

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

NOTICE OF THE UNITED STATES POSTAL SERVICE  
OF FILING A REVISION TO THE REBUTTAL TESTIMONY  
OF WITNESS MITCHUM, USPS-RT-13 (Erratum)

The United States Postal Service hereby gives notice of the filing of a revision to the rebuttal testimony of witness Mitchum, USPS-RT-13. The erratum changes a reference from the response to a Presiding Officer's Information Request (POIR) to the POIR itself. As such, the words "my response to the" are deleted from page 16, line 20. A revised page 16 is attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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1 today, as they would under the OCA proposal, a direct subscriber might well  
 2 choose to save money by having their scans routed through a reseller. Under the  
 3 existing fee structure, each customer that moves to a reseller results in the  
 4 Postal Service losing the Confirm service revenue for that customer, which in  
 5 turn requires a larger overall fee increase to offset the lost revenue.<sup>15</sup> Once pure  
 6 arbitrage resellers enter the picture a troubling cycle begins:

- 7 (1) Increased fees make arbitrage resellers feasible;
- 8 (2) Direct end users choose resellers to save money;
- 9 (3) Fees need to be raised to offset revenue lost from customers  
 10 switching to resellers;
- 11 (4) Higher fees make resellers even more attractive, causing more  
 12 users to choose resellers;
- 13 (5) Steps (3) and (4) repeat until almost all customers are resellers,  
 14 with the fees prohibitively high for any new direct subscribers.  
 15

#### 16 1. The OCA Proposal - *Reseller Arbitrage Opportunity*

17 The OCA did not consider arbitrage, which was one of the concerns that led  
 18 to the Postal Service proposal. Witness Callow not only admits that it was not  
 19 considered during the development of his proposal, but he also admits that he  
 20 had not reviewed POIR No.12, question 5, which was filed 2 weeks before his  
 21 testimony.<sup>16</sup>

22 Pure arbitrage reselling<sup>17</sup> is a more pressing concern under the OCA proposal  
 23 than under the Postal Service proposal. As noted above the higher the fees  
 24 subscribers face the more attractive resellers become. As the OCA proposal

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<sup>15</sup> If the number of subscribers decreases then the fee increase must be higher; for example, if you have a revenue target of \$100 and 10 customers, the fee per customer is \$10. However if 2 of those customers stop buying the product, the fee needs to be \$12.50 for the remaining 8 customers to get \$100 in revenue.

<sup>16</sup> Tr. 21/7839.

<sup>17</sup> That is, the data are provided in raw format, with no analysis or value added by the reseller.