

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

Consideration of technical methods to be
applied in Workshare Discount Design
Docket No.RM 2010-13

REPLY COMMENTS OF NEOPOST USA

Neopost USA, a manufacturer and supplier of postal mailing systems is providing these comments in response to Docket No.RM 2010-13, issued September 14, 2010.

Neopost USA supports the current policy in section 3662(e) of the Postal Accountability and Enhancement Act of 2006 (PAEA) - rate discounts provided to mailers for the presorting, pre-barcoding, handling or transportation of mail should not exceed the costs avoided unless as provided for in 3622(e). It also supports the Postal Regulatory Commission (PRC) finding within Order No 536 that there is a work share element to single piece First Class mail that is either metered or bears an information based indicia.

In addition, Neopost USA would like to recommend that consideration is now given to the introduction of a work share discount or "Metered Mail Incentive" for small to mid-sized meter users who have, up until this point in time, been unable to take full advantage of work share discounts. Such an Incentive could be limited to single piece First Class mail that is fully automation compatible, carries a CASS certified address and evidences postage paid with an IBI indicia. It is suggested that the Incentive would be stand-alone and would not be bundled with other existing work share discounts. To further enhance the work share value to USPS, customers could also prepare their mail batches in trays and present these at their local Post Office or to the Letter Carrier identified by the Postal Service for this purpose.

Neopost USA believes that there is sufficient rationale for a permanent discount to be applied to the meter payment channel; however, the Incentive could initially be based on evidenced increases in First Class mail volume observed over a given period of time or, in the case of new users, the first year's mail volume. The current generation of postage meters has the ability to record and transmit usage information to USPS; in the view of Neopost USA, this data stream would greatly facilitate the reporting and accounting standards required for a successful and transparent introduction.

The Metered Mail Incentive as proposed would meet the requirement for workshare discounts as defined in 3622 (e) since it would provide the USPS with an opportunity to avoid incurring certain processing, handling and transportation costs. The characteristics of this mail - automation compatible, address accurate as a result of a CASS certification process, uniformly faced, trayed and deposited at either the local Post Office or with the nominated Carrier - render it significantly less costly to process and deliver than single piece First Class mail deposited in collection boxes. Published information from regulated postal markets in Europe suggests that the cost avoided can equate to around 25% of total costs incurred.

The proposed Incentive would align with USPS' ambition to extend access to the small business segment; meters provide a secure 24/7 access to postal products and services. Neopost USA believes that the potential exists not only to sustain current levels of postage expenditure within this key market segment but also to stimulate an increase in mail usage. A Neopost SA study of new meter users in France determined that in the first year of meter ownership their postage spend increased by 10% over the prior period. Similarly, a study by Royal Mail in the United Kingdom suggests that meter customers are more likely to use the products and services of public postal providers over other alternatives if they are equipped with a postage meter.

Globally, there is a growing trend by public postal operators towards providing preferential tariffs for metered mail as a means of not only growing mail volume but also of defending against mail substitution by competing media alternatives (e.g. email and internet). In the United Kingdom, a 22% preferential tariff is currently in place; over the three year period 2004-2007, the overall number of meter customers within the UK increased by 20%. Finland now has a 25% preferential tariff and France, Denmark, Germany, the Netherlands, Norway and Sweden all have similar meter mail incentives.

As outlined in the recently released 2011 USPS Quarter 1 Financial Report, First Class mail volume continues to decline and is projected to decrease by approximately 3 billion pieces this fiscal year (equivalent to 3.8% of total volume). Neopost USA believes that by encouraging the millions of small to medium business owners (over 1.2 million of which are meter users) to continue and extend their use of the mail medium, the key goals of the USPS Marketing Strategy as articulated by President and Chief Marketing/Sales Officer, Paul Vogel: "Protect the Base, Create innovate products and services, Grow new profitable revenue and volume and Improve the customer experience" could be met. A meter Incentive would move the "USPS Summer Sale" concept down market to a segment that many believe will be the principal engine for economic growth post recession.

Failure to address small and medium businesses as a discrete and specialized market for communication media risks marginalizing mail as a key communication channel of choice. As more and more businesses elect to switch to electronic substitution, the burden on the one price goes anywhere universal service principle is bound to increase in size. A marked decline in business mail volumes can only contribute further to the significant financial pressures already facing USPS.

Neopost USA thanks the Commission for the opportunity to provide these comments and requests their support for the introduction of a Meter Mail Incentive as detailed above.

Respectfully submitted.

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