

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

\_\_\_\_\_) )  
Estimating Volume Changes from ) )  
Pricing Incentive Programs ) )  
\_\_\_\_\_)

Docket No. RM2010-9

Reply Comments of Discover Financial Services.

August 17, 2010

Discover Financial Services (DFS) is pleased to submit these Reply Comments in response to Order 469.

DFS is a financial services company that offers credit card services and other financial service products under the Discover® Card and Discover® brands. DFS is one of the largest First-Class and Standard Mail letter mailers in the United States, and has won awards for our quality, creativity, and dedication to the postal channel.

DFS would like to endorse the Comments of the Postal Service, Pitney Bowes, the Saturation Mailers and Valassis in this Docket. As Valassis and the Postal Service have pointed out, the bottom line is that there is no way that the Commission can realistically assess how much contribution came from a program, backing out the “what if” volume.<sup>1</sup>

DFS understands that this point of view may not please the Commission, but it is nevertheless a reality. Elasticities are a measure of past behavior. In a program designed to *form and guide* future behavior by creating specific incentives to change

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<sup>1</sup> USPS Comments in Docket RM2010-9 at 9 (“in the end, the problem is in trying to construct an alternate version of past events, a ‘what-if’ scenario that is unknowable and untestable”); see Valassis Comments in Docket RM 2010-9 at 3 (“Effectively, there is no way to accurately estimate the amount of volume that would have been generated by a mailer or group of mailers in the absence of an incentive price, or the amount retained that might have otherwise been lost.”)

past behavior, it would be a mistake to assume that any significant part of the past behavior, based on past patterns, would have continued anyhow, without the incentives in place. This is particularly true in the current economic environment. Much more relevant would be making assumptions about “where’d it go volume” and incorporating that into the model. See Valassis Comments at 6.

The implication of this is that Commission cannot mechanically and quantitatively test the Postal Service’s pricing incentive programs. It will have to perform a qualitative analysis. While this does not fulfill the Commission’s desire for a neutral set of mechanistic benchmarks, we respectfully suggest that this, nevertheless, is the reality of the situation.

Thank you for considering our views.

Respectfully submitted,

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