Before the
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

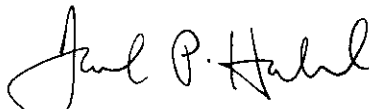Postal Rate and Fee Changes, 2000   :   **Docket No. R2000-1**

STAMPS.COM'S ANSWERS TO USPS INTERROGATORIES DIRECTED TO THOMAS KUHR (USPS/STAMPS.COM-T2-1- 9)

Stamps.com hereby submits the answers of Thomas C. Kuhr to the

interrogatories submitted by the U.S. Postal Service, USPS/Stamps.com - T2 - 1 - 9

dated June 8, 2000. Each interrogatory is stated verbatim and is followed by the

response.

Respectfully submitted,

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Dated: June 22, 2000

USPS/STAMPS.COM-T2-1 On page 7 lines 14 through 16 you state "because all of the human-readable information is encoded into a 2-dimensional barcode, the indicium can be scanned by the USPS to quickly verify its authenticity, value, weight, origination point, and destination." Please explain how the weight can be verified by scanning the 2-dimensional barcode.

Response:

Clarification: The weight of the mailpiece cannot be verified, but the weight that was entered by the customer while printing the indicium can be verified.

USPS/STAMPS.COM-T2-2 On page 7 lines 18 through 21 you state "since each indicium indicates its origin, both location (the Licensing Post Office ZIP code) and owner (the customer's device ID and meter number), fraudulent activity can be detected and traced more readily and rapidly that with a traditional postage meter mark." Please confirm that a traditional postage meter mark also indicates its origin, both location (the Licensing Post Office ZIP code) and owner (the customer's device ID and meter number). If not confirmed, please explain.

Response:

Confirmed, although there is no device ID in a traditional meter mark. Note also that unlike a traditional meter, an IBI meter can be traced to an individual user. Thus, the Postal Service allows IBI meter users – but not users of traditional meters – to deposit packages weighing over 16 ounces in USPS collection boxes.

USPS/STAMPS.COM-T2-3 On page 17 lines 7-8 you state that, "all mail pieces created through Stamps.com that use the FIM can be processed with the USPS processing equipment (facer - cancelers)."

> a. Please confirm that all such letter and card shaped mail pieces would contain a FIM D marking. If not confirmed, please explain.

> b. Please provide the results and all supporting documentation for any tests that may have been performed on postal cancellation machines.

Response:

a) Confirmed, as long as the customer prints directly onto an envelope. If the customer chooses to print on a label, there is no FIM. Note that during Beta testing we applied a FIM C marking on envelopes, and currently we apply a FIM D marking pursuant to USPS specifications. If necessary, we could revise the software to apply a FIM C code or other FIM marking.

b) I do not have copies of these tests. They were performed by the USPS IBIP team prior to the creation of the PCIBI-C document and I have only heard of the results through communication with this team. Stamps.com itself did not perform tests with USPS owned equipment.

USPS/STAMPS.COM-T2-4 On page 17 lines 14 and 15 you state "for mailpieces using address labels, the fluorescent stripe acts as a replacement for the FIM-D." Please explain how the Postal Service's processing equipment will differentiate IBIP postage when it is applied to a label placed on an envelope from a traditional meter imprint?

Response:

To my knowledge, the USPS equipment will not differentiate IBIP postage from other postage labeled with a fluorescent label. I am not an expert on USPS equipment, however, and cannot say this is true. Note that an IBI mailpiece will have a cleansed address, a 9-digit ZIP Code, and a pre-applied 11-digit POSTNET barcode.

USPS/STAMPS.COM-T2-5 On page 27 lines 4-5 of your testimony you state, "The Print Postage dialog box requires that the customer enter the weight of the mailpiece so that the software can correctly calculate the postage rate." On page 28 lines 3-4 you further state that, "The customer has no ability to manipulate or override this rate, so it is guaranteed correct."

    a. Please confirm that the Stamps.com end users are not required to integrate a scale into their PC system. If not confirmed, please explain.

    b. Please confirm that the Stamps.com end users that do not have a scale would pay the postage for additional ounces (for mail pieces weighing over one ounce) on an "honor" basis. If not confirmed, please explain.

    c. Please confirm that if a Stamps.com end user does not have a scale and incorrectly enters the mail piece weight, the postage on the mail piece would not be correct. If not confirmed, please explain.

    d. Please confirm that situations similar to those described in (c) could occur such that the postage paid for a given mail piece by a Stamps.com end user would <u>not</u> always be "guaranteed correct." If not confirmed, please explain.

