

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Notice of Market Dominant)
Price Adjustment)
Docket No. R2013-10)

Comments of Stamps.com
(October 16, 2013)

Pursuant to Commission Order No. 1842 (September 27, 2013), Stamps.com submits these comments. Stamps.com is the leading provider of PC Postage. We thank the Commission for this opportunity.

Position of Stamps.com in This Proceeding. These comments address the proposal of the Postal Service to create a lower rate for Single-Piece First-Class metered letters, including letters with postage evidenced with information-based indicia (IBI),¹ which includes much of the mail of Stamps.com customers. As discussed in the sections below, Stamps.com (a) supports the lower rate for metered mail and (b) believes an additional step should be taken, though not necessarily in this proceeding, which would recognize pieces that also have cleansed addresses and IMb barcodes.

¹ See United States Postal Service Notice of Market-Dominant Price Adjustment (September 26, 2013), hereinafter Notice, at 17-19, 56, and Attachment A at 2-4.

A. THE PROPOSAL FOR A LOWER RATE FOR METERED FIRST-CLASS LETTERS IS WELL-ALIGNED WITH EFFICIENT RATEMAKING AND WILL IMPROVE THE EFFECTIVENESS OF THE POSTAL SERVICE. IT SHOULD BE APPROVED.

“In this docket, the Postal Service is introducing a new price for single-piece metered letters. The Metered mail category, as proposed, includes single-piece letters with postage affixed by meter, information-based indicia (IBI), permit imprint, or pre-cancelled stamps.” Notice at 18. The Postal Service notes the Commission has observed “there does not appear to be any obvious legal barrier” to such a rate (*Id.* at 19, USPS quoting PRC) and states that this rate “is expected to encourage the adoption of metered mail by small businesses” (*Id.*) and that by “encourage[ing] [them] to convert from using stamps to meters,” the new rate would “foster[] a more consistent use of the postal system for the transmission of outgoing messages and to grow their mail volume in the long run” (*Id.* at 20).

The Postal Service explains that its expectations concerning the effects of the new rate are consistent with “[e]xperience from foreign posts” and that the new rate will “result[] in: (1) customer convenience and productivity gains for mailers, particularly small and mid-size businesses; (2) operational savings for the Postal Service because there is less need for stamp production and less costs incurred for distribution and cancellation; (3) lower postal revenue-protection risk associated with theft of stamps; and (4) more cross-selling opportunities” (*Id.* at 20).

Stamps.com helps mailers use personal computers to apply postage and, at the same time, to achieve each of the results the Postal Service suggests. Most of our customers are small to medium-size businesses who have been left out of presort and other automation opportunities. Each IBI is unique and provides information on the

mailpiece, including the postage paid, the devices used, and the sender, and thus increases the security of the mail.

Stamps.com believes the meter rate will result in meaningful shifts from stamps to IBI, as well as in increases in overall volume. A similar phenomenon has occurred since 2007 and 2008 when discounts became available for online purchase of postage for various categories of Priority Mail and Express Mail. PC Postage revenues for these products have grown in excess of 30 percent on an annualized basis, despite drops during the period in overall volume.

In addition to an interest in volume growth and the qualitative characteristics of the mail, another benefit to recognizing PC Postage in prices is that Stamps.com customers spend about 40 percent on expedited services such as Priority Mail, while the average customer spends just 20 percent. Our research shows that the increased spending is due in large part to customers switching from FedEx and UPS since printing labels from our software is easy and convenient. So, as we attract more customers to our software, based on the lower rate, we expect these same customers to ship more packages through the Postal Service.

Finally, but not least important, providing lower rates for categories like PC Postage is in line with notions of economic efficiency and efficient component pricing (ECP). In its FY 2008 Compliance Determination, the Commission noted its view “that for mailers who might have control over decisions as to mail characteristics such as shape, the ECP concept goes beyond worksharing” (at 37). We submit that the qualities that come with IBI mail are as important as “shape.” In short, the meter rate should result in a more effective mailstream.

