

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Rate and Service Changes to Implement)
Baseline Negotiated Service Agreement) Docket No. MC2007-1
With Bank of America Corporation)

**ANSWER OF BAC WITNESS JONES TO
OCA INTERROGATORY OCA/BAC-T1-3**

Bank of America Corporation ("BAC") submits the answer of BAC witness Richard D. Jones to OCA interrogatory OCA/BAC-T1-3, submitted by the OCA on March 2, 2007. The question is followed by Mr. Jones' answer.

Respectfully submitted,

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OCA/BAC-T1-3: Please refer to your testimony at page 12, lines 21-23, and page 13, lines 1-3, which discusses Bank of America's (BAC's) ability to earn discounts for improving its existing level of performance. Excluding the discounts earned, please identify and discuss whether and to what extent improving the read and accept rate, and the percentage of UAA mail that must be returned, forwarded, or destroyed promotes one or more of BAC's corporate goals, such as reducing costs, improving marketing, etc.

RESPONSE:

Apart from the discounts provided to BAC under this NSA for improved read and accept rates for BAC's letter mail, such improvements will confer no obvious benefits to BAC. It is possible that such improvements will shorten the time for delivery of BAC's mail to BAC customers. However, I am unaware of any data quantifying the relationship between improved read and accept rates and delivery times, and I believe that any resulting benefit to BAC would be small.

Improving the percentage of UAA mail that must be returned, forwarded, or destroyed by reducing the UAA rate promotes BAC's goal of improving its marketing. BAC believes that reducing the percentage of BAC mail that is undeliverable as addressed will increase the percentage of BAC mailpieces that reach their intended addressees, increasing response rates.

Furthermore, the Bank has a strong environmental ethic. Reducing the Bank's already low UAA rates, is likely to reduce the amount of Bank mail that must be discarded. Additionally, managing electronic returns ultimately may be less costly than managing physical returns. Finally, BAC considers itself a leader in addressing, and this NSA will help keep us at the cutting edge.

At the same time, however, the steps BAC must take to improve its read and accept rates and reduce its UAA rates will require BAC to make significant financial investments. To integrate electronic returns into its address management system, BAC will need to develop an electronic system to receive and process the electronic returns. The required investment is not just a one-time expenditure for the Bank: maintaining leadership in address quality requires continual further expenditures for technology, labor and other resources. With or without financial incentives such as the discounts provided to BAC under this NSA, BAC will invest in improving address quality only to the extent that its expected marginal benefit exceeds its expected marginal cost. The discounts provided to BAC under this NSA will increase the marginal benefit from spending more on the technology, labor and other resources that the Bank will need to improve its address quality, and thus justify a higher level of expenditure on address quality. The opportunity to earn such discounts from the Postal Service thus will provide BAC with the financial incentive to pursue further improvements in the address quality of BAC's mail.