Response:

    a) Confirmed. Users are not required to use an integrated scale, however, when they do, they may not override the scale value.

    b) Not confirmed. All postal patrons are required by law and USPS regulations to pay the appropriate amount of postage, even if they do not have a postal scale. USPS can return under-paid mailpieces to the sender or assess the recipient for postage due. Thus, Stamps.com users, like other postal patrons, do not pay for additional ounces simply on an "honor" basis.

    c) Confirmed. The end user is responsible for placing the correct value on the mailpiece, regardless of the method used. Note that a user without a postal scale could mistakenly overpay as well as underpay. Note also that an IBIP user cannot under-pay the one ounce First Class postage rate, which is set at a minimum postage of $0.33. A postal patron who used a traditional meter or stamps to pay for postage could, however, under-pay for the one ounce First Class rate.

d) Theoretically, users without an integrated postal scale could apply postage for a lower weight than the actual weight of the mailpiece. But an IBIP user could not underpay on a one ounce letter or postcard, as the minimum postage is set automatically by the software.

USPS/STAMPS.COM-T2-6 On page 28 lines 1-3 of your testimony you state, "Once the mail class has been selected, the software automatically calculates the postage rate instantly on the customer's machine, including any applicable surcharges." Please confirm that the Stamps.com product can be used to apply the nonstandard surcharge to First-Class nonstandard mail pieces weighing less than one ounce. If not confirmed, please explain.
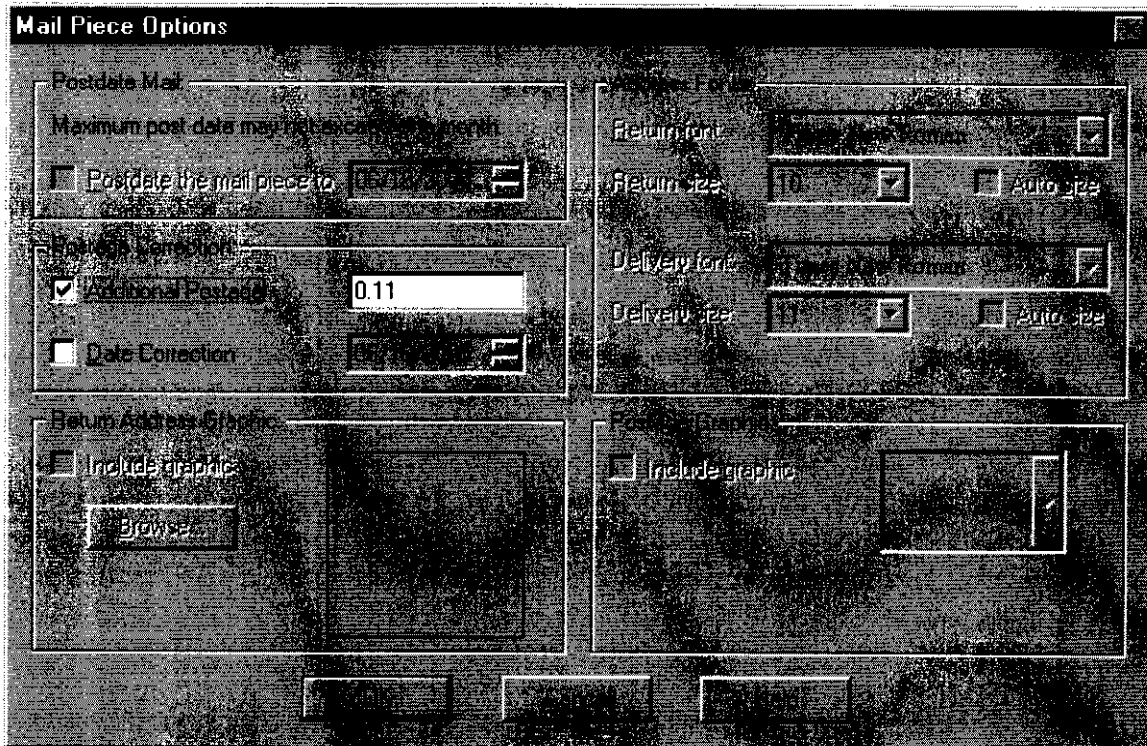
> a. Please describe the procedure (i.e., list the steps) necessary for a Stamps.com end user to apply the proper nonstandard surcharge postage to a First-Class nonstandard mail piece that exceeds the thickness requirement (i.e., is > 0.25").
>
> b. Please describe the procedure (i.e., list the steps) necessary for a Stamps.com end user to apply the proper nonstandard surcharge postage to a First-Class nonstandard mail piece that exceeds the length requirement (i.e., is > 11.5").
>
> c. Please describe the procedure (i.e., list the steps) necessary for a Stamps.com end user to apply the proper nonstandard surcharge postage to a First-Class nonstandard mail piece that exceeds the height requirement (i.e., is > 6.125").
>
> d. Please describe the procedure (i.e., list the steps) necessary for a Stamps.com end user to apply the proper nonstandard surcharge postage to a First-Class nonstandard mail piece that does not meet the aspect ratio (length/height) requirement (i.e., is < 1.3 or >2.5).

