

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)

**RESPONSE OF BANK OF AMERICA CORP. TO
PRESIDING OFFICER'S TRANSCRIPT REQUEST
(July 10, 2007)**

Bank of America Corporation ("BAC") respectfully answers the question posed by Chairman Blair to BAC witness Richard D. Jones during the hearing on June 14, 2007 (2 Tr. 501, lines 15-24).

Respectfully submitted,

Stacey Stone Bennett
Assistant General Counsel
Global Staff Support Functions
BANK OF AMERICA, N.A.
101 South Tryon Street
NC1-002-29-01
Charlotte, NC 28255
(704) 388-6583
stacey.stone_bennett@bankofamerica.com

David M. Levy
Richard E. Young
SIDLEY AUSTIN LLP
1501 K Street, N.W.
Washington, DC 20005-1401
(202) 736-8000
dlevy@sidley.com
ryoung@sidley.com

Counsel for Bank of America Corporation

July 10, 2007

DOCKET NO. MC2007-1
RESPONSE OF BANK OF AMERICA CORP. TO
QUESTION POSED BY CHAIRMAN BLAIR (2 TR. 501, LINES 15-24)
July 10, 2007

QUESTION:

A provision of the contract requires the Bank of America to place a four-state barcode on courtesy reply mail, business reply mail, and qualified business reply mail. Our understanding is that this will require each mail piece to bear a unique, four-state barcode. Are there any logistical problems causing each reply mail piece to bear a unique barcode, or, stated differently, what is the approach that Bank of America will take in implementing this part of the contract?

BAC ANSWER:

BAC plans to implement Four-State Barcodes (also known as Intelligent Mail Barcodes or IMBs) on reply mail as follows:

We begin by communicating the expectation to the appropriate line of business stakeholders. This communication has occurred in a review of all aspects of the USPS/BAC NSA arrangement. An important aspect of the Bank of America implementation is that the cost savings (or rebates) will be pushed down to the Line of Business (LOB) that generated the savings. The reply mail component of the NSA is one of the many NSA elements that will be handled as an internal "Pay for Performance" approach.

The amount of work involved in redesigning existing outbound and reply mailpieces to include the IMB will vary with each line of business for each mail package format. Identifying existing inventory and managing the inventory renewal plan is a

fairly tedious and time consuming task. Including the IMB is usually an extensive change, requiring a significant amount of redesign work and multiple layers of management approval from various departments including Legal, Risk and Privacy. We also anticipated that the bank's marketing staff will want to "test" the impact of the redesigned mailpiece on response rates.

Nearly half of our First-Class Mail statement volume is from demand deposit accounts (i.e., checking accounts). These statements do not typically include a reply mail envelope of any kind as a payment on a checking account is generally not relevant. The other half of our First-Class Mail statement volume is from credit card customers. The majority of their enclosed reply devices are "courtesy" reply envelopes.

These credit card statements will need to be redesigned to include the IMB in the address block for the outbound mailpiece. The address block used for outbound delivery is currently the coupon portion of the statement which is also used when the customer returns the payment. Thus, the entire mailpiece must be redesigned to accommodate the IMB, which would be used for the outbound leg and then appear through the window of the Courtesy Reply Envelope for the return trip. This change will affect the statement design for more than 5,000 affinity card relationships.

The behavior of the customer is not within the control of the bank. It is not uncommon for customers to retain old reply envelopes and use them years later. Additionally, customers may discard the envelopes provided by the bank and use their own envelopes instead. Customers may also chose to communicate with the bank via internet or phone rather than through the mail. If and when customers use the proper reply envelopes provided, the bank can only encourage customers to insert the coupon

properly in the reply envelope so that the IMB shows through the window properly. The bank has no way to insure this outcome.

The next largest population of reply mail volume comes from direct mail, in which business reply mail (BRM) is the predominant form of reply mail. Unlike the reply device for checks and other payments, a unique IMB has limited value for the bank's marketing solicitations. A generic IMB by campaign or version could perhaps enable marketing to distinguish responses in the mail in advance of the physical receipt of the response, a feature that might be useful in getting an early read-on-response rates to the various tests in any given campaign. We are unaware of any other value that a unique IMB may offer our marketing business.

Most of the bank's business reply mail envelopes are closed faced (i.e., without a window). We intend to convert all the Postnet barcodes on BRM to IMBs. If a unique IMB were required on the marketing acquisition mailpieces, we would need to completely redesign these mailpieces. Marketing would need a new reply envelope that has a window *and* a new response vehicle that has an IMB in the address block that properly shows through that window. Marketing would need to test the impact of this redesign on response rates prior to any rollout. Furthermore, a measurably negative impact on response rates (although not anticipated) would slow down this transition.

As a result of the feedback from BRM users regarding the minimal value of a unique IMB on BRM, the USPS has devised a test of the use of a generic IMB on BRM, in combination with the ID Sort Tag to enable improvements in the accounting functionality for BRM. The bank is particularly interested in this alternative method of

providing mailpiece-specific identifying information for BRM. This method could reduce or eliminate a costly barrier to deployment of the IMB on BRM.

Finally, the most complex piece of business for change is the LockBox business. Changing customer behavior is extremely difficult for business-to-business payments, as the business accounting departments responsible for mailing such payments tend to discard both the coupon and reply envelope provided. Nevertheless, we have agreed to work with our customers to explore this change provided that our customers are willing to make the process changes necessary to support the IMB. Our first step toward changing customer behavior will be to convert the Postnet barcode on the supplied reply envelope to an IMB. The next step will be to examine whether and under what circumstances a process change to include a “unique” IMB makes sense for our customers.

VERIFICATION

I, Michael Tate, declare under penalties of perjury that the foregoing is true and correct.

/s/

July 10, 2007