



POSTAL REGULATORY COMMISSION

Analysis of the Postal Service's FY 2023 Annual Performance Report and FY 2024 Performance Plan

July 2, 2024

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CHAPTER I. INTRODUCTION

In FY 2023, the Postal Service did not meet any of the four performance goals: High-Quality Service, Excellent Customer Service, Safe Workplace and Engaged Workforce, and Financial Health. Specifically, in FY 2023, the Postal Service did not meet six of eight public performance indicators for the High-Quality Service goal; did not meet three of eight performance indicators for the Excellent Customer Experience goal; and did not meet any of the performance indicators for the Financial Health and Safe Workplace and Engaged Workforce goals.

A. Background

The Postal Service is required to submit to the Commission an annual performance report for the previous fiscal year and an annual performance plan for the current fiscal year.¹ On December 29, 2023, the Postal Service filed its fiscal year (FY) *2023 Annual Report* to Congress in Docket No. ACR2023.² The *FY 2023 Annual Report* contains the Postal Service's FY 2023 annual performance report (*FY 2023 Report*) and FY 2024 annual performance plan (*FY 2024 Plan*).³

The *FY 2023 Report* and *FY 2024 Plan* discuss the Postal Service's performance goals, which are:

- High-Quality Service
- Excellent Customer Experience
- Safe Workplace and Engaged Workforce
- Financial Health

The *FY 2023 Report* discusses the Postal Service's progress in meeting its performance goals during FY 2023. The *FY 2024 Plan* describes the Postal Service's plans for meeting its performance goals in FY 2024.

Each performance goal has one or more performance indicators, which are metrics the Postal Service uses to measure outcomes and assess whether it has achieved the performance goals. *See* 39 U.S.C. § 2801(4). For example, the performance indicators for the

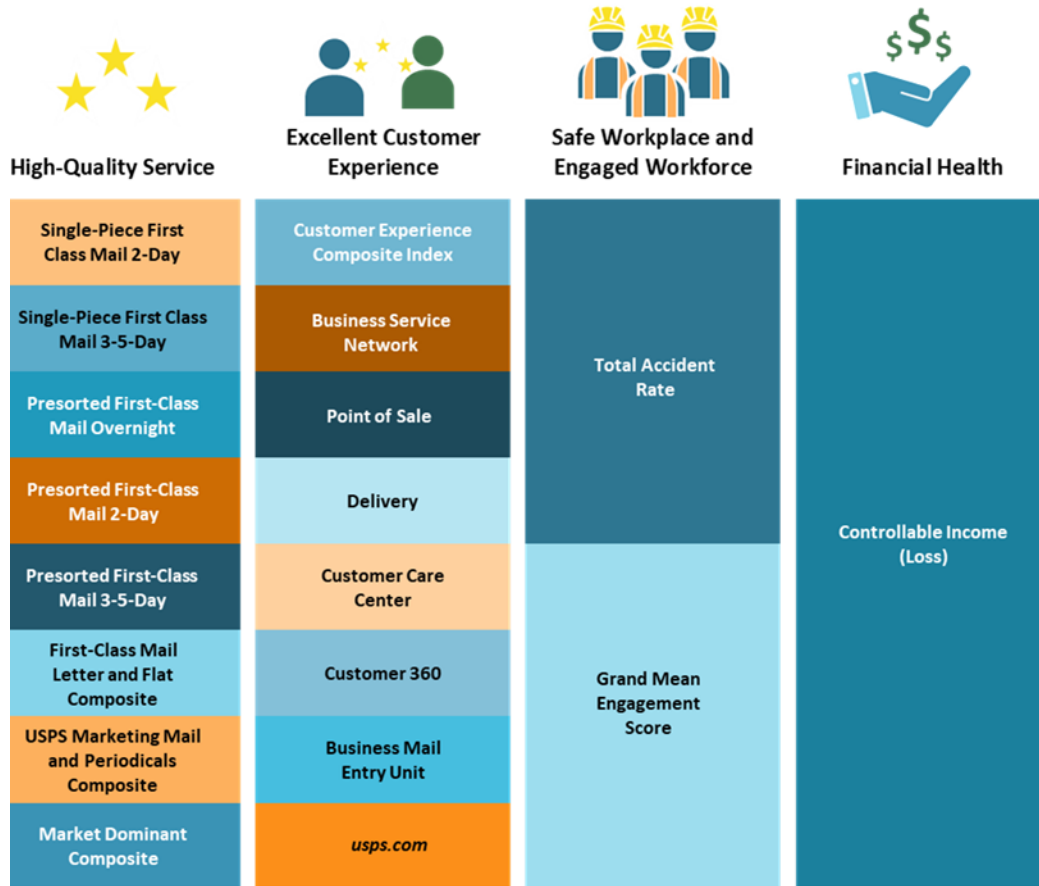
¹ 39 U.S.C. §§ 2803, 2804, 3652(g); 39 C.F.R. § 3050.43.

² *See United States Postal Service Annual Report to Congress*; *see also* Library Reference USPS-FY23-17, December 29, 2023, ZIP folder "USPS.FY23.17_ARC.Files," file "FY2023.Annual.Report.to.Congress.pdf" (*FY 2023 Annual Report*).

³ *FY 2023 Annual Report* at 38-60. This Analysis cites to pages from the *FY 2023 Annual Report* when referring to the *FY 2023 Report* and *FY 2024 Plan*.

High-Quality Service performance goal measure the percentage of various categories of mail delivered on time. Figure I-1 lists the four performance goals and their corresponding performance indicators in FY 2023.

Figure I-1
FY 2023 Performance Goals and Performance Indicators



Source: FY 2023 Annual Report at 39.

For each performance indicator, the Postal Service sets a target in the annual performance plan and provides the result in the annual performance report for that fiscal year. See FY 2023 Annual Report at 39. Table I-1 lists the four performance goals, their corresponding performance indicators, results from FY 2020 through FY 2023, and targets for FY 2023 and FY 2024.

Table I-1
Performance Goals and Performance Indicators, Targets, and Results

Performance Goal	Performance Indicator		Targets		Results			
			FY 2024	FY 2023	FY 2023	FY 2022	FY 2021	FY 2020
High-Quality Service ^a	Single-Piece First-Class Mail	2-Day	93.00%	93.00%	90.68%	91.34%	86.44%	91.47%
		3-5-Day	90.28%	90.28%	83.52%	83.62%	63.20%	78.83%
	Presorted First-Class Mail	Overnight	95.00%	95.00%	94.75%	94.92%	93.38%	94.72%
		2-Day	95.00%	95.00%	93.68%	93.36%	88.29%	92.77%
		3-5-Day	93.00%	92.20%	92.10%	91.49%	80.87%	89.89%
	First-Class Mail Letter and Flat Composite ^b		92.50	92.50	91.43	91.00	82.69	89.73
	USPS Marketing Mail and Periodicals Composite ^b		94.36	93.37	94.20	92.86	87.12	88.38
Market Dominant Composite ^b		93.08	93.00	93.18	92.14	85.30	89.00 ^c	
Excellent Customer Experience	Customer Experience Composite Index ^b		78.96	75.27	76.93	72.72	68.49	72.40
	Business Service Network		98.00%	98.00%	98.87%	98.20%	97.89%	97.33%
	Point of Sale		87.46%	87.46%	87.10%	86.34%	84.39%	87.46%
	Delivery ^b		80.94	80.94	75.85	73.91	70.41	80.94
	Customer Care Center ^b		85.00	69.88	84.52	70.75	61.85	60.03
	Customer 360		46.00%	40.05%	42.21%	38.44%	33.34%	40.05%
	Business Mail Entry Unit		96.29%	96.29%	96.89%	96.48%	95.66%	96.72%
usps.com		78.07%	73.41%	72.79%	73.62%	67.13%	73.41%	
Safe Workplace and Engaged Workforce	Total Accident Rate		13.25	13.25	13.48	12.39	13.48	13.09
	Engagement Survey Response Rate ^d		N/A		17%	25%	25%	33%
	Grand Mean Engagement Score ^d		3.31	3.33	3.29	3.31	3.36	3.29
Financial Health	Deliveries per Total Workhours % Change		N/A		N/A			0.90%
	Controllable Income (Loss) \$ in billions		(\$0.75)	\$0.50	(\$2.26)	(\$0.47)	(\$2.39)	(\$3.75)

Note: Red text indicates target was not met. Green text indicates target was met. For the Total Accident Rate, which measures annual accident frequency, a lower result is better.

N/A – Not used as a performance indicator for that fiscal year.

^a Table I-1 lists targets and results for public performance indicators measuring High-Quality Service for Market Dominant products. The Postal Service filed under seal information for non-public performance indicators measuring High-Quality Service for certain Competitive products. FY 2023 Annual Report at 39 n.1.

^b Targets and results for these performance indicators are not presented as percentages because they are calculated by weighting and aggregating various survey results.

^c The Market Dominant Composite is an additional performance indicator the Postal Service began using in FY 2021 to measure High-Quality Service. See FY 2023 Annual Report at 33 n.4. The FY 2020 result is shown for comparison purposes.

^d In FY 2023, the Postal Service changed the performance indicator for measuring an engaged workforce from the Engagement Survey Response Rate to the Grand Mean Engagement Score.

Source: FY 2023 Annual Report at 39; Docket No. ACR2022, Postal Regulatory Commission, Analysis of the Postal Service's FY 2022 Annual Performance Report and FY 2023 Performance Plan, June 28, 2023, at 3 (FY 2022 Analysis).

B. FY 2024 Plan and FY 2023 Report

Each year, the Commission must evaluate whether the Postal Service met its performance goals established in the annual performance plan and annual performance report. 39 U.S.C. § 3653(d). The Commission may also “provide recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in [Title 39].” *Id.*

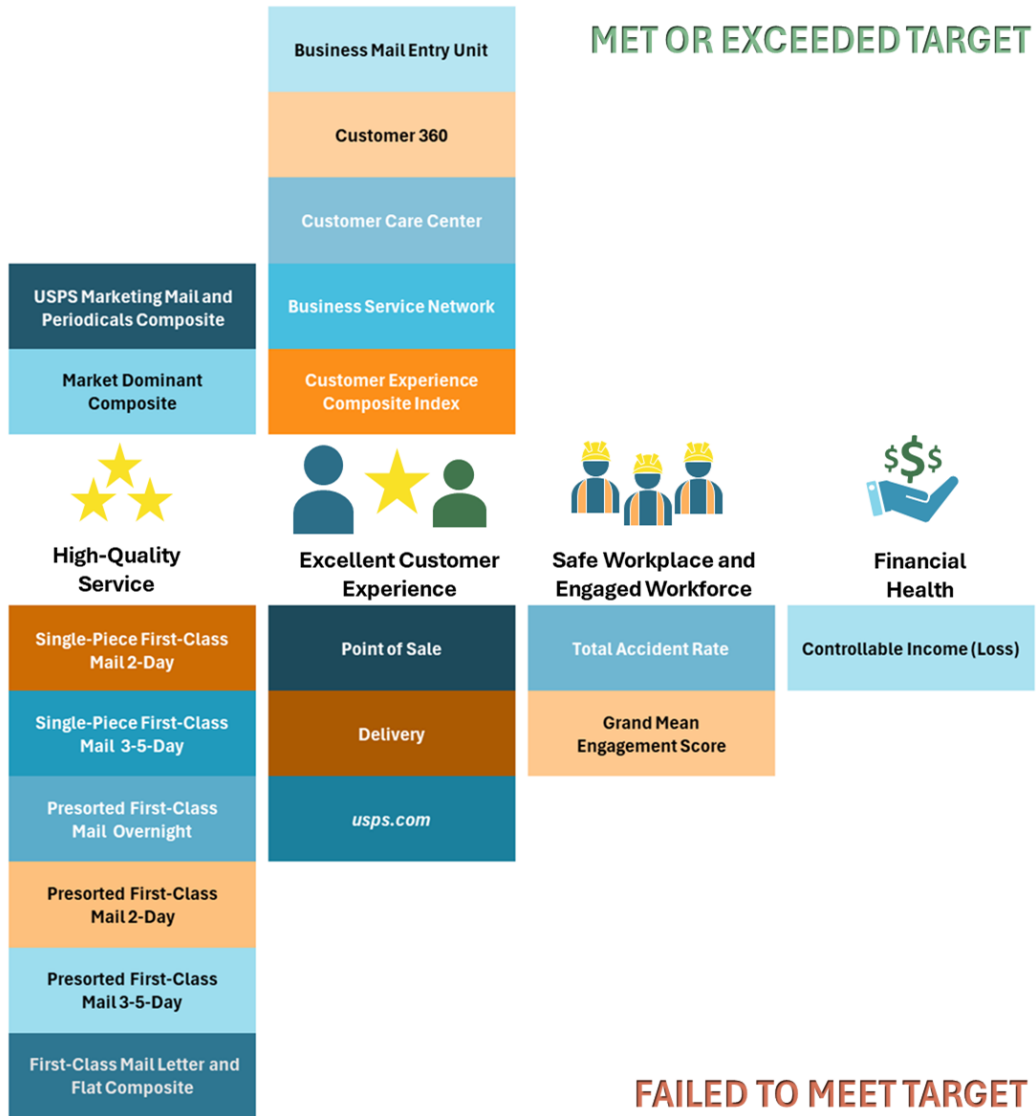
1. Evaluation of Performance Goals

The Commission evaluates whether the Postal Service met each performance goal by comparing targets and results for each performance indicator measuring progress toward that goal. It considers the Postal Service to have met a performance goal if the result of each performance indicator for that performance goal meets or exceeds the target established in the applicable performance plan. *FY 2022 Analysis* at 5. If the Postal Service misses any target for a particular performance goal, the Commission considers the Postal Service to have not met that performance goal.

