Postal Rate Commission
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-0001

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

REPLY OF AMERICAN BANKERS ASSOCIATION TO PETITION OF J.P. MORGAN CHASE & CO. TO REOPEN RECORD (October 14, 2005)

Pursuant to Presiding Officer's Ruling No. MC2004-3/9 and Order NO. 1444, the American Bankers Association ("ABA") respectfully replies to the September 14 petition of J.P. Morgan Chase & Co. ("Chase") to reopen the record. ABA supports reopening for the reasons stated by Chase. We would also like to make several additional points:

1. ABA brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. ABA, whose membership includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks, is the largest banking trade association in the country.

2. An unwarranted and unnecessary cost-savings cap on discounts hurts each of these members. Chase and other major money center banks that send large volumes of First-Class solicitation mail are hurt because the cap prevents them from obtaining savings in postage to which they would otherwise be entitled as NSA partners.

3. A cost-savings cap also hurts financial institutions that would find an NSA with uncapped discounts cost-effective, but an NSA with capped discounts uneconomic. Members in this category include financial institutions that currently use Standard Mail for most or all of their solicitations. For mailers that currently rely primarily on Standard Mail (which the USPS is not required to forward if undeliverable), the potential savings from electronic forwarding are, by definition, extremely limited or nonexistent. Moreover, a cost savings cap may render the potential gains from an NSA too small to

justify the transaction costs, even for a financial institution that sends solicitations primarily by First-Class Mail, if the total volume of mail entered by the firm is relatively small.

4. Finally, a cost-savings cap harms those financial institutions whose mail volume des not make even an uncapped NSA cost-effective. Because cost savings caps choke off the additional high-margin First-Class Mail volume that NSA partners would otherwise find profitable to enter, a policy of imposing cost savings caps reduces the overall contribution that NSAs generate. The missing contribution must be made up by all of the Postal Service's mailers, with a disproportionately heavy burden on First-Class mailers.

5. In short, stop-loss caps on NSA discounts are more accurately described as stop-gain caps. Rather than the win-win situations that the Commission envisions for NSAs, stop-loss caps can easily turn NSAs into lose-lose arrangements. ABA strongly urges the Commission to stop imposing these caps when, as here, the record contains plausible evidence that the potential gains of an uncapped NSA outweigh the likely risks.

Respectfully submitted,

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