

DIRECT TESTIMONY

OF

JAMES F. CALLOW

ON BEHALF OF

THE OFFICE OF CONSUMER ADVOCATE

September 6, 2006

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DIRECT TESTIMONY
OF
JAMES F. CALLOW

1 I. STATEMENT OF QUALIFICATIONS

2 My name is James F. Callow. I am a Postal Rate and Classification Specialist. I
3 have been employed in the Office of Consumer Advocate (OCA) since February 1995.

4 I have testified before the Commission in Docket Nos. MC2002-2, R2000-1,
5 MC98-1, R97-1, MC96-3, and MC95-1. My testimony in Docket No. MC2002-2
6 proposed, as alternatives to the principal features of the Capital One Negotiated
7 Service Agreement, two new experimental mail classifications whereby First-Class
8 mailers that improved their address databases would receive free electronic address
9 correction notices, and access to declining block rates.

10 In Docket No. R2000-1, I examined three issues related to First-Class Mail. I
11 proposed that the rate for single-piece letters be maintained at 33 cents in order to
12 mitigate the growing institutional cost burden on First-Class Letter Mail. Second, I
13 proposed a new approach for setting the single-piece First-Class rate that would
14 provide a longer period of rate stability for household mailers, while permitting smaller,
15 more predictable rate adjustments desired by business mailers. Finally, I proposed
16 elimination of the nonstandard surcharge for First-Class "low aspect ratio" (e.g., square
17 or nearly square) letter mail. I also testified on rebuttal in Docket No. R2000-1. That
18 testimony addressed the proper methodology for forecasting the number of additional
19 ounces per piece for single-piece First-Class Letter Mail in the test year.

20 My testimony in Docket No. MC98-1 proposed a computer-implemented postage
21 pricing formula for Mailing Online as an alternative to the single average discount rate,

1 Automation Basic (within class and shape), proposed by the Postal Service for all
2 mailings using Mailing Online. In Docket No. R97-1, I proposed a restructuring of post
3 office box fee groups to better reflect costs of providing box service in high and low cost
4 post offices. My testimony in Docket No. MC96-3 opposed the Postal Service's non-
5 resident surcharge on post office boxholders, and proposed alternative box fees
6 designed to equalize inter-group cost coverage and reduce the disparity in cost
7 coverage by box size. In Docket No. MC95-1, I summarized the comments of persons
8 expressing views to the Commission and the Office of Consumer Advocate on postal
9 rates and services.

10 Prior to joining the OCA, I was a special assistant to H. Edward Quick,
11 Commissioner of the Postal Rate Commission. In that capacity, I advised the
12 Commissioner in Docket Nos. R94-1, MC93-2 and MC93-1. I was previously employed
13 by the State of Michigan in Washington, and served on the staff of a Senator and a
14 Member of Congress from Michigan.

15 I am an accountant by training. In 1985, I earned an MS degree in accounting
16 from Georgetown University. My course work included cost accounting and auditing. In
17 1977, I obtained my BA degree from the University of Michigan-Dearborn with a double
18 major in political science and history and a minor in economics.

19

1 II. PURPOSE AND SCOPE

2 The purpose of my testimony is twofold. First, I propose an alternative set of
3 fees for Confirm service. In order to cover the attributable costs of Confirm service and
4 make a reasonable contribution to institutional costs, I propose to retain the existing
5 structure of fees and simply adjust current fees, in contrast to the Postal Service, which
6 proposes a fundamental restructuring of the existing fee schedule. My proposed fees
7 produce a cost coverage of 127.3 percent that is consistent with the Postal Service's
8 proposal while preserving the benefits of the existing "subscription-based" fee
9 schedule—that of encouraging the expanded use of Confirm service for use in
10 promoting service performance measurement. OCA-T-5, Attachment 1, filed
11 concurrently with this testimony, presents the development of my proposed fees for
12 Confirm service.¹

13 Second, I propose retention of the current requirement that mailers provide an
14 electronic "preshipment" notification for every outgoing Confirm mailing. Retaining this
15 requirement, which serves to "start the clock" for the Confirm mailings, is essential to
16 developing transparent, system-wide service performance measurement for business
17 mail. The Postal Service's proposal to delete this requirement from section 991.31 of
18 the Domestic Mail Classification Schedule should be rejected by the Commission.

19

¹ OCA-T-5, Attachment 1, Excel file "OCA-T-5_Att1-Confirm.xls."

1 III. THE POSTAL SERVICE PROPOSES A FUNDAMENTAL RESTRUCTURING
2 OF THE EXISTING FEE SCHEDULE FOR CONFIRM SERVICE THAT WILL
3 INCREASE COSTS FOR, AND REDUCE USAGE BY, CONFIRM
4 SUBSCRIBERS

5 In this proceeding, the Postal Service proposes a fundamental restructuring of
6 the schedule of fees for Confirm—a special service that provides mailers with near real-
7 time tracking information on outgoing and incoming automation-compatible mailpieces
8 entered as First-Class Mail, Standard Mail, or Periodicals.² The testimony of Postal
9 Service witness Drew Mitchum (USPS-T-40) presents the proposed fees and changes
10 to the mail classification schedule for Confirm service.

11 The Postal Service maintains that restructuring of the existing fee schedule is
12 “intended to generate revenue adequate to cover Confirm costs . . . [so that] the Postal
13 Service can continue offering Confirm Service.”³ In this regard, the proposed fee
14 schedule produces a cost coverage of 126.3 percent.⁴

15 Restructuring of the existing fee schedule is unnecessary to cover the costs of
16 Confirm service. The Postal Service’s goal of covering Confirm service costs can be
17 achieved better by simply adjusting current fees. Moreover, restructuring fees as
18 proposed represents a significant departure from the original subscription-based pricing
19 approach presented by the Postal Service and recommended by the Commission in
20 Docket No. MC2002-1. As a result, the Postal Service’s plans to restructure the
21 existing fee schedule will discourage usage by imposing significantly higher fees on

² See U.S. Postal Service, *Confirm Users Guide*, Publication 197 (September 2004), at 1.

³ Tr. 14/3937 (OCA/USPS-T40-16).

⁴ USPS-T-40 (Mitchum), at 19.

1 most Confirm subscribers, and further diminish Confirm service as a tool for measuring
2 service performance by business mailers and the Postal Service.

