

**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 STUART W. ELLIOTT
(APWU/COS-T2-1-7)
(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 Stuart W. Elliott.

Respectfully submitted,

Susan L. Catler
O'Donnell, Schwartz and Anderson, P.C.
1300 L Street NW Suite 1200
Washington, DC 20005-4126
Telephone: (202) 898-1707
Facsimile: (202) 862-9276
e-mail: scatler@odsalaw.com

Counsel for American Postal Workers Union, AFL-CIO

CERTIFICATION

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

Susan L. Catler
O'Donnell, Schwartz and Anderson, P.C.
1300 L Street NW Suite 1200
Washington, DC 20005-4126

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APWU/COS-T2-1. Is it your understanding that the quarterly customer and solicitation mail figures that you present in Exhibit 2 covered all the types and sources of mail that will be covered under the proposed Negotiated Service Agreement between Capital One and the USPS? Does the customer mail include all customer mailings associated with the credit card business, auto loan business and other consumer loan business of Capital One Financial Corporation, its subsidiaries or affiliates or Capital One Services, Inc. or its subsidiaries or affiliates? Does customer mail include any customer mailings associated with the international credit card businesses of Capital One Financial Corporation, its subsidiaries or affiliates or Capital One Services, Inc. or its subsidiaries or affiliates? Does the customer mail include customer mailings for auto loans owned by other entities but serviced by Capital One Financial Corporation, its subsidiaries or affiliates or Capital One Services, Inc. or its subsidiaries or affiliates? If it does include any or all of these business segments, do you know what percent of the mail volume by FY and type is generated by each segment? If so, please provide this information.

APWU/COS-T2-2. On page 3 of your testimony, you indicate that the 640 million pieces of customer mail in the Capital One projections represents growth of 9.8 percent from the estimated 583 million pieces (now revised to 581 million based on your response to OCA/COS-T2-5) of customer mail that was generated in FY2002. Mr. Jean, on page 4, of his testimony indicates that his forecast of 640 million pieces will represent virtually no growth in customer mail between FY2002 and FY2003. Please confirm that customer mail in your Exhibit 2 is defined the same way customer mail is defined by Mr. Jean on page 4 of his testimony. If you cannot confirm, please explain the difference in definitions. Please explain the difference in your numbers and Mr. Jean's for customer mail.

APWU/COS-T2-3. On page 4 of your testimony, you indicate that the growth rates of the projected mail are supported by Capital One Financial Corporation's July 16th 2002 8-K filing with the SEC. In analyzing the Capital One mail volume did you consider different growth rates for different segments of the business of Capital One Financial Corporation, its subsidiaries or affiliates or Capital One Services, Inc. or its subsidiaries or affiliates in doing this analysis? On the same page of the 8-K quoted in your report, Capital One Financial Corporation makes the statement that "The somewhat lower loan growth in the second half of 2002 will also be accompanied by somewhat lower marketing expenditures." Did you estimate the relationship between the marketing activities of Capital One Financial Corporation, its subsidiaries or affiliates or Capital One Services, Inc. or its subsidiaries or affiliates and their subsequent new accounts? If you did what were the results?

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APWU/COS-T2-4. On page 4 of your testimony at 20-22, you state that since the levels of solicitation and customer mail projected by Capital One for FY2003 follow the Company's announced strategy, those projections are a reasonable estimate of the Company's mail volume. Since your testimony was filed, Capital One Financial Corporation has filed another 8-K with the SEC (on October 15, 2002). In the press release that accompanied that release, Nigel W. Morris, Capital One Financial Corporation's President and Chief Operating Officer states "We expect marketing to increase in 2003 as we take advantage of the attractive opportunities that we see in all major areas of our business including US card, installment and auto loans, and our international activities." Does this stated strategy still make you anticipate lower volumes of First Class solicitation mail in FY2003 than Capital One Financial Corporation, its subsidiaries or affiliates or Capital One Services, Inc. or its subsidiaries or affiliates mailed in FY2001? Please explain your assessment.

APWU/COS-T2-5. You seem to be familiar with the work of USPS witnesses Tolley and Thress from the R2001-1 rate case. Their analysis discusses some potential tradeoffs between First Class solicitation mail and Standard solicitation mail. Did you consider such a tradeoff when doing your analysis of the change in First Class volume due to a change in the discount structure for First Class mail? Would you anticipate that Capital One would switch volume from Standard mail to First Class mail as a result of this agreement? If so, what would be the expected magnitude of such a switch?

APWU/COS-T2-6. In your calculations, you have used the marginal price discount change in conjunction with the own price elasticities. Would you agree that the price elasticities have been calculated on data that show the price change for the entire volume rather than the price change for only a small part of the volume? Please provide your reasoning for using the price elasticities in this way.

APWU/COS-T2-7. You use a new account yield on solicitations of 0.6 percent in your calculations in Exhibit 7. Is that yield for First Class solicitations, Standard solicitations or a mix of both?