

**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

**SECOND INTERROGATORIES OF CAPITAL ONE SERVICES, INC.
TO OFFICE OF THE CONSUMER ADVOCATE
WITNESS JAMES F. CALLOW (OCA-T2- 5-12)**

Capital One Services, Inc (COS) hereby requests Office of the Consumer Advocate to respond fully and completely to the following interrogatories and requests for production of documents pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure.

Respectfully submitted

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Dated: January 6, 2003

COS/OCA-T2-5 You have proposed discounts for First-Class Mail volumes above a unique volume threshold “determined for each mailer based upon the mailer’s historical First-Class volume data.” (Page 3).

- (a) Is the decline in First-Class Mail volume currently a serious problem confronting the Postal Service?

- (b) Does your threshold requirement prohibit the Postal Service from halting First-Class Mail volume declines for a particular mailer by offering that mailer a discount to maintain volumes?

- (c) Does your “threshold” approach obviate the possibility of the so-called “free rider” problem, that is, the possibility that discounts may be granted for First-Class Mail volume increments which would have materialized in the absence of the discount? Please explain your answer.

COS/OCA-T2-6 On page 4 of your testimony, you state that your experimental classifications “could eliminate the need to negotiate individual agreements with each mailer and to rely on unverifiable, private information.” Please confirm that this necessarily means that the only criteria that the Postal Service could use in determining a volume threshold is actual volume data for a particular mailer, and the Service cannot include any evidence relating to the intentions or plans of that mailer. In responding, please state as explicitly as you can what you regard as the “objective terms”, as you use that phrase on page 6 of your testimony, as the basis for accessing declining block rates.

COS/OCA-T2-7 On page 18 of your testimony, you state that for your experimental classification “a mailer’s recent historic First-Class Mail volume can be used to develop a volume threshold.” Please explain in detail how this data would be developed so that it would present an objective and verifiable volume threshold, and in the course of that explanation please explain how data can be both “recent” and “historic”.

COS/OCA-T2-8 On page 25 of your testimony, you state that the Postal Service “has an affirmative duty to find that any First-Class mailer, if authorized access to the volume- based declining block rates, will generate an additional contribution to institutional costs.” You then say that if the Postal Service finds that such additional contribution is not likely, “it may decline to authorize a mailer’s access to the volume- based declining block rates.” While, as you say, the Postal Service “may” decline to authorize a mailer’s access to the volume-based declining block rates, may they nevertheless do so?

COS/OCA-T2-9 On page 9 of your testimony, you state that in the case of the Capital One NSA, “there is no requirement that Capital One receive electronic address correction notices. ...” In the footnote on that same page, however, you acknowledge that the Service maintains that Capital One will have such an obligation if it wishes to have the address correction fees waived and pieces counted toward the discount thresholds. Do you contest the Postal Service’s claim, and, if you do not, is it not then the case that, in order to qualify for the free electronic address correction service and volume discounts, Capital One will have to, as you say, “receive” electronic address correction notices?

COS/OCA-T2-10 On page 9 you say that, under your proposal, “mailers would be required to correct, not just update, their address databases in order to prevent incorrect addresses from being used in another mailing.” Please explain your understanding of the distinction between “correct”, and “update”.

COS/OCA-T2-11 On page 12 of your testimony, you criticize the Postal Service's data collection plan as inadequate because it fails to collect data on the volume of Capital One's First-Class solicitation mail that is forwarded and also fails to account for the volume of forwards processed through CFS units or forwarded locally, and you criticize the agreement because it does not require the Postal Service to do a special study to determine the amount of forwarding and return for Capital One. And on page 13 of your testimony, you state that, under your proposal, the data to be collected for each mailer will include the volumes of mail pieces forwarded, repeat forwards, those processed through CFS units, those forwarded from destination delivery units not covered by CFS units, those forwarded locally and those forwarded through PARS; and to get this data "a special study supported by accompanying documentation and calculations will be required." Assume that hundreds, perhaps even thousands, of mailers choose to take advantage of your classifications, is it your testimony that for each such mailer, the Postal Service should make a "special study" to determine how much mail is forwarded for that particular mailer in all its variations of forwarding as you have described?

COS/OCA-T2-12 In attachment B to your testimony, the DMCS schedule language, in 620.64 you give an example of the discounts that would be available on an increase of a billion mailings to 1.3 billion pieces. In that example, you multiply the volume blocks by the rate discounts as listed in your schedule 620A. Please confirm that the rates you use in the example are misstated by being one half cent per piece more than applicable, and that the actual total amount of discounts would be \$7,650,000, rather than the \$8.4 million you list there. Specifically, is it not the case that the discounts would be sixty million pieces at 5.5 cents per piece, sixty million pieces at 5 cents per piece, and thirty million pieces at 4.5 cents per piece?