

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Complaint of Capital One Services, Inc.)

Docket No. C2008-3

PUBLIC REPRESENTATIVE INTERROGATORIES TO
UNITED STATES POSTAL SERVICE
(PR/USPS-25-26)
May 15, 2009

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Regulatory Commission, the Public Representative hereby submits interrogatories and requests for production of documents. Instructions included with Public Representative interrogatories PR/USPS-1-7 dated August 11, 2008, are hereby incorporated by reference.

Respectfully submitted,

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PR/USPS-25. Please refer to the response to PR/USPS-19(a), where it states:

Because increases in mail-processing efficiency were realized between the time that the Bank of America NSA was negotiated and its implementation, systemwide estimates of costs, cost avoidances, and the difference in cost between manual handling and automated processing of letter mail changed. These changes in turn alter the expected value of any potential similar agreement.

In addition, changes in the development of the Postal Service's IT infrastructure alter both the expected cost of administering a similar agreement as well as the potential benefit to the Postal Service of implementing some of the requirements of the Bank of America contract.

- a. Please provide a list containing each of the "increases in mail-processing efficiency [that] were realized between the time that the Bank of America NSA was negotiated and its implementation." For each listed item, please provide, and show all calculations used to derive, the change in the "systemwide estimates of costs, cost avoidances, and the difference in cost between manual handling and automated processing of letter mail." If changes in the reference costs are not provided, please explain why such costs are not being provided, and order each listed in terms of the magnitude of their effect on the increase in mail-processing efficiency realized.
- b. Please provide a list containing each of the "changes in the development of the Postal Service's IT infrastructure alter both the expected cost of administering a similar agreement as well as the potential benefit to the Postal Service of implementing some of the requirements of the Bank of America contract." For each listed item, please provide, and show all calculations used to derive, the change in the Postal Service's IT infrastructure that "alter both the expected cost of administering a similar agreement" as well as the potential benefit" of

implementing the Bank of America NSA. If changes in the reference costs are not provided, please explain why such costs are not being provided, and order each listed in terms of the magnitude of their effect on altering the expected cost and potential benefit.

PR/USPS-26. Please refer to the response to PR/USPS-22(a), where it states:

When examining the results of the NSA so far, it is not necessary to assume a causal relationship between the terms of the Negotiated Service Agreement and Bank of America's reported mail volume and characteristics. No customer-specific baseline figures for Bank of America were measured or developed or used, so it is not actually possible to compare Bank of America's cost-causing behavior and mail characteristics prior to the NSA to the cost-causing behavior and mail characteristics after the NSA . . .

Therefore, the negative valuations, the development of which can be traced through the associated letter cost models, are based on the scan rates and the DPS percentages associated with those scan rates relative to the national accept rates and the DPS percentages associated therewith.

- a. Since the Postal Service has not "assume[d] a causal relationship between the terms of the [Bank of America] Negotiated Service Agreement" and the "results of the NSA so far," please explain why the Postal Service is attributing the negative financial results to the Bank of America NSA. In the response, please explain why such financial results, which indicate that the NSA is *increasing* the cost of Bank of America's mail to the Postal Service, are not counterintuitive, given that the Postal Service considers the Bank of America NSA to be a pay-for-performance agreement that "is designed to provide Bank of America with

discounts for measurable cost savings, thereby encouraging Bank of America to reduce postal costs.” Response of the US Postal Service to PR/USPS-6.

- b. Since the Postal Service has not “assume[d] a causal relationship between the terms of the [Bank of America] Negotiated Service Agreement” and the “results of the NSA so far,” please confirm that the negative financial results could have occurred in the absence of the Bank of America NSA. If not confirmed, please explain.