

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

Rate Adjustment due to Extraordinary or)
Exceptional Circumstances)
Docket No. R2010-4)

Initial Comments of Stamps.com

(August 17, 2010)

Stamps.com, the leading provider of PC Postage, submits these comments pursuant to Order No. 485, "Notice and Order Concerning Rate Adjustment for Extraordinary or Exceptional Circumstances" (July 8, 2010). We thank the Commission for the opportunity to submit these comments.

I. INTRODUCTION

On July 6, 2010, under rules applicable to exigent circumstances, the Postal Service proposed a package of rate adjustments, averaging an increase of approximately 5.6 percent, leading to the instant docket. While Stamps.com, like everyone in the mailing industry and the Postal Service itself, would prefer no further rate increases, we understand the necessity for them and believe the

Postal Service has shown they are supportable under the exigent circumstances authority.¹

Stamps.com strongly supports one aspect of the package, which slightly reduces the rate that single-piece First Class parcel mailers pay if postage is “paid by permit imprint, IBI meter, or PC Postage” (Statement of James M. Kiefer, p. 22). Stamps.com supports the proposed 10-cent discount because it not only comports with the expressed principles of the PAEA, but will help increase mail volume, improve postal finances, and reward customers who take actions that reduce mailstream costs. This discount will help the Postal Service achieve the Objectives of § 3622(b) and properly takes into consideration the Factors of § 3622(c). We see it as an important component and bright spot of any adjustment package that moves forward.

II. THE TEN-CENT DISCOUNT WILL BE BENEFICIAL TO BOTH POSTAL CUSTOMERS AND THE POSTAL SERVICE

The Postal Service's proposed ten-cent discount for single-piece First Class parcels paid by permit imprint, IBI meter, or PC Postage will benefit postal customers and the Postal Service. These types of parcels have approved barcodes and identified senders, and they avoid the substantial costs associated with window service. Some of the costs avoided include the time incurred by window clerks in processing and weighing parcels, verifying addresses and

¹ Several factors have contributed to making the current situation acute: 1) a contraction in the economy of historical proportions, which continues to linger; 2) burdens and constraints placed on the Postal Service, including unnecessarily large prefunding for the health care of future retirees and little freedom to deal with the pressures it faces; and 3) significant and heavy reductions in mail volume and revenue.

packaging, applying postage, accepting payment, and interacting with customers concerning their transactions. In the long term, they will help the Postal Service reduce the need for retail facilities and eliminate the need for mailers to travel to the post office to enter mail in the mailstream (and reducing associated environmental effects).

As filed, the rate indexes and associated revenues recognize all rate elements proposed, including the 10-cent discount. The benefits to postal customers are clear, and no burden is placed on the Postal Service. But the efficiency gains go further. As they are known to do, and do well, mailers who are able to take advantage of postal discounts will adjust their mailing patterns and shift volume toward the discount category. Unlike most postage discounts, this discount may be employed by single-piece mailers who take the required steps. To the extent that single-piece mailers take advantage of this discount, they will help the Postal Service reduce its costs, reduce the need for retail facilities, and reduce waiting time and inconvenience for other postal customers who do use postal facilities.

We also believe the slight 10-cent discount will likely increase volume. In our experience, PC Postage customers respond to price incentives. Since the Postal Service has recently added online discounts of 5-10 percent for using PC Postage for shipping in the Competitive products area, volumes have increased by more than 30 percent on an annualized basis. We believe the 10-cent discount promises to similarly pay for itself.

III. THE TEN-CENT DISCOUNT MEETS THE OBJECTIVE AND FACTORS

The 10-cent discount helps to achieve the Objectives of § 3622(b) and properly takes into consideration the Factors of § 3622(c). Stamps.com agrees with the analysis of Postal Service witness James Kiefer in this regard in his July 28, 2010 response to Presiding Officer's Information Request No. 2, Question 5(d). We provide our own analysis particularly in the context of single-piece First Class parcels that will qualify for the 10-cent discount because postage is paid by PC Postage:

Section 3622(b)(1)—an Objective. “To maximize incentives to reduce costs and increase efficiency.”

Comment: PC Postage stands as an example of what low-cost mail should be. To maximize incentives to create this type of mail, suitable incentives should be provided.

Section 3622(b)(3)—an Objective. “To maintain high quality service standards established under section 3691.”

Comment: PC Postage, given its high-quality, automation-compatibility, and address-cleansing features, makes achieving high service standards more likely and less costly to the Postal Service.

Section 3622(b)(7)—an Objective. “To enhance mail security and deter terrorism.”

Comment: PC Postage is the most secure form of single-piece First-Class parcels, because users must be identified and registered with their PC Postage service provider, making all such pieces traceable to the mailer. Also, compared to other forms of payment, the opportunity for fraud is reduced.

Section 3622(b)(8)—an Objective. “To establish and maintain a just and reasonable schedule for rates and classifications.”

Comment: Given the mail preparation involved and the lower USPS costs that clearly ensue, it appears just and reasonable to recognize PC Postage with a lower rate. Further, it would seem unjust and unreasonable not to give such recognition.

Section 3622(c)(1)—a Factor. “[Take into account] the value of the mail service actually provided each class or type of mail service to both the sender and the recipient ...”

Comment: To a sender, the value of sending a parcel is the surplus² realized. If the surplus is negative, the piece will not be sent. PC Postage increases the sender's perceived surplus, and

² Surplus is value, beyond price, which is received. If sending a piece is worth 45 cents to a mailer and the postage is 30 cents, the surplus is 15 cents. If sending the piece were worth only 27 cents, the surplus would be negative 3 cents, the mail piece would not be sent.

thus could be expected to increase the amount of parcels sent. As noted above, the volume of parcels sent using PC Postage has increased much more than the magnitude of the recently added discounts for Priority Mail and Express Mail.

Section 3622(c)(5)—a Factor. “[Take into account] the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;”

Comment: PC Postage complies with a host of regulations and can supply a piece with a mailing date, full and proper barcoding, and a cleansed address.

Section 3622(c)(6)—a Factor. “[Take into account] simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services;”

Comment: PC Postage is a simple and elegant way of providing discounts to individual mailers who meet automation requirements, without undue complications. PC Postage software takes care of rating and applying the correct amount of postage.

Section 3622(c)(12)—a Factor. “[Take into account] the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services;”

Comment: PC Postage increases postal efficiency and reduces the costs of processing and delivery, helping to maintain high quality and affordable postal services.

Section 3622(c)(13)—a Factor. ‘[Take into account] the value to the Postal Service and postal users of promoting intelligent mail and of secure, sender-identified mail;’

Comment: PC Postage is the only way in which individuals and small businesses can participate directly in, and benefit from, Intelligent Mail. In addition, PC Postage is a highly secure product and creates sender-identified mail.

IV. CONCLUSION

The Postal Service has used the opportunity of a filing under the exigency rules to propose an improvement in the First-Class rate structure, namely a discount for single-piece parcels with postage paid by permit imprint, IBI meter, or PC Postage. The proposal is in line with the kinds of changes that should be expected under the PAEA and will result in an increase in the effectiveness with which customer needs are met. It will also improve the finances of the Postal Service. It should be approved.

Respectfully submitted,

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