3 A. The Existing Subscription-Based Fee Schedule is Eliminated in Favor of
4 Transaction-Based Fees to Generate Revenues

5 To generate sufficient revenues to cover Confirm service costs, the Postal
6 Service abandons its current subscription-based fee schedule and relies to a greater
7 extent on transaction-based fees. Accordingly, the Postal Service proposes to
8 eliminate the three subscription-based service levels for Confirm service. Silver, Gold,
9 and Platinum subscriptions would be replaced with a single annual user fee of \$5,000,
10 which includes 1 million “units.”⁵

11 The Postal Service also proposes to replace the existing block purchase of
12 additional scans with a transaction-based user fee based upon “units.” As proposed,
13 additional “units” may be purchased in blocks of 1 million according to a schedule of
14 fees that decrease as the number of blocks purchased increase beyond certain
15 specified minimum quantities or thresholds. This “declining block user fee” allows users
16 to purchase additional blocks one through nine for a fee of \$70 each. Purchases of the
17 next 90 blocks (i.e., 10 to 99 blocks) are available for a fee of \$35 each. Users
18 intending to purchase in excess of 99 blocks during the annual subscription period can
19 do so for a fee of \$17.50 each.⁶ The Postal Service also proposes fees of \$2,000 and
20 \$750 for annual and quarterly Additional Identification (ID) Codes, respectively.

⁵ USPS-T-40 (Mitchum), at 17.

⁶ Id.

1 In addition, for the first time with respect to Confirm service, the pricing of
2 additional blocks is to be based on “units” rather than scans—the basis for pricing
3 additional blocks under the existing fee schedule. For First-Class Mail, each scan will
4 equal one unit, while each Standard Mail and Periodicals scan will be set at 5 units.⁷

5 The Postal Service’s proposed fees generate Test Year (FY 2008) revenues of
6 \$1,517,297.⁸ Confirm service costs, both attributable and institutional, are estimated at
7 \$1,189,000.⁹ Including a contingency of 1 percent, total Confirm service costs are
8 \$1,200,890.¹⁰ The resulting cost coverage in the test year is 126.3 percent.¹¹

9 Table 1 presents the Postal Service’s proposed fees for Confirm service.

⁷ Id.

⁸ USPS-LR-L-124 (REV 7-3-06), Excel file “REV-USPS-LR-124 7-3-06.xls,” worksheet tab “WP-4 Confirm.”

⁹ USPS-LR-L-59, Attachment 17, page 1 of 1.

¹⁰ USPS-T-40 (Mitchum), at 19.

¹¹ Id.

Table 1
CONFIRM SERVICE
USPS Proposed Fees

Annual User Fee	\$5,000
Additional Block User Fee (per 1 million "units")	
Blocks 1 - 9	\$70.00
Blocks 10 - 99	\$35.00
Blocks 100 +	\$17.50
Additional ID Code Fees	
Annual	\$2,000
Quarterly	\$750
Units per Scan	
First-Class Mail	1
Other Mail Classes	5

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B. Restructuring the Existing Subscription-Based Fee Schedule Will Adversely Affect Confirm Subscribers and Reduce Usage

The Postal Service’s combined annual user fee plus declining block user fees will reduce the use of Confirm service by subscribers in response to costs that rise with usage. Current Silver subscribers, depending upon the number of quarterly subscriptions purchased during the year and use of First-Class Mail scans, will experience fee changes ranging from -14 to 189 percent.¹² Silver subscribers that purchased one, two, or three quarterly subscriptions will pay between 5 and 189 percent more than currently as combined total fees (i.e., the annual user fee plus declining block user fees) rise with usage.¹³ Only Silver subscribers that purchased

¹² OCA-T-5, Attachment 1. As discussed below, the effective cost per scan for Standard Mail or Periodicals scans is five-times higher as compared to First-Class Mail scans.

¹³ Id.

1 four sequential quarterly subscriptions will experience a decrease in combined total
 2 fees of between -8 and -14 percent under the Postal Service's proposal.¹⁴ In addition,
 3 current Gold subscribers using First-Class Mail scans will pay higher combined total
 4 fees that rise 11 to 55 percent with usage under the Postal Service's proposal.¹⁵

5 For Platinum subscribers using only First-Class Mail scans, combined total fees
 6 increase from -50 percent for 1 million scans, to 101 percent for 750 million scans, up to
 7 145 percent for 1 billion scans.¹⁶ For Platinum subscribers purchasing the average
 8 number of First-Class Mail and Standard Mail scans per block of 1 million units, the
 9 increase in combined total fees is even greater.¹⁷ Combined total fee increases range
 10 from -50 percent for 1 million scans, to 179 percent for 170 million scans, to 463
 11 percent for 750 million scans, up to 585 percent for 1 billion scans.¹⁸

12 The only way for Platinum subscribers to avoid such rising fees is to limit usage.
 13 According to the Postal Service, "[a]ny [Platinum] subscriber[s] who chose to use fewer
 14 than 169,000,000 units would pay less under the proposed fee schedule."¹⁹ (Emphasis

¹⁴ Id. Information on the number of mailers that purchased one, two, three or four quarterly Silver subscriptions during Fiscal Years 2003, 2004, and 2005 is not available from the Postal Service. Tr. 14/3975 (OCA/USPS-T40-56(a)).

¹⁵ OCA-T-5, Attachment 1. The Postal Service claims that the maximum number of scans used by any current subscriber is near 750 million. Tr. 14/4144.

¹⁶ OCA-T-5, Attachment 1.

¹⁷ Tr. 14/3957 (OCA/USPS-T40-29).

¹⁸ OCA-T-5, Attachment 1.

¹⁹ Tr. 14/3976 (OCA/USPS-T40-57). The Postal Service estimates that a user could purchase 168 additional blocks and still spend less than the current \$10,000 Platinum subscription fee, calculated as follows: the \$5,000 annual user fee plus \$4,987.50 ((9 * \$70) + (90 * \$35) + (69 * \$17.50)) in declining block user fees. This estimate is incorrect. The correct estimate, 172 additional blocks, would permit the user to spend less than the current \$10,000 subscription fee: \$9,987.50 ((1 * \$5,000) + ((9 - 1) * \$70) + ((99 - 9) * \$35) + ((172 - 99) * \$17.50)). OCA-T-5, Attachment 1.

1 added) Based upon current usage, sixteen Platinum subscribers will pay combined
2 total fees higher than the \$10,000 subscription fee.²⁰ However, all Platinum subscribers
3 lose the option of unlimited scans—a current feature of the existing Platinum
4 subscription service.

5 More significantly, by varying the number of scans acquired per “unit,” costs will
6 be significantly higher for all Confirm subscribers that use scans of Standard Mail and
7 Periodicals, further depressing demand. As described previously, the pricing of
8 additional blocks is to be based on “units, with each First-Class Mail scan equal to one
9 unit, and each Standard Mail scan equal to 5 units. While the nominal price (i.e., \$70,
10 \$35, or \$17.50) per additional block of 1 million units will be the same for all users, the
11 cost per scan for Standard Mail and Periodicals will be five-times higher as compared to
12 First-Class Mail.²¹ For example, users purchasing five additional blocks of 1 million
13 units from the 1st to 9th block will pay \$350 (five additional blocks at \$70 per block) for
14 5,000,000 First-Class Mail scans, at a per scan cost of \$0.00007. By contrast, users
15 purchasing five additional blocks of 1 million units from the 1st to 9th block will pay \$350
16 for 1,000,000 Standard Mail scans, at a per scan cost of \$0.00035.²²

17 The Postal Service provides no basis for its plan to effectively charge different
18 prices for scan data based upon the class of mail. Such differential pricing of scans is

²⁰ Id.

