

BAC-T-1

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

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

DIRECT TESTIMONY OF RICHARD D. JONES
ON BEHALF OF
BANK OF AMERICA CORPORATION

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7

I. INTRODUCTION

8

A. Autobiographical Sketch

9 My name is Richard D. Jones. I am a Senior Vice President of Enterprise
10 Sourcing, Products and Services, Bank of America Corporation, with offices at
11 100 North Tryon Street, Charlotte, North Carolina. My organization is
12 responsible for supporting the Bank's sourcing for Marketing, Human Resources,
13 Travel, Corporate Workplace and Corporate Functions such as General Counsel,
14 Tax, Audit and Treasury. In addition to sourcing, we provide enterprise-wide
15 support for Document Management and Imaging and Travel, Food, Event
16 Management and Support Services. I have held this position since December
17 2004.

18 Before joining Bank of America, I was Vice President of Corporate Supply
19 Management for Honeywell International Inc., where I spent 30 years in various
20 leadership roles. I was responsible for Honeywell's global \$9.0 billion of
21 procurement for production material and indirect goods and services. My first

1 position at Honeywell was as a field service engineer for its Information Systems
2 business. I subsequently moved into Honeywell's MicroSwitch business and
3 served as Director of Quality, Environment and Supply Management. I also
4 served as Vice President of Supply Management, Space and Aviation Controls.

5 I am a graduate of Ohio Institute of Technology, where I majored in
6 electronics engineering technology. I also have a bachelor's degree in Marketing
7 from Temple University and a master's degree in International Management from
8 the American Graduate School of International Management - Thunderbird.

9 **B. Summary Of Testimony**

10 This testimony supports the Negotiated Service Agreement (“NSA”)
11 between the United States Postal Service (“Postal Service” or “USPS”) and the
12 Bank of America Corporation (“BAC” or “the Bank”). BAC is pleased to enter into
13 this NSA. Its pay-for-performance nature assures that we collect rate discounts if
14 and only if we save the Postal Service money. Thus, this agreement benefits
15 both the Postal Service and all users of the mail. Additionally, the pay-for-
16 performance nature of the deal lets us use our business sense to determine the
17 best ways of improving our address quality, thereby minimizing the cost of these
18 improvements. This agreement is a win for the Postal Service, a win for all other
19 mailers, and a win for us. I urge the Postal Regulatory Commission to approve
20 this agreement expeditiously.

21 Section II of my testimony describes the Bank, our use of the mail, both
22 historic and projected, and the role of Six Sigma in our management. Section III
23 discusses the NSA, explains why it benefits the Postal Service, and describes
24 why the Bank is so enthusiastic about it. Section IV provides information about
25 the existing (“baseline”) forwarding and return rates for mail entered by the Bank.

1 **II. BANK OF AMERICA CORPORATION**

2 Bank of America Corporation (“BAC”) is a Delaware corporation
3 headquartered in Charlotte, North Carolina, that provides a full range of banking,
4 investing, asset management and other financial and risk-management products
5 and services to individual consumers, small and middle market businesses and
6 large corporations. BAC serves more than 55 million consumer and small
7 business relationships in the United States through over 5,700 retail banking
8 offices, nearly 17,000 ATMs, and an online banking network used by more than
9 20 million active users. The company serves clients in 175 countries and has
10 relationships with 98 percent of the U.S. Fortune 500 companies and 80 percent
11 of the Global Fortune 500. Bank of America Corporation stock (NYSE: BAC) is
12 listed on the New York Stock Exchange.

13 BAC is one of the largest financial institutions in the United States and the
14 world. With FY 2005 revenue of almost \$57 billion and over 176,000 Full Time
15 Equivalent employees, BAC is the second largest bank in the United States in
16 revenue, and the 12th largest firm on the Fortune 500 list for 2006. Measured by
17 market capitalization, we rank with Citigroup Inc. as one of the two largest banks
18 in the United States. We are also the No. 1 overall Small Business
19 Administration (SBA) lender in the United States, the No. 1 SBA lender to
20 minority-owned small businesses, and, by several measures, the largest issuer of
21 credit cards in the United States.

