

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

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS FRONK  
TO INTERROGATORIES OF E-STAMP  
(E-STAMP/USPS-T33-3 THROUGH 5)

The United States Postal Service hereby provides the responses of witness Fronk to the following interrogatories of E-Stamp: E-STAMP/USPS-T33-3 through 5 (filed on March 8, 2000).

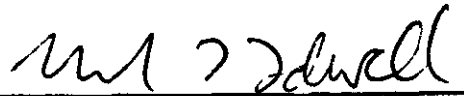
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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March 22, 2000

**RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK  
TO INTERROGATORIES OF E-STAMP**

**E-STAMP/USPS-T33-3.** In your response to E-Stamp/USPS-T33-1, you say that "IBI Mail is not homogeneous," and further that "this lack of homogeneity makes it more difficult to measure the cost savings to the Postal Service from processing an IBI Mail piece."

- (a)** Please explain why the non-homogeneity of IBI Mail makes it more difficult to measure the cost savings from processing an E-Stamp or Stamps.com IBI Mail piece?
- (b)** Has the fact that First-Class Letter Mail is not homogeneous, as you use the word in the cited answer, made it more difficult to measure the cost savings to the Postal Service from presorted First-Class letters, including each of the rate categories thereunder?

**RESPONSE:**

- (a)** In my response to E-Stamp/USPS-T33-1, I stated, "At this point, just several months after approval of the first IBI products, it is my understanding that the Postal Service is faced with a number of issues which affect its ability to adequately and fully evaluate any potential IBI-related discount." One of the issues I identified is the one you ask about here – the lack of homogeneity in IBI Mail. In describing this issue in my response, I stated, "For example, some of it has been checked for address quality and some has not." The cited example was referring to an earlier part of my response where I stated, "...while the Simply Postage product prints the same kind of indicia (two-dimensional IBI barcode) as the E-Stamp and Stamps.com products, it does not incorporate their ability to check address hygiene and it does not print a delivery point barcode on the mail piece." As I further described in my E-Stamp/USPS-T33-1 response, "I am informed that one of the Postal Service's goals with the IBI program is to work with various vendors to make a range of products available to mailers, thereby meeting different mailer needs."

This question appears to be attempting to separate the Stamps.com and E-Stamp products from the Simply Postage product even though all three are IBI products. While I am not an IBI expert, it is my understanding that there are other factors affecting how homogeneous IBI mail is, which include the following.

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**RESPONSE to E-STAMP/USPS-T33-3 (continued)**

First, not all IBI mail has a FIM D. As witness Campbell stated in his response to E-STAMP/USPS-T29-2(a):

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.

Second, as discussed in my responses to E-Stamp/USPS-T33-1 and Stamps.com/USPS-T33-4, it is my understanding that mail bearing an IBI may not comply with all the standards of the Domestic Mail Manual for automation-compatible mail. A customer may use this form of postage on a mail piece that exceeds size, shape, and weight limitations for automation-compatible mail. Mail bearing an IBI can contain anything that is acceptable to the class of mail being presented.

Thus, factors such as automation compatibility, presence or absence of a FIM, and presence or absence of a verified address all affect the homogeneity of IBI mail and the ability to isolate what the potential IBI cost savings are.

- (b) I would disagree with the premise of this question. Workshared mail receiving bulk discounts is homogeneous in the way I used the term. For example, letters qualifying for automation discounts must be automation compatible and meet address quality and mailpiece standards.

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**E-STAMP/USPS-T33-4.** In your answer to E-Stamp/USPS-T33-1 you state that a discounted postage rate for IBI "would potentially create an incentive for mailers to throw away their courtesy reply envelopes in favor of making their own envelopes with a discounted rate."

- (a)** Are you aware that E-Stamp and Stamps.com charge a service fee that approximates 10% of the face value of the postage?
- (b)** Please explain why a mailer would throw away a courtesy envelope or card and substitute an IBI envelope or card when the cost of the IBI service fee would approximate the discount on the IBI rate, and further explain why the customer would want to go to the trouble and expense of providing an envelope or card when one has already been prepared for him as a courtesy reply.

**RESPONSE:**

- (a)** Generally, but I am not familiar with the details of their pricing. I think the key point is that these firms develop and control their own pricing plans, so that a pricing plan focusing on a service fee of 10% today (as described in your question) could easily evolve into something else in the future to respond to the needs of the marketplace.
- (b)** I am having difficulty responding to this question because it assumes some IBI discount of unknown magnitude. Nevertheless, please see my response to part (a) above, which indicates that any such incentive could change as vendor pricing plans change. Other factors could also enter in, such as the convenience of using PC postage or perhaps the lack of a stamp inventory when a PC postage product is being used. As I indicated in my response to STAMPS.COM/USPS-T-33-4, the Postal Service's evaluation of the discount potential of IBI has been limited to a general, conceptual review. Accordingly, it has identified issues such as the potential incentive to discard courtesy reply envelopes, but has not studied such issues in detail.

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**E-STAMP/USPS-T33-5. In your response to E-Stamp/USPS-T33-1 you state that the Postal Service "would need to reflect on revenue/enforcement issues, since single-piece mail bypasses the acceptance procedures in place to ensure that Bulk Mail meets the mail preparation requirements needed to qualify for a discount."**

- (a) Is it not the case that current handwritten and metered First-Class Mail Letters also bypass acceptance procedures and create revenue/enforcement issues?**
- (b) Do you have any reason to believe that users of IBI postage would engage in misapplication of the correct postage for the letter being mailed to any greater or lesser extent than current mailers of single-piece handwritten and metered mail? Please explain any affirmative answer.**

**RESPONSE:**

- (a) Yes, all types of mail create revenue and enforcement issues to varying degrees. The primary point I was trying to make in my response to E-STAMP/USPS-T33-1 was that the Postal Service would need to study and reflect on IBI revenue/enforcement issues as part of a complete evaluation of any potential IBI discount.**
- (b) I have no information one way or the other. Also, please see my response to part (a) above.**

**DECLARATION**

I, David R. Fronk, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



David R. Fronk

Dated: 3-22-00

**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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