Response:

Confirmed.

a) In the unlikely event that a standard-size envelope is somehow so over-stuffed that it exceeds the maximum thickness yet still weighs less than one ounce, the end user can add a postage correction indicium for the additional value required. This is currently $0.11. On the Print Postage screen, the user can click the "Options" button. On the Mail Piece Options screen (*Fig. 1* below) the user checks the "Additional Postage" box and enters the amount, then clicks "OK". The customer can then print the additional postage indicium on a label or on the back of the envelope.

Fig 1. Mail Piece Options screen.
This screen is used to enter the standard surcharge to a business size envelope if it is so over-stuffed it exceeds the maximum thickness but still weighs less than one ounce.

b) If the user selects 'Envelope' for the mailpiece, the only 'Print On' options are labels or standard envelope sizes where no surcharge is applied. If the Mail Piece selected is 'Large Envelope', the software automatically adds the $0.11 surcharge if the item is less than once ounce. (There is no standard surcharge assessed by USPS for items weighing over one ounce.) If the dimensions indicate that it is non-standard (length exceeds 11 1/2 inches, height exceeds 6 1/8 inches; or if the aspect ratio (length divided by height) is less than 1.3 or more than 2.5), the software informs the user that this will require an $0.11 surcharge.

c) Same as (b) above.

d) Again, when the user selects Large Envelope, an $0.11 surcharge is added to the postage amount. See answer to (b) above. Stamps.com does not currently support non-standard aspect ratio envelopes, so a label must be applied to this type of mailpiece.

9

USPS/STAMPS.COM-T2-7 On page 29 lines 3-6 you state that "Stamps.com allows customers to print on any 300 dpi or better laser inkjet. We do not require the user to buy additional printing hardware and have found greater acceptance in the marketplace because of this."

> a. Which of the following two characteristics do you feel should dictate the mail piece quality requirements if a given mail piece is to be awarded a postage discount: "level of acceptance" or printer quality? Please explain your answer.
>
> b. Did you conduct any tests and/or studies in order to determine the level to which the "lower quality" printers create mail pieces that can be successfully processed on postal equipment? If so, please provide all supporting data from those tests and/or studies.
>
> c. How did you determine the "lower bound" in terms of the quality of printers that are allowed to use the Stamps.com product?

Response:

a) Neither. A discount should be awarded on the basis of cost avoidance or savings attributable to mailer preparation activities which make mailpieces less costly for USPS to process and deliver.

b) Stamps.com did not explicitly test print quality, although with our experience in scanning numerous QA envelopes to date we have extensive field training. From what I understand, the USPS IBIP group is currently testing print quality on samples vendors have supplied, on different labels and envelope types. In addition, Hewlett-Packard conducted a print quality study in 1997 while the IBIP program was being refined, titled <u>Scan Reliability of PDF417 Two Dimensional Symbology for Postal Evidencing Using Thermal Inkjet Technology</u>. In this study, they verified that 300dpi printers (at the time) were capable of printing barcodes that scan over 95% of the time. The USPS IBIP team should have copies of this study.

c) Stamps.com did not determine the bounds of the program. The 300dpi parameter (200dpi for thermal label printers) was determined by the USPS. The 300dpi parameter is noted in the PCIBI-O specification, and the 200dpi parameter was noted in a letter address to IBIP vendors, to be updated in the next version of the PCIBI-O specification.

USPS/STAMPS.COM-T2-8 On page 30 lines 11-14 you state, "If we detect that a customer is using a printer that has been found to print out of specification with a certain type of media (e.g., if #9 envelopes don't feed correctly), we are able to globally restrict the media options available in the Stamps.com software..."

