

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

Consideration of Workshare Discount Rate Design)
Docket No. RM2009-3)

Reply Comments of Stamps.com

Stamps.com, the leading provider of PC Postage, provides these comments in response to (a) Order No. 243 (issued July 10, 2009), (b) comments made at the public forum (August 11, 2009), and (c) Notice of Inquiry No. 1 (issued August 27, 2009). Stamps.com attended the public forum and appreciates the opportunity it provided.

Stamps.com's initial presentation in this proceeding (May 26, 2009) proposed the creation by the Postal Service of a discount for a new type of PC Postage that does not yet exist, but could readily exist: "Qualified PC Postage." A Qualified PC Postage discount would apply to single-piece, automation-compatible, First-Class letters that have addresses cleansed by CASS-certified software, contain an Intelligent Mail barcode (IMb), and meet Postal Service prescribed security requirements.

Matters Discussed at the Public Forum

The Commission facilitated a discussion of various worksharing policy issues at the public forum. The first issue raised was whether, under the PAEA, single-piece First-Class Mail is entitled to "special protection" (Order at 4), and if so, in what form. Those commenting on this issue at the forum expressed widely different views. For example, one commenter expressed the view that special protection for single-piece First-Class Mail was a statutory requirement, while another stated that this notion was but "sound and fury" and that there is no such statutory requirement. Another still pointed out that in the PAEA era, and in the Postal Service's current financial predicament, the Postal Service must do all it can to maximize profits, and the pre-PAEA closed system of linkage of rates is now inconsistent with what Congress enacted.

While the question is intriguing, Stamps.com takes no position on it. No matter what the PRC ultimately determines, the time has come for a discount for Qualified PC Postage. If single-piece First-Class Mail is entitled to special protection, one way of advancing that goal is a discount for Qualified PC Postage. This groundbreaking rate category, years in the making, would for the first time allow single-piece mailers to benefit directly from their own efforts to produce mail that costs less to process and deliver.

Alternatively, if single-piece First Class Mail is not entitled to special protection, then a discount for Qualified PC Postage is fully justified on its own merits. As demonstrated by the current languishing of the original most efficient form of PC Postage letter mail (automation compatible and address corrected) – down from 48 percent to barely 3 percent of PC Postage revenue – single-piece

mailers need the incentive and signal provided by a discount in order to produce high quality mail.

Notice of Inquiry No. 1, Question 3

The Commission has asked interested persons to comment on how savings from certain mail preparation functions performed by a mailer that are not a direct substitute for a Postal Service function but still avoid Postal Service costs should be recognized in the context of the PAEA, especially section 3622(e).

Stamps.com notes that two of these mail preparation functions, address cleansing and automation compatible mailpiece design, are features of Qualified PC Postage, as proposed. In each case these functions provide cost savings that are not currently recognized. They can be performed by small businesses and individuals using PC Postage. We believe they should be recognized. Therefore, Stamps.com sees it as important that the Postal Service be allowed maximum flexibility to use discounts to recognize cost savings from mail preparation functions performed by mailers that are not a direct substitute for Postal Service functions.

The provisions of section 3622(e) require that “workshare discounts” not exceed the cost savings from the workshare activity, with a number of exceptions and various limitations, and require the Postal Service to submit a report when it establishes a “workshare discount” rate. It goes on to define in section 3622(e)(1) that these discounts refer “to rate discounts provided to mailers for the presorting, prebarcoding, handling, or transportation of mail.” These are mail

preparation functions performed by a mailer that are a direct substitute for a Postal Service function. While Stamps.com believes a discount for Qualified PC Postage is strongly justified irrespective of whether and how section 3622(e) applies, we do believe it does not by its terms apply to anything not listed in 3622(e)(1). It therefore does not apply to mail preparation functions performed by a mailer that are not a direct substitute for a Postal Service function. Using the language of Order No. 243 and the helpful slides presented by John Waller at the public forum, we thus support limiting section 3622(e) to a “pure” presorting, prebarcoding, handling, or transportation activity that is a direct substitute for an equivalent Postal Service activity.

Stamps.com thanks the Commission for the opportunity to provide these comments and suggests in conclusion that in making decisions about how the workshare provisions should be applied, the Commission should recognize the importance of facilitating improvements like Qualified PC Postage.

Respectfully submitted,

s/Seth Weisberg

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