

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-0001**

Rate and Service Changes To Implement)
Functionally Equivalent Negotiated Service) Docket No. MC2004-3
Agreement with Bank One Corporation)

**ANSWERS OF BANK ONE CORPORATION TO
INTERROGATORIES APWU-BOC-T1-1-3 OF
AMERICAN POSTAL WORKERS UNION, AFL-CIO
(August 9, 2004)**

Bank One Corporation ("Bank One") hereby submits the answers of its witness Brad Rappaport to American Postal Workers Union interrogatories APWU-USPS-T1-1-3 (filed August 4, 2004). Each interrogatory is stated verbatim and is followed by the answer.

Respectfully submitted,

/s/

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August 9, 2004

**ANSWER OF BANK ONE WITNESS RAPPAPORT
TO INTERROGATORY APWU-BOC-T1-1**

APWU/BOC-T1-1: Appendix A, page 11 of USPS-T-1 shows that a substantial part of the ACS savings is due to the flat shaped marketing mail. What factors determine the use of flat shaped marketing mail instead of letter shaped marketing mail? BOC-T1-1 Tables 1-4 indicate that you anticipate that the before rates volume of flat marketing pieces will be about 2 percent below the 2003 volume compared to a 30 percent decline between 2002 and 2003. What factors did you consider in forecasting the relatively small decline for 2003? Are volumes to date for 2004 in line with the before rates volume forecast of flat marketing mail?

ANSWER:

Bank One uses flats primarily to solicit Business Cards, credit cards issued to businesses. At this time, we believe that flats are the most cost-effective way of marketing this product. Although the volume of solicitation flats declined by about 30 percent between 2002 and 2003, the volume in 2002 was more than double that of 2001. In forecasting volumes for Year 1 Before Rates, I considered both historic volumes and marketing plans. Year to Date Volumes for solicitation flats are reasonably consistent with our forecast.

**ANSWER OF BANK ONE WITNESS RAPPAPORT
TO INTERROGATORY APWU-BOC-T1-2**

APWU/BOC-T1-2: The information provided in BOC-T-1 Table 1 and in response to OCA/BOC-T1-1(b) indicates that in 2002 there was a 30 percent increase in Bank One's Standard mail solicitation volume and a 12 percent decline in its First-Class mail solicitation volume. In 2003, Bank One's Standard volume declined 35 percent while its First Class solicitation mail volume increased 4 percent. Do these two years represent "normal volatility" in Bank One's solicitation volumes or were there special circumstances that account for some of these growth differences?

ANSWER:

There may be some "normal volatility" in our year-to-year mailings; however, for a more complete perspective, please see my response to OCA/BOC-T1-8. In that response, I note that there are many marketing channels other than mail, and that many marketing decisions are driven by economics and the costs of obtaining a new customer. To the extent that mail becomes increasingly less cost-effective relative to other channels, Bank One will be forced to turn to other channels.

In the 2003 Annual Report, Chairman and Chief Executive Officer James Dimon provided one explanation for the volume decrease from 2002 to 2003:

We also developed successful new marketing channels that do not rely on direct mail, which is becoming increasingly more expensive and less effective. In 2003, for the first time, direct mail sales accounted for less than half our new accounts. Several partners, including Disney, Starbucks and Amazon, are using their Internet sites to allow customers to apply for cards. Perhaps the most innovative distribution channel is Avon's 600,000 representatives who are now offering the Avon reward card to their customers.

2003 Annual Report at 4-5.

**ANSWER OF BANK ONE WITNESS RAPPAPORT
TO INTERROGATORY APWU-BOC-T1-3**

APWU/BOC-T1-3: What sort of activities is Bank One undertaking to increase its customers' use of electronic receipt/payment of bills? What sort of activities is JP Morgan Chase undertaking to increase its customers' use of electronic receipt/payment of bills? Would this NSA prompt the combined company to reassess any of its activities in this area?

ANSWER:

Bank One has objected to this question on the grounds that it seeks proprietary information. Without waiving this objection, however, Bank One answers the question as follows:

Both Bank One and J. P. Morgan Chase employ various methods to encourage customers to use electronic receipt and payment of bills. As a matter of business practice, we continually reassess costs. To the extent that the cost of sending payments increases relative to electronic payments, that provides an added incentive to encourage account holders to pay electronically. Implementation of an NSA discount would tend to have the opposite effect.

CERTIFICATE OF SERVICE

I hereby certify that I have today caused the foregoing document to be served in accordance with Section 12 of the Commission's Rules of Practice

/s/

Joy M. Leong

August 9, 2004