

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

**COMPLAINT OF GAMEFLY, INC
C2009-1**

Docket No.

COMMENT OF NETFLIX

Netflix is not a party to this case. However, given that most of the pleadings and testimony have focused on Netflix and the way its mail is handled by the Postal Service, Netflix would like to submit the following comments.

Netflix has invested substantial resources in building its business. Today, Netflix has grown to more than 16 million subscribers, shipping, on average, approximately two million DVDs from its nationwide network of distribution centers every day. For 2010, Netflix anticipates spending approximately \$600 million dollars on postage, making it the largest growing first-class mailer in the country.

Much of Netflix's success can be attributable to the amazing delivery service it provides to its subscribers. Early on, Netflix invested in developing a nationwide network of distribution centers, enabling it, as of today, to offer more than 97% of its subscribers with delivery in about one business day. Netflix also expended a great deal of time and energy in developing solutions to helping ensure its subscribers received playable discs. Netflix worked closely with DVD replicators and consultants

to determine root causes of damage and help craft new replication and handling processes to help reduce breakage.

Netflix has also worked closely with the Postal Service, helping them to develop effective and efficient procedures for handling Netflix mail. Netflix provides the Postal Service with weekly performance reports to various levels of the Postal Service and supplements these reports with analysis of mail flows to assist the Postal Service in diagnosis of problems and to help the Postal Service improve system operations. By working together, Netflix and the Postal Service have been able to provide outstanding service to their customers.

While there has been much discussion in this case about the Postal Service establishing a nationwide mandate concerning the handling of Netflix mail, Netflix's experience is that no such mandate exists. The fact that Netflix continually provides performance data to various regions as well as utilizes ten (10) full-time employees to monitor the handling of its mail within the postal system is testament to the fact that there is no uniform approach.

The purpose of the foregoing comments is to highlight to the Commission that the performance results of Netflix's delivery operations, including the continually improving breakage rates, are a direct output of the investment and dedication inputs of Netflix itself. Certainly the cooperative nature of the Postal Service has been important, but this is also, to a great extent, an output of Netflix's inputs.

There has been much discussion in this case about the Netflix mailer. With respect to this, Netflix would like to highlight to the Commission that Netflix has invested a great deal in automating its fulfillment operations based on the design of

this mailer. Any mandated changes to the characteristics of the mailer could disrupt Netflix's operations and require Netflix to expend resources on re-engineering its automation efforts.

Obviously, Netflix is mindful that the resolution of this case could negatively impact its operations. The remedies proposed by both Gamefly and the Public Representative to redress the alleged discrimination would not result in any negative impact upon Netflix and, as such, Netflix is indifferent to them, should the Commission decide that a remedy is warranted. Netflix dedicates a great deal of time and resources to monitoring the Postal Service handling of its mail precisely because there are no guarantees, reporting or performance standards as are included in Gamefly's proposed remedy.

Netflix has changed the way many American's rent and watch movies and TV shows. In helping Netflix achieve this goal, Netflix believes that the Postal Service has also benefitted. Through Netflix, the Postal Service has been able to showcase its reliability as well as renew its relevance to many Americans. In reaching its decision concerning the Gamefly complaint, we trust that the Commission's decision will not throw the baby out with the bathwater.

Respectfully submitted,

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