For each performance goal, the Commission compared FY 2023 targets and results for each performance indicator. Table I-1 and Figure I-2 show which performance indicators met or exceeded targets for each performance goal and which ones failed to meet targets. Based on this comparison, the Commission finds that in FY 2023:

- The Postal Service did not meet the Financial Health and Safe Workplace and Engaged Workforce goals.
- The Postal Service did not meet the High-Quality Service performance goal because the Postal Service only met two public performance indicators and failed to meet six of eight public performance indicators.
- The Postal Service did not meet the Excellent Customer Experience performance goal because the Postal Service met five performance indicators and failed to meet three of eight performance indicators.

Figure I-2
FY 2023 Performance Indicators That Met, Exceeded, or Failed to Meet Targets



Source: FY 2023 Annual Report at 39.

Chapter III discusses the Postal Service’s explanations for why it did not meet the High-Quality Service, Excellent Customer Experience, Safe Workplace and Engaged Workforce, and Financial Health performance goals, as well as its plans and timelines for achieving each performance goal in FY 2024.

2. Summary of Key Observations and Recommendations

When evaluating whether the Postal Service met its performance goals, the Commission may provide recommendations related to protecting or promoting public policy objectives in Title 39. 39 U.S.C. § 3653(d). The Commission observations and recommendations are organized by each performance goal, detailed in Chapter III, and include the following:

High-Quality Service:

- The Commission finds the High-Quality Service performance goal was not met in FY 2023, with the Postal Service failing to meet six of eight public performance indicators.
- The Commission expresses concern regarding the following ongoing issues:
 - Lower service performance in those areas where the Postal Service has rolled out its Delivering for America (DFA) Plan⁴ initiatives.
 - Limited transparency from the Postal Service regarding its many DFA Plan initiatives and their effects on service performance.
 - Problems with service performance caused by network transportation issues.
 - Unanticipated complications caused by the STC expansion, which were exacerbated by the insourcing of formerly contractor-run STC facilities.
 - The Postal Service's decision to continue activating regional processing and distribution centers (RP&DCs), local processing centers (LPCs), and sorting and delivery centers (S&DCs) in 2024 instead of pausing these network redesign initiatives to conduct a comprehensive study of their potential impacts on service performance.
 - The Postal Service's failure to fully overcome the existing vulnerabilities caused by Single-Piece First-Class Mail processing requirements and associated transportation needs.
 - Declining peak season service performance.
 - Continued adverse impacts due to employee availability fluctuations, particularly when coinciding with network changes and/or disruptive events.

⁴ United States Postal Service, Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence, March 23, 2021, available at https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf (DFA Plan). The Commission has opened a public inquiry in connection with the DFA Plan. See Docket No. P12023-4, Notice and Order Initiating Public Inquiry Associated with the Delivering for America Plan, April 20, 2023 (Order No. 6488). This docket is currently pending before the Commission.

- The lack of performance indicators illustrating service performance in rural areas and non-contiguous areas.
- The lack of specificity and unclear timeframe as to the pause for initiatives related to ground transportation improvement to accommodate the elections and peak season in late 2024.
- The Commission recommends that the Postal Service:
 - Address any comparability issues if service standards change in FY 2024 and propose a way to compare results.
 - Develop more granular composites based on mail class/product differences in service standards and processing.
 - Provide detailed workpapers containing inputs and calculations for performance indicators.
 - For Single-Piece First-Class Mail, account for processing needs and improve operations scores.
 - Improve insourced STC operations and carefully evaluate remaining contractor-run centers for insourcing.
 - Avoid simultaneous major changes, peak period activations, and severe weather periods for network redesigns.
 - Increase transparency into DFA Plan initiatives, correct service issues promptly, and learn from experiences.
 - For the next peak season, proactively plan, measure efforts, and consider postponing major DFA Plan changes until weaknesses are addressed.
 - Monitor and consider how employee availability fluctuation affects service and network changes.
 - Incorporate service performance indicators for rural areas and non-contiguous areas into High-Quality Service goal.
 - Study low-performing Area/District causes and add service performance indicators for rural areas and non-contiguous areas to improve national scores.
 - Reduce supplier failures, complete logistics system transitions, and address controllable late trips.
 - Resume Unexpected Events Initiative development, quantify outside impacts, and report progress.
 - Report the DFA Plan's impact on service performance through completion.
 - Pause other DFA Plan initiatives in addition to moving mail processing facilities, so that it can conduct a comprehensive study of the DFA Plan's potential impacts on service performance.

- Communicate and coordinate publicly about the 2024 elections.
- Monitor the potential DFA Plan impacts on ballot mail.
- Publicize the specific actions and timeframe of the pause for initiatives related to ground transportation improvement.
- Consider including the Local Transportation Optimization initiative in the scope of this pause and apply previous lessons learned.

Excellent Customer Experience:

- The Commission finds that the Postal Service did not meet the Excellent Customer Experience performance goal in FY 2023 because it missed three targets and met or exceeded five targets.
- To improve transparency, for each target that is not met in FY 2024, the FY 2024 annual performance report (*FY 2024 Report*) should identify specific reasons why and describe plans to meet targets in FY 2025. The FY 2025 annual performance plan (*FY 2025 Plan*) should discuss the rationale for setting FY 2025 targets.
- The Commission recommends that the Postal Service:
 - Consider measuring customer experience (CX) of business customers that negotiate or attempt to negotiate negotiated service agreements (NSAs). If the Postal Service administers other surveys asking about NSAs in FY 2024, the Commission recommends that the *FY 2024 Report* or FY 2024 ACR identify the questions asked and feedback received.
 - Continue using the Net Promoter Score (NPS) and artificial intelligence (AI) tools to measure and improve CX in FY 2024.
 - Make the social media heat map data available to more people and continue using the social media heat map and other social listening tools to improve CX.

Safe Workplace and Engaged Workforce:

- In FY 2023, the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal because it missed targets for both the Total Accident Rate and Grand Mean Engagement Score.
- Significant changes occurring at the Postal Service partly contributed to not meeting the Safe Workplace and Engaged Workforce performance goal in FY 2023. To improve transparency, in future annual performance reports, the Postal Service should provide more thorough and detailed explanations for why targets were not met.
- The Postal Service's plans to insource contract transportation will shift the manner in which these accidents are reported. The Postal Service should ensure that

previous years of accident data for contractors is part of the baseline analysis of the accidents that will now occur internal to Postal Operations. Rather than just the number of accidents, the data should also account for mileage, so that a ratio of accidents to miles traveled is available for analysis.

- The Commission is concerned about the increase in crimes affecting letter carriers and postal employees, but it supports and appreciates continued efforts by the Postal Service, Postal Inspection Service (Inspection Service), and law enforcement offers to combat crime against letter carriers and mail theft. The Commission concurs with the Government Accountability Office's (GAO) recommendations that the Inspection Service document processes for determining the size and location of both the postal inspector and postal police workforce as well as set a time frame for completing a security force assessment to determine the size and location of the postal police workforce.
- The Commission finds that employee engagement levels as measured by the Grand Mean Engagement Score remained stable but is concerned that the Engagement Survey Response Rate declined by approximately 50 percent during the last 4 years from 33 percent (FY 2020) to 17 percent (FY 2023). The Commission encourages the Postal Service to create a plan that actively encourages employee engagement.
- The Commission finds that FY 2023 Postal Pulse survey results may not accurately reflect engagement levels of all Postal Service employees because of the vendor printing error. This error appears to be a unique circumstance that the Postal Service is addressing by contracting with a new survey vendor. The Commission encourages the Postal Service to conduct quality review during the next survey administration.
- The Commission recommends that the Postal Service continue to monitor the following in FY 2024:
 - The ongoing network realignment's impact on the Total Accident Rate to ensure that the number of accidents decreases.
 - The number of motor vehicle accidents for both contractors and employees. If either or both of these numbers increase in FY 2024 compared to FY 2023, the *FY 2024 Report* should explain why, identify specific factors causing the increase, and describe plans to improve motor vehicle safety in FY 2025.
 - Injuries caused by crimes committed against letter carriers and other postal employees.
 - The ongoing network realignment's impact on the employee engagement levels. If the Grand Mean Engagement Score continues to decline or does not increase in FY 2024, the Commission recommends that the *FY 2024 Report* clearly explain why.

Financial Health:

- The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2023.
- The Commission expects the Postal Service to report in future annual reports on the effects of the DFA Plan on its Financial Health performance indicator results and labor productivity.
- The Commission is concerned by the sharp declines in Total Factor Productivity (TFP) and labor productivity in FY 2023, because they suggest the Postal Service is struggling to adjust its cost base and resource usage in line with declining mail volumes.
- The Commission recommends that the Postal Service:
 - Continue to include information on Controllable Income (Loss) and non-controllable expenses in future annual reports, regardless of whether the performance goal was met.
 - Adopt Net Income (Loss) as a supplemental or replacement performance indicator for Controllable Income (Loss).
 - Consider whether continuing to increase prices twice a year may accelerate electronic diversion resulting in adverse volume effects, and whether the Postal Service may be stymieing its productivity due to its limited ability to reduce its resource input.
 - Continue monitoring and reporting on TFP, labor productivity, and other productivity measures, and consider using a rolling TFP calculation as a performance indicator to stay focused on improving operational efficiency.

Appendix A lists the Commission's findings, observations, and recommendations.

C. Procedural History

Since Docket No. ACR2013, the Commission has evaluated whether the Postal Service met its performance goals in reports separate from the *Annual Compliance Determination* (ACD).⁵ By issuing separate reports, the Commission provides a more in-depth analysis of the Postal Service's progress toward meeting its performance goals and plans to improve performance in future years. The Commission continues this current practice by issuing its analysis of the *FY 2024 Plan* and *FY 2023 Report* separately from the FY 2023 ACD.⁶

In conducting this review, the Commission designated a Public Representative and invited comments on whether the Postal Service met its performance goals and satisfied applicable statutory and regulatory requirements.⁷ It also sought input on public policy recommendations, strategic initiatives, and other relevant matters. Order No. 6932 at 3.

Several CHIRs were issued seeking clarification of the *FY 2024 Plan* and *FY 2023 Report*.⁸ The Postal Service responded to all information requests.⁹ The Public Representative and

⁵ See Docket No. ACR2013, Postal Regulatory Commission, *Review of Postal Service FY 2013 Performance Report and FY 2014 Performance Plan*, July 7, 2014; Docket No. ACR2014, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2014 Program Performance Report and FY 2015 Performance Plan*, July 7, 2015; Docket No. ACR2015, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2015 Annual Performance Report and FY 2016 Performance Plan*, May 4, 2016 (*FY 2015 Analysis*); Docket No. ACR2016, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2016 Annual Performance Report and FY 2017 Performance Plan*, April 27, 2017 (*FY 2016 Analysis*); Docket No. ACR2017, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2017 Annual Performance Report and FY 2018 Performance Plan*, April 26, 2018 (*FY 2017 Analysis*); Docket No. ACR2018, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2018 Annual Performance Report and FY 2019 Performance Plan*, May 13, 2019 (*FY 2018 Analysis*); Docket No. ACR2019, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2019 Annual Performance Report and FY 2020 Performance Plan*, June 1, 2020 (*FY 2019 Analysis*); Docket No. ACR2020, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2020 Annual Performance Report and FY 2021 Performance Plan*, June 2, 2021 (*FY 2020 Analysis*); Docket No. ACR2021, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2021 Annual Performance Report and FY 2022 Performance Plan*, June 30, 2022 (*FY 2021 Analysis*); *FY 2022 Analysis*.

⁶ See Docket No. ACR2023, *Annual Compliance Determination*, March 28, 2024 (FY 2023 ACD).

⁷ Notice Requesting Comments on the Postal Service FY 2023 Annual Performance Report and FY 2024 Annual Performance Plan, January 10, 2024, at 3 (Order No. 6932).

⁸ Chairman's Information Request No. 4, January 17, 2024 (CHIR No. 4); Chairman's Information Request No. 11, February 12, 2024 (CHIR No. 11); Chairman's Information Request No. 13, February 16, 2024 (CHIR No. 13); Chairman's Information Request No. 16, February 29, 2024 (CHIR No. 16); Chairman's Information Request No. 19, March 8, 2024 (CHIR No. 19); Chairman's Information Request No. 20, March 15, 2024 (CHIR No. 20); Chairman's Information Request No. 21, March 22, 2024 (CHIR No. 21); Chairman's Information Request No. 22, March 29, 2024 (CHIR No. 22); Chairman's Information Request No. 23, April 5, 2024 (CHIR No. 23); Chairman's Information Request No. 24, April 15, 2024 (CHIR No. 24); Chairman's Information Request No. 26, April 19, 2024 (CHIR No. 26); Chairman's Information Request No. 27, April 24, 2024 (CHIR No. 27). The Public Representative filed a motion to issue an information request with questions regarding the High-Quality Service and Safe Workplace and Engaged Workforce performance goals. Motion of the Public Representative for Issuance of an Information Request, February 15, 2024. The motion is granted, and the proposed questions issued in CHIR No. 13.

