

**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

ERRATA TO TESTIMONY OF WITNESS STUART ELLIOTT (COS-T-2)

Capital One Services, Inc hereby gives notice of the following errata to the testimony of Stuart Elliott, COS-T-2:

1. On page 2, line 20, change “117” to “112”;
2. On page 3 a footnote 1 has been added to line 11 and the bottom of the page to explain the change in mail volumes;
3. On Exhibit 2, the reported volumes of First-Class solicitations for October and November, 2001 have been changed, and a new footnote has been added to the bottom of the page to explain the changes; and
4. The data changes in Exhibit 2 require a change in the graph in Exhibit 4.

Replacement pages are attached.

Respectfully submitted,

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Dated: November 1, 2002

1 **2. Capital One's mail volume forecast represents a continuation of historical**
2 **levels of solicitation, with a reduced growth rate for customer mail. For**
3 **First-Class Mail solicitations, the continuation of historical levels of mail**
4 **volume contrasts with an eight-month period of unusually high mail**
5 **volume, from October 2001 to May 2002.**
6

7 Capital One has provided mail volume projections for FY 2003 in its testimony for
8 the types of mail covered by the terms of the Negotiated Service Agreement (NSA).
9 These projections are reproduced in Exhibit 1 for reference. Exhibit 2 shows the
10 Company's mail volumes for the same types of mail from October 1999 to September
11 2002.

12 For Standard Mail solicitations, the data in Exhibit 2 show a high level of month-
13 to-month variation. For these solicitations, the graph in Exhibit 3 shows that the
14 average level of solicitations increased during FY 2000, but has been roughly constant
15 at 79 million pieces per month for the past two years.

16 For First-Class Mail solicitations, the data in Exhibit 2 also show a high level of
17 month-to-month variation. The graph of this mail volume in Exhibit 4 makes it clear that
18 First-Class Mail solicitation volume has averaged about 63 million per month from
19 October 1999 to July 2002, except for the period from October 2001 to May 2002, when
20 it averaged about 112 million.

21 For FY 2003, Capital One's projection of 768 million pieces of First-Class Mail
22 solicitation implies an average of 64 million pieces monthly. This represents a
23 continuation of the Company's historical rate of First-Class Mail solicitation that

1 has been in force for the past three years with the exception of the anomalous eight-
2 month period from October 2001 to May 2002.

3 For customer mail, the data in Exhibit 2 show a steady growth in mail volumes
4 since October 1999. This growth is shown graphically in Exhibit 5. Over this period, the
5 Company's customer mail grew at an annual rate of 32 percent.

6 The projected continuation of historical levels of solicitation with a higher account
7 base implies that annual account growth will be slower during FY 2003 than it has been
8 in recent years. Slower account growth implies in turn slower growth in customer mail
9 volume. For FY 2003, Capital One projects that there will be approximately 640 million
10 pieces of customer mail. This represents an annual increase of 9.8 percent over the
11 estimated 583 million pieces of customer mail that the Company will send in FY 2002.¹

12

13 **3. The increase in First-Class Mail solicitations during the eight-month period**
14 **from October 2001 to May 2002 was due to the unique, anomalous post-**
15 **9/11 environment. This increase was reversed by June 2002.**

16

17 The historical volume data show a large increase in First-Class Mail solicitations
18 in October 2001, followed by an equally large decrease starting in June 2002.

19 The eight-month increase in First-Class Mail solicitation pieces that took place
20 from October 2001 until May 2002 was a temporary deviation from the

21

22

¹ This estimate of FY2002 customer mail volume omits a one-time mailing of 41,588,388 pieces of customer mail in October and November 2001 related to a new arbitration provision in the contract between Capital One and its customers.

Exhibit 2: Capital One Volume of Customer Mail and Solicitations: October 1999 to September 2002

| Month | Customer Mail | First-Class Mail Solicitations | Standard Mail Solicitations |
|--------|---------------|--------------------------------|-----------------------------|
| Oct-99 | 23,753,037 | 78,771,652 | 30,248,391 |
| Nov-99 | 24,924,804 | 99,036,307 | 15,345,511 |
| Dec-99 | 28,323,271 | 56,759,404 | 7,921,155 |
| Jan-00 | 25,733,873 | 90,404,633 | 56,792,786 |
| Feb-00 | 24,438,019 | 35,453,537 | 34,437,081 |
| Mar-00 | 27,320,181 | 53,057,033 | 39,614,873 |
| Apr-00 | 29,480,138 | 38,846,756 | 28,331,357 |
| May-00 | 30,351,077 | 53,642,857 | 50,397,191 |
| Jun-00 | 30,470,815 | 82,813,549 | 55,393,585 |
| Jul-00 | 30,068,221 | 63,641,402 | 47,904,323 |
| Aug-00 | 32,449,688 | 48,333,024 | 66,828,624 |
| Sep-00 | 31,289,392 | 52,860,401 | 105,033,143 |
| Oct-00 | 35,458,669 | 36,680,749 | 119,564,729 |
| Nov-00 | 36,222,564 | 69,978,222 | 82,909,126 |
| Dec-00 | 38,333,630 | 69,555,071 | 32,121,903 |
| Jan-01 | 37,538,604 | 71,609,132 | 94,006,455 |
| Feb-01 | 37,228,200 | 67,678,601 | 73,448,261 |
| Mar-01 | 40,595,396 | 79,707,394 | 85,245,080 |
| Apr-01 | 39,584,216 | 53,734,153 | 93,752,823 |
| May-01 | 39,613,572 | 68,816,452 | 94,422,524 |
| Jun-01 | 40,094,283 | 50,499,839 | 63,251,136 |
| Jul-01 | 43,936,373 | 77,390,674 | 70,807,874 |
| Aug-01 | 41,780,602 | 61,920,684 | 101,295,653 |
| Sep-01 | 40,206,176 | 81,359,208 | 69,564,731 |
| Oct-01 | 46,379,476 | 109,959,062 | 88,010,149 |
| Nov-01 | 42,756,595 | 123,429,831 | 88,765,050 |
| Dec-01 | 49,050,084 | 114,868,000 | 25,136,785 |
| Jan-02 | 49,347,570 | 111,473,290 | 105,436,265 |
| Feb-02 | 46,416,492 | 97,894,068 | 83,400,395 |
| Mar-02 | 50,472,716 | 118,835,045 | 86,376,653 |
| Apr-02 | 50,248,542 | 98,176,516 | 97,144,193 |
| May-02 | 51,306,612 | 121,404,738 | 76,604,133 |
| Jun-02 | 48,162,673 | 56,909,685 | 54,916,252 |
| Jul-02 | 48,732,181 | 36,351,765 | 41,894,720 |
| Aug-02 | 50,000,000 | 43,000,000 | |
| Sep-02 | 50,000,000 | 64,000,000 | |

Note: August and September 2002 are estimates

Note: Customer Mail figures for October and November 2001 omit mail volume for a one-time mailing related to a new arbitration provision in the contract between Capital One and its customers; the omitted mail volume is 7,297,059 for October 2001 and 34,291,329 for November 2001

Source: Capital One.

Exhibit 4: First-Class Mail Solicitation Volume, October 1999 to July 2002

