

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

Service Performance Measurement)
Systems for market Dominant Products)

Docket PI 2008-1

**Reply Comments of DFS Services LLC
In Response to Notice for Request for Comments
(February 1, 2008)**

DFS Services LLC (DFS) hereby submits these Reply Comments in response to Commission Orders No. 48 and 49.

Summary

The Comments submitted in response to Orders No. 48 and 49 generally support the adoption, as an interim measure, of a proposed hybrid measurement system based on Intelligent Mail Barcode (IMB) scans for most products and independent third-party stop-the-clock scans for some products. DFS also supports this proposal.

Having said that, DFS believes that fundamental adjustments need be made in at least two areas: reporting by shape and reporting by 3-digit Zip code origin/destination pairs, as a number of parties have suggested. DFS also believes, as Pitney Bowes has argued, that service data, under the Postal Accountability and Enhancement Act (PAEA), must legally be provided *by product*.

Further, DFS urges the Commission and the Postal Service to ensure that, in the long term, third-party scans become unnecessary. Finally, DFS endorses the notion of the Major Mailers Association (MMA) that Critical Entry Times (CET) should reflect local

processing and transportation conditions, and thus an arbitrary single CET for all mail products should be avoided.

Discussion

Shape. DFS urges the Commission and the Postal Service to break out service performance measurements data for both First Class and Standard Mail by letter, flat, and parcel shape. DFS is primarily a mailer of letter-shaped mail. When DFS compares its own Confirm data to the Postal Service's data, it wants to be able to compare apples to apples—that is letters to letters. Comparing DFS' Standard Mail letter-shape Confirm data, for example, to mixed Standard letter, flat and parcel data would be of limited utility, a point that Valpak also makes in a somewhat different context. Valpak Comments in Docket PI 2008-1 at 3-4.

Postal products are designed and costed by shape; service performance data should likewise be produced by shape. It is this type of scheme that makes business sense.

3-Digit ZIP Code Origin/Destination Pairs & Data By Product. The Service Standards that were produced in December 2007 key on a series of 3-digit ZIP code origin/destination pairs. Because what gets measured gets managed and valued, it makes the most sense to produce service measurement data in a like format. Thus, DFS endorses Postcom and the Direct Marketing Association's (DMA) position that "since the new Postal Service's new service standards are established for specific 3-digit ZIP code origin/destination pairs for each market-dominant product group, service performance measurement reports by market-dominant product group also should be

available for 3-digit Zip Code origin-destination pairs.” Postcom and DMA Comments at 12.

However, in this respect, Pitney Bowes’ point that the Postal Service’s proposal should be clarified to ensure that service performance data will be reported *by product* as required by the Postal Accountability and Enhancement Act (PAEA) is very well taken. See Initial Comments of Pitney Bowes in Docket PI 2008-1 at 6, citing 39 U.S.C. § 3691(b)(1)(D). As Pitney says, “Providing data for only groups of products may make it difficult, or impossible, for a mailer of a particular product to assess the Postal Service’s performance with respect to that product where the performance of a group of products does not reflect the performance of a particular product within the group.” *Id* at 6-7.

Eliminating Third-Party Scans in the Future. Postcom and DMA also make the point in their Comments that in the long term, “the Postal Service should arrange for an independent assessment of whether, with respect to each type of mail, IMB scans can provide a reasonable proxy as ‘stop-the clock’ data, eliminating the need for third-party stop-the-clock scans.” *Id* at 2, 7. Postcom and DMA’s concern looks to reduce the cost of measurement in the future by doing away with expensive third-party scans. This is a very important point for the future efficiency of the system, and DFS urges both the Commission and the Postal Service to embrace it.

Critical Entry Times Should Reflect Local Processing And Transportation Conditions. Finally, the Major Mailers Association Comments make the important point that Critical Entry Times (CET) can depend upon the designation of the mail being entered, citing the example that the CET for First-Class local mail in the overnight area

could be as early as 6 PM while mail to communities in a two day service area might not have to be at the plant until 2 am. MMA Comments at 2. With such variations, MMA stresses the need for the Postal Service to set CETs with the need to meet local conditions, specifically local processing or transportation deadlines, as opposed to setting an arbitrary single CET for all mail. Such concerns are well-founded and DFS adds its voice to that of MMA's. It is absolutely critical that as much flexibility as possible is retained in the local system, a point that Time Warner also makes in a slightly different context. See Time Warner Initial Comments in Docket PI 2008-1 at 3.

Thank you for considering our views.

Respectfully submitted,

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