

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

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS BIZZOTTO
(OCA/USPS-T1-4, 6, 8)

The United States Postal Service hereby provides the responses of witness
Plunkett to the following interrogatories of Office of the Consumer Advocate:

OCA/USPS-T1-4, 6, 8, filed on October 25, 2002, redirected from witness Bizzotto.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 4, 2002

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OCA/USPS-T1-4. Please refer to Section IV. of your testimony at pages 3-5, Customer-Specific Agreements. Please state, where, if at all, your testimony describes any effort by the USPS to obtain data applicable to mailers beyond Capital One during the course of the proposed Negotiated Service Agreement (NSA).

RESPONSE:

Beyond the additional discussion on page 8 or my testimony, these efforts have not been described.

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OCA/USPS -T1-6. Please refer to Section V. of your testimony at pages 5-6, The Agreement With Capital One. Please explain why the USPS has agreed, in the NSA, to freeze the rate during the third year of the NSA's term.

RESPONSE:

As with all of the other features of this agreement, the outcome is the result of bargaining between the Postal Service and Capital One. Issues were generally not treated as separable in the way that this question implies. In any event, the "rate" is not frozen; instead, even if postage rates change as the result of an omnibus rate case or other Commission action, the Capital One NSA discounts stay the same. The Postal Service and Capital One concluded that freezing the discounts was an acceptable means of minimizing the impact of future economic uncertainty and the pressures that may serve to increase or decrease mail volume.

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OCA/USPS -T1-8. Please refer to Section V. of your testimony at pages 5-6, The Agreement With Capital One. Please explain why, under the terms of the NSA, the USPS does not receive the authority to cancel the NSA upon thirty days notice, as Capital One is authorized to do.

RESPONSE:

As has been discussed, the agreement with Capital One is best considered as a single entity, and not an aggregation of disparate components. The question as posed suggests an expectation of tit-for-tat exchanges on every single individual component of this agreement. That is not how negotiations were conducted, and one could argue that such an approach could not have resulted in a mutually beneficial agreement between USPS and Capital One. I would also point out that the Postal Service enjoys considerable control over the DMCS and how it is implemented and regulated, such that it could conceivably undertake changes that would have a material impact on Capital One's ability to benefit from the NSA. The clause presented in this interrogatory allows a mechanism for Capital One to exit the agreement if circumstances change in a way that renders the agreement less desirable.

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

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