> a. Please describe the "detection" process and what steps are taken to ensure a defective mail piece does not enter the mail stream. For example, if there is a quality problem on a given mail piece that occurs as a result of the printer itself, how is this problem detected if a Stamps.com end user enters that mail piece into a blue collection box that is routed directly to a postal facility? How is the Postal Service notified of the discrepancy?

> b. If the print quality on a given mail piece is poor because a toner cartridge is running out, does the Stamps.com software prohibit the end user from applying the postage? If your answer is affirmative in any way, please explain how this process would occur.

> c. Please confirm that the 2-dimensional barcode allows Stamps.com to determine the time and date that a "QA envelope check" mail piece was printed. If not confirmed, please explain.

Response:

a) Stamps.com can detect a printer problem in a number of ways, but this does not exclude the end customer from printing on that printer until the Stamps.com printer database is updated with these findings. We can detect printer problems in our printer lab, through our customer support department, from third party partners like Hewlett Packard, or from customer QA envelopes. Any suspected problems are immediate tested for confirmation in our printer lab, and we will purchase a particular printer immediately to test it.

Once Stamps.com has determined that a particular printer, printer driver or operating system cannot print on a particular piece of media, Stamps.com updates the universal printer database and disallows that printer from being used from that point forward. Each time a user logs on to the system, the printer database is checked to ensure the printer they have selected is valid, and the parameters and media have not changed. Thus, any updates immediately affect the customer base.

The Postal Service is not necessarily notified of any such discrepancy. We are held accountable for ensuring that each customer is printing within specification through the QA envelope requirement. It is our responsibility to ensure

11

customers are able to print a compliant QA envelope.   If a significant number of customers were ever found to be non-compliant, we would notify the USPS at that time. This situation has not occurred with Stamps.com in the 4 years we have been working with the IBIP group.

b) I do not know of a way for a computer program to detect if printer toner is low in most low to mid-end printers on the market today. It is thus possible for a user to print IBI envelopes when the toner cartridge is "running out." Even if toner is "running out," the print quality is still likely to be sufficient for the mailpiece to be read and processed as automation compatible mail. I think it extremely unlikely that a user will print out IBI envelopes (which contain live postage) if the toner cartridge is so low that it produces a mailpiece that is unreadable by USPS's automation equipment.   I agree with witness Heselton's testimony that users want their mailpieces delivered and will thus prepare their mailpieces so they can be read. (Heselton testimony, p. 27.)

c) Confirmed.

USPS/STAMPS.COM-T2-9 On page 31 lines 13 through 15 you state "the vast majority of all the Quality Assurance Envelopes we receive from our customers are within specification."

   a. Please explain what is meant by "vast majority" (i.e. the number and percentage of Quality Assurance Envelopes that are within specification).

   b. Of the envelopes that are not within specification, what types of problems are noted (i.e. FIM placement, Postnet, etc.).

   c. What percentage of the non-specification envelopes are of each problem type?

Response:

a) Over 85% of the QA envelopes we receive are within specifications and have no problems. Approximately 14% of the envelopes we receive are not quite up to specification, and we request the customers to send us another one. Most problems are corrected after the second envelope is sent. Only 0.3% of the envelopes we receive are seriously out of specification, and we immediately suspend printing for those customers until a customer support representative can help to correct the issue.

b) There are a variety of reasons for an envelope not passing. By far the most common, accounting for 13% of all QA envelopes received, is the FIM falling below the 1/8-inch tolerance from the top of the envelope. This problem is usually attributed to the printer envelope guides that are too far apart, and is easily corrected. Other problems are illegible indicia due to damaged envelopes, ink jet smudging, light toner.

c) See (a) and (b) above. Aside from the FIM falling below the 1/8 inch tolerance, all other reasons constitute less than 1 percent of the envelopes we receive.
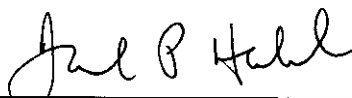
DECLARATION

I, Thomas C. Kuhr, declare under penalty of perjury that the answers to interrogatories USPS/Stamps.com – T2 – 1 – 9 of the U.S. Postal Service are true and correct, to the best of my knowledge, information, and belief.

Thomas C. Kuhr

Dated: 6/20/00

CERTIFICATE OF SERVICE

I hereby certify that I have this $\partial 2$ day of ___June___ 2000, served the foregoing document in accordance with the Commission's Rules of Practice.

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David P. Hendel