BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C.   20268-0001

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EXPERIMENTAL RATE AND SERVICE CHANGES TO IMPLEMENT NEGOTIATED SERVICE AGREEMENT WITH CAPITAL ONE SERVICES, INC.	**DOCKET No. MC2002-2**

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THIRD INTERROGATORIES OF CAPITAL ONE SERVICES, INC.

TO OFFICE OF THE CONSUMER ADVOCATE

WITNESS JAMES F. CALLOW (OCA-T2- 13-16)

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 8, 2003

COS/OCA-T2-13   Please refer to your response to COS/OCA-T2-4; page 17-18 of
OCA-T-1, which describes witness Smith's extrapolation approach; and page 3 of your
testimony where you state, "A unique volume threshold would be determined for each
mailer based upon the mailer's historical First-Class volume data."

(a)   Under your proposed volume discount classification, is the Postal Service free to
        calculate the discount threshold using any method that it chooses so long as the
        method uses "its own [USPS] or publicly available data"? If your response is
        anything other than an unqualified yes, please describe how much freedom the
        Postal Service will have in setting the discount threshold based upon "its own or
        publicly available data."

(b)   Please confirm that your proposal does not require that the Postal Service use the
        extrapolation approach proposed by witness Smith to determine the discount
        threshold and explain fully why your proposal does not require the Postal Service
        to use this approach.

(c)   Please define fully "publicly available data" as used in your proposed Domestic
        Mail Classification Schedule language and list all forms of publicly available data
        that the Postal Service can use in calculating the discount threshold.

(d)   Please explain whether publicly available data, as used in your proposed DMCS
        language, must be historical.

COS/OCA-T2-14. Please refer to page 2 of OCA-T-1 where witness Smith states, "I conclude that the previous year's mail volume adjusted by previous levels of growth can serve as an estimator of the next year's level of mail volume. Such a number may be deficient, as is the case for Capital One, apparently due to changes in marketing approaches." Please refer further to page 18 of OCA-T-1 where he states, "The application of a revised growth rate requires a degree of judgment and ignores potential migration to the Internet of some billing statements." Please refer further to page 3 of your testimony where you state, "A unique volume threshold would be determined for each mailer based upon the mailer's historical First-Class volume data."

(a)   In your opinion, is it preferable for the Postal Service to set the discount threshold based upon a "deficient" Test Year volume forecast based solely upon USPS and publicly available data or a more accurate forecast that is based partially on a mailer's judgment and that has subsequently been reviewed by Postal Service experts? Please explain your response fully.

(b)   Given that, as witness Smith notes in his testimony, mailers change marketing approaches and that some billing statements may begin to migrate to the internet, do you believe that the Postal Service can accurately forecast Test Year volume based solely upon the mailer's historical First-Class volume data? Please explain your response fully.

COS/OCA-T2-15. Please refer to your response to COS/OCA-T2-2(a) where you state, "Unable to confirm. The interrogatory does not indicate whether discounts to be provided to a mailer under the proposed Experimental Volume-Based Declining Block Rates would be sufficient to induce the mailer to participate in the Experimental Automated Address Correction Service." Please also refer to page 17 of your testimony, which notes that only mailers participating in the Experimental Automated Address Correction Service would have access your Experimental Volume-Based Declining Block Rates. Finally, please refer to your response to COS/OCA-T2-3.

(a)   Please confirm that, if access to volume-based discounts were not contingent on participation in the Experimental Automated Address Correction Service, the mailer described in COS/OCA-T2-2 would not participate in your proposed Experimental Automated Address Correction Service.

(b)   Please confirm that it is your opinion that because you propose only to allow mailers who participate in the Experimental Automated Address Correction Service to participate in the Experimental Volume-Based Declining Block Rates, access to the volume-based discounts might induce mailers to participate in the Experimental Automated Address Correction Service classification. Please explain your response fully.

(c)   Similarly, since the Capital One NSA is proposed as a package deal that includes elements of both your Experimental Automated Address Correction Service and your Experimental Volume-Based Declining Block Rates, can the volume discounts be viewed as inducements both to increase mail volume and to waive its right to physical returns? Please explain your response fully.

(d)   Please confirm that, to keep the total NSA discount given to Capital One constant, if a percentage of the cost savings from Capital One waiving its right to physical returns were passed through in the form of a per-return discount, the total volume discount given to Capital One as part of the NSA would need to be reduced. If not confirmed, please explain fully.

(e)   Please confirm that reducing the volume discount portion of the negotiated service agreement would reduce the incentive for Capital One to maintain and grow its use of First-Class Mail. If not confirmed, please explain fully.

COS/OCA-T2-16. Please refer to your response to COS/OCA-T2-3(c) where you calculate per-piece incentive to increase mail volume from 1.409 billion pieces to 1.41 billion pieces. Furthermore, assume that the rate that an individual participant in your Experimental Volume-Based Declining Block Rates classification pays to mail First-Class Mail letters (in the absence of the volume discounts) is uniformly 29.1 cents per piece.

(a)   Please confirm that the per-piece incentive to mail First-Class Mail letters above 1.15 times the discount threshold in your proposed classification is always less than or equal to two cents per piece. If not confirmed, please explain fully and provide the maximum per-piece incentive for mailing volume above 1.15 times the discount threshold.

(b)   Please confirm that the per-piece discount between the discount threshold and 1.15 times the discount threshold in your proposed classification is always greater than or equal to 3 cents per piece. If not confirmed, please explain fully.

(c)   Please confirm that for First-Class Mail letters sent by this mailer in the volume block between the volume threshold and 1.15 times the volume threshold, the effective rate (29.1 cents minus the per-piece incentive) is no more than 26.1 cents per piece.

(d)   Please confirm that for First-Class Mail letters sent by this mailer in the volume block above 1.15 times the volume threshold, the effective rate (29.1 cents minus the per-piece incentive) is no less than 27.1 cents per piece.

(e)   Would you agree that declining-block rates refer to rates that decline as quantity increases? If not confirmed, please provide your definition.

(f)   Would you agree that the definition of declining-block rates in subpart (e) does not describe your proposal for First-Class Mail letters above 1.15 times the discount threshold? If not confirmed, please explain fully.