BEFORE THE

POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

POSTAL RATE AND FEE CHANGES, 2000 **Docket No. R2000-1**

RESPONSE OF E-STAMP CORPORATION WITNESS MICHAEL JONES TO INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/E-STAMP-T1-1–3)

E-Stamp Corporation hereby provides the responses of witness Michael Jones to the following interrogatories of Douglas F. Carlson: DFC/E-Stamp-T1-1—3, filed on May 27, 2000.

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

Respectfully submitted,

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Dated: June 12, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the Postal Rate Commission, United Parcel Service, the OCA, and United States Postal Service.

Timothy J. May

Dated: June 12, 2000

RESPONSE OF E-STAMP CORPORATION WITNESS JONES TO INTERROGATORIES OF DOUGLAS F. CARLSON

DFC/E-STAMP-T1-1.

a. Please discuss the advantages to customers and to PC Postage providers of a PC Open System over a PC Closed System.

b. Please discuss the advantages to customers and to PC Postage providers of a PC Closed System over a PC Open System.

c. Does E-Stamp plan to market a PC Closed System? Please explain.

RESPONSE:

a. The advantage to customers in using a PC Postage Open System is that a general-purpose computer and a printer which is not dedicated to the printing of indicia can be used. For customers, this means they can use the equipment that they most likely already have. This offers a tremendous cost savings to the customer since an expensive, dedicated piece of equipment does not need to be leased and also that an additional piece of equipment won't be utilizing any desktop space. The advantage to PC Postage providers is that they will not have to engage in the business of manufacturing, distributing and keeping an inventory of the expensive, dedicated equipment, thus greatly reducing their operating overhead expenses.

b. The advantage to customers in using a PC Postage Closed System is that the use of such a device is considerably less restricted in terms of regulations that must be followed. Most notable of these regulations that are not required when using a Closed System are: to link a destination address to each stamp; to perform address cleansing against the USPS AMS CD-ROM; to create a

POSTNET barcode; to keep a log file for all postage activity; to report postage activity to the USPS; to meet specific international-destinating mail guidelines; and to be connected to a personal computer at all times. For every difference in regulatory requirements between Open and Closed Systems, a Closed System becomes that much simpler to use for a customer. The advantages to PC Postage providers are that they don't have to enter into a licensing agreement to purchase and distribute USPS AMS CD-ROMs and their Closed System applications don't have to become CASS certified. Also, they don't have to expend engineering resources to program the handling of address cleansing, POSTNET barcode generation, log file maintenance, the automatic uploading of log files from the client application on a periodic basis, the collection, consolidation and submission to the USPS of all customer log files on a periodic basis, and the inclusion of destinating address information into the indicia. Perhaps most time consuming and expensive, an advantage of a Closed System is not having to properly control a customer's printer to adhere to the margin and spacing requirements necessary to properly place a FIM D on an envelope.

c. E-Stamp does not currently offer a Closed System application in its product lineup. E-Stamp's future product offerings are under study.

DFC/E-STAMP-T1-2. Please refer to section II.A. of your testimony.

a. Please describe your understanding of why fluorescent strips on labels make a FIM unusable.

b. At page 10, lines 3-4, you testified, "At the same time, however, this requirement makes the FIM unusable and does not allow the same efficiency in the sortation process." Please explain the comparison that you are making (i.e., an unusable FIM causes less efficiency than which alternative situation?).

c. In this section of your testimony, are you referring to FIM "D"? If not, please explain.

d. Please explain your understanding of how, if at all, FIM "D" causes greater efficiency in mail processing than a regular 33-cent postage stamp.

e. Please explain your understanding of how, if at all, FIM "D" causes greater efficiency in mail processing than a fluorescent meter indicia.

f. On an AFCS machine, please confirm that mail bearing FIM "D" is sorted to the stacker for typewritten mail, rather than the stacker for pre-bar-coded mail. If you do not confirm, please explain.

