Service compliance with proposed rule 3010.12(e), and ensure that pricing decisions are made and evaluated based upon the most recent and accurate cost data.

Proposed rules 3010.23(e) and 3010.23(f) raise a number of concerns. The proposed rules would allow the Postal Service to include temporary promotional rates and incentive programs in the calculation of the percentage change in rates if they result in overall rate decreases. This represents a significant change.

With the exception of the last rate adjustment proceeding (R2013-1), for purposes of calculating the percentage change in rates previous temporary promotional programs have been treated like negotiated service agreements (NSAs).¹ The Commission's rules require that the Postal Service exclude from the calculation of the percentage change in rates the effect of any NSA. *See* 39 C.F.R. § 3010.24(a). Rule 3010.24(a) thus ensures that NSAs benefit the participating mailer and the Postal Service while holding non-participating mailers harmless. Pitney Bowes supports this approach.

As with NSAs, Postal Service promotional programs should be designed to increase mail volume, revenue or contribution. To the extent the promotion is successful there should be no lost revenue. If the promotion is not successful, nonparticipating mailers should not be harmed.

Under proposed rules 3010.23(e) and 3010.23(f), the Postal Service is held harmless for a failed promotional program; but the nonparticipating mailers pay. This is inequitable and

¹ Because it was a significant departure from past practice, numerous parties raised concerns with the Postal Service's request to include the promotional incentives in the calculation of the percentage change in rates in Dkt. No. R2013-1. *See* PB Comments at 7- 8; NAPM Comments at 6; NPPC Comments at 20; PR Comments at 6; ValPak Comments at 42-44.

diminishes the incentive for the Postal Service to ensure that its promotional programs improve its financial condition.

Accordingly, Pitney Bowes recommends that the Commission withdraw proposed rule 3010.23(f) and conform proposed rule 3010.23(e) to the analogous rule for NSAs, rule 3010.24(a).

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

Respectfully submitted:

_____/s/_____
James Pierce Myers
Attorney at Law
320 South West Street, Suite 110
Alexandria, Virginia 22314
Telephone: (703) 627-5112
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

Counsel to PITNEY BOWES INC.