²¹ This form of unit pricing is similar to that commonly found at amusement parks, where tickets for rides are all set at one price, say 25 cents, and tickets are purchased in blocks of \$10 or \$20. A different number of tickets is required for each ride—1 ticket for a merry-go-round, and 5 tickets for the sky rocket. In that case, it is apparent that prices vary because of the cost of the ride and the popularity.

²² Tr. 14/3934 (OCA/USPS-T40-14(a)-(d)).

1 arbitrary and not based upon cost. The cost per passive scan to the Postal Service of a
2 barcoded mailpiece of First-Class Mail or Standard Mail is the same.²³

3 Overall, the Postal Service's proposed fees will adversely affect demand for
4 Confirm service. The Postal Service's higher combined total fees are expected to
5 reduce the number of mailings with PLANET Code barcodes, or cause users to begin
6 seeding their mailings with PLANET Codes.²⁴ In this regard, the Postal Service
7 estimates a decrease in demand of 10 percent from current usage.²⁵

8

²³ Tr. 14/3958 (OCA/USPS-T40-30(b)).

²⁴ Tr. 14/4173 and 4164. Subscribers use PLANET Code barcodes to generate scan data from their mailings. Such barcodes contain mailer-embedded information that generates data records when scanned on certain automated mail processing equipment. The resulting data records are provided to the mailer electronically. U.S. Postal Service, *Confirm Users Guide*, Publication 197 (September 2004), at 2.

²⁵ Tr. 14/4132 (Response of Postal Service Witness Mitchum to POIR No. 4, Question 3)

1 IV. STRUCTURING THE FEE SCHEDULE TO RELY ON TRANSACTION-BASED
2 FEES WAS PREVIOUSLY REJECTED BY THE POSTAL SERVICE BECAUSE
3 IT WOULD DISCOURAGE EXPANDED USAGE OF CONFIRM SERVICE

4 Postal Service changes in the schedule of fees for Confirm service represent a
5 significant departure from the subscription-based pricing approach proposed by the
6 Postal Service in Docket No. MC2002-1, which established Confirm service as a
7 permanent mail classification.²⁶ In that proceeding, the Postal Service presented a
8 sound rationale for pricing Confirm service based primarily upon subscription fees
9 rather than transaction-based fees. That rationale, to encourage Confirm usage,
10 remains as valid today as when it was presented in Docket No. MC2002-1.

11 A. The Existing Subscription-Based Fee Schedule Was Designed to
12 Promote Expanded Usage of Confirm Service to Facilitate Service
13 Performance Measurement

14 In Docket No. MC2002-1, Postal Service witness Kiefer (USPS-T-5) articulated
15 the original rationale for proposing a subscription-based fee structure. According to
16 witness Kiefer, widespread usage of Confirm service offered the “greatest benefits” to
17 the Postal Service by providing a “novel view of its operations that may lead to
18 important performance measurement benefits.”²⁷

19 Under the three-tier subscription-based fee structure, subscribers pay a fixed fee
20 for a specified period of time and level of service—either Silver, Gold, or Platinum.
21 Subscribers pay no additional transaction or other fee for the use of Confirm service

²⁶ See *generally* PRC Op. MC2002-1 “Opinion and Recommended Decision Approving Stipulation and Agreement”.

²⁷ Docket No. MC2002-1, USPS-T-5 (Kiefer), at 3.

1 during their subscription period.²⁸ As an option, however, Silver and Gold subscribers
2 could purchase additional blocks of scans. This “service expansion” feature, along with
3 the ability to purchase Additional ID codes, permitted subscribers to tailor Confirm to
4 meet their own requirements without graduating to a higher tier.²⁹

5 This form of subscription-based pricing is comparable to current “internet” pricing
6 models, featuring “limited hours of use available for a lower rate, and unlimited service
7 for a higher rate.”³⁰ In the case of Confirm service, the subscription-based fee model is
8 designed to “encourage Confirm[®] subscribers to place barcodes on all their mail rather
9 than limiting usage to occasional mailings, or seeding barcodes within mailings.”³¹

10 B. A Transaction-Based Fee Schedule for Confirm Service Scan Data Was
11 Specifically Rejected Because It Would Discourage Expanded Usage

12 In proposing the subscription-based fee structure in Docket No. MC2002-1,
13 Postal Service witness Kiefer (USPS-T-5) specifically rejected a “transaction-based”
14 pricing approach—the approach now proposed by the Postal Service. Such an
15 approach, whereby customers pay a set price for every postal product or service
16 purchased, would produce “undesirable outcomes,” including discouraging expanded
17 usage of Confirm service. According to witness Kiefer,³²

18 Once the Confirm[®] hardware and software are in place, the cost of
19 additional scans is extremely small. A transaction based price would

²⁸ See *Id.*, at 4.

²⁹ *Id.*, at 7.

³⁰ Lubenow, *The Case of Confirm: Postal Pricing and Public Goods*, PostCom Bulletin 23-06 (June 2, 2006), at 2.

³¹ Docket No. MC2002-1, USPS-T-5 (Kiefer), at 4.

³² *Id.*

1 accordingly exceed the true marginal cost by a large factor. This would
2 be economically inefficient pricing . . .

3 Foremost among the undesirable results of a transaction-based fee is that it
4 would “lead some potential customers to restrict usage by barcoding only some
5 mailings or by just ‘seeding’ barcoded pieces within a larger mailing.”³³ Moreover, the
6 resulting limited use of barcoded mailpieces “both diminishes the value of information
7 received by the customer and, more critically, impairs use of the Confirm[®] product for
8 measuring operational performance.”³⁴

9

³³ Id.

³⁴ Id.

1 V. THE POSTAL SERVICE'S GOAL OF COVERING THE COSTS OF CONFIRM
2 SERVICE CAN BE ACHIEVED BETTER BY RETAINING THE EXISTING FEE
3 SCHEDULE AND ADJUSTING CURRENT FEES

4 As an alternative to restructuring the existing fee schedule, the Postal Service's
5 goal of covering the costs of Confirm service can be achieved better by retaining the
6 existing fee schedule and adjusting current fees. I propose fees that avoid the risk of
7 revenue deficiency from reduced demand caused by the Postal Service's higher
8 combined total fees, while preserving the benefits of the existing fee schedule—
9 encouraging expanded usage of Confirm service.

10 In developing my alternative set of fees for Confirm service, I address the
11 following concerns:

12 Retain the existing Silver, Gold, and Platinum service levels;

13 Cover the costs of Confirm service with a cost coverage slightly above the cost
14 coverage proposed by the Postal Service;

15 Encourage the expanded use of Confirm service by preserving the subscription-
16 based "internet" pricing model, including the "service expansion" features.