⁹ Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 4, January 24, 2024 (Response to CHIR No. 4); Responses of the United States Postal Service to Questions 1-13 of Chairman's Information Request No. 11, February 20, 2024 (Response to CHIR No. 11); Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 13, February 23, 2024 (Response to CHIR No. 13); Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request No. 16, March 7, 2024 (March 7 Response to CHIR No. 16); Responses of the United States Postal Service to Questions 7-10 of Chairman's Information Request No. 16, March 8, 2024 (March 8 Response to CHIR No. 16); Responses of the United States Postal Service to Questions 1-11 of Chairman's Information Request No. 19, March 15, 2024 (March 15 Response to CHIR No. 19); Revised Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 19 -- Errata, March 18, 2024 (March 18 Response to CHIR No. 19); Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 20, March 22, 2024 (Response to CHIR No. 20); Responses of the United States Postal Service to Questions 1-19 of Chairman's Information Request No. 21, March 29, 2024 (Response to CHIR No. 21); Responses of the United States Postal Service to Questions 1, 7, 19 - 23 of Chairman's Information Request No. 22, April 5, 2024 (April 5 Response to CHIR

the Association for Postal Commerce (PostCom) filed comments, which the Postal Service addressed in reply comments.¹⁰

The Commission analyzes the *FY 2024 Plan* and *FY 2023 Report* in the following chapters:

- Chapter II analyzes the *FY 2024 Plan* and *FY 2023 Report* for compliance with the legal requirements of 39 U.S.C. §§ 2803 and 2804.
- Chapter III evaluates whether the Postal Service met its four performance goals in FY 2023 and contains related observations and recommendations for each performance goal.
- Chapter IV discusses the Postal Service's strategic initiatives and its DFA Plan.

No. 22); Responses of the United States Postal Service to Questions 2-6, and 8-18 of Chairman's Information Request No. 22, April 9, 2024 (April 9 Response to CHIR No. 22); Responses of the United States Postal Service to Questions 1-16 of Chairman's Information Request No. 23, April 12, 2024 (Response to CHIR No. 23); Responses of the United States Postal Service to Questions 1-5 and 7-11 of Chairman's Information Request No. 24, April 22, 2024 (April 22 Response to CHIR No. 24); Responses of the United States Postal Service to Question 6 of Chairman's Information Request No. 24, April 25, 2024 (April 25 Response to CHIR No. 24); Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 26, April 26, 2024 (Response to CHIR No. 26); Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 27, April 30, 2024 (Response to CHIR No. 27). The Postal Service filed three motions for late acceptance. Motion of the United States Postal Service for Late Acceptance of Responses to Questions 7 - 10 of Chairman's Information Request No. 16, March 8, 2024; Motion of the United States Postal Service for Late Acceptance of Responses to Questions 2-6 and 8-18 of Chairman's Information Request No. 22, April 9, 2024; Motion of the United States Postal Service for Late Acceptance of the Response to Question 6 of Chairman's Information Request No. 24, April 25, 2024. The motions are granted.

¹⁰ Public Representative Comments on the FY 2023 Performance Report and FY 2024 Performance Plan, March 15, 2024 (PR Comments); Comments of the Association for Postal Commerce on FY 2023 Annual Performance Report and FY 2024 Annual Performance Plan, March 15, 2024 (PostCom Comments); Reply Comments of the United States Postal Service, March 29, 2024 (Postal Service Reply Comments). The Postal Police Officers Association (PPOA) filed comments on Response to CHIR No. 27, questions 1-5. Comments of the Postal Police Officers Association & the National Association of Police Organizations Relating to the United States Postal Service Responses to Questions 1-5 of Chairman's Information Request No. 27, June 10, 2024 (PPOA Comments).

CHAPTER II. COMPLIANCE WITH LEGAL REQUIREMENTS

A. Legal Requirements

The *FY 2024 Plan* and *FY 2023 Report* must meet the requirements of 39 U.S.C. §§ 2803 and 2804. The Postal Service’s annual performance plan must cover “each program activity set forth in the Postal Service budget,”¹¹ and must:

- Establish performance goals that define the performance level to be achieved by a program activity
- Express the performance goals in an objective, quantifiable, and measurable form unless an alternative form is used¹²
- Briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources needed to meet the performance goals
- Establish performance indicators to measure or assess each program activity’s relevant outputs, service levels, and outcomes
- Provide a basis for comparing actual program results with established performance goals
- Describe the means to be used to verify and validate measured values

39 U.S.C. § 2803(a). The annual performance plan may aggregate, disaggregate, or consolidate program activities, provided that doing so does not omit or minimize the significance of any program activity constituting a major function or operation. *Id.* § 2803(c).

The Postal Service’s annual performance report must:

- Evaluate whether the Postal Service has met the performance goals previously established by the annual performance plan for that fiscal year

¹¹ A “program activity” is “a specific activity related to the mission of the Postal Service[.]” 39 U.S.C. § 2801(5).

¹² See 39 U.S.C. § 2803(b). The Postal Service may use an alternative form if it determines that it is not feasible to express the performance goals for a particular program activity in an objective, quantifiable, and measurable form. *Id.* The alternative form must either: (1) include separate descriptive statements of a minimally effective program and a successful program, with sufficient precision and in such terms to allow for an accurate, independent determination of whether the program activity’s performance meets the criteria of either descriptive statement; or (2) “state why it is infeasible or impractical to express a performance goal in any form for the program activity.” *Id.* §§ 2803(b)(1), (b)(2).

- “[S]et forth the performance indicators established in the Postal Service performance plan, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year”¹³
- Include “actual results for the three preceding fiscal years”
- Evaluate the annual performance plan for the current fiscal year (in this case, the *FY 2024 Plan*) relative to the performance achieved toward those goals in the year covered by the annual performance report (in this case, the *FY 2023 Report*)
- If the Postal Service does not meet a performance goal, explain why the goal was not met and describe plans and schedules for achieving the performance goal¹⁴
- Include summary findings of program evaluations completed during the fiscal year covered by the report

39 U.S.C. § 2804(b)(1), (c), (d).

CHIR Nos. 4, 11, and 20 were issued to help evaluate compliance with 39 U.S.C. §§ 2803 and 2804. CHIR No. 4, question 1; CHIR No. 11, questions 1-4; CHIR No. 20, question 4.

B. Comments

The Public Representative asserts that the *FY 2024 Plan* complies with 39 U.S.C. § 2803. PR Comments at 4. He observes that the *FY 2023 Report* complies with section 2804 for the High-Quality Service, Safe Workplace and Engaged Workforce, and Financial Health performance goals. *Id.* However, he states that the *FY 2023 Report* does not comply with section 2804(c) with respect to the Excellent Customer Experience goal because Customer Care Center (CCC) results are not comparable across FY 2020 through FY 2023. *Id.* at 4-5. He comments that the Postal Service did not appear to comply with the *FY 2022 Analysis*, which directed the Postal Service to identify and address any lack of comparability. *Id.* at 5.

In its reply comments, the Postal Service disagrees with the Public Representative’s interpretation of section 2804 and asserts that the Commission lacks authority to direct the Postal Service to provide comparable results to comply with section 2804(c). Postal Service Reply Comments at 10-11.

The Postal Service contends that results for the Excellent Customer Experience performance goal are comparable across fiscal years because the data collection

¹³ *Id.* § 2804(b)(1). If performance goals are specified in an alternative form by descriptive statements of a minimally effective program activity and a successful program activity, the annual performance report must describe results of these program activities in relation to these categories, including whether the performance failed to meet the criteria of either category. *Id.* § 2804(b)(2); *see id.* § 2803(b).

¹⁴ *Id.* § 2804(d)(3)(A) and (B). If the performance goal is impractical or infeasible, the annual performance report must explain why and recommend further action. *Id.* § 2804(d)(3)(C).

methodology has not changed; customer satisfaction metrics are consistent between FY 2018 and FY 2023; and the Postal Service did not change the survey questions or methodology for calculating Overall Satisfaction. *Id.* at 11. It acknowledges that it changed the composite weights for the Customer Experience (CX) Composite Index; but the Postal Service contends that results are comparable because the weight changes impacted the result by less than one point. *Id.*

C. Commission Analysis

This section evaluates whether the *FY 2024 Plan* and *FY 2023 Report* complied with 39 U.S.C. §§ 2803 and 2804, respectively. With respect to the public performance indicators, the Commission finds that the *FY 2024 Plan* complies with section 2803. The *FY 2023 Report* complies with section 2804 except for the Excellent Customer Experience performance goal, which does not comply with section 2804(c).

With respect to the non-public performance indicators, the *FY 2024 Plan* does not comply with 39 U.S.C. § 2803(a) because it does not set measurable FY 2024 targets for each performance indicator the Postal Service will use in FY 2024.

The sections below describe these issues in detail and explain how the Postal Service may address them next year. Appendix B includes checklists for compliance with the major requirements of 39 U.S.C. §§ 2803 and 2804 to help the Postal Service's efforts to ensure that the *FY 2025 Plan* and *FY 2024 Report* comply next year.

1. FY 2024 Plan

The *FY 2024 Plan* must meet the requirements of 39 U.S.C. § 2803. The Commission evaluates legal compliance based on the following seven elements.

First, the *FY 2024 Plan* must “cover[] each program activity set forth in the Postal Service budget...” See 39 U.S.C. § 2803(a). The Commission previously found that “Postal Service budget” in section 2803(a) means the Postal Service's operating budget that is part of the Integrated Financial Plan (IFP). See *FY 2016 Analysis* at 13. In the *FY 2022 Analysis*, the Commission stated that to comply with 39 U.S.C. § 2803(a), the *FY 2024 Plan* must identify all program activities in the FY 2024 IFP and link each program activity to at least one performance goal or indicator. *FY 2022 Analysis*, Appendix B at 1.

In the *FY 2024 Plan*, the Postal Service explains that FY 2024 targets for each performance indicator are aligned with the FY 2024 IFP, which includes the Postal Service's planned revenue and expenses for FY 2024. *FY 2023 Annual Report* at 38. It notes that each fiscal year, it “develops a budget and plan intended to be sufficient to meet its targeted financial and nonfinancial performance outcomes.” *Id.* It states that it sets all performance indicator targets “to be achievable given the planned expenses in the IFP.” *Id.* In the *FY 2024 Plan*, the Postal Service complied by identifying the program activities in the FY 2024 IFP (planned revenue and expenses) and linking them to the targets set for each performance indicator.

Thus, the *FY 2024 Plan* complies with the requirement in section 2803(a) to “cover[] each program activity set forth in the Postal Service budget....”

Second, the *FY 2024 Plan* must “establish performance goals to define the level of performance to be achieved by a program activity[.]” 39 U.S.C. § 2803(a)(1). Accordingly, the *FY 2024 Plan* must establish performance goals and set targets for each performance indicator the Postal Service will use to evaluate performance during FY 2024. *See FY 2016 Analysis* at 10. If no target is set, the Postal Service should explain why. *See FY 2022 Analysis*, Appendix B at 1.

In the *FY 2024 Plan*, the Postal Service establishes four performance goals and sets targets for each public performance indicator the Postal Service will use to evaluate performance during FY 2024. *See FY 2023 Annual Report* at 39. Several non-public performance indicators are used to measure progress toward the High-Quality Service performance goal and the corresponding FY 2024 targets are included in a non-public annex filed with the FY 2023 ACR.¹⁵ Thus, the *FY 2024 Plan* complies with the requirement in section 2803(a)(1).

Third, the *FY 2024 Plan* must “express [performance] goals in an objective, quantifiable, and measurable form unless an alternative form is used under [section 2803](b)[.]” *See* 39 U.S.C. § 2803(a)(2). The *FY 2024 Plan* must express performance goals as quantitative targets that can be compared with objectively measured results for each performance indicator unless an alternative form is used under section 2803(b). *FY 2016 Analysis* at 10. The *FY 2024 Plan* meets this requirement because the FY 2024 target for each performance indicator is expressed in a measurable form, such as a percentage or dollar amount. *See FY 2023 Annual Report* at 39.

Fourth, the *FY 2024 Plan* must “briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals[.]” *See* 39 U.S.C. § 2803(a)(3). The *FY 2024 Plan* meets this requirement by explaining what resources are necessary to meet each performance goal. For example, to meet the High-Quality Service performance goal in FY 2024, the Postal Service states it will transform its processing facilities and transportation networks; prepare for the peak season; invest in its infrastructure; and stabilize and empower its workforce. *FY 2023 Annual Report* at 43.

Fifth, the *FY 2024 Plan* must “establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity[.]” *See* 39 U.S.C. § 2803(a)(4). Performance indicators are metrics the Postal Service uses to measure the output or outcome for each performance goal. *Id.* § 2801(4). The *FY 2024 Plan* meets this requirement because each performance goal has at least one performance indicator that evaluates outputs, service levels, and outcomes. For example, the Safe

¹⁵ *See FY 2023 Annual Report* at 39 n.1; Library Reference USPS-FY23-NP30, December 29, 2023, PDF file “PROTECTED+Preface+USPS-FY23-NP30.pdf,” at 21-24 (Library Reference USPS-FY23-NP30, Preface).

Workplace and Engaged Workforce performance goal uses two performance indicators to measure workplace safety and employee engagement outcomes. *See FY 2023 Annual Report* at 48-51.

Sixth, the *FY 2024 Plan* must “provide a basis for comparing actual program results with the established performance goals[.]” *See* 39 U.S.C. § 2803(a)(5). The *FY 2024 Plan* meets this requirement by listing the performance indicators that will provide a basis for comparing FY 2024 results with the targets established in the *FY 2024 Plan*. *See FY 2023 Annual Report* at 39.

Seventh, the *FY 2024 Plan* must “describe the means to be used to verify and validate measured values.” *See* 39 U.S.C. § 2803(a)(6). The Postal Service must explain how it verifies and validates targets and results for each performance indicator using objective measurement systems. *FY 2022 Analysis* at 17. The *FY 2024 Plan* meets this requirement by, for example, explaining that it uses an internal Service Performance Measurement (SPM) system “that measures and reports service performance from the time mail is deposited in a Postal Service facility to when a USPS employee delivers it to a home, business, or PO Box.” *See FY 2023 Annual Report* at 40.

For these reasons, the Commission finds that the FY 2024 Plan complies with all requirements of 39 U.S.C. § 2803(a).

Appendix B contains a checklist to assist the Postal Service’s efforts to ensure the *FY 2025 Plan* complies with section 2803(a).

