

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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 INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T1-1, 2(d))

The United States Postal Service hereby provides the responses of witness Bizzotto to the following interrogatories of the Newspaper Association of America: NAA/USPS-T1-1 and 2(d), filed on October 17, 2002. Interrogatories NAA/USPS-T1-2(a)-(c) were redirected to witness Crum and interrogatory NAA/USPS-T1-3 was redirected to witness Plunkett.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 28, 2002

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ANITA J. BIZZOTTO
TO INTERROGATORY OF NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T1-1. Please refer to the list of “potential agreements” presented at page 4, lines 21-23 of your testimony. Is it your testimony that, in the absence of the NSA that is the subject of this proceeding, Capital One would “decide to pursue nonmail alternatives”? If your answer is anything other than an unqualified no, please provide all evidence upon which you base a belief that Capital One would pursue “nonmail alternatives” in the absence of the NSA that it will not pursue due to the NSA.

RESPONSE:

No. The cited portion of my testimony referring to “nonmail alternatives” reads:

Our customers have clearly indicated that they support creative, cost-effective rates and classifications meeting their needs. In a rapidly changing world, and with increasing financial challenges, the Postal Service must work with its customers, before our customers decide to pursue nonmail alternatives. Customized pricing and classifications will give the Postal Service a valuable tool to meet our customers’ needs in an increasingly complex market place.

USPS-T-1 at 4, lines 18-24.

While I am not aware of any plans that Capital One may have to pursue nonmail alternatives, all our customers (including Capital One) have alternatives to using the mail. If the Postal Service does not work to develop innovative pricing and product solutions (of which one example is the proposed Capital One NSA), I am concerned that some customers may opt for nonmail alternatives. The proposed NSA encourages Capital One to continue high-volume use of First-Class Mail through the proposed additional discounts for volume above the stated threshold. In addition, it proposes a solution that will reduce the overall return costs for Capital One’s First-Class Mail solicitations, thus benefiting the Postal Service and nonparticipating customers.

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NAA/USPS-T1-2. Please refer to Page 5, lines 19-21 of your testimony, where you state: “nonparticipating customers will see a reduction in their institutional cost burden as the total net contribution from Capital One increases.”

- a. Please confirm that witness Crum estimates that the total net contribution from this NSA is approximately \$8.2 million.
- b. Please confirm that, according to the Commission’s Opinion and Recommended Decision in Docket No. R2001-1, the total institutional costs to be recovered from all mail was more than \$28.041 billion.
- c. Please confirm that \$8.2 million is approximately 0.029 percent of \$28.041 billion.
- d. Please explain how nonparticipating mailers will “see a reduction in their institutional cost burden” as a result of this NSA.

RESPONSE:

- a. Redirected to witness Crum.
- b. Redirected to witness Crum.
- c. Redirected to witness Crum.
- d. Your question implies that increases in contribution below a certain level are of no value to the Postal Service or other postal customers. Using this logic, any rate or classification change that was deemed to have an “insignificant” effect on total contribution should not be recommended by the Postal Rate Commission even if it was considered to be beneficial by the participating customers and did not harm nonparticipating customers. In evaluating the Capital One NSA proposal, the Postal Service’s criterion was that the agreement not decrease the net contribution to institutional costs from Capital One’s mail and thereby increase the institutional cost burden of nonparticipating mailers. I would also note that positive effects on the Postal Service’s bottom line, and thus benefits

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for its customers, can accrue from the cumulative effect of many initiatives as well as from one “big-ticket” item.

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.

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