

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

Postal Rate Commission
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Experimental Rate and Service Changes To
Implement Negotiated Service Agreement With
Capital One Services, Inc.

Docket No. MC2002-2

**OPPOSITION OF NEWSPAPER ASSOCIATION OF AMERICA
TO JOINT MOTION FOR CONSIDERATION OF
STIPULATION AND AGREEMENT
April 7, 2003**

The Newspaper Association of America (“NAA”) hereby opposes the Joint Motion of the United States Postal Service, Capital One Services, Inc., and the Office of the Consumer Advocate for Consideration of the Stipulation and Agreement As the Basis for Recommended Decision, filed March 31, 2003. NAA opposes the joint motion and the proposed settlement agreement for the reasons set forth in its Initial Brief in this proceeding, filed April 3, 2003.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

By: _____
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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants requesting such service in this proceeding in accordance with section 12 of the Rules of Practice and the Presiding Officer's Rulings.

April 7, 2003

William B. Baker

**ANSWERS OF NEWSPAPER ASSOCIATION OF AMERICA
WITNESS CHRISTOPHER D. KENT TO INTERROGATORIES OF
CAPITAL ONE SERVICES, INC.**

COS/NAA-T1-21 On page 12 of your testimony, you state that “one might assume that the relationship between COS’s forwarding and return rates corresponds to the average for all FCM.” Isn’t it the case that you actually mean that it corresponds to the ratio between forwarding and return rates? Please explain the logical rationale for linking the ratio (percent forwarded to percent returned) to Capital One’s First-Class Mail and First-Class solicitations volumes? Please explain what there is about a high return rate for a mailer that would dictate that it would also have an abnormally high forwarding rate?

ANSWER:

Yes, I am comparing the ratio of COS’s forwarding to return rate to the FCM forwarding to return rate ratio. The reason I think that Capital One’s forwarding rate is high is because their address list quality is poor, as indicated by their return rate of 9.6% (*eight* times the FCM average). This is hardly surprising, given that Capital One has no relationship with the people on their solicitation lists. What is surprising is the contention made by the USPS that Capital One, despite the poor quality of their address lists, is somehow catching the vast majority of the address changes every year. The USPS justifies its assumption that Capital One’s forwarding rate is equal to the FCM average on the grounds that COS uses the NCOA (National Change-of-Address) system to update its mailing lists every 60 days. Witness Wilson testified that NCOA does not catch all change of addresses (Declaration of James D. Wilson Correcting and Clarifying Response During Oral Cross Examination). According to witness Wilson, 17% of households move each year. It is difficult to believe that while COS has incorrect addresses for 9.6% of its solicitation targets (resulting in a returned piece), it somehow has sufficiently good addresses as to have only the FCM “average” rate of forwards. My rationale for linking the forwarding rate to the return rate is that both are related to poor address quality and if Capital One has a return rate 8 times higher than the FCM average, then one would expect the forwarding rate for the mail sent using those same address lists to be higher than the FCM forwarding rate.

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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.

ANSWER:

Given that the Postal Service’s own witnesses cannot quantify the NCOA match rate (Declaration of James D. Wilson Correcting and Clarifying Response During Oral Cross Examination), I cannot quantify the extent to which use of NCOA should reduce COS’s forwarding rate.