

**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

**AMERICAN POSTAL WORKERS UNION, AFL-CIO
INTERROGATORIES TO CAPITAL ONE SERVICES, INC.
WITNESS DONALD JEAN
(APWU/COS-T1-1-18)
(November 1, 2002)**

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the American Postal Workers Union, AFL-CIO ("APWU") hereby submits interrogatories and requests for production of documents to Witness Donald Jean.

Respectfully submitted,

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CERTIFICATION

I hereby certify that I have this date served the following document in accordance with the rules of practice.

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APWU/COS-T1-1. If the proposed Negotiated Service Agreement between Capital One Services, Inc. and the United States Postal Service does not begin at the beginning of a USPS fiscal year, when will the reconciliation and adjustments referred to in paragraph III, J-5 first take place? If the reconciliation and adjustments take place during PFY2003 Q4, how will the reconciliation and adjustments be calculated? If the reconciliation and adjustments are calculated during PFY2003 Q4, how will volumes mailed before the beginning of the agreement be treated, and specifically how will the reconciliation and adjustments count volumes mailed before the beginning of the agreement toward the thresholds and the volumes used for the discounts?

APWU/COS-T1-2. The proposed Negotiated Service Agreement is between the United States Postal Service and Capital One Services, Inc. and its subsidiaries and affiliates. Please identify all of Capital One Services, Inc.'s subsidiaries and affiliates. What is the relationship between Capital One Services, Inc. and Capital One Financial Corporation? Does Capital One Services, Inc. provide services to all of Capital One Financial Corporation's subsidiaries? Please list all the Capital One Financial Corporation subsidiaries for which Capital One Services, Inc. provides services. Is there any provision in the proposed Negotiated Service Agreement or in any other document that would prevent Capital One Services, Inc. from providing mailing services to entities other than subsidiaries of Capital One Financial Corporation? Please identify and detail any such restrictions. Does Capital One Services, Inc. now provide services to any entities other than subsidiaries of Capital One Financial Corporation? Please list all the entities, other than subsidiaries of Capital One Financial Corporation, for which Capital One Services, Inc. provides services. Has Capital One Services, Inc. provided services to any entities other than subsidiaries of Capital One Financial Corporation? Please list all the entities, other than subsidiaries of Capital One Financial Corporation, for which Capital One Services, Inc. has provided services.

APWU/COS-T1-3.

- (a) Will the customer mail that is covered under this proposed Negotiated Service Agreement be generated by all the subsidiaries of Capital One Financial Corporation, including its credit card activities (from the Bank and the Savings Bank), its auto loan activities, and its other domestic consumer loan activities? Will auto loan customer mail generated for companies that have purchased auto loans from a subsidiary of Capital One Financial Corporation but are still being serviced by a subsidiary of Capital One Financial Corporation be included in this mail? Will its credit card lending activities include both household and business credit card customers of Capital One Financial Corporation subsidiaries? Please identify with specificity which customer mail is covered under this proposed Negotiated Service Agreement.
- (b) Will the solicitation mail that is covered under this proposed Negotiated Service Agreement be generated by all the subsidiaries of Capital One Financial Corporation including its credit card activities (from the Bank and the Savings Bank), its auto loan activities, and its other domestic consumer loan activities? Will its credit card lending activities include both household and business credit card customer solicitations? Please identify with specificity which solicitation mail is covered under this proposed Negotiated Service Agreement.
- (c) Please identify all of Capital One Services Inc.'s strategic partners and all strategic alliances Capital One Services Inc. has with other entities that could result in mailings covered by the proposed Negotiated Service Agreement. Does Capital One Financial Corporation or any of its other subsidiaries have any additional strategic partners or strategic alliances with other entities that could result in mailings covered by the proposed Negotiated Service Agreement? Please specify whether each partner or alliance could result in customer mail or solicitation mail or both and whether any or all of that mail would be covered by the proposed Negotiated Service Agreement.
- (d) Please identify all of Capital One Services Inc.'s products and services that could result in mailings covered by the Negotiated Service Agreement. Does Capital One Financial Corporation or any of its other subsidiaries have any additional products or services that could result in mailings covered by the proposed Negotiated Service Agreement? Please identify any other products or services that could result in mailings covered by the Negotiated Service Agreement. Please specify whether each product or service could result in customer mail or solicitation mail or both and whether any or all of that mail would be covered by the proposed Negotiated Service Agreement.

