

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

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POSTAL RATE COMMISSION  
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**EXPERIMENTAL RATE AND SERVICE  
CHANGES TO IMPLEMENT NEGOTIATED  
SERVICE AGREEMENT WITH  
CAPITAL ONE SERVICES, INC.**

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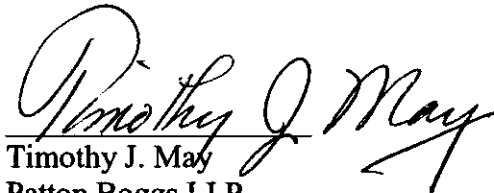
**DOCKET No. MC2002-2**

**RESPONSE OF CAPITAL ONE SERVICES, INC.  
WITNESS DONALD JEAN TO INTERROGATORIES OF  
OFFICE OF CONSUMER ADVOCATE  
FILED ON OCTOBER 4, 2002  
(OCA/COS-T1-1-2(a) (b), 3(a) (b), 4(a) (d) (e), 5-6, 8-16))**

Capital One Services, Inc hereby provides the responses of witness Donald Jean to the following interrogatories of Office of Consumer Advocate: OCA/COS-T1-1-2(a) (b), 3(a) (b), 4(a) (d) (e), 5-6, 8-16), filed on October 4, 2002.

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

Respectfully submitted



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Dated: October 15, 2002

**ANSWER OF CAPITAL ONE SERVICES, INC. WITNESS JEAN TO  
INTERROGATORY OF OFFICE OF CONSUMER ADVOCATE**

**OCA/COS-T1-1.** Please refer to your testimony at page 6, line 10.

- (a) Please confirm that at the present time, Capital One is not a participant in the Address Change Service (ACS) program with respect to its First-Class solicitation mail; that is, Capital One does not place on its First-Class solicitation mailpieces either of the following endorsements: "Address Service Requested" or "Change Service Requested." If you do not confirm, please explain. If you do confirm, please specify the endorsement(s), if any, Capital One places on its First-Class solicitation mail pieces.
- (b) Please confirm that at the present time, Capital One is a participant in the Address Change Service (ACS) program with respect to its First-Class customer account mail; that is, Capital One places on its First-Class customer account mailpieces one of the following endorsements: "Address Service Requested" or "Change Service Requested." If you do not confirm, please explain.

**ANSWER:**

- (a) Confirmed. Generally, no endorsements are placed on our First Class Mail solicitations.
- (b) Not confirmed. Capital One is not a participant in the ACS program with respect to First-Class customer account mail. Capital One physically receives UAA mail..

**OCA/COS-T1-2.** Please turn to your testimony at page 2, lines 6-8.

- (a) Please confirm that at the present time, with respect to Capital One's First-Class solicitation mail that is forwarded, Capital One does not receive notification of the recipient's new address. If you do not confirm, please explain how the recipient's new address information that permits forwarding of the mailpiece is provided to Capital One.
- (b) Please confirm that at the present time, with respect to Capital One's First-Class solicitation mail that is physically returned, Capital One utilizes the returned pieces to make corrections to its address databases. If you do not confirm, please explain. If you do confirm, please explain how the returned pieces are handled and processed by Capital One to make corrections to its address databases.

**ANSWER:**

- (a) Confirmed.
- (b) Not confirmed. Capital One is not provided with corrected address data on mail physically returned.

**OCA/COS-T1-3.** Please refer to your testimony at page 6, lines 14-18.

- (a) Please confirm that under the NSA, Capital One will receive Change Service Requested, Option 2, at no charge for its First-Class Mail that is undeliverable-as-addressed, in lieu of the physical return of such mail. If you do not confirm, please explain.
- (b) Please confirm that under the NSA, the availability of Change Service Requested, Option 2, at no charge for Capital One's First-Class Mail that is undeliverable-as-addressed will reduce costs to Capital One in comparison to the physical return of such mail. If you do not confirm, please explain.

**ANSWER:**

- (a) Confirmed.
- (b) Confirmed.

**OCA/COS-T1-4.** Please refer to your testimony at 2, lines 2-16.

- (a) Does your use of the phrase “direct mail” include both First-Class and Standard-Mail solicitations? If not, please explain.
- (d) Do Postal Service regulations permit the use of Standard Mail for solicitations to pre-qualified individuals? Please explain.
- (e) Please explain in greater detail what you mean by “mass customization.”

**ANSWER:**

- (a) Yes.
- (d) Yes. USPS has always permitted Standard Mail to be used for solicitations.
- (e) “Mass customization” refers to the information-based offering of customized products and services to consumers on a large scale.

