

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

RATE AND SERVICE CHANGES TO) Docket No. MC2004-3
IMPLEMENT FUNCTIONALLY EQUIVALENT)
NEGOTIATED SERVICE AGREEMENT WITH)
BANK ONE CORPORATION)

VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
FIRST INTERROGATORIES AND REQUESTS FOR PRODUCTION OF
DOCUMENTS TO BANK ONE CORPORATION
WITNESS BRAD RAPPAPORT (VP/BOC-T1-1-11)
(July 14, 2004)

Pursuant to sections 25 through 27 of the Rules of Practice of the Postal Rate
Commission, Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc.
hereby submit the following interrogatories and requests for production of documents.

Respectfully submitted,

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VP/BOC-T1-1.

Please refer to your testimony at page 3, lines 6-11, where you explain that Bank One uses both First-Class Mail and Standard Mail to send approximately 1 billion solicitations each year. Please complete the table below, using either percentages or mail volumes, to clarify information about your solicitation mailings (not including what you call “customer mail” in Section II.B., used to communicate with existing clients about their accounts).

2003 Solicitation Mailings

	<u>First-Class Mail</u>	<u>Standard Mail</u>	<u>Total</u>
To Customers			
To Non-customers			
Total			100%/1 billion

VP/BOC-T1-2.

For solicitation mail sent to non-customers in 2003, approximately how many different mailing lists did Bank One use for:

- a. First-Class Mail mailings?
- b. Standard Mail mailings?

VP/BOC-T1-3.

With respect to your response to preceding VP/BOC-T1-2, please indicate how many of the lists used for solicitation mailings to non-customers in 2003 were obtained directly by Bank One from each of the following sources:

- a. Independent list brokers.
- b. List owners.
- c. Other (please explain).

VP/BOC-T1-4.

- a. In 2003, on how many occasions, or what percent of the time — if ever — did Bank One send a solicitation mailing to a list of non-customers more than once?
- b. Please explain briefly the circumstances under which Bank One used a list of non-customers for more than one solicitation mailing.

VP/BOC-T1-5.

- a. When Bank One rents a list of non-customers from an independent list broker, do the terms of the rental generally specify, or limit, the number of times that Bank One may use the list? Please explain.
- b. After Bank One has finished using a list of non-customers obtained from an independent list broker (*i.e.*, when it plans no further use of the list on its own behalf), please explain briefly what Bank One does with the list. For example, does Bank One simply destroy the list in its computers and then certify that it has erased it, or does it do something else with it?

VP/BOC-T1-6.

- a. When Bank One obtains a list of non-customers directly from a list owner, do the terms of the rental generally specify or limit the number of times that Bank One may use the list? Please explain.
- b. After Bank One has finished using a list of non-customers obtained directly from a list owner (*i.e.*, when it plans no further use of the list on its own behalf), please explain briefly what Bank One does with the list. For example, does Bank One simply destroy the list in its computers and then certify that it has erased it, or does it do something else with it?

VP/BOC-T1-7.

If you obtain lists of non-customer prospects from sources other than list brokers or list owners, or maintain an internal list of non-customer prospects, please explain your procedures in acquiring, using, and updating such lists.

VP/BOC-T1-8.

Please refer to the Postal Service request, Attachment F, item II-B, that states, *inter alia*, “[i]n exchange for waiver of ACS fees, Bank One agrees to update its databases within 7 business days and use the information in future marketing campaigns.”

- a. Please give your interpretation of the term “databases” as that term is used in the above-cited sentence. In particular, please explain the extent to which (if any) this sentence applies to a list of non-customers that Bank One may in the future rent for a

First-Class solicitation mailing. Further, if this sentence applies in any way to lists of non-customers that Bank One may in the future rent for Standard Mail solicitation mailings, please explain fully what Bank One will do to update such lists.

- b. Please explain what the above-cited sentence means with respect to the electronic address corrections for Undeliverable as Addressed (“UAA”) mail that Bank One will receive under terms of the negotiated service agreement (“NSA”).
- c. Does the above-cited sentence, or any other term in the NSA, obligate Bank One to use the electronic address corrections for UAA mail which it will receive to update every list of non-customers that Bank One uses for a First-Class solicitation mailing?
- d. Unless your answer to the preceding part c is an unqualified affirmative, please explain what use(s), if any, will Bank One have for electronic address corrections for UAA mail that apply to lists of non-customers.
- e. To the extent that Bank One does not have any use for address corrections (electronic or otherwise) to update mailing lists of non-customers, please provide a full explanation concerning what value such address corrections have for Bank One.

VP/BOC-T1-9.

Please assume that, after the proposed NSA is in place, Bank One has sent a substantial solicitation mailing to a rented list of non-customers, and received from the Postal Service electronic address corrections for UAA mail equal to 10 percent of the names on the list.

- a. Does Bank One have any mechanism, or plans for any mechanism, by which it will transmit the corrected list (or the corrections) back to the list broker, to the list owner,

or to whomever was the source of the list? If so, please give a general description of what the mechanism is, and how that mechanism works.

- b. For lists of non-customers that Bank One uses for First-Class solicitation mailings, please describe all feedback that Bank One plans to give to the source of the list (*e.g.*, list broker, list owner) regarding the electronic address corrections for UAA mail that it will receive under the terms of the NSA. If Bank One has plans to provide the list source with any feedback, please so state.
- c. If the electronic address corrections for UAA mail generated under the proposed NSA are never incorporated into a subsequent mailing, of what value are the electronic address corrections to Bank One?
- d. Would you presume that unutilized electronic address corrections have value to the Postal Service? Please explain fully any affirmative answer.

VP/BOC-T1-10.

Please refer to (i) the after rates volumes shown in Tables 3 and 4 of your testimony (at p. 6), (ii) the estimated returns for First-Class solicitation mail discussed at page 9, lines 1-7, of your testimony, and (iii) the estimated unit cost for electronic flat and letter returns shown in Appendix A of the testimony of Postal Service witness Michael K. Plunkett (USPS-T-1).

- a. Please confirm that using the assumed volumes in your testimony, and the unit cost in witness Plunkett's testimony, the unit cost of electronic returns in Year 1 will average 3.85 cents for every piece of First-Class solicitation mail originated by Bank One. If

you do not confirm, please supply what you believe to be the correct average unit cost, and show how it is derived.

- b. Please confirm that, using the assumed volumes in your testimony and the unit costs in witness Plunkett's testimony, the unit cost of electronic returns in Year 2 will average 3.58 cents for every piece of First-Class solicitation mail originated by Bank One. If you do not confirm, please provide what you believe to be the correct average unit cost, and explain how it is derived.
- c. Please confirm that, using the assumed volumes in your testimony and the unit costs in witness Plunkett's testimony, the unit cost of electronic returns in Year 3 will average 3.67 cents for every piece of First-Class solicitation mail originated by Bank One. If you do not confirm, please provide what you believe to be the correct average unit cost, and explain how it is derived.

VP/BOC-T1-11.

Assuming that, in your response to preceding interrogatory VP/BOC-T1-10, you confirmed that every piece of First-Class solicitation mail originated by Bank One has an average cost for electronic returns of 3.67 cents per piece, please confirm that in the third year of the NSA the Postal Service's unit contribution to overhead will be reduced by 8.67 cents for each piece of Bank One solicitation mail that receives the maximum discount of 5 cents per piece. If you do not confirm, please provide what you believe to be the correct amount, and explain fully how it is derived.