RESPONSE:

a. As USPS fluorescent label specifications for PC Postage products currently read, a fluorescent stripe must run the length of the label along the top edge. Since these labels must be long enough to accommodate the 2-D barcodes, the FIM is not printed on the left edge of the label. Therefore, whether a label is being processed through the scanning and sorting equipment from left to right or from right to left, the scanning equipment will detect the fluorescence prior to detecting a FIM. Upon detecting fluorescence, the sorting logic will send the envelope down a different path. This path is associated with other mailpieces that use fluorescent ink, phosphorescent ink or pre-phosphored paper, such as metered mail and mail using regular stamps. If the FIM had been detected, the sorting logic would have sent the envelope down the path that is appropriate for

the specific FIM being used – in this case FIM D. To this extent, a FIM D is not required to be printed for PC Postage mailpieces when a fluorescent label is being used, and, because of this, providers are no longer printing a FIM D when using a fluorescent label.

b. For PC Postage, a FIM D is meant to inform the scanning equipment that a PC Postage indicia is the form of postage evidence and that a POSTNET barcode is present. Therefore, the sorting logic will place the mailpiece into a stack that will then be brought to the POSTNET barcode scanner for final sortation. This scenario will maximize the automation efficiency of the sorting center. If a FIM D is not usable, the sorting logic will place the mailpiece into a stack that will not be brought to the POSTNET scanner as the next step of the sorting center process. Unless, through a manual sortation process of the stack, the mailpieces with POSTNET barcodes on them are removed, the stack will be brought to the optical character reader to decipher the address. At that point, the POSTNET barcode will be determined and sprayed onto the envelope. In the case of an PC Postage mailpiece created by an Open System which already has a POSTNET barcode printed on the envelope or label, this will be a duplication of efforts and will reduce the cost efficiencies created by the use of PC Postage in the first place.

c. Yes.

d. A regular 33 cent postage stamp is detected by the scanning equipment by either its phosphorescent ink or pre-phosphored paper. Upon this detection, the sorting logic is determined to place the mailpiece in a stack which will be brought

to the optical character reader to decipher the address and then determine and spray a POSTNET barcode onto the envelope. Afterwards, the mailpiece can then be run through the POSTNET barcode scanner for final sortation. When a FIM D is used and detected by the scanning equipment, the sorting logic places the mailpiece into a stack which will be brought to the POSTNET barcode scanner, This eliminates the step of having to go through the optical character reader and having a POSTNET barcode sprayed on the mailpiece, thereby causing greater efficiency.

e. Like a regular 33 cent stamp, a fluorescent meter indicia is sorted to a stack to be passed through the optical character reader, whereas the detection of a FIM D will cause the mailpiece to be sorted to the stack that will bypass the optical character reader and thereby causes greater efficiency.

f. Not confirmed. The function of a FIM D on a PC Postage mailpiece in postal sorting centers is to route the piece into a stack where the pieces bear PC Postage indicia and have a POSTNET barcode. USPS sorting center employees have been trained to recognize this sortation for PC Postage and have been trained to take the PC Postage mailpieces to the POSTNET barcode scanner as the next and final step in the sortation process. USPS sorting center employees have not been trained to look for PC Postage mailpieces in any other sorting stack of the AFCS equipment.

DFC/E-STAMP-T1-3. Please refer to your discussion of Category 2 mail in section IV.

a. Please confirm that customers may properly deposit PC Postage mail loose in collection boxes.

b. Please explain your understanding of the maximum thickness of letter-size mail that will pass through the culling system and enter an AFCS machine.

c. Please estimate the maximum weight of letter-size mail containing paper that will not be thicker than the maximum thickness identified in (b).

d. Please confirm that mail that rejects from the culling system because it is too thick must be manually faced. If you do not confirm, please explain.

e. Please confirm that manual facing increases processing costs.

f. Please confirm that some PC Postage mail weighing up to 3.3103 ounces may not be automation-compatible if it is deposited loose in collection boxes.

g. Please confirm that PC Postage mail weighing one ounce or less for which no non-standard surcharge is required should be automation-compatible.

RESPONSE:

a. Confirmed.

b. My understanding of the maximum thickness of letter-sized mail that will pass through the culling system and enter an AFCS machine is ¼" thick, based on the maximum thickness printed in the Domestic Mail Manual (DMM 55).

c. My estimation is 3.3103 ounces based on the published maximum weight allowable for automation-compatible mail as is listed in the USPS Ratefold 123 published in March, 1999.

d. Confirmed.

e. Confirmed.

f. Yes, some PC Postage mail weighing up to 3.3103 ounces may not be automation-compatible if it is deposited loose in collection boxes, depending on

the characteristics of the mailpieces such as the lack of a FIM D or the lack of a POSTNET barcode.

g. Not confirmed. Mailpieces produced from a Closed System can have a hand written address that is illegible, can be addressed to a non-deliverable address, will not have a POSTNET barcode and may be printed on a fluorescent label. Although such a mailpiece may have any or all of these non-automation-compatible attributes, since it was produced by a Closed System it will still be considered to be a PC Postage mailpiece.

DECLARATION

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

Michael A. Jones
(Signed)

June 12, 2000