

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

ERRATA OF UNITED STATES POSTAL SERVICE REGARDING NCOA
ADDRESS CORRECTION RESPONSE
PROVIDED DURING ORAL CROSS-EXAMINATION OF WITNESS WILSON
(ERRATUM to TRANSCRIPT 3/639-42)

The United States Postal Service hereby provides a Declaration of Witness Wilson that corrects factually inaccurate information that provided in good faith by witness Wilson during oral cross-examination. The substance of the erratum relates to the supposed portion of correctable addresses that NCOA corrects. Witness Wilson applied the four percent of addresses that NCOA corrects on a typical set of addresses to the 17 percent of annual moves estimated by the Census Bureau to conclude that NCOA corrects approximately 25 percent of all addresses. As explained in the attached Declaration, the 25 percent is a substantial underestimate.

Counsel for the Postal Service advised Mr. Baker, counsel for the Newspaper Association of America (NAA), that the 25 percent figure is incorrect; on Monday, February 3, 2003. On February 4, 2003, the undersigned counsel also emailed a copy of the finalized Declaration to Mr. Baker. Witness Kent of the NAA, relied upon the 25 percent figure in responding to discovery. The

Postal Service chose to provide the Declaration labeled as an erratum so that a full explanation of why the previous estimate was incorrect could be communicated.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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February 5, 2003

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Nan K. McKenzie

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February 5, 2003

DECLARATION OF JAMES D. WILSON
CORRECTING AND CLARIFYING RESPONSE
DURING ORAL CROSS-EXAMINATION

I, James D. Wilson, declare:

1. Recent analysis conducted by my staff at the National Customer Support Center (NCSC) in Memphis provides additional and corrected information that can assist the Postal Rate Commission as it considers the Postal Service Request in this docket. Moreover, this analysis leads me to conclude that my statement on the record that NCOA is only capable of correcting 25 percent of correctable addresses is incorrect. See Tr. 3/639. Instead the number, while not quantified with any precision, must be much higher.

2. As stated in my testimony, the 25 percent number was derived from dividing the percent of addresses that an NCOA run captures (4 percent) by the Census-derived rate at which Americans move (17 percent). At the NCSC we have used the 25 percent number for years as a conservative measure of the NCOA address correction rate in discussions with customers. The extent of conservatism, and the impropriety of comparing it to an annual move percentage, are explained below.

3. While reducing the percentage of Undeliverable-as-Addressed (UAA) mail has always been a goal of address management policies, in the past two years it has become a major focus of senior postal management and senior industry leaders. The Mailing Industry Task Force, which was chaired by John Nolan, Deputy Postmaster General, and Michael J. Critelli, the Chairman and CEO of Pitney Bowes, is one of the main reasons that a spotlight has been placed on the costs of UAA.

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4. In response to this high-level focus on UAA, the NCSC has been evaluating new ways to improve the percentage of the addresses that NCOA corrects. As a result of the scrutiny, the validity of the 25 percent number as an average NCOA correction rate was challenged by NCSC staff; indeed, it constitutes a substantial underestimate. The extent of this conservatism can be illustrated by examining the patterns of frequencies with which mailers run their mailing lists through NCOA. Among mailers who use NCOA to meet Move/Update requirements, NCOA must be used at least twice per year. So if a particular mailing list of 1000 is stable over a year, a four percent match rate on each of two NCOA runs six months apart means that a total of eight percent of the list would be corrected over a one-year period. Similarly, if a mailer uses NCOA once per month and four percent are corrected each month, a total of 48 percent would be corrected over a one-year period. As such, a system-wide match rate of four percent for all NCOA runs provides no basis for a useful comparison to the 17 percent annual move rate. It is inherently an “apples to oranges” comparison that lacks any real world meaning. The previous comparison of the NCOA match rate with the Census move rate involves different domains or events, which are both related to moves but do not necessarily correspond accurately to one another. A mailer who uses NCOA frequently will likely see lower match rates on a given run than a mailer who does not, notwithstanding the advantages to the Postal Service of more frequent NCOA matches. Consequently, without an appropriate aggregation of all NCOA mailers that accounts for the frequency of use, one cannot calculate an “average”

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annual correction rate and no basis for a comparison to an annual Census number exists.

5. My testimony in the Capital One case facilitated the debate about the validity of the 25 percent correction number. During oral cross-examination, I testified that NCOA corrects approximately nine billion addresses a year; I then acknowledged one could deduce that the 75 percent of addresses not corrected by NCOA would equal 27 billion. Tr. 3/642, lines 8-18. It was upon review of this part of my testimony in the context of the management challenge to improve NCOA performance that the invalidity of the 25 percent figure was recognized. We know that the amount of actual move-related UAA mail does not equal 27 billion pieces. In FY2002, the total number of forwards was about two billion and the total number of returns, both move and non-move related, was about one billion.

6. The Postal Service no longer relies on the 25 percent number because, as explained above, it is imprecise and a substantial understatement of the annual NCOA "correction rate".