

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

COMPLAINT OF CAPITAL ONE SERVICES, INC.

Docket No. C2008-3

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF PUBLIC REPRESENTATIVE
(PR/USPS-16)
(September 23, 2008)**

The United States Postal Service hereby provides its response to the following interrogatory of the Public Representative, filed on September 9, 2008: PR/USPS-16.

A response to PR/USPS-17, also due today, is forthcoming.

Each interrogatory is stated verbatim, and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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September 23, 2008

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PR/USPS-16.

- a. Please refer to the response to PR/USPS-10(a), where it states “the read and accept rates used in the Bank of America NSA are lower, on average, than would be expected for any mailer with above average characteristics.”
- i. Please define and explain the phrase “above average characteristics” as used with respect to “any mailer” and the Bank of America NSA.
 - ii. During the quarter following implementation on April 1, 2008, please confirm that Bank of America was a mailer with “above average characteristics” with respect to the read and accept rates used in the Bank of America NSA. If you do not confirm, please explain.
- b. Please refer to the response to PR/USPS-10(a), where it states

if a prospective NSA partner were offered the same baselines on read and accept rates, it may free-ride or piggyback on the progress already made by first adopters in accelerating industry and USPS implementation of new processes and technologies, such as IMB, with little or no corresponding benefit to the Postal Service.

Please explain how a mailer could "free-ride or piggyback on progress already made by first adopters" if Bank of America, its contractor(s), and the Postal Service are subject to nondisclosure agreements.

- c. Please refer to the response to PR/USPS-10(a), where it states

management’s expectation would be that, in the absence of evidence to the contrary, Capital One’s read and accept rates for automation letter mail would be significantly above the thresholds used in the Bank of America NSA, and that using those thresholds and discount schedules would result in a net reduction in contribution to the Postal Service.

During the quarter following implementation on April 1, 2008, please confirm Bank of America’s read and accept rates for automation letter mail were “significantly above” the thresholds used in the Bank of American NSA. If you do not confirm, please explain.

RESPONSE:

- a. i. In this context, a mailer with above average characteristics is one whose preparation and entry practices result in mail that is highly efficient for the Postal Service to process on letter-mail automation equipment.

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- ii. Confirmed.

- b. To the extent that another mailer used the same vendors as Bank of America for preparation and entry of the mail or for software, that mailer could free-ride on Bank of America's work because those vendors will have in place the capabilities to meet the requirements of the contract, without the mailer having to invest any time, effort, or money. In a similar fashion, that mailer could take advantage of the knowledge gained, process improvements made, and adjustments made by the Postal Service as a result of experience gained in implementing new technologies included in the Bank of America NSA.

- c. Confirmed.