2. FY 2023 Report

Except for the Excellent Customer Experience performance goal, the *FY 2023 Report* complies with 39 U.S.C. § 2804. The *FY 2023 Report* does not comply with section 2804(c) for the Excellent Customer Experience performance goal because CCC performance indicator results are not comparable from FY 2020 through FY 2023, and the Postal Service did not address the lack of comparability.

In this analysis, “methodology” refers to the formula or steps for calculating results. A methodology change occurs when the Postal Service changes the formula or steps for calculating targets and results. For composite performance indicators—including the CX Composite Index, CCC, and Delivery—a methodology change occurs when the Postal Service changes the weights used because doing so alters the steps for calculating the result.

a. Comparable FY 2023 Targets and Results

The annual performance report must “set forth the performance indicators established in the Postal Service performance plan, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year.” 39 U.S.C. § 2804(b)(1). Results expressed in the annual performance report must be comparable with

targets set in the annual performance plan for that fiscal year. *FY 2016 Analysis* at 16. In the *FY 2022 Analysis*, the Commission stated that to comply with section 2804(b)(1), “the *FY 2023 Report* must set forth the same performance indicators and targets as the *FY 2023 Plan* and compare FY 2023 targets and results for each performance indicator.” *FY 2022 Analysis* at 18.

Also, the Commission directed that the *FY 2023 Report* express results for each performance indicator that are comparable to the corresponding FY 2023 targets set in the *FY 2023 Plan*. *Id.* The Commission stated that if a comparable FY 2023 result is not provided, the *FY 2023 Report* must explain why and address the lack of comparability by explaining either of the following: (1) how to compare results between the current and former methodologies; or (2) why making this comparison is not feasible. *Id.* It also recommended that the Postal Service maintain the same performance indicators, methodologies, and targets once they are set in the applicable annual performance plan. *Id.*

The *FY 2023 Report* includes the same performance indicators and targets set in the *FY 2023 Plan* except for the CX Composite Index.¹⁶ The Postal Service explains that the *FY 2022 Annual Report to Congress* incorrectly reported the FY 2023 CX Composite Index target because it used the weighted methodology from FY 2022 instead of FY 2023. *FY 2023 Annual Report* at 45 n.2. The *FY 2023 Report* also compares FY 2023 targets and results for each performance indicator. *Id.* at 41, 45, 48, 50, 55. The Postal Service confirms that the FY 2023 target and result for each performance indicator are comparable. Response to CHIR No. 11, question 1.

The Commission finds that the FY 2023 Report complies with 39 U.S.C. § 2804(b)(1). To comply next year, the FY 2024 Report must set forth the same performance indicators and targets as the FY 2024 Plan and compare FY 2024 targets and results for each performance indicator.

Also, the FY 2024 result for each performance indicator must be comparable to the corresponding FY 2024 target set in the FY 2024 Plan. If a comparable FY 2024 result is not provided, the FY 2024 Report must address the lack of comparability by explaining either of the following:

- 1. How to compare results between the current and former methodologies; **or***
- 2. Why making this comparison is not feasible.*

¹⁶ Compare *FY 2023 Annual Report* at 39, with United States Postal Service Annual Report to Congress, Library Reference USPS-FY22-17, December 29, 2022, folder “USPS-FY22-17,” folder “FY22.17.Annual.Report,” file “FY 2022 Annual Report to Congress.pdf” at 33 (*FY 2022 Annual Report*).

b. Comparable 3-Year Results

The annual performance report must also “include actual results for the three preceding fiscal years” as required by 39 U.S.C. § 2804(c). The Commission previously found that “actual results” under section 2804(c) must be comparable across the 3 preceding fiscal years. *See FY 2016 Analysis* at 18. In the *FY 2022 Analysis*, the Commission stated that “[t]o comply with 39 U.S.C. § 2804(c) next year, the *FY 2023 Report* must include comparable results for each performance indicator for FYs 2020, 2021, 2022, and 2023. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology.” *FY 2022 Analysis* at 20. If comparable results cannot be provided, the Commission directed the Postal Service to identify each performance indicator with non-comparable results and address the lack of comparability in the *FY 2023 Report*. *Id.*

For the High-Quality Service, Safe Workplace and Engaged Workforce, and Financial Health performance goals, the *FY 2023 Report* is compliant. Response to CHIR No. 4, question 1.c.; Response to CHIR No. 11, question 2.a. For seven of the eight performance indicators for the Excellent Customer Experience performance goal, the *FY 2023 Report* is compliant.¹⁷ Specifically for the CX Composite Index, the Postal Service complied by explaining how to compare results between the current methodology (FY 2023) and former methodology (FY 2020 through FY 2022). *FY 2023 ACR* at 60-61. However, for the remaining performance indicator for the Excellent Customer Experience performance goal (CCC), the *FY 2023 Report* is non-compliant.

In FY 2021, the Postal Service changed the weights for calculating the CCC performance indicator,¹⁸ which affected the comparability of CCC results between the periods FY 2020 and FYs 2021-2023. The Postal Service’s assertion that Excellent Customer Experience performance indicator results are comparable from FY 2020 through FY 2023 because the weight changes impacted the CX Composite Index result by less than one point misses the mark. *See Postal Service Reply Comments* at 11. Comparability depends on the formula or steps for calculating results rather than the results themselves. Changing the weights for calculating the CCC result is a methodology change because it altered the formula or steps for calculating the result.

Additionally, the Postal Service repeats an argument that it raised and that the Commission rejected in the *FY 2014 Analysis* concerning the Commission’s statutory authority. Compare *Postal Service Reply Comments* at 10-11, with *FY 2014 Analysis* at 7-9. In the *FY 2014 Analysis*, the Commission explained that its authority to evaluate annual performance plans and annual performance reports “flows directly from sections 2803 and 2804, which provide the foundation upon which the Commission must evaluate the Postal Service’s

¹⁷ Response to CHIR No. 11, question 2.a. The eight Excellent Customer Experience performance indicators are the CX Composite Index, Business Service Network (BSN), Point of Sale (POS), Delivery, CCC, Customer 360 (C360), *usps.com*, and Business Mail Entry Unit (BMEU). *See FY 2023 Annual Report* at 44.

¹⁸ Docket No. ACR2021, United States Postal Service FY 2021 Annual Compliance Report, December 29, 2021, at 58 (FY 2021 ACR). Methodologies for the Excellent Customer Experience performance indicators, including the CCC, are discussed in detail in Chapter III, Section B.

performance goals under section 3653(d).” *FY 2014 Analysis* at 8. It concluded that without the authority to evaluate compliance with sections 2803 and 2804, “the Commission would be precluded from producing the meaningful and reliable performance evaluation envisioned by 39 U.S.C. § 3653(d).” *Id.* at 9. Specifically, the Commission explained that to enable meaningful evaluation of the Postal Service’s performance related to the section 2804(c) requirement, the Postal Service must provide comparable results across the applicable fiscal years. *Id.* at 12. The Commission has consistently applied this interpretation in subsequent analyses of annual performance plans and reports. *See, e.g., FY 2015 Analysis* at 17-18.

Neither the *FY 2023 Report* nor the FY 2023 ACR addresses the lack of comparable CCC results. The *FY 2023 Report* could have complied with section 2804(c) if the Postal Service provided tables in the FY 2023 ACR comparing CCC results using both methodologies. For instance, the Postal Service provides tables comparing FY 2022 and FY 2023 CX Composite Index results using both the current and former methodologies. FY 2023 ACR at 60-61. Thus, by addressing the lack of comparability, the *FY 2023 Report* is compliant for the CX Composite Index. However, because the Postal Service did not address the lack of comparable CCC results, the *FY 2023 Report* does not comply with 39 U.S.C. § 2804(c) for the Excellent Customer Experience performance goal.

Assuming there are no further methodology changes in FY 2024, CCC results for FY 2021 through FY 2024, which will be presented in the *FY 2024 Report*, will be comparable. For the CX Composite Index, if the results for FY 2021 through FY 2024, which will be presented in the *FY 2024 Report*, are not comparable, then the Postal Service must continue to address the lack of comparability in the FY 2024 ACR.

The Commission observes that the *FY 2023 Report* includes a footnote cross-referencing a CHIR response in Docket No. ACR2020 for more information regarding comparability. *FY 2023 Annual Report* at 39 n.5. The Postal Service should update this footnote to cross-reference a CHIR response that addresses comparability for recent years. For example, Response to CHIR No. 11, questions 1 through 4 addresses comparability for FY 2020 through FY 2023 for both public and non-public performance indicators.

Except for the Excellent Customer Experience performance goal, the FY 2023 Report complies with 39 U.S.C. § 2804(c). The FY 2023 Report is non-compliant with respect to this performance goal because CCC performance indicator results are not comparable from FY 2020 through FY 2023, and the Postal Service did not address the lack of comparability.

To comply with 39 U.S.C. § 2804(c) next year, the FY 2024 Report must include comparable results for each performance indicator for FYs 2021, 2022, 2023, and 2024. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. If comparable results from FY 2021 through FY 2024 are not provided for any performance indicator, the FY 2024 Report must:

1. *Identify each performance indicator with non-comparable results from FY 2021 through FY 2024; **and***
2. *Address the lack of comparability by explaining **either** of the following:*
 - a. *How to compare results from FY 2021 through FY 2024 between the current and former methodologies; **or***
 - b. *Why making this comparison is not feasible.*

For the CX Composite Index, the Postal Service must address the lack of comparability in the FY 2024 ACR by calculating FY 2021 through FY 2024 results using both methodologies.

The FY 2024 Report must include all information necessary to evaluate compliance with the requirements of 39 U.S.C. §§ 2803 and 2804, including section 2804(c). Inclusion of this information in the FY 2024 Report may be satisfied by either: (1) including the information itself in the text of the FY 2024 Report; or (2) including cross-references identifying the documents containing this information in the text of the FY 2024 Report. The Commission recommends that the FY 2024 Report cross-reference a recent CHIR response containing comparability information, such as Response to CHIR No. 11, questions 1 through 4 filed in Docket No. ACR2023.

Appendix B contains guidance to assist the Postal Service's efforts to comply with section 2804(c) and other statutory requirements for the *FY 2024 Report*. The requirements apply to each performance indicator used in FY 2024, which include the CX Composite Index, BSN, POS, Delivery, CCC, C360, *usps.com*, and BMEU.

c. Goals Not Met

In past years, if the Postal Service met at least one target for a goal, the Commission found that the Postal Service “partially met” that performance goal. *See, e.g., FY 2021 Analysis* at 4, 34 (finding that the Postal Service partially met the High-Quality Service goal in FY 2021 because it met 1 of 8 targets). Consistent with 39 U.S.C. § 3653(d) and to promote clarity and simplify this analysis, the Commission is removing the “partially met” language to make this language binary: the Postal Service either met or did not meet a performance goal. To meet a performance goal, the Postal Service must meet or exceed **all** targets for that goal. If any target is missed, the Postal Service did not meet the performance goal.

In FY 2023, the Postal Service did not meet any of the four performance goals. If a performance goal has not been met, the annual performance report must explain why and describe the plans and schedules for achieving the goal. 39 U.S.C. § 2804(d)(3). The *FY 2023 Report* provides the requisite explanations, plans, and schedules. *See FY 2023 Annual Report* at 41-56.

The Commission finds that the FY 2023 Report complies with 39 U.S.C. § 2804(d)(3) because it explains why performance goals were not met and describes plans and schedules for meeting

the goals in FY 2024. To comply next year, for each FY 2024 target that is not met, the FY 2024 Report must both explain why and describe plans and schedules for meeting the FY 2025 target.

d. Other Annual Performance Report Requirements

The *FY 2023 Report* meets other requirements of 39 U.S.C. § 2804. First, the annual performance report must review the Postal Service’s success in achieving its performance goals by stating whether the Postal Service met targets for each performance indicator in FY 2023. 39 U.S.C. § 2804(d)(1). The *FY 2023 Report* provides this information in tables that compare targets and results and state whether the target was met. *See FY 2023 Annual Report* at 41, 45, 48, 50, and 55. These tables improve transparency by allowing the reader to easily evaluate whether the Postal Service met targets.

Second, the annual performance report must “evaluate the performance plan for the current fiscal year relative to the performance achieved towards the performance goals in the fiscal year covered by the report[.]” 39 U.S.C. § 2804(d)(2). To comply, the *FY 2023 Report* must evaluate the *FY 2024 Plan* relative to the performance achieved toward the performance goals during FY 2023, as well as compare FY 2024 targets with FY 2023 results for each performance indicator the Postal Service will use during FY 2024. *See FY 2016 Analysis* at 15. The *FY 2023 Report* provides this information in a master table listing FY 2023 and FY 2024 targets, as well as results from FY 2020 through FY 2023. *See FY 2023 Annual Report* at 39.

Third, the annual performance report must “include the summary findings of those program evaluations completed during the fiscal year covered by the report.” 39 U.S.C. § 2804(d)(4). “[P]rogram evaluations” are “assessment[s], through objective measurement and systematic analysis, of the manner and extent to which Postal Service programs achieve intended objectives.” *Id.* § 2801(6). The *FY 2023 Report* must include summary findings of program evaluations completed during FY 2023 that evaluate how programs helped the Postal Service meet targets in FY 2023. *See FY 2017 Analysis* at 16. The *FY 2023 Report* meets this requirement by, for example, explaining that the Postal Service exceeded the FY 2023 BSN target by focusing on customer satisfaction with the resolution of service requests for BSN-managed accounts. *See FY 2023 Annual Report* at 45.

The Commission finds that the FY 2023 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).

