

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON DC 20268-0001

STAMPED STATIONERY AND
STAMPED CARDS CLASSIFICATION

DOCKET NO. MC2006-7

INITIAL BRIEF OF DAVID B POPKIN

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Respectfully submitted,

MC20067BRIEF

DAVID B. POPKIN, POST OFFICE BOX 528, ENGLEWOOD, NJ 07631-0528

The Postal Service's proposal for the pricing of the Premium Stamped Stationery [PSS] and Premium Stamped Cards [PSC] is related to a price range which is a multiple of the then existing First-Class Mail letter rate and the card rate, respectively. What this concept does is to establish a range for the selling price of the item. It completely ignores the cost of the item and the resulting cost coverage that would occur.

The concept of cost coverage has been a staple of postal ratemaking over the 35 plus years of operation under the Postal Reorganization Act. First, we determine the attributable costs of the service and then we allow a reasonable mark-up to allow for a contribution to overhead.

While the concept of establishing an arbitrary selling price might be best related to the then current First-Class Mail letter and card rates, it is still an arbitrary selling price which is being established without regard to the attributable costs and the resulting cost coverage.

If the Postal Service's proposal to establish the selling price of PSS and PSC items is approved, this will forever allow the selling price of these items to have no relationship to their cost and the resulting cost coverage value.

The ability to know the attributable costs in advance is only good business sense. One should not determine the selling price for any service or item without knowing the cost of obtaining or providing it. Therefore, it should not be a problem to the Postal Service to have the prices set at a range of multiples of the direct attributable costs of the item. This would provide the flexibility to offer a wide range of items without the necessity of coming back to the Commission each time. If the Postal Service wanted to offer a "special premium" version of a PSS/PSC that had a high direct cost to prepare, it could do so. Likewise, if the direct cost was low, the Postal Service would be limited to a selling price that resulted in a reasonable cost coverage. It is also noted that in the 35 plus year history of all of the PSS/PSC issues, there has never been a payment made for any licensing fee. DBP/USPS-7.

Evaluation of the prices paid for the direct preparation costs as provided in response to Interrogatory DBP/USPS-46 shows that cost coverage values that existed for most of the recently printed Premium Stamped Cards. Many of these values were excessive.

If one were to look at the cost coverage values that would have resulted had the proposed selling prices been in effect over the past number of years, it could have resulted in a cost coverage as high as 1662.7-percent.

	UNIT POSTAGE	NUMBER OF ITEMS	TOTAL POSTAGE	SELLING PRICE	TOTAL COST OF ITEMS WITHOUT POSTAGE	COST OF A SINGLE ITEM WITHOUT POSTAGE	PERCENT OF THE COST OF A STAMPED CARD	PRINTING COSTS OF THE FULL BOOKLET	ACTUAL COST COVERAGE	COST COVERAGE AT ONE TIMES CARD RATE	COST COVERAGE AT THREE TIMES CARD RATE
2006											
Baseball	\$0.24	20	\$4.80	\$9.95	\$5.15	\$0.2575	107.29%	\$2.2100	233.0%	217.2%	651.6%
Super Heroes	\$0.24	20	\$4.80	\$9.95	\$5.15	\$0.2575	107.29%	\$2.1800	236.2%	220.2%	660.6%
Disney	\$0.24	20	\$4.80	\$9.95	\$5.15	\$0.2575	107.29%	\$2.7299	188.7%	175.8%	527.5%
Fla. Wetland	\$0.39	10	\$3.90	\$7.95	\$4.05	\$0.4050	168.75%				
2005											
Disney	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%	\$2.0346	253.1%	226.1%	678.3%
Sporty Cars	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%	\$2.0346	253.1%	226.1%	678.3%
Let's Dance	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%	\$2.1646	237.9%	212.5%	637.5%
2004											
Cloudscapes	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%	\$2.1860	235.6%	210.4%	631.3%
Disney	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%	\$1.6460	312.9%	279.5%	838.4%
American Indian	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%	\$2.0660	249.3%	222.7%	668.0%
2003											
Old Glory	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%	\$1.4800	348.0%	310.8%	932.4%
Music Makers	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%	\$0.8300	620.5%	554.2%	1662.7%
SE Lighthouses	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%	\$1.6296	316.0%	282.3%	846.8%
2002											
Snowmen	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%				
Teddy Bears	\$0.23	20	\$4.60	\$9.75	\$5.15	\$0.2575	111.96%	\$1.5600	330.1%	294.9%	884.6%

The Postal Service has engaged in other similar items that were sold for the face value of the postage on them. As indicated in response to DBP/USPS-28, the Postal Service issued a series of five postal cards that had designs on the reverse side and the message area on the front of the card. While these may have been issued some 35 years ago, they still show the ability of the Postal Service to issue a premium item and sell it at the face value of the postage.