One additional matter deserves attention. In Attachment A to its Notice (at 2), The Postal Service proposes Mail Classification Schedule (MCS) language to support the new meter rate, and then provides the rates themselves. Two new categories are proposed: (1) “Machinable Metered Letters” and (2) “Nonmachinable Metered Letters – Either have an aspect ratio that does not fall between 1 to 1.3 and 1 to 2.5 inclusive or do not meet other machinable requirements.” Since mailpieces with IBI, permit imprint, and pre-cancelled stamps are important elements in the meter rate as proposed, Stamps.com believes they should be noted in the MCS language. If details concerning aspect ratios are warranted, so are details on non-meter options. One way to do this would be to state the categories as follows, using the Attachment-A notation:

- Machinable Metered, IBI, Permit Imprint, and Pre-cancelled Stamp Letters
- Nonmachinable Metered, IBI, Permit Imprint, and Pre-cancelled Stamp Letters – Either have an aspect ratio that does not fall between 1 to 1.3 and 1 to 2.5 inclusive or do not meet other machinability requirements.

B. AT SOME POINT, THOUGH NOT NECESSARILY IN THIS PROCEEDING, A FURTHER STEP SHOULD BE TAKEN AND A DISCOUNT SHOULD BE INTRODUCED FOR “QUALIFIED PC POSTAGE,” A CATEGORY PRESENTED AND DESCRIBED BY STAMPS.COM IN DOCKET NO. RM2009-3.

In its Initial Comments (May 26, 2009) in Docket No. RM2009-3 (Consideration of Workshare Discount Methodologies), Stamps.com clarified a potential rate category that had been in the works for some time, calling it Qualified PC Postage (QPCP). It would apply to single-piece First-Class machinable letters, but would go well beyond the instant proposal for metered mail and require (a) a full IMb (including mailpiece numbers, called Serial Numbers in the IMb nomenclature) and (b) an address verified

with the Postal Service's Address Matching System (AMS) database using CASS certified software, often referred to as a cleansed address.

Stamps.com has the capability of supporting QPCP mail, updating its AMS database monthly, which exceeds the requirement for most automation discounts. But, due to the need for extra effort on the part of both the mailer and Stamps.com, very little such mail is now being prepared. In calendar year 2012, about \$30,000,000, less than 3% of our customer's postage would have qualified. The decision to proceed to the QPCP level must be made by the mailer. The benefit of it would accrue in limited part to the mailer, but mainly to the Postal Service. And because of the small volume at this point, the implications for the price cap calculations would seem negligible.

Although some things have changed in recent years, such as the IMb and the phase-out of the Postnet code, issues relating to a special rate for PC Postage go back to at least Docket No. R2000-1, in which evidence was presented on a number of related matters. In the end, the Commission recommended "a 'shell classification' for IBIP prepared mail. ... [explaining that it] must be automation compatible and not exceed the 3.3-ounce automation breakpoint in weight [and] must utilize a FIM, have an address that has been verified against a Postal Service approved database, and have a full delivery point POSTNET barcode." *Op.* at 272, ¶ 5190.

Stamps.com would appreciate the Commission supporting further consideration to a QPCP rate. It would have the same small-business focus as the meter rate. It would allow tracking and tracing, and would permit service measurement. We control the contrast characteristics of the ink and the paper used, and the paper is supported firmly during the printing process. The discount need not be rounded to a whole cent.

We feel many mailers would move toward it, benefitting all concerned. We find it to be consistent with the ratemaking guidance in title 39.

C. CONCLUSION

For the reasons discussed above, Stamps.com seeks (a) approval of the meter rate as proposed, with improved MCS language as suggested in Section A above, and (b) the support of the Commission in the direction of taking another step and arranging a suitable rate for Qualified PC Postage.

Respectfully submitted,

s/Seth Weisberg

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