**OCA/COS-T1-5.** Please refer to your testimony at page 3, lines 6-7.

- (a) Please confirm that for some of Capital One's marketing campaigns, First-Class is the only class of mail that may be used for solicitation mail, pursuant to DMM 57 E110.1.4 or 1.5. If you do not confirm, please explain.
- (b) What proportion of Capital One's solicitation mail volume mailed via First-Class in Fiscal Year 2000, 2001 and 2002 was required to be mailed via First-Class, pursuant to DMM 57 E110.1.4 or 1.5?
- (c) Please confirm that for Capital One's customer account mail, First-Class is the only class of mail that may be used, pursuant to DMM 57 E110.1.4 or 1.5. If you do not confirm, please explain.

**ANSWER:**

- (a) This is not confirmed. The cited regulation does not require that any of Capital One's solicitation mail be sent by First Class Mail.
- (b) 0% in each year.
- (c) For Capital One's statement mail, First Class Mail is the required mail class. For some other customer correspondence, Standard Mail is permitted.

**OCA/COS-T1-6.** Please turn to your testimony at page 3, lines 18-20, where you state “we don’t believe the proposed discounts will cause Capital One to significantly switch our Standard Mail solicitations to First-Class Mail.” According to your testimony, there will be some switching of mail, although minimal. Of the estimated 15 million additional pieces of First-Class Mail that will be generated according to the forecast, how many of the additional pieces will be switching from Standard Mail to First-Class Mail?

**ANSWER:**

It is our understanding that none of the 15 million additional pieces of First Class Mail estimated by SLS is due to Standard Mail migration.

**OCA/COS-T1-7.** Please turn to your testimony at page 4, lines 21-24, where you indicate that the proposed agreement could cut the projected decrease in First-Class Mail volume by 15 to 53 million pieces. Please confirm that the 15 to 53 million pieces are solicitation mail pieces. If you do not confirm, please explain and disaggregate these volume figures into solicitation mail and non-solicitation mail.

**ANSWER:**

OCA/COS T1-7 has been redirected to COS witness Elliott.



**OCA/COS-T1-8.** Refer to your testimony at page 6, lines 4-6.

- (a) Please identify and explain the factors that cause Capital One to experience such a high level of returns for First-Class solicitation mail pieces.
- (b) In contrast, please identify and explain the factors that cause Capital One to experience a much lower level of returns for First-Class customer account mail relative to solicitation mail.

**ANSWER:**

- (a) We do not agree with the characterization that our returns are at “such a high level”. Return levels are higher for solicitation mail because Capital One typically does not have established relationships with solicitees.
- (b) Return levels for customer account mail are lower, since Capital One has existing relationships with its account holders, and thereby has much greater ability to track and maintain address data.

**OCA/COS-T1-9.** Please turn to your testimony at page 6, lines 5-7, where you state that approximately 9.8 percent and 9.6 percent of Capital One's First-Class solicitation mail was returned in 2001 and 2002, respectively.

- (a) Please provide the total number of pieces of First-Class solicitation mail that were returned in 2001 and 2002.
- (b) Of the total number of pieces of First-Class solicitation mail that were returned in 2001 and 2002, please provide the number of pieces for which Capital One was able to effectuate a corrected address.
- (c) Please provide the total number of pieces of Capital One's First-Class solicitation mail that were forwarded in FY 2001 and FY 2002.

**ANSWER:**

- (a) Capital One does not record the number of returns on a FY basis. For calendar years 2001 and 2002, respectively, returns were 98,125,000 and 70,704,000 (January- September).
- (b) As stated above, return mail does not contain corrected address information.
- (c) Capital One has no way to estimate this.

**OCA/COS-T1-10.** Please refer to your testimony at page 5, lines 1-20. Please describe and explain the Mail Preparation Total Quality Management (MPTQM) program.

**ANSWER:** The MPTQM program is explained in a Power Point presentation jointly prepared by USPS and COS which best explains our understanding of the program. That presentation has been filed as Library Reference COS/LR-I-1.

**OCA/COS-T1-11.** Please refer to your testimony at page 6, lines 21-22, and page 7, lines 1-4.

- (a) Please confirm that in the absence of the NSA, Capital One would achieve MPTQM certification at its Seattle site. If you do not confirm, please explain.
- (b) Assuming MPTQM certification at the Seattle site in the absence of the NSA, please estimate the percentage of returns for First-Class solicitation mail in FY 2003.
- (c) Assuming the NSA is implemented, please estimate of the percentage of returns of Capital One's First-Class solicitation mail in FY 2003.

**ANSWER:**

- (a) Capital One continually strives to enhance its mail piece quality, and, towards that end, the company plans to pursue MPTQM certification at its Seattle site.
- (b)&(c) The company does not forecast return mail rates. In lieu of such a forecast, we expect Test Year rates to be consistent with recent experience (9.6 percent), although we hope future return mail rates will improve.

