

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

Service Standards and)
Performance Measurement) Docket No. PI2007-1
for Market Dominant Products)
_____)

DIRECT MARKETING ASSOCIATION, INC.
INITIAL COMMENTS
PURSUANT TO PRC ORDER NO. 21
(July 16, 2007)

The Direct Marketing Association, Inc. (“DMA”) respectfully submits these Initial Comments in response to Order No. 21 issued by the Commission on June 13, 2007,¹ on the subject of performance measurements for market-dominant products under section 3691 of the Postal Accountability and Enhancement Act (“PAEA”).²

I. Importance of a Workable System for Measuring Service Standards

As an initial matter, DMA would like to emphasize the importance of the subject that the Commission is addressing in this docket. As DMA has stated in the past,³ the fundamental compromise reflected in the PAEA is based on the proposition that mailers will not face rate increases greater than the rate of inflation, as measured by the CPI. A degradation of service standards is nothing more than a rate increase in disguise, and the Commission should assure that this type of rate increase does not occur. Establishing a workable, reliable system for measuring the service being rendered to mailers by the Postal Service is a prerequisite to assuring mailers that they are not subjected to this type of rate increase.

¹ PRC Order No. 21, Notice of Request for Comments on Modern Service Standards and Performance Measurement for Market Dominant Products, (June 13, 2007).

² Public Law 109-435.

³ E.g., DMA Initial Comments in PRC Docket No. RM2007-1 (April 6, 2007) at 4.

II. Service Levels

DMA believes that the current service levels should form the basis of the standards that the Commission will develop under section 3691 of the PAEA. However, DMA will defer to industry recommendations from MTAC Workgroup 114 on this subject.

III. Level of Disaggregation

DMA assumes that modern service standards must be promulgated by class and by subclass. However, finer levels of disaggregation will enhance the value of service standards to both senders and recipients and help assure reliability and speed of delivery. Thus, the Commission should give serious consideration to establishing distinct standards for mail with different characteristics, especially if those characteristics have a significant impact on the way in which the Postal Service handles the mail. For example, within the same class or subclass, differences in entry points, differences in levels of presortation, differences in levels of automation compatibility, differences in ZIP-code pairs, and differences in shape can have a substantial impact on the steps that the USPS needs to take to process the mail, and, therefore, can have a substantial impact on the service standards that mailers should expect the Postal Service to be able to meet.

DMA fully appreciates that there comes a point where the level of disaggregation may become so fine that it becomes impractical, either from an operational point of view or from a financial point of view, to create distinct service standards and to measure USPS compliance with them. DMA simply wishes to encourage the Commission to recognize the fact that, from the point of view of each mailer, aggregate service standards are virtually meaningless. What matters to each mailer is that service that its mail receives, and that mail has very specific characteristics in terms of automation compatibility, presort levels, etc.. Each mailer needs to know what level of service it can expect, and to what extent the Postal Service is meeting that standard. Subclass-wide data has little relevance to the individual mailer.

IV. Method of Measurement

Once standards are established, of course, there needs to be a way to measure the extent to which the Postal Service is meeting them. This measurement system must be transparent. The information needs to be public and it needs to be provided on a periodic basis-- no less frequently than quarterly in DMA's view.

Also important is the level of disaggregation in which this information is provided. Nationwide numbers are not useful. They are not useful to specific mailers, and they are not useful to the Commission or the Postal Service in trying to identify sources of problems in meeting service standards. To be useful, the level of disaggregation should not be broader than each Postal Service Area.

V. Enforcement of Service Standards

Finally, DMA firmly believes that performance is much more important than penalizing non-performance. Thus, DMA urges the Commission to monitor service performance carefully and to assure that the Postal Service develops and executes plans for remedial action when systemic failures or service degradation is identified. In this connection, the Commission should consider that mailers are purchasing service based upon published service standards, and sub-standard performance by the Postal Service means that the mailers did not get what they paid for. As a last resort, and DMA emphasizes that this would be a measure of last resort, the Commission should treat persistent non-compliance as a price increase and, therefore, to reduce permissible rate increases under the CPI cap (as Postcomm, the UK postal regulator, does in England).

Respectfully submitted,

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July 16, 2007

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