

**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 WITNESS DON JEAN OF CAPITAL ONE SERVICES, INC.  
TO QUESTIONS 1, 3, 5-6, 8-12 OF THE NEWSPAPER ASSOCIATION OF AMERICA**

**NAA/COS-TI-1:** Please refer to page 1, line 9, of your testimony, where you state your understanding that Capital One is the "top originator" of First-class Mail in the United States.

- a. Please define "originator." Please include in your definition whether you regard customer payment mail as "originated" by Capital One.
- b. What is your basis for that understanding?
- c. In what sense do you believe Capital One is the "top" originator?

**ANSWER**

- (a) "Originator" is the entity that generates the mail. Hence, Capital One "originates" customer statement mail, but does not "originate" customer payment mail.
- (b) The basis for my understanding is that this is a common sense definition of the term.
- (c) See response to OCA/COS-T1-15.

**NAA/COS-TI-3:** Do Capital One's Standard mail solicitations use sealed envelopes?

**ANSWER.** Yes.

**NAA/COS-TI-5:** Please refer to page 3, line 19, of your testimony, where you state your doubt that the proposed volume discounts will cause Capital One to "significantly" switch Standard mail solicitations to First-class mail.

- a. Do you expect that there would be zero switch of solicitations from Standard mail to First-class mail?
- b. If your answer to (a) is other than an unequivocal yes, please explain how much solicitation mail you expect Capital One to switch from Standard to First-class mail in the first year of the NSAs implementation.
- c. If your answer to (a) is other than an unequivocal yes, please explain how much solicitation mail you expect Capital One to switch from Standard to First-class mail in the second year of the NSA's implementation.
- d. If your answer to (a) is other than an unequivocal yes, please explain how much solicitation mail you expect Capital One to switch from Standard to First-class mail in the third year of the NSA's implementation.
- e. Please define "significantly" as you use it.

**ANSWER**

5(a) As I have testified, we do not expect a significant shift, although it may not be zero.

5(b), (c), (d). We do not know how much, if any, mail would switch in 2003, 2004 and 2005, although, as testified, we do not believe it would be significant.

5(e) We use the term "significant" in the same sense as the definition contained in the standard dictionary reference.

**NAA/COS-TI-6:** Does Capital One ever use both First-class and Standard mail for mailings in the identical solicitation campaign?

**ANSWER.** Yes.

**NAA/COS-TI-8:** Please refer to page 6, lines 8-9, where you state that "Incremental First-class Mail marketing volume has a multiplier effect by creating Business Reply Mail and subsequent First-class Mail statements and correspondence." Please confirm that Capital One's Standard Mail solicitations also have a multiplier effect by creating BRM and subsequent First-class mail. If you cannot confirm, please explain why not.

**ANSWER.** Confirmed.

**NAA/COS-TI-9:** Do you expect that the proposed NSA will improve Capital One's UAA percentage?

**ANSWER**

Please see my testimony on page 6 (lines 19 – 22) and page 7 (lines 1 – 4); and my response to OCA/COS-T1-12(a).

**NAA/COS-TI-I0:** Please refer to Capital One Financial Corporation's press release dated October 15, 2002, reporting financial results for the third quarter of 2002. That press release states, inter alia: Marketing expense for the third quarter of 2002 was \$185.8 million, down from \$320.4 million in the second quarter of 2002. The press release also states:

"The lower marketing investment in the third quarter reflects our return to a more normal level of loan growth," said Nigel W. Morris, Capital One's President and Chief Operating Officer. "We expect marketing to increase in 2003 as we take advantage of the attractive opportunities that we see in all major areas of our business including US card, installment and auto loans, and our international activities. This quarter clearly demonstrates our ability to grow our business and profitability on a stronger, more diversified business platform."

Do these developments have any effect on, or require any modification to, the estimated mailing volumes for FY2003 presented by Capital One in this proceeding?

**ANSWER. No.**

**NAA/COS-TI-11:** During the negotiations of this NSA with the Postal Service, did Capital One make any representations regarding possible changes in its use of First-class Mail and Standard Mail in the event that no agreement were reached? If so, please describe those representations

**ANSWER.** No.



**NAA/COS-TI-12:** During the negotiations of this NSA with the Postal Service, did Capital One make any representations regarding possible changes in its use of First-class Mail and Standard Mail in the event that an agreement were reached? If so, please describe those representations.

**ANSWER.** No, except to assure the Postal Service that the Agreement would not cause Capital One to shift any significant volume of Standard Mail to First-Class Mail.

Respectfully submitted

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