22 **A. Lines Of Business**

23 The Bank’s activities are organized into three lines of business: Global
24 Consumer and Small Business Banking, Global Corporate & Investment Bank,
25 and Global Wealth and Investment Management. A short description of each line
26 of business follows:

1 **Global Consumer and Small Business Banking (“GCSBB”):** We offer
2 a wide range of banking, credit card, mortgage lending and other financial
3 services to consumers and small businesses in 30 states and the District of
4 Columbia, and offer credit card and consumer finance services to consumers and
5 small businesses in Canada, the United Kingdom, Ireland and Spain. Within
6 GCSBB, key product groups are Card Services, Consumer Real Estate and
7 Insurance, Small Business, and Consumer Deposit and Debit products.

8 **Global Corporate & Investment Bank (“GCIB”):** Through offices in
9 more than 20 countries, we focus on the financial needs of companies with
10 annual revenues greater than \$3.5 million. GCIB has relationships with 98
11 percent of the US Fortune 500 companies as well as 82 percent of the Global
12 Fortune 500. It also serves the financial needs of more than 3,000 institutional
13 investors, financial institutions and government entities.

14 **Global Wealth and Investment Management:** We deliver wealth
15 management, brokerage, investment advisory, trust, private banking and related
16 services to more than two million individual and institutional clients in the US and
17 abroad. According to the October 2005 Barron’s Survey, BAC is the sixth largest
18 wealth manager in the United States, measured by the number of individual
19 clients with accounts of \$1 million or more.

20 **B. Community Activities**

21 BAC is a fully engaged and valuable member of the community, active in
22 community development and philanthropy. We also are deeply involved in
23 businesses where we can do well by doing good.

24 Several years ago, the Bank set a ten year goal to lend and invest \$750
25 billion in community development. As part of this goal, we have committed up to

1 \$100 million to rebuild Gulf Coast communities following Hurricanes Katrina and
2 Rita.

3 We are also involved in numerous philanthropic activities. In 2005, we
4 contributed over \$130 million to charitable activities. We plan to donate an
5 additional \$200 million in 2006.

6 We not only donate money, but we encourage our associates to perform
7 volunteer activities on company time. All associates are encouraged to volunteer
8 up to two hours a week on company time and we are pleased that many have
9 taken up our offer.

10 We try to channel our philanthropy to obtain the highest value from it. Our
11 Neighborhood Excellence Initiative relies on knowledge of local leaders to direct
12 volunteer time and money to organizations most critical to success of individual
13 communities.

14 Finally, we engage in businesses that benefit us financially while also
15 providing useful services to the community. For example, the Pew Hispanic
16 Center recently reported that nearly half of all adult Mexican immigrants living in
17 the United States send money to relatives in Mexico and often pay fees of up to
18 10 percent to do so. The Bank has recently developed and offered a free, secure
19 alternative: SafeSend service. This service enables anyone with a checking
20 account to send cash to anyone in Mexico—immediately and free of charge. This
21 innovation serves the community and also allows us to attract new customers,
22 some of whom have never dealt with a bank before.

23 The Bank's Keep the Change program is another example. Our market
24 research showed that large numbers of consumers feel that they do not save
25 enough. When customers enroll in our Keep the Change program, all purchases
26 made with debit cards are rounded up to the nearest dollar, and the "change" is
27 transferred to a BAC savings account. BAC matches 100 percent of the change

1 for the first three months and 5 percent thereafter up to \$250 per year, paid
2 annually. The program, launched in October of 2005, attracted more than a
3 million customers in its first three months. More than 20 percent of these
4 customers were new to the Bank.

5 **C. Mail Volume**

6 Bank of America uses the mail for operational purposes and for
7 solicitations both to our existing customers and to prospective customers. The
8 Bank has been, and will continue to be, a major user of both First-Class Mail and
9 Standard Mail. We use First-Class Mail for sending statements and plastics, for
10 privacy notifications, and some solicitations, as well as for a small amount of
11 miscellaneous correspondence with our customers. We also use Standard Mail
12 for solicitations as well as other non-personalized communications.

13 Table 1 shows our mail volumes for both classes of mail over the last
14 three years as well as our projected volumes for calendar year 2006, with the
15 First-Class Mail volumes further disaggregated between operational and
16 solicitation mail:

1

Table 1

2

BAC Letter Mail Volume by Class, 2003-2006

3

(pieces)

	2003 ¹	2004	2005	2006 (est.)
First-Class Mail:				
Solicitation	640,000,000	560,764,566	211,292,151	104,356,347
Operational	1,100,000,000	1,169,185,777	1,256,717,532	1,253,595,742
Total First Class I	1,740,000,000	1,729,950,343	1,468,009,683	1,357,952,089
Standard Mail	1,400,000,000	1,546,837,606	1,676,770,788	1,925,227,100
Total	3,140,000,000	3,276,787,949	3,144,780,471	3,270,143,440

4

5

As the table shows, we currently mail almost 3.3 billion pieces of mail a year, about 60 percent of which is Standard Mail and about 40 percent of which is First-Class Mail. As the table also shows, we use Standard Mail for a majority of our solicitations. Our mail volumes have been growing as the Bank has been growing, both organically and from acquisitions.