3. Non-Public Performance Indicators

The annual performance plan may include a non-public annex covering program activities or parts of program activities relating to the avoidance of interference with criminal prosecution or matters otherwise exempt from public disclosure under 39 U.S.C. § 410(c). 39 U.S.C. § 2803(d). In FY 2023, the Postal Service measured progress toward the High-Quality Service performance goal using non-public performance indicator(s) for some

Competitive products and filed data as part of the non-public annex of the ACR. *FY 2023 Annual Report* at 39 n.1. The Postal Service filed information on non-public performance indicator(s) in the preface to Library Reference USPS-FY23-NP30 and identified this library reference in the FY 2023 ACR. Library Reference USPS-FY23-NP30, Preface at 21-24; FY 2023 ACR at 7 n.12.

Requirements in 39 U.S.C. §§ 2803 and 2804 apply both to public and non-public performance indicators. *See FY 2022 Analysis* at 1-2. Non-public performance indicators must include targets for the next fiscal year; comparable targets and results for the current fiscal year; comparable results from the past 3 fiscal years; and explanations and plans for any target that is not met. To that end, in the *FY 2022 Analysis*, the Commission directed the Postal Service to file under seal with the FY 2023 ACR: “(1) FY 2023 and FY 2024 targets; (2) comparable FY 2023 targets and results; and (3) comparable results from FY 2020 through FY 2023” for each non-public performance indicator. *FY 2022 Analysis* at 23. It stated that for each FY 2023 target that is not met, the Postal Service must explain why and describe plans for meeting the FY 2024 target. *Id.* It noted that the “FY 2023 ACR should continue to identify the library reference that contains this information.” *Id.*

The *FY 2023 Report* complies with section 2804 with respect to the non-public performance indicators. The Postal Service confirms that for each non-public performance indicator, the *FY 2023 Report* contains comparable FY 2023 targets and results, as well as comparable results from FY 2020 through FY 2023, except for First-Class Package Service. Response to CHIR No. 11, questions 3.a., 4.b. It explains that results for First-Class Package Service are only available through June 2023 because this product offering was enhanced, expanded, and renamed “USPS Ground Advantage” effective July 9, 2023. *Id.* question 4.b. To facilitate comparisons across fiscal years, the Postal Service provides a retroactive result for USPS Ground Advantage in FY 2022 to estimate what the result would have been had this product existed in FY 2022. *Id.* Thus, the *FY 2023 Report* complies with section 2804(c).

In the *FY 2022 Analysis*, the Commission further states that if the Postal Service does not meet the FY 2023 target(s), the Postal Service must explain why and describe the plans and schedules for meeting the FY 2024 target(s). *FY 2022 Analysis* at 23. For each non-public performance indicator that did not meet the FY 2023 target, the Postal Service provides an explanation and describes plans for meeting the FY 2024 target. Library Reference USPS-FY23-NP30, Preface at 23-24.

However, the *FY 2024 Plan* does not comply with section 2803 because the Postal Service did not set a FY 2024 target for USPS Ground Advantage, which it intends to use as a performance indicator for Competitive products in FY 2024. *See* Response to CHIR No. 11, question 4.b. Also, the Postal Service did not set FY 2024 targets for other Competitive products performance indicators the Postal Service will use in FY 2024. *See* Library Reference USPS-FY23-NP30, Preface at 21.

With respect to the non-public performance indicators, the Commission finds that the FY 2023 Report complies with 39 U.S.C. § 2804, but the FY 2024 Plan does not comply with section 2803. The FY 2023 Report complies with 39 U.S.C. § 2804(b)(1) and 2804(c) because it provides comparable FY 2023 targets and results, as well as comparable results from the past 3 fiscal years or the required explanations. The FY 2023 Report also complies with 39 U.S.C. § 2804(d)(3) because the Postal Service explains why it did not meet FY 2023 target(s) and describes plans and schedules for meeting FY 2024 target(s). The FY 2024 Plan does not comply with 39 U.S.C. § 2803(a)(1) and (2) because it does not set measurable FY 2024 targets for each performance indicator the Postal Service will use in FY 2024.

To ensure that the FY 2025 Plan and FY 2024 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, for the Competitive products' non-public performance indicator(s), the Postal Service must file under seal with the FY 2024 ACR:

- 1. Comparable FY 2024 targets and results*
- 2. Comparable results from FY 2021 through FY 2024 (or explanations addressing lack of comparability)*
- 3. Measurable FY 2025 targets for each non-public performance indicator the Postal Service plans to use in FY 2025*

For USPS Ground Advantage, the Postal Service must continue to address the lack of comparability by calculating retroactive scores for FY 2021 through FY 2024 (or explaining why this calculation is not feasible).

If the Postal Service does not meet the FY 2024 target for any non-public performance indicator, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2025 target. The FY 2024 ACR should continue to identify the library reference that contains this information.

4. Performance Indicator Changes

The Commission previously recommended that the Postal Service describe any performance indicator or methodology changes in the *Annual Report to Congress* and analyze the impact of methodology changes on results. *See FY 2016 Analysis* at 18. The Commission also recommended that the Postal Service provide the rationale for making these changes. *FY 2022 Analysis* at 24. A change in performance indicator occurs when the Postal Service changes the metric for measuring progress toward a performance goal. For example, in FY 2017 the Postal Service changed the employee safety performance indicator from the Occupational Safety and Health Administration Illness and Injury Rate to the Total Accident Rate. *FY 2016 Analysis* at 20.

In FY 2023, the Postal Service changed the methodology for calculating the CX Composite index but did not make any other performance indicator or methodology changes, which is

consistent with the Commission's past recommendation. In the *FY 2023 Report*, the Postal Service explains that this change was made "to reflect the interactions more accurately with Postal customers." *FY 2023 Annual Report* at 44. Describing and explaining the rationale for this change in the annual performance report provided greater transparency into the Postal Service's process for changing performance indicators and methodologies.

To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service continue to limit the number of changes to performance indicators and methodologies for calculating targets and results. If the Postal Service plans to add or change any performance indicators or methodologies, the Commission recommends that the Annual Report to Congress continue to describe these changes, provide the rationale for making them, and analyze the impact of these changes on results.

The Commission recommends that the Postal Service not change performance indicators, methodologies, or targets once they are set for a given fiscal year. To help ensure compliance with 39 U.S.C. § 2804(c), if the Postal Service changes a performance indicator or the methodology for calculating targets or results, the Commission recommends that the Postal Service maintain the same performance indicator or methodology for at least 3 consecutive fiscal years unless the change is clearly not beneficial or effective.

CHAPTER III. EVALUATION OF PERFORMANCE GOALS

In this chapter, the Commission discusses each performance goal individually. It evaluates whether the Postal Service met the performance goals in FY 2023 as required by 39 U.S.C. § 3653(d). The Commission also makes related observations and recommendations for each performance goal.

A. High-Quality Service

1. Key Observations and Recommendations

The Commission finds that the High-Quality Service performance goal was not met in FY 2023, with the Postal Service failing to meet six of eight public performance indicators.

In the FY 2024 Annual Report, the Postal Service should address whether any service standard changes implemented in FY 2024 affected the comparability of performance indicator results. If comparability has been affected, the Postal Service should propose a way for the Commission to compare FY 2024 High-Quality Service performance indicator results to results from prior fiscal years. If the Postal Service asserts that comparability is unaffected, the Postal Service should fully explain the rationale and supporting basis for this assertion.

The Commission continues to recommend that the Postal Service consider developing more granular composites based on significant class, shape, and product-level differences between mailpieces in terms of service standards and how they are processed and delivered. If the Postal Service intends to continue using highly aggregated composites as performance indicators, then the Commission recommends that the Postal Service also develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly aggregated composites. If the Postal Service continues to use highly aggregated composites as performance indicators, the Commission recommends that the Postal Service explain why such highly aggregated composites can accurately reflect whether High-Quality Service is achieved for each disparate mail class, shape, and product incorporated within the composites.

For the third year in a row, the Commission recommends that the Postal Service include with each Annual Report supporting workpapers containing the inputs for, and a detailed calculation of, the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the ACR filing. If not included, the Postal Service should explain why these workpapers cannot or were not produced. This recommendation has been ignored by the Postal Service for the past 2 fiscal years without explanation, but the Commission finds

that such workpapers would contribute significant transparency on the Postal Service's progress in meeting its High-Quality Service performance goal.

Regarding the STC expansion complications, the Commission observes that the Postal Service's new long-term strategy to insource contractor-run STCs appears inconsistent with the strategy upon which it premised its request for the Commission to render an advisory opinion on service standard changes to First-Class Mail and Periodicals. During the advisory opinion process, the Postal Service expected to handle increased volume transferring via STCs due to excess capacity availability at contractor-run STCs. The Commission recommends that the Postal Service continue improving operations in the insourced STCs to minimize any remaining negative impacts on the service performance of Single-Piece First-Class Mail and Presorted First-Class Mail. The Commission also recommends that the Postal Service carefully evaluate the remaining contractor-run STCs to determine whether and how quickly they should be insourced to balance the chance of contractor failure impacting service performance and potential capacity concerns.

Regarding the processing, logistics, and delivery network redesign, the Commission recommends that the Postal Service continue to investigate the issues experienced by its redesigned facilities and redesigned network that negatively affected service performance, continue to apply lessons learned with each newly activated facility to subsequent facilities, avoid activating multiple facilities in a region simultaneously, avoid activating facilities while at the same time implementing other major changes under the DFA Plan such as Local Transportation Optimization, avoid activating facilities during peak season, and avoid activating facilities in periods more likely to suffer from severe weather impacts.

Given that the Postal Service is entering the third year of the DFA Plan, it does not inspire public confidence that there is limited information on various initiatives under the DFA Plan that are being rolled out and there appears to be service performance issues in the areas where these initiatives are implemented. The Commission encourages the Postal Service to provide more transparency into its DFA Plan initiatives, such as through its participation in the Commission's public inquiry Docket No. PI2023-4, proactively engage with various stakeholders to gather their inputs, make every effort to correct service issues in a timely and thorough manner, and learn from experience to improve subsequent execution of DFA Plan initiatives.

Regarding Single-Piece First Class Mail, the Commission recommends that the Postal Service endeavor to overcome the vulnerabilities caused by Single-Piece First-Class Mail's additional processing requirements, by, for example, reducing transportation delays, reducing human error, increasing on-time performance, and planning better to meet the additional processing needs. If the Postal Service experiences higher-than-expected failure in certain processes relating to the processing and transportation of single-piece volumes and fails to achieve any of its single-piece performance targets in FY 2024, it should diagnose the causes behind the failures in processing and transportation of single-piece volumes, identify the operational processes experiencing the failures, and fix them. The Commission recommends that the Postal

Service continue to track the correlation between Operating Plan Precision (OPP) and site-specific operating plan (SSOP) on the one hand and service performance on the other hand and continue to improve the low scores achieved by SSOP measurement categories such as “Truck Departures.”

Regarding peak season service performance (Thanksgiving through New Year’s Eve), the Commission recommends that the Postal Service continue to make proactive plans to provide High-Quality Service during peak seasons. The Commission recommends that the Postal Service measure and monitor its efforts to optimize peak season performance and evaluate their efficacy to better ascertain what efforts are the most impactful on peak season performance. The Commission recommends that the Postal Service reconsider implementing major changes under the DFA Plan during future peak seasons until underlying weaknesses are fully analyzed and addressed. If the Postal Service decides to undertake major changes under the DFA Plan during future peak seasons, then the Commission recommends that the Postal Service take any potential negative effects the changes may have on service performance into account when planning its initiatives for the peak season and adjust its peak season initiatives accordingly to minimize any potential negative effects the changes may have on service performance.

Because employee availability may continue to pose issues for the Postal Service, particularly when low employee availability coincides with network changes and/or disruptive events, the Commission recommends that the Postal Service continue to monitor the impact of fluctuations in employee availability on service performance and consider how low employee availability could impact network changes and/or disruptive events.

The Commission recommends the Postal Service incorporate one or more performance indicators that illustrate its service performance in rural areas and non-contiguous areas into its High-Quality Service goal. In doing so, the Postal Service would align its High-Quality Service goal with its mission to serve all areas and all communities.

The Commission recommends that the Postal Service continue initiatives to reduce supplier failure, improve supplier capacity, complete the transition to Contract Logistics Enterprise Acquisition Resource (CLEAR) and Integrated Logistics Environment (ILE) as soon as possible, and increase its efforts to address Critically Late Trips (CLTs) whose causes are within its direct control.

The Commission recommends that the Postal Service resume developing the Unexpected Events Initiative as soon as possible, because this initiative could enable the Postal Service to more accurately quantify the effects of and diagnose service failures caused by outside factors, such as weather disruptions and the St. Louis shutdown. The Commission recommends that the Postal Service report on its progress in developing, and any results from, the Unexpected Events Initiative in the FY 2024 Report, including any effect on reducing CLTs.

The Commission identifies recommended content areas for the FY 2024 Annual Report concerning the DFA Plan. See Chapter IV, infra. Given the connection identified by the Postal Service between implementation of the DFA Plan and increased High-Quality Service performance indicator results, the Commission recommends that the Postal Service continue to provide transparency regarding this connection. Specifically, in all future annual reports through the first year following completion of the DFA Plan, the Commission recommends that the Postal Service report how the DFA Plan (as a whole and for applicable distinct initiatives) affected the High-Quality Service performance indicator result. The Commission also recommends that the Postal Service consider pausing other DFA Plan initiatives in addition to the movement of processing operations associated with the mail processing facility reviews, so that it can conduct a comprehensive study of the DFA Plan's potential impacts on service performance.

The Commission continues to recommend that the Postal Service explore ways to better balance service performance scores across the nation. It is likely that significant gains in national scores could be made by focusing efforts on low-performing Areas and/or Districts. Thus, the Commission recommends the Postal Service study the reasons for service performance issues in the lowest performing Areas/Districts and incorporate one or more performance indicators to capture service performance in rural areas and non-contiguous areas as mentioned above.

