

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

EXPERIMENTAL CHANGES TO IMPLEMENT
CAPITAL ONE NSA

Docket No. MC2002-2

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE]
OCA/USPS-T2-15-17, 18(b)

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T2-15-17, 18(b), filed on October 21, 2002. The original set of interrogatories was denominated OCA/USPS-T2-15-21; however, on October 28, 2002, the OCA withdrew 19(d)-(e), 20-21. Part (a) of 18 was redirected to witness Wilson, while the remaining parts of question 19 were redirected to the Postal Service.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999; Fax -5402

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OCA/USPS-T2-15. Please refer to your response to OCA/USPS-T2-1, where you state that “Confirmed that these goals, *and possibly others*, would need to be met in order for the Postal Service to consider entering into a Negotiated Service Agreement with another company.” (emphasis added) Please identify and describe the “possibly” other goals that would need to be met.

RESPONSE:

As implied – I think – by the word “possibly”, the Postal Service has not developed an exhaustive list of possible goals that might be satisfied through NSAs. This is quite consistent with two areas of uncertainty: additional or alternate goals might emerge through discussions with other companies or as a consequence of this docket.

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OCA/USPS-T2-16. Please refer to your testimony at page 1, lines 18-21, where it refers to “customer-specific pricing arrangements” between the Postal Service and its international mail customers, and the “three distinct goals” on lines 6-9.

- (a) Please confirm that the Postal Service has entered into “customer-specific pricing arrangements” with one or more international mail customers that accomplish one or more of the “three distinct goals” identified on lines 6-9. If you do not confirm, please explain.
- (b) Please identify the number of “customer-specific pricing arrangements” concluded between the Postal Service and its international mail customers that accomplish one or more of the “three distinct goals” identified on lines 6-9 by distinct goal.
- (c) Please identify the number of “customer-specific pricing arrangements” concluded between the Postal Service and its international mail customers that accomplish all “three distinct goals” identified on lines 6-9.

RESPONSE:

- a-c. Unable to confirm. My testimony does not state, nor does it imply, that the goals accomplished by the Capital One NSA are the same as those served by agreements between the Postal Service and its international customers. I have not studied agreements with international customers.

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OCA/USPS-T2-17. Please refer to your response to OCA/USPS-T2-4.

- (a) Please confirm that a cost-basis was determined by the Postal Service to justify the volume threshold of “more than 750 million pieces of qualified First-Class Mail annually” to provide electronic Address Correction Service (ACS) notifications at no charge. If you do not confirm, please explain.
- (b) Please confirm that the \$13.1 million in cost savings to the Postal Service of providing electronic ACS to Capital One at no charge would not change if the volume threshold of “more than 750 million pieces of qualified First-Class Mail annually” were set to zero. If you do not confirm, please explain.
- (c) Please confirm that the volume threshold of “more than 750 million pieces of qualified First-Class Mail annually” is arbitrary. If you do not confirm, please explain.

RESPONSE:

- a. Not confirmed. As explained in my response to OCA/USPS-T2-4, these thresholds were arrived at through negotiations between the Postal Service and Capital One and not through isolated study of each term in the agreement by itself.
- b. The \$13.1 figure represents an estimate based on the volumes projected for Capital One and therefore bears no relationship to the 750 million piece threshold. If, on the other hand, Capital One mails less than 750 million, there would be a substantial reduction in the cost savings.
- c. Not confirmed. Whether used technically or colloquially, “arbitrary” is an inappropriate label for any one term in a multi-term agreement all of which resulted from one series of negotiations. As I have stated on several occasions (including the response to part (a) of this interrogatory) this threshold represents the outcome of lengthy negotiations between the Postal Service and Capital One, and as such constitutes a balance of interests that each party concluded was appropriate for it.

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OCA/USPS-T2-18. Please refer to your response to OCA/USPS-T2-11(a).

- (a) Please confirm that the offering of Change Service Requested, Option 2, at no charge to any First-Class mailer *that is not an ACS participant* and whose return or forwarding volumes exceeded the average would produce net cost savings to the Postal Service. If you do not confirm, please explain.
- (b) Please provide an example of a mailer whose “average cost of handling undeliverable-as-addressed pieces physically is greater than the cost of providing returns electronically” but does not result in net cost savings to the Postal Service.

RESPONSE:

- a. Redirected to witness Wilson.
- b. I am not aware of any specific examples. My response to OCA/USPS-T2-11(a) was based on the fact that the savings estimates employed in the instant filing are based on average per-piece costs. By definition a significant number of returned pieces costs less than the average, and it is therefore plausible that a given mailer’s characteristics are such that conversion to CRS Option 2 would not produce a net savings.

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

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 31, 2002