10

We also receive large volumes of mail, and we print, barcode, and provide envelopes used by our customers for much of this mail. Between marketing responses, card payments and lockbox services, we receive approximately 450 million pieces of Courtesy Reply Mail, Business Reply Mail, and Qualified Business Reply Mail annually.

15

Table 2 shows the BAC mail volume that we project to enter over the next three years either with or without an NSA. Because this NSA offers BAC financial incentives in exchange for reducing Postal Service costs, not for entering additional mail volumes, and because the per piece discounts are small

18

¹ Figures for 2003 are estimates. BAC has consolidated with several other entities (including FleetBoston Financial and MBNA) since 2003, and is unable to provide precise data on 2003 mail volumes for all of those entities.

1 relative to existing postage, we have conservatively assumed that the NSA will
2 not incent any additional mail volumes.

3 **Table 2**

4 **BAC Projected Letter Mail Volume by Class, 2007-2009**
5 **(Before and After Rates, pieces)**

	2007	2008	2009
First-Class Mail:			
Solicitation	100,000,000	100,000,000	100,000,000
Operational	1,300,000,000	1,300,000,000	1,300,000,000
Total First-Class	1,400,000,000	1,400,000,000	1,400,000,000
Standard Mail	1,900,000,000	1,900,000,000	1,900,000,000
Total	3,300,000,000	3,300,000,000	3,300,000,000

6
7 In addition to the mail that we will send, we will also continue to receive
8 Courtesy Reply, Business Reply, and Qualified Business Reply Mail described
9 above from our customers. Because we expect that some additional number of
10 our customers will choose to pay their statements electronically, we expect that
11 there will be some electronic diversion of credit card payments. However, we do
12 not expect a substantial reduction in our receipt of this mail.

13
14 **D. Six Sigma**

15 Central to BAC's operations is Six Sigma, a management tool that BAC
16 has used since 2001. Because BAC intends to use Six Sigma to maximize the
17 value of the proposed NSA, a brief discussion of this methodology is useful.

18 Six Sigma is a data-driven method of process control that can be used to
19 reduce defects in any process—whether manufacturing or transactional and
20 product or service. Although the engineering and statistical principles underlying

1 Six Sigma date to the early 20th century, they were first combined in a
2 systematic fashion in the 1980's, when Motorola pioneered the use of Six Sigma
3 to measure defects and improve process quality for its own operations. A
4 process that experiences fewer than 3.4 defects per million opportunities is
5 considered to be performing at a "Six Sigma" level.

6 To reduce defect rates to this level, Six Sigma specifies multi-step
7 methodologies for both new and existing products and processes. For existing
8 processes such as address hygiene, the five-step methodology is known as
9 DMAIC, an acronym standing for "Define," "Measure," "Analyze," "Improve" and
10 "Control." Although the specific tools used tend to vary by project, the high level
11 DMAIC approach is consistent across projects:

- 12 1. **DEFINE:** The goal of this phase is to define the purpose and scope of
13 the project. Tools and outputs include a clear business case or project
14 charter, high-level process maps of the existing process, and the
15 definition of primary measures of performance that are important to the
16 business or its customers.
- 17 2. **MEASURE:** The goal of this phase is to measure and document the
18 current process to understand key areas of improvement
19 opportunities. Tools and outputs include baseline data on existing
20 process performance and data that allow the project team to
21 understand problems with the process.
- 22 3. **ANALYZE:** The goal of this phase is to identify the root causes of the
23 problems and validate those causes with data. The analytical tools
24 include statistical models and tests that validate data to establish
25 confidence in the diagnoses.

1 4. **IMPROVE:** The goal of this phase is to test and implement solutions
2 for the root causes identified in the Analyze phase. Tools and outputs
3 include sampling of improved process, measurement of new process
4 versus baseline of original process, and implementation project work
5 plans to ensure flawless execution.

6 5. **CONTROL:** The goal of this phase is to ensure sustained
7 improvements by actively monitoring the process while transferring
8 responsibility for the new process to its owners and/or stakeholders.
9 Tools and outputs include documented standard operating procedures,
10 control reporting and ongoing management routines.

