

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

**NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
UNITED STATES POSTAL SERVICE WITNESS ANITA J. BIZZOTTO  
(NAA/USPS-T1-4-15)  
November 15, 2002**

The Newspaper Association of America hereby submits the attached  
interrogatories to United States Postal Service witness Anita J. Bizzotto (USPS-T-1) and  
respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

By: \_\_\_\_\_

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the instant document on all  
participants requesting such service in this proceeding in accordance with section 12 of  
the Rules of Practice and the Presiding Officer's Rulings.

November 15, 2002

\_\_\_\_\_  
William B. Baker

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NAA/USPS-T1-4: Were you the Postal Service officer with principal supervisory authority over the negotiations with Capital One?

NAA/USPS-T1-5: Please describe the review process by which the Postal Service internally considered the Capital One NSA and contrast that to the process for an omnibus rate case. In particular, please summarize the major ways in which that review was similar to, and different from, the review accorded the preparation of an omnibus rate case filing.

NAA/USPS-T1-6: Did the Postal Service prepare, for internal purposes, an analysis of the return on investment of the Capital One NSA? If so, please describe how the Postal Service and/or the Governors used that analysis.

NAA/USPS-T1-7: As the Chief Marketing Officer of the Postal Service, do you believe that, as a general policy applicable to all NSAs, an NSA for a specific customer should be based on postal costs applicable to the mail of that specific customer, or on average costs for all mail of the relevant type?

- a. Should the Capital One NSA be based on postal costs applicable to the mail of that specific customer, or average costs for all mail of the relevant type?
- b. Do the “unique circumstances” of the Capital One NSA warrant any departure from what you would advocate as a general policy? Please explain your answer.

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NAA/USPS-T1-8: In your response to ABA/USPS-T1-1, you quote witness

Plunkett as saying:

In the course of developing the [Capital One] NSA, the Postal Service has not identified any other customers with Capital One's combination of attributes that makes this agreement uniquely valuable. The Postal Service recognizes that if there were other mailers that use First-Class Mail as an advertising medium, and that if they exhibited similar mail usage and growth potential, it could be beneficial to enter into a similar agreement with those mailers. (Emphasis added.)

- a. Please itemize and explain each specific attribute in Capital One's "combination of attributes" that make the Capital One NSA uniquely valuable.
- b. If the fact that Capital One has the largest volume in the First-Class Mail Subclass is one of the attributes in this "combination of attributes," by definition no other mailer in the country would have the same "combination of attributes"?
- c. Please explain the steps the Postal Service has taken to determine whether other mailers have the combination of attributes similar to that of Capital One, except, perhaps, for its uniquely large First-Class Mail volume.
- d. Is it your opinion that very few mailers, other than Capital One, use First-Class Mail for solicitation purposes?
- e. Is one of the unique attributes of Capital One that it is willing to have its mail pieces destroyed if they cannot be delivered, provided that the ACS service is provided free of charge?
- f. Is one of the unique attributes of Capital One that the proportion of its solicitation pieces that are UAA and cannot be forwarded is approximately eight times the national average for First-Class Mail?
- g. Is one of the unique attributes of Capital One that it does not participate in the Postal Service's ACS service, which is designed to be a computerized, electronic way to improve the quality of addresses on a list?

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- h. Do you believe that Capital One's decision not to participate in the Postal Service's ACS service is irrelevant to the decision to enter into this NSA?
- i. Please explain the analysis the Postal Service performed to determine whether Capital One had "growth potential."
- j. Consider a mailer who was not viewed by the Postal Service as having "growth potential" but who would send additional volume if given declining block discounts, and that both the Postal Service and the mailer would consider that growth to be a positive development. Please explain the extent to which you would argue that this mailer is a poor candidate for an NSA involving declining block discounts.

NAA/USPS-T1-9:

- a. Please confirm that First-Class Mail, without an endorsement to the contrary, is given "free" forwarding (in the sense that there is no additional charge beyond the postage rate to the mailer or the recipient) for 12 months and if an undeliverable -as-addressed piece cannot be forwarded, or is beyond the 12-month period, it is returned to the sender at no additional charge.
- b. Do you agree that the arrangement described in (a) involves intentional rate averaging among mailers in the sense that the cost to the Postal Service of providing this service to some mailers is much higher than the cost of providing it to others?
- c. Do you agree that mailers that cause the Postal Service to incur higher-than-average costs (due to having higher-than-average proportions of pieces either forwarded and/or returned) are, at least with respect to forwarding, being cross subsidized (perhaps implicitly) by other mailers? If you do not agree, then state the definition of cross-subsidy on which you base your answer and explain how the phenomenon in question coincides with that definition.
- d. Would charging each mailer of First-Class bulk mail a rate that recognizes the degree to which its mail uses forwarding and return services be fairer than the current pricing of First-Class mail? Please explain.

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- e. If each mailer of bulk First-Class Mail were charged according to its use of forwarding and return services, possibly through a code placed on the mail piece, would an NSA of the kind and character of the instant proposal still be worth considering? Please explain.

NAA/USPS-T1-10: Does Capital One currently receive a substantial implicit subsidy from its dramatically above-average usage of the forwarding and return services of the Postal Service? Please explain any negative answer.

NAA/USPS-T1-11: Do you believe that, in this NSA, Capital One could be said to agree to forego an implicit subsidy from its above-average usage of forwarding and return services if the Postal Service will use the savings to provide it with free ACS service and with declining block discounts that start well below projected volume levels?

- (a) Please explain any disagreement you have with this question, including, but not limited to, any statement of fact you contend is incorrect.
- (b) Please explain why the Postal Service's arrangement with Capital One is fair to mailers who are paying the same postal rates but are not receiving dramatically above-average returns and therefore do not receive the same implicit subsidy.

NAA/USPS-T1-12: As the Postal Service's Chief Marketing Officer, is it your belief that the use of declining block discounts depends upon the size of the mailer? Please explain your answer.

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NAA/USPS-T1-13: If 10 percent of the addresses in a particular mailing list are UAA and cannot be forwarded, would you consider mail using that mailing list to be of poor quality or “dirty”? Please explain any negative answer.

NAA/USPS-T1-14: If a large First-Class mailer could demonstrate that 12 to 15 percent of its mail is UAA and cannot be forwarded, would such fact help qualify that mailer for an NSA similar to the Capital One NSA? Please explain any negative answer.

NAA/USPS-T1-15: If a large First-Class mailer could demonstrate that 3 to 4 percent of its mail is UAA and cannot be forwarded, would such fact reduce that mailer’s likelihood of qualifying for an NSA similar to the Capital One NSA? Please explain any affirmative answer.