

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

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Consideration of Worksharing Discount )  
Methodologies )

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Docket RM 2009-3

**Comments of  
Discover Financial Services In Response to NOI 1.  
September 11, 2009**

Discover Financial Services (DFS) submits these Comments in Response to the Commission's Notice of Inquiry (NOI) 1, issued August 27, 2009. In NOI 1, the Commission asks three sets of questions. These Comments address the first and third set of questions.

**First Set of Questions.**

The first set of questions seems to assume that mail such as DFS' Bulk First Class Mail is simply Single-Piece First Class Mail that has been aggregated and presorted, in order to gain presort mail discounts. That assumption is not accurate.

DFS has both Bulk First Class Mail and Single-Piece First Class Mail and they are quite different. They serve different purposes, are manufactured and produced differently, and are processed by DFS and its vendors differently. Moreover, they have completely different manufacturing and production costs, can use different address lists, and all in all have little to do with each other.

Our Bulk First Class Mail consists of statements and other information we send

to our customers on a mass basis, as well as a small remnant of advertising mail. Each of the pieces in one particular mailing serves the same purpose, although each piece goes to a different individual. All planning and mailpiece design is done on a mass basis. Each piece is manufactured in bulk, using mass production techniques in an industrial plant. Each mailing is entered in Bulk, and handled in Bulk from the very beginning.

This is in contrast to our First Class Single-Piece, which is our “desk” mail. These pieces are prepared on an individualized basis—generally on individual personal computers—by individual DFS executives, employees and their staff. Each letter has an individualized purpose, and is prepared and printed in an office environment and not in an industrial environment. The address information can come either from our DFS database (which would be one point in common with our mass mailings) or from the rolodex of the individual DFS executive or employee.

Finally, our Single Piece First Class Mail is a very small portion of our total First Class Mail stream and is in no way representative of the whole. We would think this to be true for most mailers of both Single Piece and Bulk First Class Mail.

### **The Third Set of Questions.**

DFS believes that there should be avoided costs due to worksharing (i.e., cost savings due to mailer presorting, prebarcoding, handling, and transportation), and intrinsic costs due to other factors. These intrinsic costs are simply the costs the Postal Service incurs to handle the mail product and are not cost “savings” in any sense. We would caution the Commission to try very hard not to overcomplicate this issue with the notion of “workshare-related.” For instance, “address cleansing” means running lists

through the Postal Service's list processing services to create cleaner lists. Cleaner lists means less mistakes which results in fewer misdeliveries, lower costs, and less waste. It is not a direct "substitute" for forwarding and returns. Forwarding and returns are what the Postal Service does to rectify waste and mistakes in addressing and is not worksharing.

The test should be whether the Postal Service would have to do the same activity if the mailer did not. Thus we would concur that "only those activities performed by a mailer that replicate functions the Postal Service would otherwise perform in essentially the same manner [should] be considered part of worksharing". NOI at 3.

Moreover, we would even suggest that as new technologies evolve, the traditional definitions of worksharing may become blurred and it will be important to maintain this distinction, limiting workshare discounts to only direct replacements of Postal Service functions.

Thank you for considering our views.

Respectfully submitted,

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