Given the above concerns and recommendations expressed, it is critical that the Postal Service continue to proactively plan and coordinate with election officials, the Inspection Service, the Office of Inspector General (OIG), and other agencies regarding the CY 2024 election cycle. The Commission also recommends that the Postal Service closely monitor any unintended negative impact that the Local Transportation Optimization initiative or any other initiatives under the DFA Plan may have on the service performance of ballot mail or other Election Mail and take expeditious and comprehensive measures to mitigate any such unintended negative impact. In addition, the Commission recommends that the Postal Service notify its employees, election officials, and the public of the specific actions and timeframe of the pause for initiatives related to ground transportation improvement and consider including the Local Transportation Optimization initiative in the scope of this pause. The Commission further recommends that the Postal Service consider any previous lessons learned from its service performance on Election Mail and its extraordinary measures concerning ballot mail when exploring the feasibility of measures for improving service performance for other types of mail.

2. Background

In FY 2023, the Postal Service measured service performance using internal SPM, which provides data from the time a mailpiece is first deposited in a Postal Service facility to the time when the mailpiece is scanned at the delivery point. *See FY 2023 Annual Report at 40.* For most Market Dominant products, the Postal Service sets a service standard for the number of days allowed for delivery of a mailpiece considered to be on time. *See FY 2022*

Analysis at 25. Service performance results are expressed as the percentage of mail meeting the applicable service standard. *See id.*; FY 2023 ACD at 94 n. 168.

The Postal Service uses the percentage of selected and combined mail products delivered on-time to assess whether its performance meets the High-Quality Service performance goal.¹⁹ To evaluate progress toward the High-Quality Service performance goal in FY 2023, the Postal Service used eight public performance indicators measuring service performance for Market Dominant products:

- Single-Piece First-Class Mail, 2-Day
- Single-Piece First-Class Mail, 3-5-Day
- Presorted First-Class Mail, Overnight
- Presorted First-Class Mail, 2-Day
- Presorted First-Class Mail, 3-5-Day
- First-Class Mail Letter and Flat (FCLF) Composite
- USPS Marketing Mail and Periodicals Composite
- Market Dominant Composite

The Single-Piece First-Class Mail performance indicators measure the performance of Single-Piece First-Class Mail letters, postcards, and flats throughout the fiscal year. *FY 2023 Annual Report* at 40. Results are expressed as the estimated percentage of Single-Piece First-Class Mail delivered on-time by service standard (2-Day and 3-5-Day, respectively). *Id.*

The Presorted First-Class Mail performance indicators measure the performance of commercial Presorted First-Class Mail letters, postcards, and flats delivered throughout the fiscal year. *Id.* Results are expressed as the estimated percentage of total Presorted First-Class Mail delivered on time by service standard (Overnight, 2-Day, and 3-5-Day). *Id.*

The FCLF Composite performance indicator measures the weighted average of the performance of Single-Piece First-Class Mail and Presorted First-Class Mail across all service standards, weighted by volume. *Id.*

¹⁹ The Postal Service also reports service performance on all Market Dominant products in the ACR. *See* 39 U.S.C. § 3652(a)(2)(B)(i). Service performance measurement reporting in the ACR is independent of service performance measurement reporting in annual performance plans and annual performance reports under 39 U.S.C. §§ 2803 and 2804. The reporting of these service performance measurements in the *FY 2023 Annual Report* does not meet the same class- or group-specific granular reporting criteria as the service performance measurements required in the Commission's rules for purposes of the ACR. *See* 39 C.F.R. §§ 3055.20 through 3055.24. For instance, the Single-Piece First-Class Mail and the Presorted First-Class Mail performance indicators in the *FY 2023 Annual Report* combine service performance results for different products. By contrast, the ACR requires the Postal Service to disaggregate service performance results by mail subject to the Overnight, 2-Day, or 3-Day, 4-Day, and 5-Day service standards (as well as in the aggregate for the 3-to-5-day service standards and in the aggregate for all service standards combined) by First-Class Mail product. *See, e.g.*, 39 C.F.R. § 3055.20(a).

The USPS Marketing Mail and Periodicals Composite performance indicator measures the percentage of all USPS Marketing Mail and Periodicals mailpieces that were delivered within the applicable service standard during the fiscal year. *Id.* This performance indicator is a composite measuring USPS Marketing Mail letters and flats, as well as Periodicals. *Id.* Approximately two-thirds of the volume in this composite indicator consists of USPS Marketing Mail letters; the remainder is made up of USPS Marketing Mail flats and Periodicals. *Id.*

The Market Dominant Composite is a composite indicator measuring the percentage of First-Class Mail; USPS Marketing Mail; Periodicals; Bound Printed Matter letters and flats; and parcels of Media Mail, Library Mail, and Bound Printed Matter, that were delivered within their applicable service standards during the fiscal year. *Id.*

The Postal Service also provided non-public performance data for certain Competitive products. *See id.* at 39 n.1.

In FY 2023, the Postal Service failed to meet six out of its eight targets for the public Market Dominant performance indicators—Single-Piece First-Class Mail, 2-Day; Single-Piece First-Class Mail, 3-5-Day; Presorted First-Class Mail, Overnight; Presorted First-Class Mail, 2-Day; Presorted First-Class Mail, 3-5-Day; and FCLF Composite. *Id.* at 41. The Postal Service met only two of its targets for the public Market Dominant performance indicators: USPS Marketing Mail and Periodicals Composite and Market Dominant Composite. *Id.* The Postal Service notes that its FY 2023 targets were “aggressive” and “far exceeded” its FY 2022 performance. *Id.*

For Single-Piece First-Class Mail, 2-Day, the Postal Service explains that this product missed its FY 2023 target because it “require[s] additional handling and processing compared to [Presorted First-Class Mail, 2-Day] and as such maintains a slim recovery window.” *Id.* The Postal Service further explains that “[a]ny delays or impacts in any processing or transportation leg will often result in the piece missing service standard, and this product was impacted by longer cycle times at the [STCs].” *Id.*

For Single-Piece First-Class Mail, 3-5-Day, the Postal Service explains that it missed the FY 2023 target because “[t]he additional processing requirements for this product prohibit its ability to mitigate potential failures or disruptions.” *Id.* However, the Postal Service notes that 83.52 percent of this product still met the service standard in FY 2023, relatively in line with its FY 2022 performance (83.62 percent), “which was a five-year high and more than a full point higher than at any of the prior four years.” *Id.* The Postal Service used similar reasoning when explaining why this indicator failed to meet its performance goal in FY 2022, citing “ongoing network transportation changes and additional processing requirements for this product which prohibit its ability to mitigate potential failures or disruptions.” *FY 2022 Annual Report* at 35.

For Presorted First-Class Mail, Overnight, the Postal Service explains that it is the smallest volume component of Presorted First-Class Mail, which subjects it to “higher volatility, particularly as a portion of this product uses the air network which can be negatively affected by weather and flight delays or cancellations.” *FY 2023 Annual Report* at 41. For Presorted First-Class Mail, 2-Day and Presorted First-Class Mail, 3-5-Day, the Postal Service states that these products did not achieve their aggressive individual targets in FY 2023 but still performed better than they did in FY 2022. *Id.*

The FCLF Composite also failed to achieve its target in FY 2023. *Id.* However, the Postal Service notes that the FCLF Composite’s performance in FY 2023 (91.43 percent) represents an improvement from its FY 2022 performance (91.00 percent). *Id.*

More broadly speaking, the Postal Service attributes negative service impacts on all Single-Piece First-Class Mail and Presorted First-Class Mail products to “the ongoing network transportation changes, ... STC expansion complications, and foreseen speed bumps in the rollout of Postal processing, logistics, and delivery network redesign.” *Id.* at 42.

To improve High-Quality Service in FY 2024, the Postal Service reports that it plans to continue implementing the DFA Plan. *Id.* at 43. To that end, the Postal Service intends to transform its processing facilities and transportation networks; prepare for the peak season; invest in its infrastructure; and stabilize and empower its workforce. *Id.*

3. Comments

The Public Representative comments that although the Postal Service failed to meet six out of its eight targets for the public Market Dominant performance indicators, five of those six indicators, except for Single-Piece First-Class Mail, 3-5-Day, at least exceeded their FY 2022 targets. PR Comments at 7-8. However, he states that there are “numerous instances of severe disruptions to mail service in certain local areas.” *Id.* at 10.

For example, the Public Representative discusses what the OIG found in an audit of the Postal Service’s delivery and customer service in Colorado mountain towns.²⁰ The OIG found that customers in Colorado mountain towns experienced lower on-time service performance for mail and packages compared to the rest of the state and the nation overall. PR Comments at 11 (citing OIG Report No. 23-130-R24 at 3). The OIG found that the biggest challenge was the facilities’ ability to hire and retain personnel due to competitive wages offered by Colorado mountain resort and ski areas in FY 2022. *Id.* (citing OIG Report No. 23-130-R24 at 6-7). The OIG also found that improper handling led to delays, incorrect returns, and inaccurate tracking. *Id.* at 11-12 (citing OIG Report No. 23-130-R24 at 7-9). The OIG further found that transportation schedules were not aligned to meet the needs of processing and delivery operations. *Id.* at 12-13 (citing OIG Report No. 23-130-R24 at 10-

²⁰ *Id.* at 11-13 (citing United States Postal Service, Office of Inspector General, Report No. 23-130-R24, Delivery and Customer Service in Colorado Mountain Towns, December 5, 2023, available at <https://www.uspsaig.gov/reports/audit-reports/delivery-and-customer-service-colorado-mountain-towns> (OIG Report No. 23-130-R24)).

11). Finally, the OIG found that most of the 13 delivery units visited were built prior to the package growth surge and may not be equipped to service the growing population of Colorado and the increase in e-commerce packages. *Id.* at 13 (citing OIG Report No. 23-130-R24 at 12).

According to the Public Representative the concerns discussed by the OIG about the Postal Service in Colorado mountain towns are illustrative of many service performance issues that have arisen throughout the nation. *Id.* He cites news reports discussing significant delivery problems in St. Louis, Houston, Jacksonville, and Richmond. *Id.* at 13-14.

Regarding peak season performance, the Public Representative states that peak season volume declined for many classes of mail between FY 2022 and FY 2024. *Id.* at 15. Despite the volume decline, he states that “the Q1 FY 2024 service performance data for Single-Piece First-Class 2-day and 3-5-day mail shows marked, often stunning, declines for both....” *Id.* at 16. He finds this to be “extremely concerning given that this year is the third year of the DFA implementation, and there will likely be significant First-Class mail volume in Q1 FY 2025 due to the November 2024 general election.” *Id.*

Regarding mail transportation issues, the Public Representative notes the disruptions to surface transportation that contributed to the Postal Service missing service targets. *Id.* He also discusses issues the Postal Service experienced in expanding STC operations in FY 2023 and subsequently its decision to insource some STC operations beginning at the end of FY 2023. *Id.* at 16-18. He observes that the Postal Service planned to contract out all STC operations when justifying its decision to change service standards for First-Class Mail and Periodicals.²¹ He also notes roadblocks that the Postal Service encountered with the concurrent rollout of RP&DCs, LPCs, and S&DCs, which impacted service performance. *Id.* at 18.

Regarding the Postal Service’s plan for improving high-quality service in FY 2024, the Public Representative observes that the “redesigned processing network that the Postal Service is pursuing through the DFA Plan appears to put increased pressure on service performance and transportation.” *Id.* at 22. He also observes that the Postal Service’s diversion from air to surface transportation “puts pressure on [its] surface transportation operations[,]” which may be more costly than air transportation when operational execution suffers. *Id.* at 23. As the Postal Service is almost 3 years into the implementation of the DFA Plan, he believes that “concrete evidence of significant cost savings arising from the Plan needs to be demonstrated sooner rather than later” and such “cost savings cannot come at the expense of satisfactory service performance.” *Id.* at 23-24. He states that the Postal Service’s ultimate goal of achieving high-quality service while also generating cost savings requires transparency and cooperation among stakeholders to ensure success, and

²¹ *Id.* at 17 (citing Docket No. N2021-1, Advisory Opinion on Service Changes Associated with First-Class Mail and Periodicals, July 20, 2021, at 134 (Docket No. N2021-1 Advisory Opinion)).

to that end he encourages the Commission to continue to seek information from the Postal Service regarding the DFA Plan. *Id.* at 24-26.

In addition to the continued implementation of the DFA Plan, the Public Representative believes that the Postal Service's performance during the 2024 general election will also be important to its achievement of high-quality service in FY 2024. *Id.* at 26. He discusses some practices and procedures that the Postal Service states it will employ during the 2024 election season. *Id.* at 27-28. He believes that "it would be helpful for the Postal Service to address and mitigate the effects of the highly-publicized service disruptions discussed above well in advance of the November 2024 general election." *Id.* at 28. He is reassured by the Postal Service's statement that network changes related to the DFA Plan, specifically the Optimized Local Transit initiative, should not impact the timely processing or delivery of ballot mail. *Id.* at 29. He encourages the Postal Service to "take all necessary actions to ensure that any transportation changes have no significant effects on ballot processing and delivery." *Id.*

In its reply comments, the Postal Service acknowledges that due to the changes implemented under the DFA Plan, "service performance may be temporarily impacted in regions where significant modernization efforts are undertaken." Postal Service Reply Comments at 3. However, it states that it is "committed to minimizing the disruptions, correcting issues in an effective manner, and learning from experience to improve the execution process moving forward." *Id.* The Postal Service disagrees with the Public Representative's implication that the various service performance issues identified in Colorado mountain towns, St. Louis, Houston, and Richmond "are somehow indicative of a wide-ranging service performance problem." *Id.* at 4. The Postal Service asserts these issues are instead "localized and distinct." *Id.* The Postal Service explains that the issues in Colorado mountain towns are mainly caused by the high cost of living in those areas that makes it difficult to hire and retain staff. *Id.* at 4-5. The issues in St. Louis are caused by a potentially hazardous mercury leak from an illegally shipped package that closed the postal facility for 12 days. *Id.* at 5. The issues in Houston are caused by a confluence of disruptive events of "machine removal, space constraints, lack of employee availability, and weather disruptions." *Id.* at 5-6. The issues in Richmond are caused by difficulties experienced during the conversion of the Sandston P&DC into the nation's first RP&DC, such as pre-existing weaknesses with the existing facility, issues with machine sort plans and adherence to the operating plan, issues with transportation schedule and its alignment with operations, and issues with staffing and scheduling. *Id.* at 6-7. The Postal Service asserts that these events "do not indicate a broad nationwide service performance problem[,] but instead "highlight the Postal Service's ability to address and remediate inevitable adversities and build towards overall improved performance." *Id.* at 7.