17 Declining block user fees proposed by the Postal Service will discourage
18 expanded use of Confirm service because such fees produce consistently higher
19 combined total fees for Gold subscribers, and will replace the current option of
20 unlimited scans for Platinum subscribers.

21 Eliminate the declining block user fees based upon "units," which permits the
22 differential pricing of scan data as between First-Class Mail and the "other" (i.e.,
23 Standard Mail and Periodicals) mail classes.

1 Minimize the potential loss of subscribers by holding fees constant for Silver
2 subscribers and increasing them modestly for Gold subscribers, while assigning
3 the largest fee increases to large-volume Platinum subscribers in exchange for
4 preserving the option of unlimited scans.

5 To address these concerns, I propose fee increases of 0 percent, 16 percent,
6 and 95 percent for the Silver, Gold, and Platinum subscription services, respectively. I
7 propose no change in the fees for additional scans for Silver and Gold subscribers, and
8 a 50 percent increase in the fee for a quarterly Additional ID code. These fees produce
9 test year revenues of \$1,529,050 and a cost coverage of 127.3 percent, based upon
10 Test Year (2008) total costs of \$1,200,890.

11 Table 2 below compares current fees for Confirm service, and the proposed fees
12 of the Postal Service and the OCA.

Table 2
CONFIRM SERVICE
Comparison of Current Fees, and Proposed Fees of USPS and OCA

	<u>Current Fees</u>	<u>USPS Proposed</u>		<u>OCA Proposed</u>	
		<u>Fees</u>	<u>% Change</u>	<u>Fees</u>	<u>% Change</u>
Subscriber/Annual User Fee					
Silver (3 Month)	\$2,000	\$5,000	Varies	\$2,000	0.0%
Gold	\$4,500	\$5,000	11.1%	\$5,200	15.6%
Platinum	\$10,000	\$5,000	-50.0%	\$19,500	95.0%
Additional Block User Fee (per 1 million "units")					
Blocks 1 - 9	NA	\$70.00	NA	NA	NA
Blocks 10 - 99	NA	\$35.00	NA	NA	NA
Blocks 100 +	NA	\$17.50	NA	NA	NA
Additional Block Scan Fee					
Silver (blocks of 2 million)	\$500	NA	NA	\$500	0.0%
Gold (blocks of 6 million)	\$750	NA	NA	\$750	0.0%
Additional ID Code Fees					
Quarterly	\$500	\$750	50.0%	\$750	50.0%
Annual	\$2,000	\$2,000	0.0%	\$2,000	0.0%
1	Cost Coverage		126.3%		127.3%

2 The Postal Service, in estimating test year Confirm service revenue of
3 \$1,517,297, assumes that “the number of subscriptions will be the same as in the base
4 year.”³⁵ Base Year (FY 2005) subscriptions for the Silver, Gold, and Platinum service
5 levels were 16, 119 and 45, respectively.³⁶ Assuming the same number of
6 subscriptions in the base year as the test year is wholly speculative given the large
7 increase in combined total fees under the Postal Service’s proposed fee schedule.

8 I assume the same number of subscriptions in the test year as in the base year.
9 This follows from the fact that I do not propose an increase in the Silver subscription

³⁵ Tr. 14/3938 (OCA/USPS-T40-17(b)-(c)).

1 fee, and therefore do not expect a change in the number of Silver subscriptions. In
2 addition, I propose a modest increase of 15.6 percent in the Gold subscription fee.
3 Depending upon usage, this increase is less than the combined total fees (i.e., the
4 annual user fee and the declining block user fee) proposed by the Postal Service. As
5 discussed previously, combined total fees increase from 11 percent for a Gold
6 subscriber using only 1 million First-Class Mail scans, up to 55 percent for a subscriber
7 using 50 million scans. Under my proposal, any Gold subscriber using between 4
8 million and 50 million First-Class Mail scans will pay less compared to the combined
9 total fees proposed by the Postal Service.³⁷ In view of the fact that the Postal Service
10 estimates no loss of Gold subscribers, with considerably larger fee increases than I
11 propose, it appears reasonable to conclude that my proposed fees will not result in a
12 decrease in the number of Gold subscribers.

13 For Platinum subscribers, I propose a fee increase that preserves for large-
14 volume users the option of unlimited scans for a fixed subscription fee. Consequently,
15 Platinum subscribers were assigned the largest fee increase of \$9,500, representing an
16 increase of 95 percent. I assume such an increase will have little or no effect on the
17 number of Platinum subscribers. For larger mailers that track their mail using the
18 Platinum subscription service, a \$9,500 fee increase relative to total postage costs in
19 the millions or hundreds of millions of dollars annually is quite small when amortized
20 over millions of mailpieces.

³⁶ USPS-LR-L-124 (REV 7-3-06), Excel file "REV-USPS-LR-124 7-3-06.xls," worksheet tab "WP-4 Confirm."

³⁷ OCA-T-5, Attachment 1.

1 With respect to the purchase of Additional ID codes, I assume, like the Postal
2 Service, that no revenue will be generated from such purchases in the test year.³⁸
3 However, to the extent there are purchases of Additional IDs, additional revenue would
4 be generated, increasing the cost coverage of Confirm service beyond the 127.3
5 percent that I propose.
6

³⁸ USPS-LR-L-124 (REV 7-3-06), Excel file "REV-USPS-LR-124 7-3-06.xls," worksheet tab "WP-4 Confirm;" see *also* Tr. 14/3921 ("mailers would be unlikely to buy additional IDs when they were no longer necessary, resulting in a reduction in the number of additional IDs." MMA/USPS-T40-2(e)).

1 VI. OCA'S PROPOSED FEES FOR CONFIRM SERVICE SATISFY THE PRICING
2 CRITERIA OF THE POSTAL REORGANIZATION ACT

3 The pricing criteria for postal rates and fees are enumerated in Section 3622(b),
4 paragraphs one through nine, of the Postal Reorganization Act. In developing the
5 proposed fees for Confirm service, I considered the following pricing criteria.

6 Criterion number one refers to "the establishment and maintenance of a fair and
7 equitable schedule." My proposed fees are fair and equitable. I propose no increase in
8 fees for Silver subscribers. Moreover, the fees I propose for Gold and Platinum
9 subscribers are designed to preserve Confirm service as a service option for business
10 mailers.

11 The second criterion directs that consideration be given to "the value of the mail
12 service actually provided." The fees I propose for Confirm service offer business
13 mailers an affordable means to obtain valuable tracking information about their
14 mailpieces. This information will help mailers improve their business operations by
15 more effectively managing direct mail marketing campaigns and responding to incoming
16 customer inquiries, orders, etc. Moreover, the three-tier subscription-based fee
17 schedule permits business mailers to size their use of Confirm to meet their specific
18 needs.

