**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

FOURTH INTERROGATORIES OF CAPITAL ONE SERVICES, INC. TO NEWSPAPER ASSOCIATION OF AMERICA WITNESS CHRISTOPHER D. KENT (NAA-T1-30-33)

Capital One Services, Inc (COS) hereby requests Newspaper Association of America 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 10, 2003

COS/NAA-T1-30. Please refer to your response to COS/NAA-T1-1 where you state, "Confirmed. However, none of the USPS sensitivities included consideration of the amount of the waived fees." Please refer further to your response to COS/NAA-T1-6. Finally, please refer to USPS-T-3, Appendices A and B where witness Crum calculates the Test Year financial impacts of the NSA. Please also assume that Capital One does not currently pay for or receive electronic "returns" and, in the absence of the NSA, would not pay for or receive electronic "returns" during the period that the NSA would have been in effect.

(a) Please provide modified versions of USPS-T-3, Appendices A and B that include consideration of the amount of the waived fees.

(b) Please explain fully why waived fees should be included in the calculation of the Test Year financial impact of the NSA.

(c) Please explain fully why including waived fees as well as the costs for electronic "returns" in the calculation of the Test Year financial impact of the NSA does not double count the Test Year impact of receiving no-fee electronic "returns."

COS/NAA-T1-31. Please refer to your response to COS/NAA-T1-2 where you state, "I have not examined the costing of every mail class and special service in Docket No. R2001-1 and thus cannot confirm."

(a) Please list all mail classes for which you have analyzed Docket No. R2001-1 costing methods.

(b) Please indicate whether or not FY 2000 IOCS data were used to distribute costs in Docket No. R2001-1 to each of the mail classes listed in your response to subpart (a) of this interrogatory.

COS/NAA-T1-32. Please refer to your response to COS/NAA-T1-5 where you state, "use of NCOA presumably should reduce the forwarding rate somewhat." Please provide your best estimate of the extent to which use of NCOA should reduce the forwarding rate, provide all underlying calculations, and describe your reasoning fully.

COS/NAA-T1-33. Please refer to your response to COS/NAA-T1-7(a) where you state, "I advise [clients] on strategic matters during negotiations." Please assume that one of your clients asked for your advice on a negotiation and told you, "one of our largest customers is using a product on which we currently make $100 million in profit. Over the last year, this client has started making significant use of one of our lower-profit products and is considering shifting entirely to the use of the lower-profit product. If they shift entirely from using our higher-profit product to the use of our lower-profit product, it will reduce our profitability by $50 million. (Also, it's important to note that we can't legally stop this customer from moving to the use of this other product or increase our price for the lower-profit product.) During negotiations, the customer told us that it probably would not shift to the use of the lower-profit product if we give his company a discount of $7 million on the higher-profit product. Based upon this, the customer proposed an agreement where we offer him a $7 million discount on the higher-profit product. The customer further agreed that if his company does shift a percentage of their high-profit volume to the lower-profit product, we can reduce the discount more than proportionately. Finally, in exchange for receiving this discount, the customer agreed to change its operations in a way that we are certain will reduce our costs by more than $10 million." Assuming that there is no opportunity to modify the deal, would you advise your client to accept it? If not, please explain your reasoning fully. In particular, explain why it would be good for your client to reject the deal and take the risk of reducing its profitability by $50 million.