In reply to the Public Representative's concern that recent declines in service performance for Single-Piece First-Class Mail, 2-Day and 3-5-Day in the first quarter of FY 2024 may undermine the public's trust in vote-by-mail in advance of the November 2024 general election, the Postal Service states that this concern is unfounded and it is "committed to and

prepared for the secure, timely delivery of the nation’s Election Mail.” *Id.* at 8. The Postal Service discusses the extraordinary measures it will deploy for ballots around Election Day and other helpful measures such as the daily “all clear” process, postmarking return ballots, regular employee training, and outreach to election officials. *Id.* at 8-10.

4. Commission Analysis

In FY 2023, the Postal Service achieved only two out of eight targets for the public performance indicators related to Market Dominant products that measure progress toward the High-Quality Service performance goal. The two categories where the Postal Service achieved the targets were the USPS Marketing Mail and Periodicals Composite and the Market Dominant Composite. *FY 2023 Annual Report* at 41. The Postal Service failed to achieve targets for the following six categories: Single-Piece First-Class Mail, 2-Day; Single-Piece First-Class Mail, 3-5-Day; Presorted First-Class Mail, Overnight; Presorted First-Class Mail, 2-Day; Presorted First-Class Mail, 3-5-Day; FCLF Composite. *Id.*

The Commission finds that the High-Quality Service performance goal was not met in FY 2023, with the Postal Service failing to meet six of eight public performance indicators.

a. Observations on Results and Targets

The Commission notes that reports prepared pursuant to 39 U.S.C. § 2804 must “include actual results for the three preceding fiscal years[.]” and the Commission has previously found that such actual results must be comparable across all 3 preceding fiscal years. 39 U.S.C. § 2804(c); *see, e.g., FY 2022 Analysis* at 18. A lack of comparability with respect to performance indicator results makes them less valuable to both the Postal Service and the Commission for reviewing progress in addressing service performance issues.

The Postal Service asserts that from FY 2019 to FY 2023, all indicator results for High-Quality Service remained constant in that “they comprise the same types of mail, and they reflect the percentage of mail in measurement that met allotted service standards.” Response to CHIR No. 4, question 1.c. However, the Postal Service implemented changes in critical entry times (CETs) for certain categories of Periodicals, effective January 29, 2023.²² The CET is the latest time of day that a mailpiece can be tendered to the Postal Service and have that day count when measuring its service performance. Docket No. N2022-2, Advisory Opinion at 1-2 (citation omitted). The Postal Service changed the CETs for three categories of Periodicals from the previous CETs of 1100 or 1400 to the earliest CET of 0800. *Id.* at 9. This will likely add an additional service day for a portion of the affected Periodicals mailers who cannot meet the revised earlier CET. *Id.* at 25, 40. The Postal Service states it is unable to estimate what the FY 2023 High-Quality Service indicator results would have been had the CET change not been adopted, due to the small portion of Periodicals Mail within the larger mix of flat-shaped mail, which is one of several inputs

²² See United States Postal Service, *Changes to Periodical Critical Entry Times, Effective January 29, 2023*, USPS Postal Pro (Dec. 29, 2022), available at <https://postalpro.usps.com/node/11634>; *see also* Docket No. N2022-2, Advisory Opinion on Changes to the Critical Entry Times for Certain Categories of Periodicals, November 30, 2022 (Docket No. N2022-2, Advisory Opinion).

into the Market Dominant High-Quality Service indicator. Response to CHIR No. 4, question 1.c. In addition, the Postal Service also implemented new, lengthened service standards for First-Class Mail and Periodicals in FY 2022. *FY 2022 Annual Report* at 35; FY 2022 ACD at 103. These service standards were effective October 1, 2021, at the beginning of FY 2022. *Id.*

Therefore, the implementation of the change in CET for certain categories of Periodicals in the second quarter of FY 2023 and the service standard changes for First-Class Mail and Periodicals at the beginning of FY 2022 affected the meaningful comparison of High-Quality Service performance indicator results for FY 2023 and FY 2022 to prior fiscal years' results. According to the Postal Service, the service standard changes for First-Class Mail and Periodicals at the beginning of FY 2022 "undoubtedly contributed to improved service performance for Market Dominant products" in FY 2022.²³

Thus, when comparing historical results and targets to the Postal Service's FY 2023 results and FY 2023 (and FY 2024) targets, it is important to acknowledge the effect of the change in CET for certain categories of Periodicals in FY 2023 and the service standard changes for First-Class Mail and Periodicals in FY 2022 to draw more meaningful comparisons. That said, the Postal Service states that it is not feasible to provide estimates of the results that the FY 2023 and FY 2022 High-Quality Service indicators would have yielded in the absence of the new CET for certain Periodicals and the new service standards for First-Class Mail and Periodicals, respectively. Response to CHIR No. 4, question 1.c.; Docket No. ACR2022, Response to CHIR No. 17, question 3.c. Nevertheless, despite these changes, the Postal Service states the FY 2023 results and targets (as well as the FY 2024 targets) are comparable to prior years' results and targets in that they comprise the same types of mail, and they reflect the percentage of mail in measurement that met allotted service standards. Response to CHIR No. 4, question 1.c. Because the change in CET for certain categories of Periodicals in FY 2023 and the service standard changes for First-Class Mail and Periodicals in FY 2022 complicate the comparability of year-over-year on-time service performance results for these classes, the Commission suggests that the Postal Service develop a method to accurately measure how service performance has changed for these mailpieces over time. *See* FY 2023 ACD at 112-113.

In the FY 2024 Annual Report, the Postal Service should address whether any service standard changes implemented in FY 2024 affected the comparability of performance indicator results. If comparability has been affected, the Postal Service should propose a way for the Commission to compare FY 2024 High-Quality Service performance indicator results to results from prior fiscal years. If the Postal Service asserts that comparability is unaffected, the Postal Service should fully explain the rationale and supporting basis for this assertion.

²³ Docket No. ACR2022, Responses of the United States Postal Service to Questions 1-11 of Chairman's Information Request No. 17, March 10, 2023, question 3.c. (Docket No. ACR2022, Response to CHIR No. 17).

**Table III-1
Public High-Quality Service Performance Indicators
Comparison of Targets**

High-Quality Service Performance Indicators		FY 2024	FY 2023	FY 2022	FY 2021	FY 2014-FY 2020
Single-Piece First-Class Mail	2-Day	93.00	93.00	90.25	87.81	96.50
	3-5-Day	90.28	90.28	90.00	68.64	95.25
Presorted First-Class Mail	Overnight	95.00	95.00	94.75	93.99	96.80
	2-Day	95.00	95.00	93.00	89.20	96.50
	3-5-Day	93.00	92.20	90.50	84.11	95.25
First-Class Mail Letter and Flat Composite^a		92.50	92.50	91.00	84.88	96.00
USPS Marketing Mail and Periodicals Composite^a		94.36	93.37	91.50	86.62	91.80 ^b
Market Dominant Composite		93.08	93.00	91.25	85.86	N/A ^c

^a The Postal Service did not begin using First-Class Mail Letter and Flat Composite and USPS Marketing Mail and Periodicals Composite until FY 2017. Docket No. ACR2017, Library Reference USPS-FY17-17, December 29, 2017, file "USPS-FY17.17.Annual Report.pdf," at 15 (*FY 2017 Annual Report*).

^b The FY 2017 USPS Marketing Mail and Periodicals Composite target was 91.00. *Id.* at 14.

^c The Postal Service did not begin using the Market Dominant Composite as a performance indicator until FY 2021. *FY 2020 Annual Report* at 34.

Source: *FY 2023 Annual Report* at 39; *FY 2022 Annual Report* at 33; *FY 2021 Annual Report* at 33; *FY 2020 Annual Report* at 33; Docket No. ACR2019, Library Reference USPS-FY19-17, December 27, 2019, file "FY19.Annual.Report.USPS.FY19.17.pdf," at 20 (*FY 2019 Annual Report*); *FY 2018 Annual Report* at 17; *FY 2017 Annual Report* at 14; Docket No. ACR2016, Library Reference USPS-FY16-17, file "FY16.17 2016 Annual Report.pdf," December 29, 2016, at 15 (*FY 2016 Annual Report*).

Table III-2
Public High-Quality Service Performance Indicators
Comparison of FY 2023 Targets and Results and FY 2022-FY 2023 Results (%)

High-Quality Service Performance Indicator		FY 2023				FY 2022
		Target	Result*	Percentage Point Performance Gap	Difference from FY 2022 ^a	Result
Single-Piece First-Class Mail	2-Day	93.00	90.68	-2.32	-0.66	91.34
	3-5-Day	90.28	83.52	-6.76	-0.10	83.62
Presorted First-Class Mail	Overnight	95.00	94.75	-0.25	-0.17	94.92
	2-Day	95.00	93.68	-1.32	+0.32	93.36
	3-5-Day	92.20	92.10	-0.10	+0.61	91.49
First-Class Mail Letter and Flat (FCLP) Composite		92.50	91.43	-1.07	+0.43	91.00
USPS Marketing Mail and Periodicals Composite		93.37	94.20	+0.83	+1.34	92.86
Market Dominant Composite		93.00	93.18	+0.18	+1.04	92.14

^a This column calculates the difference between FY 2023 and FY 2022 results.

Source: *FY 2023 Annual Report* at 39, 41.

As Table III-2 shows, six of the eight FY 2023 performance indicator targets were not met. Similar to FY 2022 and FY 2021, the shorter service standard categories exhibited better performance than the longer service standard categories. *See e.g., FY 2022 Analysis* at 32. Within First-Class Mail, the Presorted categories outperformed their Single-Piece analogs. Three out of the six indicators (Presorted First-Class Mail, 2-Day; Presorted First-Class Mail, 3-5-Day; FCLP Composite) that did not meet FY 2023 targets show small gains in FY 2023 relative to FY 2022. *See Table III-2, Delta FY 2022 column.* The Postal Service states that it continued to work aggressively in FY 2023 to implement the DFA Plan. *FY 2023 Annual Report* at 41. The Postal Service states that this includes refining site-specific operating plans, planning the FY 2023 peak season, and stabilizing its workforce by converting non-career to career employees. *See id.*

The Postal Service states that the targets set for FY 2023 were aggressive and far exceeded its FY 2022 performance, which demonstrates its commitment to High-Quality Service. *Id.* In evaluating this claim, the Commission notes that for FY 2021, targets for High-Quality Service indicators were lowered considerably because of the COVID-19 pandemic with the expectation they would be adjusted upwards for FY 2022. *See Table III-1; FY 2021 Analysis* at 35. For FY 2022, FY 2023, and FY 2024, targets were increased for each performance indicator as the Postal Service recovered from the COVID-19 pandemic and factored in the effects of the lengthened service standard and other elements of its DFA Plan. Thus, the

targets have moved incrementally closer to the 95 percent on-time level, which is the Postal Service’s stated long-term goal in its DFA Plan.²⁴

In recent years, the Commission has looked to quarterly service performance and/or performance indicator results to attempt to trace the effect of the COVID-19 pandemic and other factors on the Postal Service’s operations.²⁵ Historically, results during the second half of a given fiscal year (Quarters 3 and 4) tended to outperform results from the first half of the fiscal year (Quarters 1 and 2), largely owing to seasonal trends. *See, e.g.*, FY 2019 ACD at 105. However, starting in FY 2020 that historical pattern was disrupted. Tables III-3 through III-6 show results for each High-Quality Service performance indicator disaggregated by quarter for FY 2020, FY 2021, FY 2022, and FY 2023.

**Table III-3
Public High-Quality Service Performance Indicators FY 2020 by Quarter (%)**

High-Quality Service Performance Indicators		FY 2020 Targets	FY 2020 Results			
			Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	96.50	91.88	93.00	92.38	88.24
	3-5-Day	95.25	78.18	83.31	81.37	72.06
Presorted First-Class Mail	Overnight	96.80	94.41	95.87	95.70	92.75
	2-Day	96.50	93.50	94.41	93.25	89.64
	3-5-Day	95.25	91.25	92.55	90.67	84.63
First-Class Mail Letter and Flat Composite		96.00	90.37	92.18	90.82	85.58
USPS Marketing Mail and Periodicals Composite		91.80	88.90	91.18	88.70	85.34
Market Dominant Composite ^a		N/A	89.50	91.66	89.73	85.43

^a The Postal Service did not begin using the Market Dominant Composite as a performance indicator until FY 2021. The Postal Service provided FY 2020 quarterly results for comparison purposes only. *FY 2020 Annual Report* at 33 n.5.

Source: *FY 2020 Annual Report* at 33, 35; Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-24 of Chairman’s Information Request No. 22, March 9, 2021, question 23.

²⁴ *See FY 2023 Annual Report* at 41; DFA Plan at 27; Table III-1; Docket No. ACR2022, Responses of the United States Postal Service to Questions 1-7 of Chairman’s Information Request No. 25, April 20, 2023, question 7 (Docket No. ACR2022, Response to CHIR No. 25).