19 The third criterion—recovery of attributable costs—requires that revenues for
20 each mail class or service be at least equal to the attributable costs for that class or
21 service. The fees I propose cover the attributable costs of Confirm service and make a
22 reasonable contribution to the system-wide institutional costs of the Postal Service.
23 The resulting cost coverage—127.3 percent—is slightly more than the cost coverage
24 proposed by the Postal Service.

1 Criterion number four concerns “the effect of rate increases.” Silver subscribers
2 will not experience an increase in fees under my proposal. For Gold subscribers, the
3 fees I propose represent a modest increase since the establishment of Confirm service
4 four years ago. In this regard, my proposed fee increase of 15.6 percent approximates
5 the 5.4 percent system-wide average fee increase resulting from Docket No. R2005-1
6 and the proposed 8.5 percent average increase proposed in this proceeding. For
7 Platinum subscribers, a service level suitable for large-volume mailers, the fee increase
8 of 95 percent, while sizeable in percentage terms, partially reflects fee increases since
9 Confirm service commenced. Also, the additional increase is small in dollar terms
10 relative to the postage paid by such large-volume Confirm users.

11 The fifth criterion directs consideration to the role of available alternatives at
12 reasonable cost. In addition to hardcopy mail service, numerous options exist for
13 business mailers and their customers to communicate orders, payments, statement of
14 accounts and solicitations, including fax, email, and other forms of electronic
15 communications. By providing near real-time tracking of mailpieces, Confirm service
16 enhances the value of hardcopy mail, allowing it to compete more effectively against
17 electronic alternatives.

18 The sixth criterion concerns “the degree of preparation of the mail . . . and its
19 effect upon reducing costs to the Postal Service.” Retaining the existing subscription-
20 based fee structure encourages the expanded usage of Confirm service by mailers.
21 Moreover, expanded usage of Confirm service increases the information value of scan
22 data to the Postal Service, which can be used to monitor and evaluate operations,
23 thereby improving efficiency and reducing Postal Service costs.

1 Criterion number seven refers to the “simplicity of structure for the entire
2 schedule and simple, identifiable relationships between the rates or fees charged.” I
3 propose to adjust current fees and make no changes in the existing fee structure.
4 Consequently, the existing identifiable fee relationships are retained.
5

1 VII. THE REQUIREMENT THAT SUBSCRIBERS PROVIDE ELECTRONIC
2 NOTIFICATIONS FOR ENTRY OF CONFIRM MAILINGS SHOULD BE
3 RETAINED

4 Confirm service subscribers entering Destination Confirm mailpieces are
5 required to provide an electronic preshipment notification for every outgoing Confirm
6 mailing. This requirement, found in section 991.31 of the Domestic Mail Classification
7 Schedule (herein “DMCS”), specifies that authorized subscribers provide, for
8 Destination Confirm, “electronic notice of entering Confirm mail prior to or
9 contemporaneous with mail entry.”³⁹

10 The Postal Service proposes to eliminate this requirement from DMCS §991.31,
11 “because customers found the requirement burdensome.”⁴⁰ However, this reason is
12 less about burden than one of disappointment over an unrealized opportunity. That
13 opportunity—using some form of electronic notification to develop improved processing
14 and delivery service performance measurement—can be realized if this requirement is
15 retained. As a result, I propose that the Commission reject the Postal Service’s
16 proposal and retain this requirement in the DMCS.

17 As originally proposed, Confirm service was designed to benefit not only mailers,
18 but also the Postal Service.⁴¹ Benefits to the Postal Service would arise from
19 widespread usage of Confirm mailings, permitting the Postal Service to use the
20 collected scan data to monitor mail processing operations and improve service

³⁹ DMCS §991.31.

⁴⁰ USPS-T-40 (Mitchum), at 21.

⁴¹ PRC Op. MC2002-1, at 1.

1 performance measurement.⁴² Of critical importance to achieving these benefits is the
2 requirement of a “preshipment” notification.⁴³

3 Preshipment notification enables the Postal Service to use Confirm
4 information to measure, diagnose, monitor, and improve mail processing
5 and delivery service performance.

6 To achieve this result, the preshipment notification, an electronic manifest that
7 provides a profile of the Confirm mailing,⁴⁴

8 serves to link entry scan data with PLANET Code mailpiece processing in
9 order to “start the clock” on the mailing and help measure processing and
10 delivery performance.

11 Eliminating this requirement will remove the impetus to develop any type of
12 transparent, system-wide service performance measurement system for business mail.
13 In effect, “de-linking” the preshipment notification from the entry scan at the postal
14 facility will make scan data nearly useless to the Postal Service for any type of
15 measurement of service performance. Consequently, retaining this requirement for a
16 “start the clock” notification is essential, despite current Postal Service claims that,
17 “Confirm service itself was not and is not intended to be a performance measurement
18 tool.”⁴⁵

19 The need for improved delivery performance measurement is highlighted in a
20 recent General Accountability Office (GAO) report. The report, “U.S. Postal Service:
21 Delivery Performance Standards, Measurement, and Reporting Need Improvement,”

⁴² Docket No. MC2002-1, USPS-T-5 (Kiefer), at 3 and 15.

⁴³ Postal Service Publication 197, *Confirm Users Guide* (September 2004), at 29.

⁴⁴ *Id.*, at 2.

⁴⁵ Tr. 14/3966 (OCA/USPS-T40-35(a)).

1 stated that the Postal Service’s “delivery performance measurement and reporting is
2 not complete, because it does not cover key types of mail—including Standard Mail,
3 bulk First-Class Mail, Periodicals, and most Package Services.”⁴⁶ Confirm service can
4 provide the basis for measuring service performance for bulk-entered First-Class Mail,
5 Standard Mail and Periodicals.

6 While retention of the preshipment notification is essential to ensure that Confirm
7 service can be used for improved service performance measurement, the current
8 electronic notification procedures are less than satisfactory. However, the DMCS
9 language only requires that subscribers “provide electronic notice of entering
10 [Destination] Confirm mail” and does not specify the form of such notification, beyond
11 being “electronic.” Retaining the requirement for an electronic preshipment notification
12 provides an opportunity to facilitate development of a better means to measure and
13 improve mail processing and delivery service performance.

14

⁴⁶ General Accountability Office, *U.S. Postal Service: Delivery Performance Standards, Measurement, and Reporting Need Improvement*, GAO-06-733 (July 2006), at 41.

1 VIII. CONCLUSION

2 This testimony proposes a simpler, more certain method to cover the costs of
3 Confirm service than proposed by the Postal Service by retaining the existing
4 subscription-based fee schedule and adjusting current fees. The fees I propose
5 minimize the risk of revenue deficiency from reduced demand that would be caused by
6 the Postal Service's higher combined total fees, and produce a cost coverage of 127.3
7 percent—slightly more than the cost coverage proposed by the Postal Service.
8 Moreover, by retaining the existing subscription-based fee schedule, my proposed fees
9 preserve the benefits of the existing schedule—encouraging expanded use of Confirm
10 service.

