

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

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT  
TO INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA  
(NAA/USPS-T2-1, 3, 5-10)

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of the Newspaper Association of America: NAA/USPS-T2-1, 3, 5-10, filed on October 17, 2002. Interrogatories NAA/USPS-T2-2 and 4 were redirected to witness Crum.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking

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October 28, 2002

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT  
TO INTERROGATORY OF THE NEWSPAPER ASSOCIATION OF AMERICA

**NAA/USPS-T2-1:** Please refer to page 3, lines 12-14, of your testimony, where you state "If Capital One mails more than 750 million pieces of qualified First-class Mail annually, the fees for address correction will be waived." Please confirm that, assuming appropriate approvals were received, the Postal Service could similarly waive the fee for Electronic Address Correction for other mailers. If you are unable to confirm, please explain why not.

**RESPONSE:**

It is my understanding that if the Postal Service found it appropriate to include waiver of address correction fees as part of an agreement with another company, the same procedures applicable to the Capital One NSA could apply there as well.

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**NAA/USPS-T2-3:** Please confirm that, under the NSA, Capital One has agreed to forego its right to the physical return of a portion of its Undeliverable As Addressed mail in exchange for, *inferred alia*, receiving electronic address correction for free instead of the \$0.20 regular fee.

**RESPONSE:**

Not confirmed. As a part of the NSA, Capital One has agreed to use electronic ACS and the Postal Service proposes waiving the fee for this service. Electronic ACS does not include the physical return of the UAA piece. The decision to propose waiving the fee for eACS is based on a comprehensive evaluation of all of the elements of the proposed NSA.

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**NAA/USPS-T2-5:** Please refer to page 7 of your testimony where you purport to identify unique aspects of Capital One's use of the mail. Is it your belief that Capital One's annual volume of solicitation mail is above average for First Class mailers?

**RESPONSE:**

Yes. Please see the testimony of witness Jean, COS-T-1, page 5, table 1, which shows a before rates FY 2003 forecast of 768 million pieces of solicitation mail.

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**NAA/USPS-T2-6:** Please refer to page 7, lines 22-25, of your testimony.  
Please explain what you mean by “Capital One documents its return volume, and incorporates return information into its mail preparation operations.”

**RESPONSE:**

Capital One measures the amount of mail that is returned, and has a process in place for capturing information from returned pieces that is used to improve addressing practices.

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**NAA/USPS-T2-7:** Please refer to page 9, line 41, through page 10, line 2 of your testimony, where you state that NSAs may enable the USPS to “more accurately present prices that represent the value that the user places on the service being provided.”

- a. Is it your testimony that Capital One places a value of zero on ECS?
- b. Is it your testimony that the Capital One places less value on the First-Class mail volume that will receive a discount under the NSA?
- c. Will the volume discounts make First-class mail [*sic*] more desirable, or less so, for Capital One?
- d. Will the NSA increase the value of the First-class [*sic*] postal services provided to Capital One by the USPS?

**RESPONSE:**

- a. No.
- b. No.
- c. As my testimony suggests, the discounts included in this agreement are expected to provide an incentive – at the margin – for Capital One to use more First-Class Mail.
- d. Capital One’s willingness to enter into this agreement suggests that Capital One believes this agreement, as a whole, provides a net benefit to Capital One.

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**NAA/USPS-T2-8:** Please refer to page 10, lines 7 through 9, of your testimony, where you state that the address improvement steps to which Capital One has agreed "will serve to lower costs currently borne by other customers." If Capital One is the largest, or nearly largest, First-class mailer, does it today bear more of the costs of its UAA than any other First Class mailer? If not, please explain why not.

**RESPONSE:**

If one accepts that the costs of forwarding and returns are covered by the per-piece price of First-Class Mail, then Capital One presumably pays a larger share of these costs (as measured in total dollars) than most users of First-Class Mail.

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**NAA/USPS-T2-9:** Please refer to page 11, lines 1 through 9, of your testimony, in which you discuss the proposed experimental classification of this proposal. Other than Capital One's implicit use of a company-specific price elasticity, what other "information" and "assumptions" depart from prior Commission practice that justify the use of experimental classification?

**RESPONSE:**

The reasons for using the experimental rules are contained in my testimony and in the Postal Service's request.



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**NAA/USPS-T2-10:** Please refer to page 12, lines 11 through 20 of your testimony. For each of the five categories of data listed in the bullet points, please explain how the Postal Service will collect the data.

**RESPONSE:**

Volume and revenue information (including the amount of discounts earned) will be captured by the Postal Service's permit system according to the terms stipulated in its agreement with Capital One. The Postal Service's address management systems identify individual permit holders using a unique identifier, which will enable automated measurement of Capital One's address correction activity, since the agreement requires Capital One to inform the Postal Service of the permit numbers it will be using for purposes of the agreement. Physical returns are sent to post office box addresses in Richmond, Virginia, thus facilitating estimation of total physical returns.

## 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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