

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-0001**

Rate and Service Changes To Implement)
Functionally Equivalent Negotiated Service) Docket No. MC2004-3
Agreement with Bank One Corporation)

**ANSWERS OF BANK ONE CORPORATION TO
VALPAK INTERROGATORIES
VP/BOC-T1-12-15
(July 26, 2004)**

Bank One Corporation (“Bank One”) hereby submits its answers to Valpak Direct Marketing Systems, Inc. and Valpak Dealers’ Association, Inc. (collectively “Valpak”) interrogatories VP/BOC-T1-12-15, filed July 14, 2004. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

/s/

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July 26, 2004

**RESPONSE OF BANK ONE WITNESS RAPPAPORT
TO VALPAK INTERROGATORY VP/BOC-T1-12**

VP/BOC-T1-12.

- a. During 2003, did Bank One request any kind of optional physical return or return information for any of its Standard Mail solicitations that were Undeliverable as Addressed ("UAA") and non-forwardable? Please explain any answer that is not an unqualified negative, and indicate the extent to which Bank One used such optional endorsements on its Standard Mail solicitations. Also, please indicate the amount of any extra fees that Bank One paid as a result of using such endorsements.

- b. During 2003, did Bank One request forwarding service for any of its Standard Mail solicitations that might be UAA? Please explain any answer that is not an unqualified negative, and indicate the extent to which Bank One used such optional endorsements on its Standard Mail solicitations. Also, please indicate the amount of extra fees that Bank One paid the Postal Service as a result of requesting forwarding service for any of its Standard Mail solicitations.

ANSWER:

- a. No.

- b. No.

**RESPONSE OF BANK ONE WITNESS BUC
TO VALPAK INTERROGATORY VP/BOC-T1-13**

VP/BOC-T1-13.

- a. Please refer to your testimony at page 6, Tables 3 and 4, and confirm that in years 2 and 3 you project an increase in First-Class solicitation mail volume from 64.430 million Before Rates to 163.485 million After Rates, or an increase in the volume of this mail of 138 percent. Please explain any non-confirmation.
- b. Please refer to your testimony at page 9, lines 1-7, and confirm that if the volume of First-Class solicitation mail increases as you project, and the percentage return rates materialize as you project, the volume of Bank One's First-Class solicitation mail requiring return service will increase from 6.50 million pieces to 15.41 million pieces, or by 137 percent, computed as follows (millions):

	<u>Before Rates Volume</u>	<u>Before Rates Returns</u>	<u>After Rates Volume Yrs. 2&3</u>	<u>After Rates Returns Yrs. 2&3</u>
Letters	29.387	2.65	128.442	11.56
Flats	<u>35.043</u>	<u>3.85</u>	<u>35.043</u>	<u>3.85</u>
Total	64.430	6.50	163.485	15.41

If you do not confirm, please state what you believe to be the correct volumes, and explain the derivation.

- c. Please refer to the data on page 1 of the Appendix A to the testimony of Postal Service witness William K. Plunkett (USPS-T-1), and please confirm that the Postal Service's cost of physically returning Bank One's Before Rates volume shown in your Tables 3 and 4 would amount to \$6.02 million. If you do not confirm, please indicate what you believe to be the correct amount, and explain the derivation.
- d. Please refer to the data on page 1 of the Appendix A to the testimony of witness Plunkett (USPS-T-1), and please confirm that the Postal Service's cost of electronically transmitting address correction information for Bank One's After Rates volume shown in your Tables 3 and 4 would amount to \$6.13 million, or about 2 percent more than the cost of the manually returning the Before Rates volume. If you do not confirm, please indicate what you believe to be the correct amount, and explain the derivation.

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ANSWER: (redirected to witness Lawrence Buc)

- a. Confirmed in part. While the Before Rates and After Rates figures are correct, the computed increase in volume is approximately 154%.

- b. Confirmed, although the Before Rates returns for letters appears to be 2.64 million, not 2.65 million.