11 The Postal Service's proposal to delete from section 991.31 of the DMCS the
12 requirement that mailers provide an electronic preshipment notification for every
13 outgoing Confirm mailing should be rejected by the Commission. Eliminating this
14 requirement will render the scan data generated by Confirm subscribers to be of little or
15 no value to the Postal Service and prevent it from developing a useful and much
16 needed service performance measurement system for most business mail.
17 Consequently, retaining the requirement of a "start the clock" notification preserves the
18 opportunity to develop a better means to measure and improve mail processing and
19 delivery service performance.

**SPECIAL SERVICES
CONFIRM
TEST YEAR 2008**

VALUE:	Volumes			Fees (\$)		Revenues (\$)		Percent Change
	FY2005	Test Year		Current	Proposed	Before Rates	After Rates	
	(1)	Before Rates	After Rates	(4)	(5)	(6)	(7)	(8)
Silver	16	16	16	\$2,000.00	\$2,000.00	\$32,000	\$32,000	0.0%
Additional Scans	0	0	0	\$500.00	\$500.00	\$0	\$0	0.0%
Gold	119	119	119	\$4,500.00	\$5,200.00	\$535,500	\$618,800	15.6%
Additional Scans	1	1	1	\$750.00	\$750.00	\$750	\$750	0.0%
Platinum	45	45	45	\$10,000.00	\$19,500.00	\$450,000	\$877,500	95.0%
	180	180	180			\$1,018,250	\$1,529,050	
Additional IDs								
Quarter	292	0	0	\$500	\$750	\$ -	\$ -	50.0%
Annual	0	0	0	\$2,000	\$2,000	\$ -	\$ -	0.0%
Total	292	0	0			\$ -	\$ -	
Revenue						\$1,018,250	\$1,529,050	
Total Cost (incl. 1% Contingency)							\$1,200,890 ^{1/}	
Cost Coverage							127.3%	

^{1/} USPS-LR-L-59, Attachment 17, page 1 of 1.

1 Qtr	\$2,000	Annual	\$5,000
2 Qtr	\$2,000	Additional Scans	
3 Qtr	\$2,000	Blk 1-9	\$70.00
4 Qtr	\$2,000	Blk 10-99	\$35.00
Add'l Scans	\$500	Blk 100 up	\$17.50

**SILVER SUBSCRIPTION
CURRENT**

**SILVER SUBSCRIPTION
USPS PROPOSED**

**SILVER SUBSCRIPTION
% CHG: USPS vs CURRENT**

Qtr	Number of First-Class Scans (Millions)	Total Annual Charge (\$)	Cost per Million Scans (\$)	Number of First-Class Scans (Millions)	Total Annual Charge (\$)	Cost per Million Scans (\$)	Number of First-Class Scans (Millions)	Proposed Increase %
1	1	\$2,000	\$2,000	1	\$5,000	\$5,000	1	150%
1	2	\$2,000	\$1,000	2	\$5,070	\$2,535	2	154%
1	3	\$2,000	\$667	3	\$5,140	\$1,713	3	157%
1	4	\$2,000	\$500	4	\$5,210	\$1,303	4	161%
1	5	\$2,000	\$400	5	\$5,280	\$1,056	5	164%
1	6	\$2,000	\$333	6	\$5,350	\$892	6	168%
1	7	\$2,000	\$286	7	\$5,420	\$774	7	171%
1	8	\$2,000	\$250	8	\$5,490	\$686	8	175%
1	9	\$2,000	\$222	9	\$5,560	\$618	9	178%
1	10	\$2,000	\$200	10	\$5,595	\$560	10	180%
1	11	\$2,000	\$182	11	\$5,630	\$512	11	182%
1	12	\$2,000	\$167	12	\$5,665	\$472	12	183%
1	13	\$2,000	\$154	13	\$5,700	\$438	13	185%
1	14	\$2,000	\$143	14	\$5,735	\$410	14	187%
1	15	\$2,000	\$133	15	\$5,770	\$385	15	189%
2	16	\$4,000	\$250	16	\$5,805	\$363	16	45%
2	17	\$4,000	\$235	17	\$5,840	\$344	17	46%
2	18	\$4,000	\$222	18	\$5,875	\$326	18	47%
2	19	\$4,000	\$211	19	\$5,910	\$311	19	48%
2	20	\$4,000	\$200	20	\$5,945	\$297	20	49%
2	21	\$4,000	\$190	21	\$5,980	\$285	21	50%
2	22	\$4,000	\$182	22	\$6,015	\$273	22	50%
2	23	\$4,000	\$174	23	\$6,050	\$263	23	51%
2	24	\$4,000	\$167	24	\$6,085	\$254	24	52%
2	25	\$4,000	\$160	25	\$6,120	\$245	25	53%
2	26	\$4,000	\$154	26	\$6,155	\$237	26	54%
2	27	\$4,000	\$148	27	\$6,190	\$229	27	55%
2	28	\$4,000	\$143	28	\$6,225	\$222	28	56%
2	29	\$4,000	\$138	29	\$6,260	\$216	29	57%
2	30	\$4,000	\$133	30	\$6,295	\$210	30	57%
3	31	\$6,000	\$194	31	\$6,330	\$204	31	5%
3	32	\$6,000	\$188	32	\$6,365	\$199	32	6%
3	33	\$6,000	\$182	33	\$6,400	\$194	33	7%
3	34	\$6,000	\$176	34	\$6,435	\$189	34	7%
3	35	\$6,000	\$171	35	\$6,470	\$185	35	8%
3	36	\$6,000	\$167	36	\$6,505	\$181	36	8%
3	37	\$6,000	\$162	37	\$6,540	\$177	37	9%
3	38	\$6,000	\$158	38	\$6,575	\$173	38	10%
3	39	\$6,000	\$154	39	\$6,610	\$169	39	10%
3	40	\$6,000	\$150	40	\$6,645	\$166	40	11%
3	41	\$6,000	\$146	41	\$6,680	\$163	41	11%
3	42	\$6,000	\$143	42	\$6,715	\$160	42	12%
3	43	\$6,000	\$140	43	\$6,750	\$157	43	13%
3	44	\$6,000	\$136	44	\$6,785	\$154	44	13%
3	45	\$6,000	\$133	45	\$6,820	\$152	45	14%