**OCA/COS-T1-12.** Please refer to your testimony at page 6, lines 14-16.

- (a) Please explain how approval of the NSA will increase the quality of the Capital One address database.
- (b) Please confirm that the NSA, by definition, will reduce the physical return rate for Capital One. If you do not confirm, please explain.
- (c) Does Capital One expect the NSA to “reduce our return rate” beyond reducing the number of physically returned pieces? Please explain.
- (d) Please describe and explain what is meant by the phrase “enhanced address suppression.”
- (e) Will “enhanced address suppression” result in a reduced overall “error” rate, i.e., electronic address correction notifications and physical returns?

**ANSWER:**

- (a) Capital One will receive return mail notification more quickly after the NSA is implemented. In addition, the company understands that the electronic ACS information will include additional data (i.e. return reason codes) that is not received currently. Faster receipt of better data will enhance the company’s ability to update address lists for future campaigns.
- (b) Confirmed.
- (c) See answers to T1-11(b) and T1-12(a) above.
- (d) Address suppression refers to the elimination of prospect addresses from a marketing campaign prior to mailing. Suppression can be enhanced by faster receipt of address information.
- (e) While the company does not forecast return mail rates, improved address suppression should tend to reduce “error” rates.

**OCA/COS-T1-13.** Please refer to your testimony at page 3, lines 9-10, where you state that Capital One has generally been moving its solicitation mail volume from First-Class Mail to Standard Mail.

- (a) Are solicitation pieces that are moved from First Class Mail to Standard Mail virtually the same in content? Please explain, noting any differences.
- (b) Please provide a representative First-Class solicitation piece.
- (c) Please provide a representative Standard Mail solicitation piece.

**ANSWER:**

- (a) Yes. The general substance and terms typically remain constant.
- (b)&(c) Representative samples of First Class and Standard Mail Class solicitation pieces have been filed as Library Reference COS/LR-1-2.

**OCA/COS-T1-14.** Please refer to your testimony at pages 3 and 4, where you discuss the use of First-Class Mail to communicate with existing customers and for marketing campaigns.

- (a) Please confirm that whenever possible, Capital One combines into a single mailing its First-Class customer account mail and its First-Class solicitation mail. If you do not confirm, please explain.
- (b) Please confirm that Capital One Services, Inc., has more than one First-Class Mail permit. If you do not confirm, please explain.
- (c) Please confirm that Capital One uses one First-Class permit for its customer account mail and a separate permit for its First-Class solicitation mail. If you do not confirm, please explain.

**ANSWER:**

- (a) Not confirmed. Solicitation mail is unnecessary for current account holders.
- (b) Confirmed.
- (c) Nearly all of the company's customer mail is metered. The company's business partners (letter shops) utilize many permits for solicitation mailings.

**OCA/COS-T1-15.** Please refer to your testimony at page 2, lines 8-9, where you state, “In fact, I understand that Capital One is now the top originator of First-Class Mail in the U.S.” Please discuss the basis for your understanding quoted above. Please provide citations to sources, written or otherwise, that support your understanding.

**ANSWER:**

My understanding is based on oral statements made to Capital One by senior USPS officials. The Postal Service has not shared with us any information about the mail volumes of other mailers.



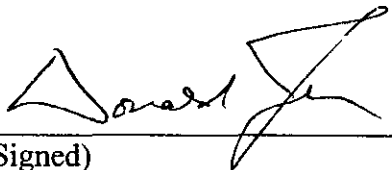
**OCA/COS-T1-16.** Please refer to your testimony at page 6, lines 1-2, where you state “[w]e believe that Capital One[’s] address databases are at least as accurate as those of other marketers who utilize First-Class Mail to offer a full range of financial products.” Please discuss the basis for your belief, and provide citations to sources, written or otherwise, that support your belief.

**ANSWER:**

Capital One is unaware of any USPS or industry data that confirms this. However, our belief is based on our use of return mail data to suppress undeliverable addresses from future campaigns and our utilization of CASS/NCOA updates on a much more proactive basis than required by USPS.

## DECLARATION

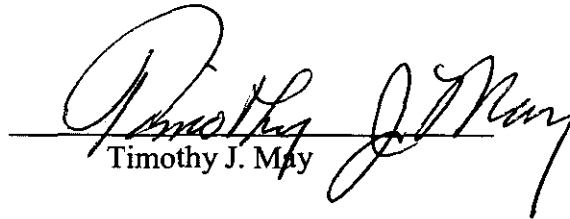
I, Donald Jean, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
(Signed)

October 15, 2002

**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 of the rules of practice.

  
Timothy J. May

Dated: October 15, 2002