11 Many other major companies adopted Six Sigma after Motorola, including
12 Honeywell International, Raytheon and GE. BAC pioneered the use of Six Sigma
13 in the financial services industry in 2001. Bank of America's CEO, Ken Lewis,
14 championed use of Six Sigma because its data driven approach to process
15 improvement is useable at all levels of the organization. Six Sigma also
16 complements the bank's "Higher Standards" culture by focusing on the customer,
17 minimizing process variation, promoting accountability by establishing meaningful
18 benchmarks for performance, and targeting sustainable gains and
19 improvements. Implementation of Six Sigma has enabled Bank of America to
20 increase revenue and productivity throughout the enterprise.

21 **III. SUMMARY OF OUR PROPOSED NSA**

22 **A. Rate Incentives For Cost Savings, Not Added Volume**

23 Our proposed NSA with the Postal Service, unlike previous NSAs between
24 the Postal Service and financial institutions, is a pure cost-savings NSA. BAC is
25 offering to change its mail preparation and mailing practices in ways that will

1 reduce the Postal Service's cost of handling our mail. In exchange, the Postal
2 Service is offering to share the resulting savings with us through discounts on our
3 First-Class Mail and Standard Mail rates of postage. Although the reduced
4 postage costs may induce BAC to enter more mail, the NSA does not include any
5 volume incentive discounts.²

6 **B. Operational Commitments Specified In NSA**

7 Some of the operational changes contemplated by the parties are
8 specified in the terms of the NSA itself. In particular, Bank of America is
9 committing to:

- 10 • Place Four-State Barcodes on all Bank of America First-Class Mail and
11 Standard Mail that will qualify for the proposed rate discounts.
- 12 • Place Four-State Barcodes on all Bank of America Courtesy Reply
13 Mail, Business Reply Mail, and Qualified Business Reply Mail.
- 14 • Use the automated scheduling services provided to the FAST system
15 through the *PostalOne!* electronic data exchanges for entry of all letter-
16 rated Standard Mail with destination entry discounts.
- 17 • After eDropship features become available for First-Class Mail,
18 implement use of the service for entry of all letter-rated First-Class
19 Mail.

² Because the discounts we will earn under the proposed NSA will be a relatively small percentage of the total cost of postage per piece, we have conservatively assumed that these discounts will in and of themselves incent no additional mail volume. Stated otherwise, we have assumed that our "Before Rates" and "After Rates" volumes are the same.

- 1 • Subject to narrow exceptions, use Seamless Acceptance for all Bank
2 of America First-Class Mail and Standard Mail that will qualify for the
3 proposed rate discounts.

- 4 • Subject to narrow exceptions, use Confirm® Service on all Bank of
5 America First-Class Mail and Standard Mail that will qualify for the
6 proposed rate discounts.

- 7 • Subject to narrow exceptions, place OneCode ACS markings on all
8 Bank of America First-Class Mail and Standard Mail that will qualify for
9 the proposed rate discounts.

- 10 • Accept electronic information instead of physical return for certain
11 letter-rated First-Class Mail and Standard Mail that is undeliverable as
12 addressed.

13 BAC will incur substantial costs to comply with these operational
14 commitments but will not be directly compensated for any of them. In fact, we
15 will only be compensated to the degree that the first requirement increases the
16 read and accept rate on Postal Service mail sorting automation equipment and to
17 the degree that we improve our address quality. A discussion of the pay-for-
18 performance nature of the NSA follows.

19 **C. Pay-For-Performance Incentives For Improved Address Quality**

20 The most significant and innovative feature of the NSA, however, involves
21 the incentives it offers to BAC for improved address quality. Specifically, the
22 NSA would enable BAC to earn discounts for improving the Bank's existing level
23 of performance in: (1) read and accept rates for letter-rated First-Class Letter

1 Mail and Standard Mail on Postal Service mail processing equipment, (2) rates of
2 returned and forwarded First-Class Mail, and (3) undeliverable-as-addressed
3 (“UAA”) rates for Standard Mail.

4 The address quality terms of the NSA are innovative because they offer
5 BAC incentives for achieving the desired *end result* of improved address quality,
6 but do not dictate any particular *means* for attaining this result. If we manage to
7 improve our address quality, we will earn rate discounts. If we fail to improve our
8 address quality, the Postal Service will pay us nothing. Either way, the Bank’s
9 success or failure under the NSA rests primarily on the Bank’s own shoulders.

