

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO INTERROGATORIES OF E-STAMP
(E-STAMP/USPS-T29-1 AND 2)

The United States Postal Service hereby provides the responses of witness Campbell to the following interrogatories of E-Stamp: E-STAMP/USPS-T29-1 and 2 (filed on February 15, 2000).

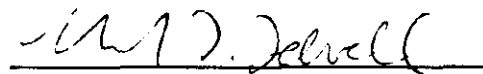
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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March 1, 2000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF E-STAMP CORPORATION**

E-STAMP/USPS-T29-1.

On page 40 of your testimony you state that the cost avoided by a QBRM piece is 3.36 cents, compared to a handwritten single-piece letter as a benchmark, citing USPS LR-I-160, Section L. Please provide the cost avoidance for a QBRM piece if the benchmark used is that of metered mail.

RESPONSE:

The cost difference between a QBRM piece and a metered mail piece is determined as follows:

CRA Proportional Adjustment		1.224 [1]
	Model Cost (cents)	Total Worksharing Related Unit Cost (cents)
Metered Mail	5.269 [2]	6.449 [3]
QBRM	3.840 [4]	4.700 [5]
Cost difference		1.750 [6]

[1] See USPS-T-24, Appendix I, page 4 (nonautomation presort)

[2] See USPS-T-24, Appendix I, page 16

[3] [1] * [2]

[4] See USPS LR-I-160, L-3 (QBRM cost sheet)

[5] [1] * [4]

[6] [3] - [5]

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E-STAMP/USPS-T29-2.

Your testimony, at page 38, states that a QBRM mail piece is defined as BRM letters and cards "which are automation compatible, have both a FIM C and a unique zip+4 barcode, and have qualified for BRMAS processing."

- (a) Please confirm that Information Based Indicia (IBI) First Class Mail, using the E-Stamp Internet postage solution, as approved by the Postal Service, also is automation compatible, has a FIM Code, a verified address, a current USPS approved nine-digit Zip Code, and a Delivery Point Barcode.
- (b) Please identify any features of E-Stamp Internet postage First Class letters or cards which have any characteristics different than QBRM which could cause the Postal Service to incur either greater costs or lesser costs than QBRM.
- (c) Based upon your responses to (a) and (b) above, please state your opinion as to whether the amount of QBRM cost avoidance, which you, on page 39, define as the difference in mail processing costs between a prebarcoded First-Class Mail piece and a handwritten First-Class Mail piece, would be at least no greater than the cost avoidance of E-Stamp Internet postage FCM. Please explain any negative answer.
- (d) Table 7 on page 39 of your testimony presents what you say are "simple assumptions" that adapt witness Miller's model so that you can model QBRM and handwritten mail flows. Would this comparison be equally applicable to E-Stamp Internet postage First Class Mail? Please explain any negative answer.

RESPONSE:

- (a) Not confirmed. While I am not an Information Based Indicia (IB) expert, it is my understanding that the E-Stamp product may not comply with all the standards in the Domestic Mail Manual for automation compatible mail. Specifically, a customer may use this form of postage for mail that exceeds size, shape, and weight limitations for automation compatible mail. Unlike QBRM where

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Response to E-STAMP/USPS-T29-2 (continued)

the contents for the mail has been predetermined (*i.e.*, 1-ounce letter, 2-ounce letter ,or card), mail bearing an IBI can contain anything the customer decides to mail that is acceptable for the class of mail being presented (e.g., several photographs in an envelope mailed at First Class rates). Consequently, we have no assurance that use of an IBI as postage on a mail piece will guarantee automation compatibility.

In addition, it is my understanding that the E-Stamp user has two options for printing postage. IBI postage can be (1) printed directly onto the mail piece with a FIM D or (2) applied to a label which is placed onto the mail piece. When the latter option is selected, two labels are generated. One label has the delivery address and postnet barcode. A second label has IBI indicia, but does not include the FIM. In lieu of a FIM, the E-Stamp user is required to use a florescent label for purposes of facing the mail piece. These mail pieces are held out at the AFCS and routed for handling with traditional meter mail. As a result, characteristics of an IBI mail piece, such as potential presence of a Postnet barcode, may not be recognized and capturable from our automation platform.

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Response to E-STAMP/USPS-T29-2 (continued)

Another issue to consider is that since IBI mail pieces and labels are produced with personal computers and home or office printers, at times mailers may push their printer cartridges a bit too far, producing barcodes and indicia that Postal automation equipment may have difficulty processing. Or mailers may use an envelope that is the wrong size, which could result in a barcode or FIM being printed outside the acceptable read zones for automation processing.

As discussed in witness Fronk's response to E-STAMP/USPS-T33-1, it is also important to recognize that all IBI vendor products are not the same. While the Simply Postage product prints the same kind of indicia (two-dimensional barcode) as the E-Stamp product, it does not incorporate its ability to check address hygiene and it does not print a delivery point barcode on the mail piece.

It is my understanding that the vision of the IBI program has been to enhance the convenience of the mail by bringing the Post Office to the people. A goal of the IBI program is to work with vendors to make a range of products available to mailers, thereby meeting different mailer needs. While producing mail pieces that meet the requirements of automation-compatibility is also a program consideration, initial

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Response to E-STAMP/USPS-T29-2 (continued)

program efforts have not been geared toward creating an IBI pool of mail homogeneous enough to qualify for a new discount.

(b) Again, please recognize that I am not an IBI expert. As discussed in my response to part (a) above, it is my understanding that IBI mail pieces could differ from QBRM mail pieces in a number of ways. First, a mail piece bearing E-Stamp IBI may exceed size, shape, and weight limitations that a QBRM mail piece must meet. Second, the label containing the IBI indicia will not contain a FIM. Third, an address label containing a Postnet barcode could be affixed to the mail piece so that the barcode was outside the read zone of our automation equipment.

Another consideration is that some personal computer and home office/small office users could print indicia and barcodes that are too faint to process successfully, either due to a depleted printer cartridge or to a printer malfunction. Or, mailers could use the wrong-sized envelope so that FIM D or postnet barcode was out of position for our automation equipment.

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Response to E-STAMP/USPS-T29-2 (continued)

- (c) It is premature to formulate an opinion regarding the cost avoidance of a mail piece bearing E-Stamp Internet postage. As discussed in parts (a) and (b) above, there are many issues to be considered before making any kind of cost avoidance determination. The Postal Service will continue to look at the issues presented above as well as new ones that may surface in the future.
- (d) At this point, it is premature to make the comparison that you are requesting. Again, as discussed in parts (a) and (b) above, there are several issues to be considered before comparing E-Stamp mail pieces with any other mail piece.

DECLARATION


I, Chris F. Campbell, declare under penalty of perjury that the foregoing answers are true to the best of my knowledge, information and belief.


Chris F. Campbell

Dated: 3-1-00

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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