In addition, the current Aerogramme item being sold by the Postal Service is virtually identical to the formatting and design¹ of the two PSS items; it is still being sold at the face value of the imprinted postage. DBP/USPS-29. It would be less expensive for a mailer who wanted to have the convenience of the PSS item to purchase an international aerogramme rather than the domestic PSS item. Furthermore, the aerogramme is sold individually rather than in packages of 12 allowing the customer to purchase the exact number desired.

The Postal Bulletin for April 26, 2007, indicates that the Postal Service will be selling on May 25, 2007, a stamped postal card booklet of 15 for \$12.95 for the Star Wars version. This calculates out to 2.32 times or 232-percent the 26-cent stamped card rate.² This is more than double³ the value of every stamped card-sized PSC item⁴ that has been sold since 2002. DBP/USPS-24. It is interesting, and somewhat troubling, that the Postal Service more than doubles the selling price of the first PSC card to be issued after the release of this Docket. I hope that this is not an indication of their future plans.

In their response to Interrogatory DBP/USPS-45 on April 16th, the Postal Service stated that there was no information of any 2007 PSS/PSC issues even though the Star Wars issue was well on the drawing board⁵. This answer precluded any discovery as to why there was such a high price for these cards. Perhaps it is due to the belief that the Postal Service can charge more for a popular item based on all of their advance publicity for the Star Wars Issue coming out on May 25, 2007.

¹ It folds and seals into a self-mailer. It has postage affixed. It has a printed design. It has a surface to write a personal message.

² The \$12.95 selling price less \$3.90 for the fifteen 26-cent stamps that are affixed divided by the fifteen cards that are in the package comes to a cost for each card of 60.33-cents. That figure divided by the 26-cent cost of a stamped card comes to a factor of 2.32 or 232% of the cost of a stamped card.

³ The fourteen issues sold between 2002 and 2006 were sold at values between 107.29% and 111.96%.

⁴ The Florida Wetlands PSC was a larger sized card and required the letter rate postage.

⁵ The response to Interrogatory DBP/USPS-17 filed on March 9, 2007, indicated that there would be a PSC issued in late May.

The Summer 2007 issue of USA Philatelic indicates that a stamped card booklet of 20 will be issued on June 21, 2007, for the Pacific Lighthouses and will sell for \$12.95. Taking into account the increase in the stamped card postage rate, this new selling price still represents an increase of over 50%⁶ from the price of every stamped card-sized PSC item that has been sold since 2002.

As indicated in the response to Interrogatory DBP/USPS-19, perhaps the selling of related items without affixed postage is the way that the Postal Service should handle future needs. This would eliminate the concern of philatelists who might desire to purchase all new versions of postal stationery. This would be further supported by the Postal Service's indication in their response to Interrogatories DBP/USPS 9 and 10 in which they indicate that their target market for PSS/PSC is to renew the general public's interest in using the Postal Service for personal correspondence. It should be fairly obvious to believe that reducing the price of the PSS/PSC items would promote a much greater use of these items for personal correspondence.

I believe that it is absolutely imperative to establish a selling price for PSS and PSC items that is related to their direct and attributable costs and not to some arbitrary value such as the price of a one ounce First-Class Mail letter or a stamped card. While the use of the letter and card rate as the basis may be more appropriate than a range based on a percentage of the Certified Mail fee or some other Postal service or even the price of a gallon of milk sold by my local Shoprite supermarket, any system which does not take into account the direct and attributable costs on the item is severely flawed and can easily lead to rates that are not reasonable.

⁶ The \$12.95 selling price less the value of twenty 26¢ stamps or a price of \$7.75 for the cards alone when compared to the price of the previous cards alone price of \$5.15 [\$9.95/\$9.75 less the value of twenty 24¢/23¢ stamps]