10 This pay-for-performance approach is particularly well suited for address
11 quality. The optimal level of address quality for BAC and the optimal means for
12 achieving the desired level of address quality are complex and fact-specific
13 questions. Moreover, the most cost-effective approaches are likely to change
14 frequently in response to changes in technology, competition, input costs, and
15 other market conditions. For these reasons, a pay-for-performance NSA, which
16 leaves to BAC’s analysis and judgment the responsibility for determining the
17 most cost-effective level of address quality and the most cost-effective means of
18 attaining it, is likely to achieve better results for both parties, at a lower combined
19 cost, than the command-and-control alternative of dictating specific address
20 quality methods in the NSA itself.

21 **D. Six Sigma**

22 The attractiveness of the pay-for-performance approach to BAC is
23 heightened by our experience with the Six Sigma method of process control,
24 discussed in Section II.D above. BAC believes that the Six Sigma approach is
25 particularly well tailored to improving the address quality of our mail, particularly
26 our rate of mail forwards and returns and the amount of UAA mail. Six Sigma will

1 enable the bank to optimize the results of the NSA because Six Sigma evaluates
2 the effectiveness of each potential address quality tool throughout the lifecycle of
3 a customer address to obtain sustainable process improvements in address
4 hygiene.

5 An address, like any other aspect of the customer relationship, has a
6 lifecycle ("addressing lifecycle"). We intend to look at address hygiene
7 improvements in three major phases of this lifecycle: (1) New Customers, (2)
8 Existing Customer Address Maintenance Processes, and (3) Return Mail
9 Handling Optimization. We anticipate developing multiple best practices in each
10 of the three major phases of the Addressing Lifecycle since practices must vary
11 with the marketing channel used.

12 In each of the phases, we will use Six Sigma to explore multiple tools and
13 methods for improving addresses. Specifically, we will analyze possible
14 improvements from Postal Service tools like CASS, NCOALink, Address
15 Standardization, Delivery Point Validation, LACSLink, OneCode ACS, and newer
16 products like Suite link (not released yet), AEC I, and AEC II. We will also
17 analyze possible improvements from non-postal tools, for example, by:

- 18 • Exploring ways to get a higher percentage of our customers to inform
19 us of their address changes, perhaps by including prominent
20 messages to that effect in monthly statements and other regular
21 communications to customers, or on our web sites.
- 22 • Providing incentives to our list providers to supply us with addresses
23 that are more correct and complete.

- 1 • Developing and implementing software products that take geographic
2 information into account as a potential tie-breaker when all the postal
3 specific tools fail to correct an address defect.

- 4 • Analyzing how to leverage our call centers better to obtain address
5 related information (for both a change of address and to improve
6 incomplete addresses).

7

8 To illustrate, suppose that our analysis shows that a major cause of
9 addressing defects for new customers occurs at the entry point for a new
10 address. For that problem, increasing the NCOA frequency might have limited
11 value. It would make more sense to add a front end solution that validates the
12 address at the point of its entry into our system. Our analysis would evaluate the
13 major address validation tools themselves as well as the timing of the address
14 validation process. While it is easy to imagine the validation tool working in the
15 background while the bank associate is interacting with a new customer, the
16 analysis may show that this is not the most cost effective approach. It is certainly
17 not the simplest solution. More likely, an address validation step would be added
18 as a stand-alone event at the end of the current process. But if it were
19 determined that the incremental value of running a validation tool interactively in
20 real time was worth pursuing, we would also consider that as a possible solution.

21 For existing customers, the analysis is far more challenging. While BAC
22 receives a substantial number of address changes directly from customers via
23 phone, the internet, and mail, some customers forget to notify the Bank of
24 address changes. The timing of the address change communication through
25 these varied channels needs to be carefully considered when introducing
26 addressing tools.

1 Each line of business will need to evaluate existing business rules and
2 establish new business rules for each new event introduced into the existing
3 process.

4 Further, with one-code ACS, the list owner (rather than the mailer) can
5 receive an ACS transaction directly. We could also experiment with providing
6 incentives to those who provide us with names and addresses for marketing
7 purposes. As we socialize the idea of improving address quality throughout the
8 company, ideas such as these will be presented by the business representatives
9 themselves, and the team will incorporate all suggestions into the DMAIC. As a
10 result, the people involved in the day-to-day operations who know the process
11 best, like the team manager, print operators, site technicians, and inserter
12 operators, are able to contribute to the improving the end results.

