

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

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Modern Service Standards and Performance )  
Measurement For Market Dominant Products )

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Docket PI 2007-1

Comments of  
DFS Services LLC (DFS)  
July 16, 2007

DFS submits these Comments in Response to the Notice of Request for Comments on Modern Service Standards and Performance Measurement For Market Dominant Products released by the Commission on June 13, 2007. DFS is a financial services company that operates the Discover® Card and holds an NSA with the Postal Service. With more than 50 million Discover Cardholders, DFS is one of the larger mailers of First-Class and Standard Mail letters in the country, and mails all across the country.

At the outset, DFS wishes to endorse the Comments of one of its trade associations in this Docket, the Association of Postal Commerce (Postcom). Additionally DFS wishes to express its support for the mission and work of Mailers Technical Advisory Committee (“MTAC”) workgroup #114 that is working with the Postal Service on this issue. The task that this workgroup is undertaking is vital to the well-being of the postal system and the mail industry.

## **General Comments**

As the Commission considers this issue, DFS urges it to keep several points in mind.

First, this has been an area of major contention between mailers and the Postal Service in the past. Mailers' perception often is that the Postal Service has tried to rationalize poor service through various excuses or diversions, while the Postal Service's perception often is that mailers do not know or understand all the facts, and thus unfairly leap to erroneous conclusions. The truth lies on both sides of the equation.

Consequently, it is crucial that the Commission ensure that the entire postal community, including the Postal Service, accept and embrace this measurement system. The building of this consensus, and the resolution of conflicting concerns and problems, will be critical to the success of this venture.

Second, DFS believes that the establishment of a viable measurement system should be the initial priority in this matter. The setting of actual service standards themselves should be a secondary priority. How one considers what the service standards should be for a given product turns on the quality of service that the industry is experiencing today, and whether 95%, 75%, or 35% is "on time." Since we have no viable measurement system for much of the mail, the overall quality of delivery for that mail is not well known or understood. It is crucial that a baseline be established.

Further, there are times, even for First Class mail, when certainty and predictability of delivery are just as important as speed. Predictability and certainty

encourage the use of the postal system, and increased use of the system helps support the rural areas of the county. Among other things, predictability and certainty add value for advertising mail and allow internal analysis to be more accurate. All of these matters are objectives that the statute requires the modern service standard and measurement system to meet.<sup>1</sup>

Indeed, if one looks at the “factors” in the Act that the Postal Service and the Commission must consider in establishing service standards, one sees that a viable system of measurement is a prerequisite for establishing standards. For instance, the Postal Service and the Commission can not adequately take into account “the actual level of service that Postal Service customers receive,”<sup>2</sup> nor the “degree of customer satisfaction,”<sup>3</sup> nor the “needs of Postal Service customers”<sup>4</sup> without knowing what level of on-time delivery the Postal Service is providing its customers today. Moreover, if the Postal Service and the Commission wants to adequately take into account “mail volumes and revenues projected for future years,”<sup>5</sup> they need to know whether service levels today are acceptable or unacceptable—and one needs good measurement data, as well as customer satisfaction data, to do that. Further, if service levels are unacceptable today, the Postal Service and the Commission need to know whether service is improving and up to acceptable levels, and good delivery data is the key to understanding that matter.

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<sup>1</sup> See Notice in PI 2007-1 at 2 and 39 U.S.C. § 7691.

<sup>2</sup> 39 U.S.C. §3691(c)(1).

<sup>3</sup> 39 U.S.C. §3691(c)(2).

<sup>4</sup> 39 U.S.C. §3691(c)(3).

<sup>5</sup> 39 U.S.C. §3691(c)(4).

If service is not acceptable over the long term, volumes and revenues will disappear, particularly as electronic alternatives become more readily available. This is particularly true where the challenges created by increasing costs<sup>6</sup> and the increasing number of delivery points<sup>7</sup> need be balanced against the opportunities created by the development of new markets and new technology.<sup>8</sup> One issue we face today is that in order to achieve delivery expectation, many mailers have to take extraordinary efforts that are often quite expensive, just to ensure that their mail arrives as expected. The fact that mailers often have to incur such expenses tends to lower the value of mail.

This area is very dynamic and will remain so. It is and will continue to be a “work in progress” and key to product and market development. The mailing community needs a formal review process for observing and modifying service standards and measurement, and for dealing with the problems that will inevitably arise.

### **Specific Comments**

DFS believes that the service measurement system should encompass a tracking system that relies on barcodes placed on mail by either a mailer or by the Postal Service, automatically tracked by the Postal Service, and then compiled and analyzed by a third party.<sup>9</sup> It is critical that this data be aggregated, analyzed by an outside party, and made available to the public on at least a quarterly basis, if not more frequently. An individual mailer’s data need not be made available to mailers that do

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<sup>6</sup> 39 U.S.C. §3691(c)(6).

<sup>7</sup> 39 U.S.C. §3691(c)(5).

<sup>8</sup> 39 U.S.C. §3691(c)(7).

<sup>9</sup> Moreover, there should be some sort of audit system. This might be an appropriate task for another third party, or perhaps for the PRC’s new Office of the Inspector General.

not have Confirm, but aggregated data must be made publicly available so that a mailer can benchmark its own Confirm data and performance against the system average.

If a grocery store can place a barcode on every item and scan that item for price and inventory control, the Postal Service should be able to place a barcode on every piece of mail and scan that piece for delivery purposes.<sup>10</sup> DFS stresses the need, as Postcom has in its Comments, for any system to be built and operated at as reasonable a cost as possible.

As noted above, the system would be based on data generated by barcodes applied by the Postal Service or by mailers but analyzed by a third party. This would make the measurement system at least in part an “internal measurement system” for purposes of 39 U.S.C. § 3691 (b)(2) and thus have to be approved by the Commission.

Finally, although the structure would be in place for the Commission to levy a monetary fine or other remedy upon the Postal Service should service standards and performance drop off,<sup>11</sup> DFS believes that such an action generally would be counterproductive. Transparency of data is the best policy in areas such as this, and it should provide a sufficient remedy to any problems that arise in connection with performance problems, so long as the data is accurate and regularly available. If the quality of the Postal Service’s delivery deteriorates, and if that deterioration is accurately measured and known to mailers, the problem should fix itself as the Postal Service will

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<sup>10</sup> DFS realizes that placing barcodes on mail is not going to work initially for ever mail product, particularly non-letter products. In some cases, a sampling system might be required on an interim basis. DFS stresses, however, that the use of a sampling system for measurement purposes should clearly be a interim solution only. In this world of barcodes and microchips, there is no reason to do otherwise.

<sup>11</sup> See 30 U.S.C. §§3652, 3653. See particularly §3653(c) which specifically applies the Commission’s powers under §3662 to the service standard area.

react to its customers, a point we made in our Reply Comments in Docket RM2007-1. The key is having delivery data that is publicly available and acknowledged by the Postal Service to be accurate.

Thank you for considering our views.

Respectfully submitted,

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