

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

Notice of Price Adjustment

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Docket R2009-3

Comments of
Discover Financial Services
May 21, 2009

Discover Financial Services (“DFS”) submits these Comments in Response to the Notice of Price Adjustment concerning the Postal Service’s “Summer Sale” that was published in the Federal Register on May 11, 2009 at 89 Fed. Reg. 21837. Comments are due May 21, 2009.

DFS is a financial services company that operates the Discover® Card and was the first company to negotiate a functionally equivalent NSA with the Postal Service. DFS sends tens of millions of account statements and promotional mail to existing customers, makes substantial mailings to pre-approved and other prospective customers, and is one of the nation’s larger mailers of First-Class and Standard Mail letters.

In as much as this project marks the first significant use of pricing flexibility for market dominant products, DFS would like to commend the Postal Service for its leadership in this area. Using pricing flexibility to try to counteract some of the effects of the economic recession, and to compensate for the growth in its excess capacity is exactly the type of pricing that the Postal Accountability and Enhancement Act

envisioned. Regardless of whether the sale “works” or not, the Postal Service is trying to ameliorate its economic position, and DFS urges the Commission to commend the Postal Service for this attempt.

The Summer Sale will last for three months, starting on July 1, 2009 and finishing on September 30, 2009. The Summer Sale will discount standard Mail rates over a calculated trend line discounted by 30%, with the discount paid out via a rebate after the sale is over. There is no indication, however, of when the rebates would be paid, other than that it would be after the sale is over.

For DFS, this poses a significant problem. Given the current economic climate, for the Summer Sale to incent DFS, DFS would need to receive the rebate in the current fiscal year in order to impact its current marketing budget. DFS’ fiscal year ends on November 30, 2009. Thus the rebate would have to be calculated and credited within 45 days after the summer sale is over in order for it to fall within DFS’ fiscal year. There surely are other mailers in these positions, and DFS assumes that they would share its concern in this area.

DFS would thus suggest that the Postal Service publically provide that for companies in this position, it would ensure that the summer sale rebates are received in the companies’ current fiscal year. It is the only reasonable way to assure that the full power of the Summer Sale incentive works for these companies.

Finally, DFS would like to make one other observation. Questions from the Presiding Officer seem to reflect a concern that mailers might shift significant volumes from one calendar quarter to another, in order to take advantage of the sale. DFS would like to reassure the Presiding office that, at least for large marketers, marketing

plans are usually not that flexible. When advertising marketing campaigns are created, the timing of individual mailings is usually critical to the effectiveness of the overall campaign, and thus significant shifts in that timing are usually not acceptable.

Thus, the incentive that a program such as this creates should truly be incentives to increase volumes, not shift volumes.

Thank you for considering our views.

Respectfully submitted,

/s/ Robert J. Brinkmann

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May 21, 1009