

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

Regulations Establishing System Of Ratemaking)
Docket No. RM2007-1)
)
)
)

SUBMISSION OF COMMENTS

Pursuant to the Commission's August 29, 2007 Order, Stamps.com is pleased to present these comments on the Postal Regulatory Commission's August 15, 2007 proposed rules for implementing a modern system of rate regulation.

We commend the Commission for seeking and evaluating comments from a wide range of interested parties, holding regional hearings, and working diligently to produce a draft set of proposed regulations just eight months after the enactment of the Postal Accountability and Enhancement Act (PAEA). The PRC has issued its draft regulations to implement a modern system of rate regulation a full 10 months before the PAEA deadline for implementation. Considering the vast changes in the postal ratemaking process envisioned by the PAEA, the potential complexity involved in "filling in the blanks," and the need to rewrite its own regulations to implement the PAEA, this is truly a remarkable achievement. The PRC's prodigious efforts will also allow the Postal Service to promptly take advantage of the flexibility provided in the new ratemaking system. Future rate and classification changes may thus proceed under the principles set out in the PAEA, rather than under the vestiges of the old system it replaced.

We also commend the Commission on the overall nature of the draft regulations. While we provide suggestions for revising specific proposed regulations, and encourage the Commission to promptly issue regulations to implement section 203 of the PAEA (39 U.S.C. § 3641) for new and experimental products, the regulations provide the Postal Service with a high degree of flexibility and are consistent with the principles set out in the PAEA.

Application of CPI price cap

We fully agree with the Commission's decision that the CPI price cap for market dominant products should apply only at the class level and not at the subclass level. The Commission correctly notes that applying the CPI price cap at the subclass level would be cumbersome. The Postal Service should be afforded the necessary flexibility of making rate adjustments within a class and it should be expected that some subclass rates will be above, and some will be below, the cap. As long as the class as a whole is within the rate cap, Congress's purpose has been accomplished.

Modifications to Mail Classification Schedule

We also strongly favor the Commission's regulations concerning the method by which the Postal Service may modify product descriptions in the Mail Classification Schedule. The proposed regulations at § 3200.91 - .92 allow the Postal Service to modify the Mail Classification Schedule by submitting the proposed change to the Commission 15 days prior to the effective date of the proposed change. The Commission will review the proposed modifications only for formatting, structure, and editorial purposes, and will then update the

Schedule. This is in keeping with the PAEA's intentions of allowing the Postal Service to act quickly to ensure that product offerings are up-to-date.

Market Tests of Experimental Products

While the Commission has done much work, it has not yet issued proposed regulations to implement section 203 of the PAEA (39 U.S.C. § 3641), which provides the Postal Service much-needed freedoms for introducing and market-testing new and experimental products. Under this portion of the new law, the Postal Service is given greater flexibility to develop, introduce, and bring to the market-place new and experimental products. This greater flexibility to act nimbly in the market-place was a highly touted feature of the Act. Experimental products are key to the Postal Service's future, as today's experimental products may become tomorrow's mainstay products. The Postal Service should be allowed to immediately take advantage of the freedoms afforded by the PAEA in this area, and should not be thwarted by the lack of implementing regulations. Therefore, we continue to urge the Commission to develop regulations enacting this authority as soon as possible, and in no event later than November 2007, so that there will be no delay in the Postal Service's first market tests, which could begin as early as January 2008.

Stamps.com's June 15, 2007 comments, accepted by the Commission on June 18, 2007, provided our proposed set of rules for market tests of new and experimental products. Our proposed rules were developed before the Commission had released its proposed rules on August 15, 2007, so we could not compare them to the Commission's overall regulatory scheme. We have now had an opportunity to review the Commission's proposed rules and were pleased to see that the Commission's proposed rules would mesh well with the market test rules we proposed.

We strongly encourage the Commission to now turn its attention to issuing its proposed rules for this important and extremely beneficial aspect of the PAEA.

Workshare Discounts

We support the Commission's proposed requirements that when new workshare discounts are established, the Postal Service must file a statement explaining its reasons for establishing the discount. PAEA contemplates that the Postal Service will explain its reasons for adjusting and setting rates, so this is appropriate and consistent with Congressional intent.

We caution the Commission, however, on burdening the Postal Service with unnecessary requirements. Under proposed rule 3100.14(c), which would apply when the Postal Service seeks to employ new workshare discounts, USPS would be required to provide the Commission with "*All data, economic analyses, and other information believed to justify the discount*" (emphasis added). This is too broad a requirement. There may be many different justifications that support a new workshare discount, and many different sets of data and analyses that support these different justifications. The Postal Service may thus "believe" in many different justifications for a workshare discount but may not be able to fully substantiate all of them. USPS should not be required to produce all information relating to its "believed" justifications if USPS is relying on only one, or a few, of the many different justifications it could draw on to support a new workshare discount. USPS should be required to produce only the data and analyses that underlie the justifications it formally is relying on for institution of the new discount.

Conclusion

The Commission's proposed regulations for implementing the PAEA's modern system of postal ratemaking are right on track, and a positive step toward providing the Postal Service the flexibility it needs to react quickly to marketplace conditions. We encourage the Commission to promptly release proposed regulations implementing section 203 of the PAEA on new and experimental products. We also ask the Commission to slightly revise its proposed regulations regarding new workshare discounts to make clear that USPS need only provide the data and analyses it is relying to support the discounts, not all possible justifications it may happen to believe in.

We look forward to working with the Postal Service and the Commission to ensure that PAEA's goals of a successful, nimble, and businesslike public service agency are achieved.

Respectfully submitted,

Seth Weisberg
Vice President and General Counsel
Stamps.com
12959 Coral Tree Place
Los Angeles, CA 90066-7020
Voice: (310) 482-5808
Fax: (310) 482-5818
sweisberg@stamps.com