4	46	\$8,000	\$174	46	\$6,855	\$149	46	-14%
4	47	\$8,000	\$170	47	\$6,890	\$147	47	-14%
4	48	\$8,000	\$167	48	\$6,925	\$144	48	-13%
4	49	\$8,000	\$163	49	\$6,960	\$142	49	-13%
4	50	\$8,000	\$160	50	\$6,995	\$140	50	-13%
4	51	\$8,000	\$157	51	\$7,030	\$138	51	-12%
4	52	\$8,000	\$154	52	\$7,065	\$136	52	-12%
4	53	\$8,000	\$151	53	\$7,100	\$134	53	-11%
4	54	\$8,000	\$148	54	\$7,135	\$132	54	-11%
4	55	\$8,000	\$145	55	\$7,170	\$130	55	-10%
4	56	\$8,000	\$143	56	\$7,205	\$129	56	-10%
4	57	\$8,000	\$140	57	\$7,240	\$127	57	-10%
4	58	\$8,000	\$138	58	\$7,275	\$125	58	-9%
4	59	\$8,000	\$136	59	\$7,310	\$124	59	-9%
4	60	\$8,000	\$133	60	\$7,345	\$122	60	-8%

Annual \$4,500
Add'l Scans \$750

Annual \$5,000
Additional Scans
Blk 1-9 \$70.00
Blk 10-99 \$35.00
Blk 100 up \$17.50

**GOLD SUBSCRIPTION
CURRENT**

**GOLD SUBSCRIPTION
USPS PROPOSED**

**GOLD SUBSCRIPTION
% CHG: USPS vs CURRENT**

Number of First-Class Scans (Millions)	Total Annual Charge (\$)	Cost per Million Scans (\$)	Number of First-Class Scans (Millions)	Total Annual Charge (\$)	Cost per Million Scans (\$)	Number of First-Class Scans (Millions)	Proposed Increase %
1	\$4,500	\$4,500	1	\$5,000	\$5,000	1	11%
2	\$4,500	\$2,250	2	\$5,070	\$2,535	2	13%
3	\$4,500	\$1,500	3	\$5,140	\$1,713	3	14%
4	\$4,500	\$1,125	4	\$5,210	\$1,303	4	16%
5	\$4,500	\$900	5	\$5,280	\$1,056	5	17%
6	\$4,500	\$750	6	\$5,350	\$892	6	19%
7	\$4,500	\$643	7	\$5,420	\$774	7	20%
8	\$4,500	\$563	8	\$5,490	\$686	8	22%
9	\$4,500	\$500	9	\$5,560	\$618	9	24%
10	\$4,500	\$450	10	\$5,595	\$560	10	24%
11	\$4,500	\$409	11	\$5,630	\$512	11	25%
12	\$4,500	\$375	12	\$5,665	\$472	12	26%
13	\$4,500	\$346	13	\$5,700	\$438	13	27%
14	\$4,500	\$321	14	\$5,735	\$410	14	27%
15	\$4,500	\$300	15	\$5,770	\$385	15	28%
16	\$4,500	\$281	16	\$5,805	\$363	16	29%
17	\$4,500	\$265	17	\$5,840	\$344	17	30%
18	\$4,500	\$250	18	\$5,875	\$326	18	31%
19	\$4,500	\$237	19	\$5,910	\$311	19	31%
20	\$4,500	\$225	20	\$5,945	\$297	20	32%
21	\$4,500	\$214	21	\$5,980	\$285	21	33%
22	\$4,500	\$205	22	\$6,015	\$273	22	34%
23	\$4,500	\$196	23	\$6,050	\$263	23	34%
24	\$4,500	\$188	24	\$6,085	\$254	24	35%
25	\$4,500	\$180	25	\$6,120	\$245	25	36%
26	\$4,500	\$173	26	\$6,155	\$237	26	37%
27	\$4,500	\$167	27	\$6,190	\$229	27	38%
28	\$4,500	\$161	28	\$6,225	\$222	28	38%
29	\$4,500	\$155	29	\$6,260	\$216	29	39%
30	\$4,500	\$150	30	\$6,295	\$210	30	40%
31	\$4,500	\$145	31	\$6,330	\$204	31	41%
32	\$4,500	\$141	32	\$6,365	\$199	32	41%
33	\$4,500	\$136	33	\$6,400	\$194	33	42%
34	\$4,500	\$132	34	\$6,435	\$189	34	43%
35	\$4,500	\$129	35	\$6,470	\$185	35	44%
36	\$4,500	\$125	36	\$6,505	\$181	36	45%
37	\$4,500	\$122	37	\$6,540	\$177	37	45%
38	\$4,500	\$118	38	\$6,575	\$173	38	46%
39	\$4,500	\$115	39	\$6,610	\$169	39	47%
40	\$4,500	\$113	40	\$6,645	\$166	40	48%
41	\$4,500	\$110	41	\$6,680	\$163	41	48%
42	\$4,500	\$107	42	\$6,715	\$160	42	49%
43	\$4,500	\$105	43	\$6,750	\$157	43	50%
44	\$4,500	\$102	44	\$6,785	\$154	44	51%
45	\$4,500	\$100	45	\$6,820	\$152	45	52%
46	\$4,500	\$98	46	\$6,855	\$149	46	52%
47	\$4,500	\$96	47	\$6,890	\$147	47	53%

48	\$4,500	\$94	48	\$6,925	\$144	48	54%
49	\$4,500	\$92	49	\$6,960	\$142	49	55%
50	\$4,500	\$90	50	\$6,995	\$140	50	55%
56	\$5,250	\$94	56	\$7,205	\$129	56	37%
62	\$6,000	\$97	62	\$7,415	\$120	62	24%
68	\$6,750	\$99	68	\$7,625	\$112	68	13%
74	\$7,500	\$101	74	\$7,835	\$106	74	4%
80	\$8,250	\$103	80	\$8,045	\$101	80	-2%
86	\$9,000	\$105	86	\$8,255	\$96	86	-8%
92	\$9,750	\$106	92	\$8,465	\$92	92	-13%
98	\$10,500	\$107	98	\$8,675	\$89	98	-17%
104	\$11,250	\$108	104	\$8,798	\$85	104	-22%
110	\$12,000	\$109	110	\$8,903	\$81	110	-26%
116	\$12,750	\$110	116	\$9,008	\$78	116	-29%
122	\$13,500	\$111	122	\$9,113	\$75	122	-33%
128	\$14,250	\$111	128	\$9,218	\$72	128	-35%
134	\$15,000	\$112	134	\$9,323	\$70	134	-38%
140	\$15,750	\$113	140	\$9,428	\$67	140	-40%
146	\$16,500	\$113	146	\$9,533	\$65	146	-42%
152	\$17,250	\$113	152	\$9,638	\$63	152	-44%
158	\$18,000	\$114	158	\$9,743	\$62	158	-46%
164	\$18,750	\$114	164	\$9,848	\$60	164	-47%
170	\$19,500	\$115	170	\$9,953	\$59	170	-49%

