

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

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Annual Compliance Report )  
Docket No. ACR2009 )  
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**Comments of Stamps.com**

(February 1, 2010)

Stamps.com, the leading provider of PC Postage, submits these comments on the Postal Service's FY 2009 Annual Compliance Report, pursuant to Commission Order No. 380. We thank the Commission for the opportunity to submit these comments.

A matter that frames this Review is the Postal Service's announced intention not to increase rates this spring, which we agree is a good decision. At the same time we think the Postal Service is missing an opportunity to make adjustments that would increase the efficiency and profitability of the rate structure, including the adoption of a discount for Qualified PC Postage.

## I. Background

In last year's Compliance Review, Stamps.com argued that a discount for PC Postage would increase the efficiency of the First-Class mailstream. In its Compliance Determination (hereinafter Determination), the Commission suggested that Docket No. RM2009-3 (geared to workshare issues) would provide an opportunity for further review (p. 51). Accordingly, in comments filed July 26 and September 11, 2009, Stamps.com refined the concept and named it "Qualified PC Postage." Our comments herein relate again to a discount for Qualified PC Postage, a cost-based rate difference for single-piece, automation-compatible, First-Class letters that (a) have addresses cleansed by CASS-certified software, (b) contain an Intelligent Mail barcode (IMb), and (c) meet Postal Service prescribed security requirements.

## II. Discussion

**The Unique Nature of This Compliance Review.** Despite the state of its finances, the Postal Service has announced an intention to not seek rate increases for next May. The stated reasoning is that the mail markets are so far from being robust that a rate increase might be counterproductive. In other words, this is not the time to hit mailers with higher rates. Stamps.com agrees.

Along with the decision to not seek a rate increase comes, at least implicitly, a decision to not make any changes in relative rates or the taxa of services offered. We think that the Postal Service could make, at any time during the year, and especially easily on its regular rate-adjustment schedule, a cap-neutral adjustment that would improve the efficiency of the rate structure and at the same time increase its profitability. That is, a progressive adjustment could be made that does not invoke cap authority. The need for such adjustments is made even more important by the current financial situation. We believe that a discount for Qualified PC Postage is a change that merits attention.

**Across-the-board Character.** The decision by the Postal Service to not seek any adjustments to the levels or structures of rates is equivalent to proposing a cap-neutral, across-the-board increase of zero. Across-the-board increases have occurred before and are not ideal.

For example, the rate increases for the Periodicals class in May of 2008 were across-the-board in nature. In its Determination, the Commission observed that “[t]he Postal Service did not use pricing flexibility to set differential price increases that might have induced more efficient preparation of the mail” (p. 4).

Earlier, Docket No. R2005-1 was an across-the-board case. It was noted at that time that costs change, operations change, markets change, competitors change, technologies change, and volumes shift, and, because these changes are on going, rates get behind if they are not adjusted as well. Accordingly, the Commission warned that “the delay in recognizing the impact of recent innovations and improvements in postal operations, coupled with the passage of time, will probably result in unusually disproportionate increases and decreases in different rates in the next case” (*Opinion*, p. ii). These same kinds of concerns exist today.

**Progress Is Important.** The PAEA requires the institution of what it refers to as a modern system of ratemaking. The outcome of this emphasis has been a system that is widely viewed as giving the Postal Service the flexibility to make adjustments more easily and more quickly than before. Many observers have hoped that the Postal Service would use this flexibility to make improvements more rapidly. In recent testimony before the House Committee on Oversight and Government Reform, Chairman Goldway explained that “[o]ne of the goals of the PAEA was to promote the use of competitive business practices ... [and] also [ ] to promote product innovation” (November 5, 2009, pp. 3-4).

So far, the list of innovations is not long for the market-dominant products. More progress is needed. We believe that Qualified PC Postage represents an innovation and that the Commission should support it as something that is in line with the guidance in the new postal law.

### **III. Conclusion**

By intending to forgo rate adjustments of all kinds next spring, on its usual schedule, in what amounts to an across-the-board increase of zero, the Postal Service is missing an opportunity to make improvements in rates and the rate options available to mailers. As a result, more pronounced changes may be needed in the future, to catch up with on-going developments and benefit from improvements.

Innovations like a discount for Qualified PC Postage are notably absent from the Compliance Report. We believe Qualified PC Postage should be high on the list of possible improvements. It offers all of the benefits of worksharing, it is cost-based, it is economically efficient, and it is exemplary of the kind of progress that should be expected under the PAEA. Mailer responses to it will increase the effectiveness of the Postal Service. The Commission should underline it as such a change.

Respectfully submitted,

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