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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

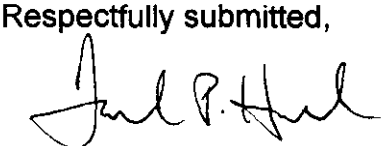
Before the
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

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

STAMPS.COM'S ANSWER TO USPS INTERROGATORY DIRECTED TO FRANK HESELTON (USPS/STAMPS.COM-T1-19-26)

Stamps.com hereby submits the answers of Frank R. Heselton to the interrogatories submitted by the U.S. Postal Service, USPS/Stamps.com - T1 – 19 – 26, dated June 16, 2000. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,



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Dated: June 30, 2000

USPS/STAMPS.COM-T1-20

On page 9, lines 13-15 you state "[w]hile the benchmark is referred to as 'handwritten mail,' the key aspect is not so much whether the address is handwritten or printed, but whether it contains a correct POSTNET barcode and FIM code." On page 10, lines 13-14, you state "had IBIP not been available...[m]any more (letters) would not have had a POSTNET barcode or FIM code."

(a) Please define and quantify "many more." Additionally, provide the data used to make that assumption.

(b) In your opinion, would a small business not currently using a PC postage product be more likely to produce handwritten mail pieces or mail pieces with machine-printed addresses? Please explain.

RESPONSE:

(a) By "many more", I mean a large, indefinite number. See my response to DFC/STAMPS.COM-T1-2 (a) for the basis for my assumption. Also note Leora Lawton's testimony concerning the survey she conducted, in which she found that only about 20 percent of Stamps.com's customers regularly applied a POSTNET barcode to their mail prior to using Stamps.com. She also believes that the survey over-reported this figure. See Lawton testimony, pp. 16 - 17.

(b) A substantial percentage of their pieces would be handwritten, but I would expect a higher percentage would be produced with machine-printed addresses.

USPS/STAMPS.COM-T1-22

Your analysis in Section III.B indicates an estimated avoided return to sender costs of 1.14 cents per piece. The analysis does not consider the possibility that return-to-sender costs could be mitigated by re-mailings at a positive contribution to the Postal Service. Please evaluate whether your analysis should appropriately make such a consideration.

RESPONSE:

No, my analysis should not make such a consideration. Each piece of mail has revenue associated with it, and cost attributed to it. The difference between its revenue and its cost is its contribution to institutional cost. For pricing purposes, the fact that a particular piece of mail may exist because of a transaction involving another piece of mail doesn't change its revenue or cost, its resulting contribution, or its rate.

USPS/STAMPS.COM-T1-24

On page 27, lines 11-14, you state "[w]hile they (mailers) may not fully appreciate the effects of badly printed barcodes and indicia, they do understand the effect of the badly-printed address that would be produced along with other badly-printed items."

(a) Is it possible, in your opinion, that a poorly functioning printer could produce a barcode that cannot be processed by automation and an address that is still legible?

(b) If so, please assess the likelihood that some mailers will go ahead and mail such pieces, figuring that they will reach their intended destinations.

RESPONSE:

(a) Most anything is possible, so it is possible that a poorly functioning printer could produce an illegible barcode but a legible address. I do not think it is likely to occur often enough to affect my cost savings estimate. Note also that even if the barcode could not be read, the address would still have been checked and cleansed against USPS's address database, so even under this unlikely scenario IBI mail would result in USPS achieving some cost savings.

(b) I consider the likelihood to be quite small, and not significant to my calculation of estimated cost avoidance from IBIP preparation and addressing. The user would be jeopardizing the successful delivery of his mailpiece, violating his usage agreement, and jeopardizing his postage meter license. Furthermore, the violation would be easily detected. The envelope could not be processed as an IBIP mailpiece, and would require manual processing. It would require inspection of the information on the envelope, attracting the attention of the Postal Service to the improper use of an IBIP indicium.

USPS/STAMPS.COM-T1-26

On page 24 of your testimony, you state "[i]ndeed, IBIP users have much less flexibility in mailpiece design than other users, because the software simply will not allow an envelope or label to be printed until all automation compatibility requirements are satisfied."

(a) Is a Stamps.com customer able to apply postage to a mail piece that exceeds size, shape, and weight limitations for automation-compatible mail, for example, a letter weighing 4 ounces or a parcel?

(b) Please confirm that the use of Stamps.com PC-postage on a mail piece will guarantee its automation compatibility.

(c) Would you agree that a PC-postage mailpiece should be eligible for the discount proposed by Stamps.com based solely on whether that piece is automation-compatible? Please explain, in detail, your response.

RESPONSE:

(a) A Stamps.com customer, like a postal customer using stamps, or a meter user applying a meter strip, could apply postage to such a mail piece.

(b) The use of Stamps.com PC-postage program to prepare a mail piece will make its automation compatibility highly likely, but will not guarantee it. I note that even the largest and most sophisticated volume mailers produce some discounted mailpieces that are rejected by USPS's automated equipment, and this is anticipated and permissible under standards set out in the DMM.

(c) Stamps.com has proposed a discount only for automation compatible mail. But I do not agree with the statement that only automation-compatible IBI pieces should be eligible for a discount. Even if a particular IBI mailpiece is not automation compatible, it still avoids an estimated cost avoidance of 1.14 cents per piece from reduced return-to-sender rates achieved by IBIP address cleansing. This cost avoidance does not depend on whether the piece is automation compatible.

CERTIFICATE OF SERVICE

I hereby certify that I have this 30 day of June 2000, served the foregoing document in accordance with the Commission's Rules of Practice.

David P. Hendel