

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

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POLICE OFFICE

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

Docket No. MC2002-2

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BIZZOTTO
TO INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-1)

The United States Postal Service hereby provides the response of witness Bizzotto to the following interrogatory of Office of the Consumer Advocate: OCA/USPS-T1-1, filed on October 3, 2002. Interrogatories OCA/USPS-T1-1 and 2 were redirected to witness Crum.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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October 15, 2002

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OCA/USPS-T1-1. Please refer to your testimony at page 5, lines 15-17, where you state "Capital One's volume is expected to grow over the term of the contract."

- (a) Please provide any forecasts that support the basis for your understanding that Capital One's volume is expected to grow during the three-year term of the Negotiated Service Agreement (NSA).
- (b) Is it your understanding that Capital One's volume is expected to grow during the next three years even in the absence of the proposed NSA? Please explain.

RESPONSE:

- (a) Capital One has provided volume forecasts in the testimonies of witnesses Jean (COS-T-1) and Elliott (COS-T-2). The Postal Service does not have any other forecasts of Capital One mail volume.

My expectation that Capital One's volume will grow during the three-year term of the negotiated service agreement is based on my understanding of discussions with Capital One management. In developing this agreement, the Postal Service believes that it has offered Capital One a combination of rates and services (including incremental, "declining block" discounts for large-volume use of First-Class Mail) that will encourage Capital One to continue to use First-Class Mail. In general, rate reductions tend to increase mail volume. In his testimony, witness Jean (COS-T-1) indicates that this tendency is applicable to Capital One stating,

This Agreement offers the potential for greater volume of First-Class Mail (through growth and decreased attrition) Incremental First-Class Mail marketing volume has a multiplier effect by creating Business Reply Mail and subsequent First-Class Mail statements and correspondence.

COS-T-1 at 7, lines 6-9.

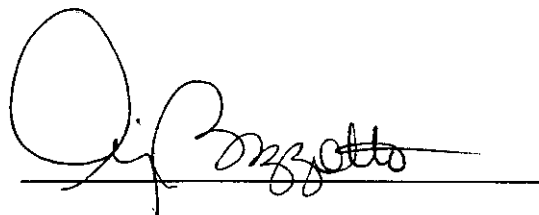
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While increasing First-Class Mail volume is a desirable result, it was not the primary criterion for entering into the agreement with Capital One. The Postal Service was interested in developing an agreement that increased overall contribution to institutional costs from Capital One's mail. As demonstrated in the testimony of witness Crum (USPS-T-3), all provisions of this negotiated service agreement, taken together, are projected to result in a positive incremental contribution to institutional costs.

- (b) As witness Jean indicates, Capital One does not typically forecast solicitation mail volume more than six months in the future. COS-T-1 at 5, lines 4-7. Therefore, it is my understanding that a forecast of mail volume in the absence of this agreement is not available for the period beyond the Test Year 2003.

DECLARATION

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

A handwritten signature in black ink, appearing to read "Anita Bizzotto", is written over a horizontal line. The signature is cursive and somewhat stylized.

Dated: 10/15/02

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Scott L. Reiter

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