

**BEFORE THE POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-001**

Regulations Establishing System Of Ratemaking)
Docket No. RM2007-1)
)
)
)

SUBMISSION OF COMMENTS

Pursuant to the Commission's January 30, 2007 "Advance Notice of Proposed Rulemaking on Regulations Establishing a System of Ratemaking," Stamps.com Inc. ("Stamps.com") hereby submits our comments and suggestions on how the Commission ("PRC") can best fulfill its responsibilities to achieve the purposes of the Postal Accountability and Enhancement Act ("PAEA"). We thank the PRC for the opportunity to submit these brief comments.

Stamps.com Background Information

Stamps.com specializes in bringing cutting edge Internet technology to small business mailers and shippers. Stamps.com is the leading vendor in the US Postal Service PC Postage® program and the leading vendor in the USPS Customized Postage market test. Stamps.com currently serves over 400,000 registered PC Postage customers that are primarily small businesses from a cross-section of industries (estimated to be about 85% of all U.S. PC Postage subscription-paying customers). Stamps.com is also a small business itself, with approximately 175 employees all in a single office in Los Angeles, California. In 1999, Stamps.com became the first company to offer a commercial software-only PC Postage solution, enabling customers

for the first time ever to print real USPS postage from any Internet-connected PC and standard printer. Stamps.com's fundamental technology breakthroughs in the late 1990s are the cornerstone of all US Postal Service postage printed online via a website or from a PC today.

We believe that customers use our PC Postage service to save time and money. Our service saves customers time in several ways, for example: (1) our service allows a customer to apply postage to letters or packages at home or at the office, avoiding the time that would ordinarily be spent in a trip to the post office; and (2) our service integrates seamlessly with most small business productivity applications such as word processors, financial applications and address books.

Our service also saves customers money in several ways, for example: (1) our service automatically cleanses all addresses so customer postage is not wasted on undeliverable-as-addressed mail; (2) our service helps customers avoid wasted postage by calculating the exact amount of postage that is needed depending on mail class (we support all major classes of domestic and international mail), mail form, weight and distance to the destination; and (3) our service costs up to 75% less than the total cost of ownership of an entry-level postage meter.

Customers also cite several other additional benefits in using our service, for example: (1) our service is available 24 hours a day, 365 days a year, allowing customers to prepare mail when it is convenient for their schedule; (2) mail produced with our service is more professional looking than stamped mail and it helps a small business look more like a big business; and (3) our software can be incorporated into an existing workflow process for a small business as it integrates into most popular address books and is the only PC Postage solution tightly integrated with Microsoft® Office® 2003 and later versions.

PC Postage provides many benefits to the USPS, including at least four items: (1) PC Postage produces a secure, sender-identifiable mail piece which reduces the amount of anonymous mail in the mail stream; (2) PC Postage software has always been CASS certified and includes numerous address quality features reducing the cost to the USPS of undeliverable-as-addressed mail; (3) PC postage is run from a centralized location so it provides valuable real-time information to the US Postal Service on customer mailing and shipping behavior; and (4) mail produced with PC Postage software uses intelligent mail barcodes optimized to work with current and future USPS mail processing systems (we automatically print IBI on all of our postage and also print POSTNET and CONFIRM compatible barcodes on all envelopes and an e/Delivery Confirmation barcode on all packages). In addition, as IBI barcodes begin to get scanned in mail processing centers in the near future, PC Postage will become even more valuable in terms of real-time data for the USPS that can be used to improve revenue protection, to enhance mail security and deter terrorism, and to provide valuable real-time data on customer mailing & shipping behavior. One of Stamps.com's primary business goals is to do whatever is best for our regulator and most important business partner, the USPS.

In 2004, utilizing our fundamental PC Postage technology, Stamps.com publicly launched a limited market test of PhotoStamps®, a new form of PC Postage through which consumers or businesses turn digital photos, designs or images into valid US postage. PhotoStamps is used as regular postage to send letters, postcards or packages. All PhotoStamps also include a unique IBI barcode and thus provide some of the same benefits to the USPS as previously mentioned for PC Postage. The product is available at www.photostamps.com. To order PhotoStamps, customers upload a digital photograph or image file, customize the look and

feel, select the value of postage, and place the order online. Orders arrive via US Mail in a few business days.

People from all over the country have enthusiastically embraced PhotoStamps. During the first 7 ½ week market test period in 2004, over 2,750,000 PhotoStamps sold, and in the first 18 ½ months of the current set of market tests that began in May 2005 Stamps.com has sold more than 30,000,000 PhotoStamps representing over \$13 million in US Postal Service revenue. In addition, Stamps.com estimates that as much as 50% of the US Postal Service revenue from PhotoStamps is altogether new revenue for the Postal Service as customers substitute from electronic communication back to physical mail, increase their usage of the mail, or purchase PhotoStamps for collector's items or gifts that never get used on mail. In addition, 72% of PhotoStamps customers have stated that PhotoStamps make mail more exciting to send, 55% say PhotoStamps make mail more exciting to receive, and 56% say PhotoStamps make their perception of the US Postal Service more positive or much more positive.

RECOMMENDATIONS

Use the objectives and factors for market-dominant products

Section 203 of the PAEA requires the modern system of regulation be designed to achieve 9 objectives and 14 factors. These objectives and factors go the heart of what Congress and the American people want this process to achieve. Stamps.com's urges that the PRC establish a process that explicitly and pervasively embraces these objectives and factors. Stamps.com suggests the rules should require each USPS rate proposal and each PRC order and decision to include an analysis of the impact on each of the factors and objectives.

Protect the Interests of Small Businesses

Small businesses are critical to our nation's economy and strength, and are critical to helping the United States compete in today's global marketplace. According to the U.S. Small Business Administration, small businesses have generated more than 60 percent of new jobs over the last decade, and have created more than 50 percent of non-farm private gross domestic product. Small businesses have historically been underrepresented and less successful in postal rate proceedings compared to large mailers. Because of the complexity of the postal rate process and their diffuse nature, small businesses have not gotten the consideration they deserve. For example, extensive worksharing discounts are available to large mailers but small businesses' practical opportunities to participate in worksharing are limited.

Stamps.com believes the PRC should establish a process that explicitly considers the impact of decisions on small businesses wherever the effect of rates on business mail users are considered. Specifically in regards to worksharing discounts, Stamps.com believes the process should explicitly consider the practical accessibility of each proposed discount to small businesses. Stamps.com further suggests that the best way to define small businesses for this purpose would be firms meeting the size standards specified by the U.S. Small Business Administration (SBA) Office of Size Standards.

Minimize the Cost and Complexity

The postal rate setting process has been too expensive and complicated. This burden is felt by the Postal Service and its customers and vendors. Many rightful stakeholders in the process have historically been absent because of the high expense of participating—including small businesses like Stamps.com. Wherever possible, Stamps.com urges the PRC to attempt to

make the process as streamlined and efficient as possible. Stamps.com appreciates and supports the stated goal of the PRC to complete this process of creating the new rate setting rules well in advance of the eighteen month deadline.

Respectfully submitted,

/s/ Seth Weisberg _____

Seth Weisberg
Vice President and General Counsel
Stamps.com
12959 Coral Tree Place
Los Angeles, CA 90066-7020
Voice: (310) 482-5808
Fax: (310) 482-5818
sweisberg@stamps.com