Annual \$10,000

Annual \$5,000

Additional Scans

Blk 1-9 \$70.00

Blk 10-99 \$35.00

Blk 100 up \$17.50

**PLATINUM SUBSCRIPTION
CURRENT**

**PLATINUM SUBSCRIPTION
USPS PROPOSED**

**PLATINUM SUBSCRIPTION
% CHG: USPS vs CURRENT**

Number of First-Class Scans (Millions)	Total Annual Charge (\$)	Cost per Million Scans (\$)	Number of First-Class Scans (Millions)	Total Annual Charge (\$)	Cost per Million Scans (\$)	Number of First-Class Scans (Millions)	Proposed Increase %
1	\$10,000	\$10,000	1	\$5,000	\$5,000	1	-50%
2	\$10,000	\$5,000	2	\$5,070	\$2,535	2	-49%
9	\$10,000	\$1,111	9	\$5,560	\$618	9	-44%
10	\$10,000	\$1,000	10	\$5,595	\$560	10	-44%
11	\$10,000	\$909	11	\$5,630	\$512	11	-44%
15	\$10,000	\$667	15	\$5,770	\$385	15	-42%
25	\$10,000	\$400	25	\$6,120	\$245	25	-39%
50	\$10,000	\$200	50	\$6,995	\$140	50	-30%
75	\$10,000	\$133	75	\$7,870	\$105	75	-21%
90	\$10,000	\$111	90	\$8,395	\$93	90	-16%
99	\$10,000	\$101	99	\$8,710	\$88	91	-13%
100	\$10,000	\$100	100	\$8,728	\$87	100	-13%
101	\$10,000	\$99	101	\$8,745	\$87	101	-13%
125	\$10,000	\$80	125	\$9,165	\$73	125	-8%
150	\$10,000	\$67	150	\$9,603	\$64	150	-4%
170	\$10,000	\$59	170	\$9,953	\$59	170	0%
172	\$10,000	\$58	172	\$9,988	\$58	172	0%
175	\$10,000	\$57	175	\$10,040	\$57	175	0%
200	\$10,000	\$50	200	\$10,478	\$52	200	5%
250	\$10,000	\$40	250	\$11,353	\$45	250	14%
500	\$10,000	\$20	500	\$15,728	\$31	500	57%
750	\$10,000	\$13	750	\$20,103	\$27	501	101%
1,000	\$10,000	\$10	1,000	\$24,478	\$24	1,000	145%
2,000	\$10,000	\$5	2,000	\$41,978	\$21	2,000	320%
5,000	\$10,000	\$2	5,000	\$94,478	\$19	5,000	845%
7,500	\$10,000	\$1	7,500	\$138,228	\$18	7,500	1282%
10,000	\$10,000	\$1	10,000	\$181,978	\$18	10,000	1720%

LOGIC FORMULA CHECK

Blocks 1-9: Add'l Scans (Enter Scans 1-9 in box)

\$5,000		
1	0	\$0
9	8	\$560
Total Annual Charge		\$5,560

Blocks 10-99: Add'l Scans (Enter Scans 10-99 in box)

\$5,000		
1	0	\$0
9	8	\$560
99	90	\$3,150
Total Annual Charge		\$8,710

Blocks 100+: Add'l Scans (Enter Scans 100+ in box)

\$5,000		
1	0	\$0
9	8	\$560
99	90	\$3,150
172	73	\$1,278
Total Annual Charge		\$9,988

Annual \$5,000
 Additional Scans
 Blk 1-9 \$70.00
 Blk 10-99 \$35.00
 Blk 100 up \$17.50

**PLATINUM SUBSCRIPTION
 USPS PROPOSED**

Number of First-Class Scans per Million Units	Number of Standard Scans per Million Units	Total Annual Charge (\$)	First-Class Cost per Million Scans	Standard Cost per Million Scans	Weighted Average Cost per Million Scans (\$)	USPS vs. Current: Proposed Increase %
1	0.2	\$5,000	\$5,000	\$5,000	\$5,000	-50%
2	0.4	\$5,070	\$2,535	\$12,675	\$7,098	42%
9	1.8	\$5,560	\$618	\$3,089	\$1,730	56%
10	2	\$5,595	\$560	\$2,798	\$1,567	57%
11	2.2	\$5,630	\$512	\$2,559	\$1,433	58%
15	3	\$5,770	\$385	\$1,923	\$1,077	62%
25	5	\$6,120	\$245	\$1,224	\$685	71%
50	10	\$6,995	\$140	\$700	\$392	96%
75	15	\$7,870	\$105	\$525	\$294	120%
90	18	\$8,395	\$93	\$466	\$261	135%
99	19.8	\$8,710	\$88	\$440	\$246	144%
100	20	\$8,728	\$87	\$436	\$244	144%
101	20.2	\$8,745	\$87	\$433	\$242	145%
125	25	\$9,165	\$73	\$367	\$205	157%
150	30	\$9,603	\$64	\$320	\$179	169%
170	34	\$9,953	\$59	\$293	\$164	179%
172	34.4	\$9,988	\$58	\$290	\$163	180%
175	35	\$10,040	\$57	\$287	\$161	181%
200	40	\$10,478	\$52	\$262	\$147	193%
250	50	\$11,353	\$45	\$227	\$127	218%
500	100	\$15,728	\$31	\$157	\$88	340%
750	150	\$20,103	\$27	\$134	\$75	463%
1,000	200	\$24,478	\$24	\$122	\$69	585%
2,000	400	\$41,978	\$21	\$105	\$59	1075%
5,000	1000	\$94,478	\$19	\$94	\$53	2545%
7,500	1500	\$138,228	\$18	\$92	\$52	3770%
10,000	2000	\$181,978	\$18	\$91	\$51	4995%

Table 1
CONFIRM SERVICE
USPS Proposed Fees

Annual User Fee	\$5,000
Additional Block User Fee (per 1 million "units")	
Blocks 1 - 9	\$70.00
Block 10 - 99	\$35.00
Blocks 100 +	\$17.50
Additional ID Code Fees	
Annual	\$2,000
Quarterly	\$750
Units per Scan	
First-Class Mail	1
Other Mail Classes	5

Table 2
CONFIRM SERVICE
Comparison of Current Fees, and Proposed Fees of USPS and OCA

	Current Fees	USPS Proposed		OCA Proposed	
		Fees	% Change	Fees	% Change
Subscriber/Annual User Fee					
Silver (3 Month)	\$2,000	\$5,000	Varies	\$2,000	0.0%
Gold	\$4,500	\$5,000	11.1%	\$5,200	15.6%
Platinum	\$10,000	\$5,000	-50.0%	\$19,500	95.0%
Additional Block User Fee (per 1 million "units")					
Blocks 1 - 9	NA	\$70.00	NA	NA	NA
Blocks 10 - 99	NA	\$35.00	NA	NA	NA
Blocks 100 +	NA	\$17.50	NA	NA	NA
Additional Block Scan Fee					
Silver (blocks of 2 million)	\$500	NA	NA	\$500	0.0%
Gold (blocks of 6 million)	\$750	NA	NA	\$750	0.0%
Additional ID Code Fees					
Quarterly	\$500	\$750	50.0%	\$750	50.0%
Annual	\$2,000	\$2,000	0.0%	\$2,000	0.0%
Cost Coverage			126.3%		127.3%

