

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

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
TO INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO
REDIRECTED FROM WITNESS BIZZOTTO
(APWU/USPS-T1-1-7)

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of the American Postal Workers Union, AFL-CIO: APWU/USPS-T1-1-7, filed on October 31, 2002, and 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 12, 2002

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO,
REDIRECTED FROM WITNESS BIZZOTTO

APWU/USPS-T1-1. Under the proposed Negotiated Service Agreement between Capital One and the USPS, what is your understanding of the actions that will be taken by Capital One to update their databases within two days of the receipt of electronic ACS information? Will these actions include mailing lists of Capital One and the lettershops it employs? Will it include both First Class and Standard mailing lists or only First Class Mailing lists? Does this mean that Capital One will endeavor to notify the owners of the mailing lists that Capital One has purchased or rented of [sic] incorrect information? What does the Postal Service expect Capital One to do with newly purchased or rented mailing lists in order to meet these requirements?

RESPONSE:

My understanding is that Capital One places the updated information into a database that it maintains for its returns. Any address that Capital One uses for its First-Class Mail solicitations is then run against the return database. Thus, even addresses for mail pieces prepared by vendors are run against the return database. However, downstream users of corrected address information would presumably benefit from the fact of address correction. As the agreement does not govern Capital One's use of Standard Mail, I do not know whether Capital One will use the updates for Standard Mail as well. Capital One's would presumably assess whether it is in their best interest to avoid sending Standard Mail to those addresses where the mail would be merely resent to the appropriate location for disposal. At the same time, I believe that the primary focus of the Postal Service is to assure that Capital One complies with the terms of the agreement. The Postal Service intends to do so.

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APWU/USPS-T1-2. If the proposed Negotiated Service Agreement between Capital One and the USPS 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?

RESPONSE:

Please refer to section IV(E) of the Agreement. Also, please see the response of witness Crum to APWU-T3-5.

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APWU/USPS-T1-3. Under the proposed Negotiated Service Agreement between Capital One and the USPS,

- (a) What is your understanding of key condition I., F. "Capital One's mail relates to its products and services, including but not limited to sales and other promotions run in conjunction with Capital One's strategic partners or as a part of strategic alliances with other entities."
- (b) How will this condition be monitored in order to prevent a violation of condition III, K " Capital One may not use the threshold permit to mail on behalf of any other company or entity."
- (c) Please identify Capital One's strategic partners and all strategic alliances Capital One has with other entities that could result in mailings covered by the Agreement.
- (d) Please identify Capital One's products and services that could result in mailings covered by the Agreement.

RESPONSE:

- a. This section defines the type of mail that Capital One currently mails.
- b. Please refer to section IV (A-B) of the agreement.
- c. I am unaware of Capital One's current strategic partners or alliances.
- d. Please refer to the testimony of witness Jean (COS-T-1). WHAT PAGE AND LINE?

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APWU/USPS-T1-4. Please confirm that the Postal Service does not intend for the mail volume of any entities merged with or acquired by Capital One during the course of this agreement be eligible for Capital One's block discounts. Thresholds for those discounts will be adjusted upward to exclude such mail from qualifying for those discounts during any period of this agreement. If this is not the intention of the Postal Service please explain, in detail, the exceptions.

RESPONSE:

Not confirmed. To the extent Capital One acquires, or merges with, another entity during the term of the Agreement, the mail volume of the acquired (or merged) entity would be counted toward attainment of relevant volume thresholds. However, such mergers and/or acquisitions would also result in thresholds being adjusted upwards as set forth in section III(I) of the Agreement. In other words, the Agreement attempts to neutralize the effect of mergers and acquisitions.

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APWU/USPS-T1-5. When did the Postal Service begin serious discussions with Capital One on the details of this proposed Negotiated Service Agreement? When did Capital One know the approximate date of the filing of the NSA? When did Capital One know which time periods might be considered to be baseline volume measures for its mail for this proposed Negotiated Service Agreement?

RESPONSE:

The discussions between the Postal Service and Capital One took place over many months, and exactly when such discussions became “serious” is difficult to determine. By early summer of 2002, however, meaningful discussions on specific proposals were underway. Knowledge about the filing date was not possible before the Board of Governors vote approving the filing (September 2002), although an approximate date of filing was discussed as the Board vote drew closer. When Capital One knew what time periods would be considered, “baseline” is also difficult to specify. The facts of Capital One’s steady increases in volume, as well as the post-9/11 bulge in volume, were known during early discussions. The actual timeframes identified in the Agreement, however, were determined only shortly before it was signed.

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APWU/USPS-T1-6. Why are block discounts considered to be a necessary part of this proposed Negotiated Service Agreement since the changes proposed to undelivered mail handling seem to benefit both the Postal Service and Capital One?

RESPONSE:

The block discounts can not be meaningfully evaluated in isolation, as implied by this interrogatory. See my response to OCA/USPS-T2-9 and the Postal Service response to OCA/USPS-T3-14.

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APWU/USPS-T1-7. Of what benefit is it to the Postal Service to include an incentive for Capital One to reduce its mail volume in the first year of the agreement in order to qualify for additional discounts on even lower volumes the next year?

RESPONSE:

See my response to APWU/USPS-T2-1.

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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