

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

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

**DOCKET No. MC2002-2**

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**RESPONSE OF CAPITAL ONE SERVICES, INC.  
WITNESS STUART ELLIOTT TO INTERROGATORIES OF  
NEWSPAPER ASSOCIATION OF AMERICA  
FILED ON OCTOBER 17, 2002  
(NAA/COS-T2-1-5)**

Capital One Services, Inc hereby provides the response of witness Stuart Elliott to the following interrogatories of the Newspaper Association of America: NAA/COS-T2-1-5, filed on October 17, 2002.

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

Respectfully submitted

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Dated: October 24, 2002

**NAA/COS-T2-1.**

Please refer to Exhibit 2 of your testimony. Please provide the data for Standard Mail solicitations in September and October of 2002.

**ANSWER**

**NAA/COS-T2-1 Response.**

The volume of Capital One's Standard Mail solicitations was 38,793,713 in August 2002 and 51,073,143 in September 2002. The volume for October 2002 is not yet available.

**NAA/COS-T2-2.**

Please confirm that, in calculating the range of Capital One's volume responses to the NSA that you present in your testimony, the price elasticity of -0.388 for Standard Mail that you use is the Postal Service's estimated own-price elasticity of demand for Standard Regular mail. If you cannot confirm, please explain why not.

**ANSWER**

**NAA/COS-T2-2 Response.**

Confirmed that I use the Postal Service's own-price elasticity for Standard Regular mail in my Method 2 projection of After-Rates First-Class Mail Volume.

**NAA/COS-T2-3.**

Have you prepared any estimate of Capital One's volumes of customer and solicitation mail for Fiscal Years 2004 and/or 2005? If so, please provide those estimated volumes. If not, please explain why not.

**ANSWER**

**NAA/COS-T2-3 Response.**

In the period after "Capital One's recent announcements regarding its strategic emphases in the coming months" (Witness Jean, COF-T-1, page 3 at lines 14-15), I have not prepared estimates of the Company's volumes of customer and solicitation mail for Fiscal Years 2004 or 2005 because they are not necessary for my testimony. In the period before these announcements in July, 2002, I had prepared some preliminary estimates for calendar years 2004 and 2005, but I have not retained those estimates because the Company's announcements rendered them irrelevant.

**NAA/COS-T2-4.**

Please confirm that the estimated volumes of Capital One's First-Class mail that you calculate and present in your testimony are unaffected by the NSA's proposed rate discounts below the 1.45 billion piece level. If you cannot confirm, please explain why not.

**ANSWER**

**NAA/COS-T2-4 Response.**

Not confirmed. My Method 1 projection of After-Rates First-Class Mail Volume uses the NSA's proposed rate discount in the 1.375 to 1.45 billion piece block.

**NAA/COS-T2-5.**

Please refer to page 2, lines 15 through 20, of your testimony, where you state that the average volume of Standard Mail solicitations for the past two years has been about 79 million pieces per month, and for First-Class mail about 63 million pieces per month from October 1999 to July 2002 (except for October 2001 through May 2002). Do you expect that Capital One's average monthly volume of Standard Mail solicitations will exceed its First-Class mail solicitations in:

- a. FY2003?
- b. FY2004?
- c. FY2005?

**ANSWER**

**NAA/COS-T2-5 Response.**

See also my response to NAA/COS-T2-3.

- a. Since I have not prepared estimates of Standard Mail solicitations for FY2003, I have no basis for answering the question.
- b. Since I have not prepared mail volume estimates for FY2004, I have no basis for answering the question.
- c. Since I have not prepared mail volume estimates for FY2005, I have no basis for answering the question.