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APWU/COS-T1-4. On page 5 of your testimony, you provide a Before Rates projection of Capital One's mail volume for FY2003. In your testimony, you indicate that these projections were based on estimates made by "business managers." For which businesses of Capital One Services, Inc. were business managers questioned on this subject and what is the title of the business manager questioned at each such business? For which businesses of Capital One Financial Corporation were business managers questioned on this subject and what is the title of the business manager questioned at each such business? For which other businesses were business managers questioned on this subject and what are the titles of the business managers questioned at each such business? When were those projections solicited from business managers and when did they respond? Did all business managers questioned respond? What questions were asked of business managers to determine these volumes? Were all business managers questioned on each subject? Please identify, by business and title, each business manager from whom you requested information and received no response, an incomplete response or a response you could not use for your projections.

APWU/COS-T1-5. On page 5 of your testimony, you provide a Before Rates projection of Capital One's mail volume for FY2003. Were specific economic assumptions used to underlie these forecasts? If so, what specific economic assumptions were used to underlie these forecasts and how sensitive are these forecasts to changes in these economic assumptions? How sensitive are these forecasts to changes in economic conditions? Has Capital One Services, Inc., Capital One Financial Corporation or any consultants employed by either Capital One Services, Inc., Capital One Financial Corporation or any entity related to either Capital One Services, Inc. or Capital One Financial Corporation:

- (a) estimated relationships between changes in Capital One's solicitation volume and customer account volume and a one percent change in Gross Domestic Product (GDP)?
- (b) estimated relationships between changes in Capital One's solicitation volume and customer account volume and a one percent change in Personal Consumption Expenditures?
- (c) estimated relationships between changes in Capital One's solicitation volume and customer account volume and a one percent change in Personal Income?
- (d) estimated relationships between changes in Capital One's solicitation volume and customer account volume and a one percentage point change in the Unemployment rate?
- (e) estimated relationships between changes in Capital One's solicitation volume and customer account volume and a one percentage point change in interest rates?

If the answer to any of (a) – (e) above is yes, please provide all estimates of those relationships and the source of those of those estimates.

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APWU/COS-T1-6. On page 6 of your testimony, you indicate that six to twelve percent of Capital One's First Class solicitation mail is returned as undeliverable. What percent of Capital One's First Class solicitation mail pieces were returned in FY 2000? What factors influence those return rates? Does Capital One endeavor to estimate return rates for mailing lists prior to purchasing or renting the use of them? If so, what sort of decision rules does the company use?

APWU/COS-T1-7. Your forecast of First Class solicitation mail for FY2003 indicates that Capital One expects to mail fewer First Class solicitation pieces in the test year than it did in either FY2002 or FY2001 and that the volume will be less than 2 percent above the levels of FY2000. Do you anticipate that the lower volumes will also lower your return rates for undeliverable mail since it will allow Capital One to use only the higher quality mailing lists available to it? If not, please explain why not.

APWU/COS-T1-8. On page 3 of your testimony, you make the statement that Capital One has generally been moving its solicitation mailings from First Class mail to Standard mail. What is Capital One's expected volume of Standard solicitation mail for FY2003? What is Capital One's experience as to the difference in the response rates between First Class and Standard mail for similar solicitation offerings? What other factors determine if Capital One uses First Class or Standard mail to send its solicitations? Does the content of solicitations sent First Class vary from the content of those sent Standard, such as including more individualized information? If so, please detail how the content of solicitations sent First Class varies from the content of those sent Standard. What is Capital One's experience as to the difference in response rates between First Class and Standard mail based on the content of the mailings?

APWU/COS-T1-9. On page 4 of your testimony you state that Capital One expects account growth to slow somewhat, which will moderate growth in First-Class statement/letter volume. Does this statement refer only to domestic credit cards? If not, please indicate which lines of Capital One's business this statement covers. Based on the information provided in Mr. Elliott's Exhibit 2 (and his response to OCA/COS-T2-5) the customer mail generated by Capital One grew 39 percent between FY2000 and FY2001 and grew 24 percent between FY2001 and FY2002. By how much do you anticipate customer account growth to slow in FY2003 to account for your statement on page 4 that "...we expect non-solicitation mail volume, in the absence of this agreement, in fiscal 2003 to remain at approximately 2002 levels (640 million pieces)"?

