

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 2006

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) Docket No. R 2006-1  
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Comments of  
Discover Financial Services LLC

(May 4, 2007)

Discover Financial Services LLC (DFS) submits the attached letter as its comment in response to Order No. 13, released on April 27, 2007, which established a procedural schedule for the filing of Comments on the Reconsideration of Standard Mail flat rates. That schedule provides for Initial Comments to be filed by May 4, 2007 and Reply Comments by May 11, 2007.

DFS is a large mailer of First-Class and Standard mail letters. It mails very few flats.

Respectfully submitted,

/S/ Robert Brinkmann

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May 4, 2007

The Honorable Daniel Blair  
Postal Regulatory Commission  
901 New York Avenue, NW, Suite 200  
Washington, DC 20268-0001

Re: Reconsideration of Standard Mail Flat Rates.

Dear Chairman Blair:

In the Postal Service's original filing in the 2006 Postal Rate case, the Postal Service introduced shape-based pricing. As part of that process, the Postal Service removed a large part of the flats-to-letters cross subsidy that had existed for years and that had kept letter rates artificially high.

In its Recommended Decision in February, the Commission went a step further and completely eliminated the subsidy. The result was standard mail flat rates that were substantially higher, at some weights, than those proposed by the Postal Service.

In March, the Governors accepted the Commission's decision under protest and remanded the standard mail rates back to the Commission. They did so out of a concern that rate increases as great as 40% would create a "rate shock" that could negatively affect the catalogue industry. The Governors specifically asked the Commission to provide some relief for flats, and to reconsider whether some rebalancing between standard mail flat and letter rates might be appropriate.

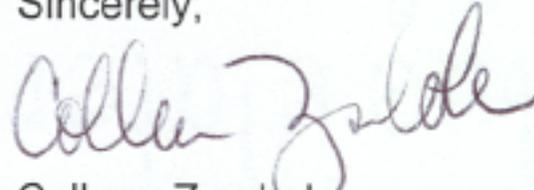
While DFS is sympathetic to the catalogue industry, we respectfully submit that raising our letter rates is not the best way to provide relief to the catalogue industry. Raising rates a second time would be very disruptive to the financial services industry and would not be fair. In this post-postal reform era, customers are expecting more predictability and stability in rate setting, not less.

Rates are increasing on May 14, 2007. Computers throughout the country have been programmed with these new letter mail rates, and the marketing efforts of companies are moving forward based on these rates. Many of these companies have also locked-in long term marketing plans and made strategic decisions among marketing channels based on these rates. A second rate increase in one year would significantly disrupt all these projects, and be very costly to the industry.

Should it wish to give the catalogue industry some relief, the Commission could rebalance standard mail rates among flats and leave letters alone. It could also look to the contingency provision, an action that would appear appropriate under the circumstances.

Thank you for considering our views.

Sincerely,

A handwritten signature in dark ink, appearing to read "Colleen Zambole". The signature is fluid and cursive, with the first name "Colleen" written in a larger, more prominent script than the last name "Zambole".

Colleen Zambole  
Vice President, Marketing Operations