13 Based on our experience with applying Six Sigma to other problems, we
14 expect to be able to improve our addresses substantially.

15 **IV. BAC'S BASELINE LEVELS OF ADDRESS QUALITY**

16 Implementing a system of pay-for-performance discounts obviously
17 requires baseline measures of performance from which to calculate
18 improvements in performance. BAC and the Postal Service have agreed on the
19 following baseline measures:

20 **A. Read And Accept Rates**

21 The Bank and the Postal Service have agreed that current system-wide
22 averages for read and accept rates serve as a suitable proxy for the read and
23 accept rates for BAC mail.

1 **B. Return Rate For First-Class Mail**

2 Our return rates for First-Class Mail are already fairly low, below the First-
3 Class Mail automation average of 1.7 percent in FY 2004. Over the past year,
4 they have averaged 0.7 percent for operational mail and 2.7 percent for
5 marketing mail. The parties have agreed that these values will be the baselines
6 from which our improvements will be measured for the NSA.

7 **C. Forwarding Rate for First-Class Mail**

8 We used NCOA to determine our forwarding rate. Specifically, the
9 number of mail pieces forwarded was calculated from the number of forwards
10 applied each time NCOA is run, and the time interval between applications of the
11 NCOA process. This methodology determined that on average 1.7 percent of the
12 bank's mail is forwarded.

13 **D. UAA Rate For Standard Mail**

14 We have agreed with the Postal Service that the national average for UAA
15 rates for Standard Mail – 6.4 percent - will serve as the benchmark for Standard
16 Mail letters. We believe this is a conservative assumption since the UAA rate for
17 Standard Letter Mail is 7.5 percent and the UAA rate for all Standard Automaton
18 is 7.8 percent. See Table 2.3 and 2.4 of USPS-LR-L-61.

19 **V. PROJECTED IMPROVEMENTS IN ADDRESS QUALITY UNDER THE**
20 **NSA**

21 I understand that the Commission's rules for NSA cases require the
22 proponents of an NSA to estimate its financial effect on the Postal Service. For
23 purposes of providing the Postal Service with values necessary to comply with
24 this requirement, BAC estimates that, under the NSA:

- 25 • The mail processing performance of the mail covered by the NSA will
26 improve by one percentage point.

- 1 • The percentage of the mail covered by the NSA that is undeliverable
2 as addressed will decline by ten percent.

- 3 • The percentage of the mail covered by the NSA that requires
4 forwarding will decline by ten percent.

5 I emphasize that these estimates are preliminary and highly approximate.
6 The actual level of improvement will depend in large part on (1) what process
7 changes our Six Sigma analysis indicates are warranted; (2) the effectiveness of
8 those process changes; and (3) the performance of the Postal Service's own
9 processes (e.g., the read and accept rate of its barcode reading equipment),
10 which are largely beyond our control.

11 It should be emphasized, however, that the Postal Service will make more
12 money under the NSA regardless of the actual level of performance improvement
13 attained, as long as the discounts provided to us pass through less than 100
14 percent of the cost savings achieved. Our cost analysts have advised me that
15 this condition holds for every rate cell in the rate discount schedules.
16 Accordingly, the performance improvements actually achieved are not critical
17 variables in determining whether the Postal Service will benefit financially from
18 the NSA.

19 **VI. CONCLUSION**

20 In sum, Bank of America is extremely pleased to have entered into this
21 Negotiated Service Agreement with the United States Postal Service. The
22 Agreement will enable us to improve our address quality and convert our
23 barcodes to the four-state symbology. Doing so will reduce the costs of the
24 Postal Service for processing and delivering our mail. Additionally, our share of
25 the costs savings from the improved address quality and four-state barcodes will

1 fund the necessary activities for improving our addresses and converting to the
2 four-state barcode. It will also make our use of the mail slightly less expensive,
3 providing us an incentive to keep our business with the Postal Service. Thus, this
4 agreement is a win-win-win arrangement for us, for the Postal Service, and for all
5 its customers.

6 BAC is particularly enthusiastic about the pay-for-performance nature of
7 the agreement. This sensible and efficient approach offers us discounts if and
8 only if our efforts actually reduce costs for the Postal Service. Importantly, the
9 Agreement does not specify what steps we must take to improve our address
10 quality; it provides only a discount schedule and leaves it to us to determine how
11 to best take advantage of the opportunities. We can, and will, use our business
12 creativity, ingenuity and a Six Sigma approach to get maximum results at a
13 minimum of cost.