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APWU/COS-T1-10. You state on page 4 of your testimony that Capital One has a target of sending 25% of statements to customers electronically by 2005. This is one factor that causes you to predict virtually flat mail volume in 2003 compared to 2002 absent the proposed Negotiated Service Agreement. Does this target apply to statements to customers of all subsidiaries of Capital One Financial Corporation? If not, to which subsidiaries of Capital One Financial Corporation does it apply? Do you anticipate that Capital One will change its target for electronic statements if the proposed Negotiated Service Agreement is approved? What percentage of Capital One's current statements are presented electronically? How much has that percentage changed during the past year? How did Capital One anticipate meeting its 25% electronic statement target by 2005 prior to the proposed Negotiated Service Agreement? How will those plans change if the Negotiated Service Agreement is approved?

APWU/COS-T1-11. How long does it currently take from the time Capital One sends out a First Class mailing until returned mail pieces from that mailing are used to make changes to the mailing lists Capital One uses? Which mailing lists does Capital One correct based on this information? How long does it currently take from the time Capital One sends out a Standard mailing until returned mail pieces from that mailing are used to make changes to the mailing lists Capital One uses? Which mailing lists does Capital One correct based on this information? Has Capital One ever sent out a Standard mailing with any of the mailer endorsements in F010.5.3 of the Domestic Mail Manual? If so, what endorsements were used and when? If Capital One no longer uses certain endorsement for Standard mailings, why did Capital One cease using those endorsements?

APWU/COS-T1-12. What is the current process that Capital One follows to incorporate the information from returned mail pieces in the various types of mailing lists used by Capital One – customer lists, solicitation lists owned by Capital One, solicitation lists rented by Capital One, other lists? What is the cost to Capital One of incorporating that information per piece of returned mail? Has Capital One analyzed its returned mail pieces to determine the most common reasons for those returns? If so what are those reasons? If not, why not?

APWU/COS-T1-13. Under the proposed Negotiated Service Agreement between USPS and Capital One, Capital One agrees to receive electronic ACS information and to incorporate that information into its databases within 2 days. Please explain which mailing lists Capital One's updated databases will cover – customer lists, solicitation lists owned by Capital One, solicitation lists rented by Capital One, other lists? Will the information from ACS get included in both Capital One's First Class and Standard mailing lists? Will Capital One notify the third party owners of mailing lists that it has obtained the use of that there are

address corrections that need to be made? Will Capital One check subsequently obtained lists for accuracy against the ACS information prior to using them?

APWU/COS-T1-14. In your answer to interrogatory OCA/COS-T1-14, you make a distinction between the customer account mail that is sent out by Capital One Services, Inc. and the solicitation mail that is sent out by lettershops Capital One Services, Inc. employs. Please describe the process used by Capital One to provide its mailing lists to these lettershops including such information as timing and who has control of and responsibility for the updating of the mailing.

APWU/COS-T1-15. Please confirm that the elapsed time between when the mailing list for all mailings is last checked against CASS/NCOA and the time the last piece in that mailing is placed in the USPS mailstream is 60 days or less for solicitation mail pieces and 30 days or less for customer mail pieces.

APWU/COS-T1-16. What is the average weight of the customer account correspondence sent by Capital One? What is the average weight of First Class solicitation pieces sent by Capital One or its lettershops? What is the average weight of Standard solicitation pieces sent by Capital One or its lettershops? What depth of presort discount is currently used by Capital One (or its lettershops) for its customer account mailings? What depth of presort discount is currently used by Capital One for its First Class solicitation mailings? What depth of presort discount is currently used by Capital One for its Standard solicitation mailings?

APWU/COS-T1-17. What type of mail does Capital One produce at its Richmond and Seattle production sites? For which entities does Capital One produce mail at its Richmond and Seattle production sites? Has Capital One experienced lower returned mail rates since its Richmond plant qualified for MPTQM status? What percent of Capital One's First Class customer mail is generated from each of these plants? What percent of Capital One's First Class solicitation mail is generated from each of these plants? What percent of Capital One's Standard mail is generated at each these plants?

APWU/COS-T1-18. Must a lettershop have MPTQM status before Capital One will employ it to produce a mailing?