- c. Not confirmed. I calculate a cost of \$5.91 million for 2005 and a cost of \$6.14 million for 2006. For each year, I derived the product of the solicitation volume (individually for letters and flats) from USPS-T-1, Appendix A, page 2, the return rate from USPS-T-1, Appendix A, page 1, the manual return unit cost from USPS-T-1, Appendix A, page 1, and the contingency factor from USPS-T-1, Appendix A, page 1. Then, I added the resulting costs for letters and flats.

- d. Not confirmed. Please see my response to VP/BOC-T1-10.

**RESPONSE OF BANK ONE WITNESS RAPPAPORT
TO VALPAK INTERROGATORY VP/BOC-T1-14**

VP/BOC-T1-14.

- a. Please explain why Bank One would need address correction service for its First-Class solicitation mail, when it does not need address correction service for its Standard Mail solicitations.
- b. Please explain all ways in which Bank One utilized information from its First-Class solicitation mail that was returned physically (or manually) during 2003. That is, did it use returned mail pieces to correct its solicitation mail lists? If not, what did Bank One do with returned mail?
- c. During 2003, for how long a period, on average, did Bank One retain returned solicitation mail before it was disposed of?
- d. Assuming that the proposed Negotiated Service Agreement (“NSA”) is approved and implemented, please explain all ways in which Bank One plans to utilize the electronic return information that it will receive under the NSA.
- e. After the electronic information is utilized in whatever manner you described in your response to preceding part d, please explain (i) how long Bank One anticipates retaining such electronic data, and (ii) what other plans, if any, Bank One has for utilizing such electronic data (e.g., sharing the information with list providers).

ANSWER:

Bank One has objected to this interrogatory because it seeks highly proprietary information and is not reasonably calculated to lead to the production of relevant or admissible evidence. Notwithstanding these objections, Bank One provides the following answer:

- a. Bank One’s decision on address correction service is an issue of economics rather than “need”. The Postal Service and Bank One negotiated an agreement with ACS provisions for First-Class solicitation mail. We did not negotiate such an agreement for Standard Mail.

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- b. Bank One uses information from returned First-Class solicitation mail to improve address hygiene.
- c. Once we have captured the relevant address information, we do not retain the mail.
- d. Bank One uses electronic return information to improve its address hygiene.
- e. (i) See (d) above.
(ii) We currently have no plans to share the electronic information with list providers.

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VP/BOC-T1-15.

The Bank One NSA provides that a material change in the Domestic Mail Classification Schedule ("DMCS") or the Domestic Mail Manual ("DMM") "that affects the basic structure of this agreement or changes the benefits of the arrangement" occurs, each party may terminate the agreement, without penalty. (Section V.F.5.)

- a. Do you believe that if the Postal Service were to propose successfully to the Commission that the price of electronic address correction would be reduced by any amount, or that any charge is imposed for physical return of commercial First-Class Mail, that the Postal Service could terminate the agreement without penalty under this clause? Please explain your answer.
- b. Do you believe that if the Postal Service were to propose successfully to the Commission the creation of a First-Class bulk subclass, that the Postal Service could terminate the agreement without penalty under this clause? Please explain your answer.

ANSWER:

a. The answer depends on, among other things, the amount by which the price of electronic address correction would be reduced, the size of the charge (if any) imposed for physical return, the position of the USPS on whether these changes would be sufficiently material to qualify under Section V.F.5 of the NSA, whether Bank One would agree, and (if the parties disagreed) how the matter would ultimately be adjudicated.

Since the question fails to specify any of these assumptions, I am unable to answer it.

b. The answer depends on, among other things, the particular eligibility requirements for the subclass, the nature and magnitude of the rate differential(s) between the subclass and other First-Class mail, whether the Postal Service would regard such a development as sufficiently material to qualify under Section V.F.5 of the NSA, whether Bank One would agree, and (if the parties disagreed) how the matter

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would ultimately be adjudicated. Since the question fails to specify any of these assumptions, I am unable to answer it.

CERTIFICATE OF SERVICE

I hereby certify that I have today caused the foregoing document to be served in accordance with Section 12 of the Commission's Rules of Practice

/s/

David M. Levy

July 26, 2004