²⁵ *See, e.g., FY 2022 Analysis* at 33-35; *FY 2021 Analysis* at 37-40; *FY 2020 Analysis* at 36-37; *see also* FY 2023 ACD at 130; FY 2022 ACD at 136; FY 2021 ACD at 145; FY 2020 ACD at 164-65.

Table III-4
Public High-Quality Service Performance Indicators FY 2021 by Quarter (%)

High-Quality Service Performance Indicators		FY 2021 Targets	FY 2021 Results			
			Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	87.81	81.60	85.90	90.80	90.90
	3-5-Day	68.64	54.60	57.90	73.80	75.10
Presorted First-Class Mail	Overnight	93.99	91.30	92.70	95.20	94.60
	2-Day	89.20	84.70	84.80	92.20	92.30
	3-5-Day	84.11	78.00	73.80	85.90	87.00
First-Class Mail Letter and Flat Composite		84.88	78.40	78.10	87.60	88.50
USPS Marketing Mail and Periodicals Composite		86.62	83.90	84.50	90.50	91.90
Market Dominant Composite		85.86	81.70	81.60	89.30	90.70

Source: *FY 2021 Annual Report* at 33, 34; Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-19 of Chairman's Information Request No. 8, question 3 (Docket No. ACR2021, Response to CHIR No. 8).

Table III-5
Public High-Quality Service Performance Indicators FY 2022 by Quarter (%)

High-Quality Service Performance Indicators		FY 2022 Targets	FY 2022 Results			
			Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	90.25	90.30	90.04	92.46	92.19
	3-5-Day	90.00	78.58	77.62	87.64	88.57
Presorted First-Class Mail	Overnight	94.75	94.76	94.10	95.43	95.30
	2-Day	93.00	92.12	92.14	94.58	94.35
	3-5-Day	90.50	89.98	87.51	94.10	93.86
First-Class Mail Letter and Flat Composite		91.00	89.09	87.88	93.29	93.11
USPS Marketing Mail and Periodicals Composite		91.50	91.82	91.55	94.20	94.46
Market Dominant Composite		91.25	90.75	90.15	93.90	93.90

Source: *FY 2022 Annual Report* at 33, 34; Docket No. ACR2022, Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 20, March 28, 2023, question 1.

Table III-6
Public High-Quality Service Performance Indicators FY 2023 by Quarter (%)

High-Quality Service Performance Indicators		FY 2023 Targets	FY 2023 Results			
			Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	93.00	89.65	90.87	91.76	90.79
	3-5-Day	90.28	81.43	83.84	86.16	83.36
Presorted First-Class Mail	Overnight	95.00	94.17	94.70	95.17	95.02
	2-Day	95.00	92.96	93.77	94.23	93.79
	3-5-Day	92.20	91.74	91.62	93.15	91.98
First-Class Mail Letter and Flat Composite		92.50	90.97	90.96	92.57	91.06
USPS Marketing Mail and Periodicals Composite		93.37	93.60	94.31	95.45	94.86
Market Dominant Composite		93.00	92.56	92.67	94.18	93.22

Source: *FY 2023 Annual Report* at 41; Response to CHIR No. 13, question 1.

In FY 2020, contrary to the normal pattern of seasonal variation, performance indicator scores began declining in Quarters 3 and 4, before ultimately reaching a nadir in Quarter 1 of FY 2021. As the Commission has found previously, the timing of the service performance declines in late FY 2020 generally correspond with the onset of the COVID-19 pandemic.²⁶ Beginning in FY 2021 Quarter 2, performance indicator results began to improve, and that pattern continued through the end of FY 2021 and through FY 2023. Table III-6 shows that service performance results reflect the normal pattern of seasonal variation in FY 2023 as the first quarter had the worst service performance results. *See* FY 2023 ACD at 130-31.

In the *FY 2022 Analysis*, the Commission recommended that the Postal Service develop more granular composites based on significant class, shape, and product-level differences between mailpieces. *FY 2022 Analysis* at 36. If the Postal Service continues to use highly aggregated composites as performance indicators, the Commission recommended that the Postal Service also develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly aggregated composites. *Id.* Finally, the Commission expected the Postal Service to include with each Annual Report supporting workpapers containing the inputs for, and a detailed calculation of, the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the ACR filing. *Id.* The Commission noted that the USPS Marketing Mail and Periodicals and Market Dominant Composites include items with various service standards. *Id.* at 35.

In response to a CHIR, the Postal Service responds that it did not develop more granular composites as it already reports service performance on components of its composites at a

²⁶ See FY 2021 ACD at 160; FY 2020 ACD at 165; *FY 2020 Analysis* at 37. However, the Postal Service acknowledged that COVID-19-related operational disruptions were not the sole cause of service declines over this period, which were also attributable, at least in part, to Postal Service operational initiatives. *See* *FY 2020 Analysis* at 37; FY 2020 ACD at 99-150.

more granular level in its ACR filings. Response to CHIR No. 11, question 5.b. It states that the composites are provided in addition to, not instead of, more granular indicators. *See id.*

The Commission continues to have concerns about the use of highly aggregated composites as performance indicators that incorporate disparate mail classes, shapes, and products. Such composites are subject to being affected by changes in weights arising from changes in the mail mix. As a result, such composites, without notes about how they are affected by the mail mix, do not provide a full account of the extent to which High-Quality Service is being achieved, which is the relevant inquiry with respect to the High-Quality Service performance goal.²⁷

The Commission continues to recommend that the Postal Service consider developing more granular composites based on significant class, shape, and product-level differences between mailpieces in terms of service standards and how they are processed and delivered. If the Postal Service intends to continue using highly aggregated composites as performance indicators, then the Commission recommends that the Postal Service also develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly aggregated composites. If the Postal Service continues to use highly aggregated composites as performance indicators, the Commission recommends that the Postal Service explain why such highly aggregated composites can accurately reflect whether High-Quality Service is achieved for each disparate mail class, shape, and product incorporated within the composites.

The Postal Service provides supporting workpapers for service performance results in Library Reference USPS-FY23-29²⁸ and provides the calculation of the High-Quality Service indicators only after the information was requested in a Chairman's Information Request. *See* Response to CHIR No. 26, question 1.b.

For the third year in a row, the Commission recommends that the Postal Service include with each Annual Report supporting workpapers containing the inputs for, and a detailed calculation of, the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the ACR filing. If not included, the Postal Service should explain why these workpapers cannot or were not produced. This recommendation has been ignored by the Postal Service for the past 2 fiscal years without explanation, but the Commission finds that such workpapers would contribute significant transparency on the Postal Service's progress in meeting its High-Quality Service performance goal.

²⁷ The USPS Marketing Mail and Periodicals Composite illustrates the Commission's concern of highly aggregated indicators. The USPS Marketing Mail and Periodicals Composite FY 2023 target was 93.37 percent on-time service performance, and it met its performance indicator target by achieving an actual result of 94.20 percent on-time service performance. *FY 2023 Annual Report* at 41. Despite the referenced composite meeting its target, both Periodicals products had on-time service performance results substantially below this target. In-County Periodicals and Outside County Periodicals respectively had 86.50 and 86.30 percent on-time service performance. *FY 2023 ACD* at 168. This is possible because Periodicals constitute a smaller portion of the composite volume; approximately two-thirds of the volume in this composite indicator consists of USPS Marketing Mail letters, while the remainder is made up of USPS Marketing Mail flats and Periodicals. *FY 2023 Annual Report* at 40.

²⁸ Library Reference USPS-FY-23-29, December 29, 2023.

b. Explanations for Missing Targets in FY 2023 and Planned Mitigations

The Postal Service missed its targets for Single-Piece First-Class Mail (both 2-Day and 3-5-Day service standards), Presorted First-Class Mail (all three service standards of Overnight, 2-Day, and 3-5-Day), and the FCLF Composite in FY 2023. *FY 2023 Annual Report* at 41. The Postal Service discusses three reasons for the failure to meet its High-Quality Service targets for these six categories: (1) “the ongoing network transportation changes[;]” (2) “STC expansion complications[;]” and (3) “foreseen speed bumps in the rollout of Postal processing, logistics, and delivery network redesign.” *Id.* at 42. In addition, regarding Single-Piece First-Class Mail, 3-to-5 Day, the Postal Service states that additional processing requirements for this category prohibit its ability to mitigate potential failures or disruptions. *See id.* at 41; Response to CHIR No. 4, question 3. Furthermore, regarding Single-Piece First-Class Mail, 2-Day, the Postal Service states that additional handling and processing requirements for this category relative to Presorted First-Class Mail, 2-Day allow for only a slim recovery window. *FY 2023 Annual Report* at 41. The Postal Service sets FY 2024 targets for these six categories that are identical to their FY 2023 targets, except for Presorted First-Class Mail, 3-5-Day whose target is increased from 92.20 percent in FY 2023 to 93.00 percent in FY 2024. Table III-1; *FY 2023 Annual Report* at 39. The Postal Service discusses its mitigation efforts to address shortcomings that led to missing targets. *FY 2023 Annual Report* at 42. Below, the Commission evaluates the Postal Service’s reasons for missing its targets in FY 2023 and discusses the factors that impeded performance in previous years.

(1) Ongoing Network Transportation Changes

The Postal Service states that the ongoing network transportation changes, including accelerated diversion of volume from air to surface transportation, contributed to its missing six targets in FY 2023. *Id.* The Postal Service explains that the DFA Plan envisions a future where the bulk of mail volumes will travel via surface transportation instead of air transportation, which will remedy underutilization of trucks and realign processing and transportation schedules across its network. *Id.* The Postal Service states that it has begun to optimize truck routes, eliminate superfluous trips, and improve tracking of each mailpiece as it travels through its network. *Id.* However, the Postal Service states that meeting its service standards via surface relies heavily on precise execution. *Id.* “The Postal Service experienced disruptions such as traffic, weather, and mechanical breakdowns that resulted in late arrivals, late departures, and missed connections[;]” which contributed to missing targets. *Id.* The Postal Service states that such transportation delays played a significant role in hampering single-piece service performance results in FY 2023, especially considering issues experienced with STC operations. Response to CHIR No. 4, question 3. These transportation delays resulted in late arrivals of single-piece volumes, both at processing facilities and at delivery units. Response to CHIR No. 4, question 3. The Postal Service has shifted approximately 97 percent of First-Class Mail air volume to surface transportation from the beginning of FY 2021 to the end of February 2024 as a result of its ongoing network transportation strategy. *See* April 22 Response to CHIR No. 24,

question 3.a. The Postal Service is unable to estimate how much additional service performance improvement it can expect for First-Class Mail to result from the remaining shift from air to surface transportation, because the “innumerable variables that impact service performance cannot be accounted or isolated” to permit such an estimate. *Id.*
question 3.b.

The Commission cautions the Postal Service that the potential for further service performance improvement for Single-Piece First-Class Mail from shifting volume from air to surface transportation is likely to be extremely limited given that 97 percent of First-Class Mail air volume has already been moved to surface transportation. *Id.* question 3.a. However, the Commission recognizes that, as other mail categories shift to surface transportation, the Postal Service may be able to initiate more direct and streamlined transportation.

(2) Surface Transit Center Expansion Complications

The Postal Service states that it “continued to expand STC operations in FY 2023 to add several hundred thousand square feet for improved workflow.” *FY 2023 Annual Report* at 42. The majority of STCs were “contractor-staffed, managed, and operated, resulting in a heavy reliance on contractor preparation for their successful launch.” *Id.* However, “[d]ue to shortcomings with adequate staffing and unanticipated complications with readiness, a number of these sites required intervention from Postal Service management and further impacted [its] ability to meet [its] service targets.” *Id.* Therefore, “Postal Service Management has made strategic decisions to insource some of these contract operations, ensuring full Postal control of processing and dispatch.” *Id.*

The Postal Service has insourced the following STCs so far:

Table III-7
Surface Transit Center Insourcing Progress

STC Locations	Insourcing Date
Salt Lake City, UT	9/18/2023
Memphis, TN	9/18/2023
Washington, DC*	10/14/2023
Atlanta, GA*	10/14/2023
San Francisco, CA*	10/16/2023
Indianapolis, IN	10/16/2023
Chicopee, MA*	10/28/2023
Long Beach, CA*	11/11/2023
Kansas City, KS*	1/20/2024

* STC locations that were managed by a supplier that ceased operations due to bankruptcy proceedings.

Source: Response to CHIR No. 11, question 9.a.

The Postal Service continues to utilize contractor-run STCs in Phillipsburg, NJ; Chicago, IL; Orlando, FL; and Dallas, TX. Response to CHIR No. 11, question 9.b. The Postal Service has no firm dates planned to insource these sites. *Id.*

The Postal Service states that it had a long-term plan to gradually insource STCs to enhance control of its freight movement, improve transportation load utilization, minimize exposure to third-party contractors, provide work to Postal Service employees, and reduce the number of facilities in the postal middle mile network. *Id.* question 9.c. However, the Postal Service was forced to accelerate these efforts on an emergency basis as one of its major suppliers began to cease operations due to bankruptcy. *Id.* Project planning on these types of transitions, including reassignment of labor and facility reviews, usually takes months, but the Postal Service was suddenly faced with insourcing six locations immediately, prior to, and during peak season, all within a matter of weeks. *Id.*; April 22 Response to CHIR No. 24, question 4. The Postal Service had to add approximately 1,000 new employees and modify thousands of transportation schedules, all while cobbling together ad hoc layouts and processes in the facilities receiving the rerouted volumes. Response to CHIR No. 11, question 9.c.

The Postal Service had limited time to coordinate equipment, capacity, transportation schedules, and people to successfully insource, which led to temporary impacts on service performance for First-Class Mail volumes. *Id.* Nevertheless, the Postal Service states that it has been working aggressively to improve operations by monitoring container cycle times in STCs, reviewing transportation routes against schedules, and making targeted

improvements where possible. *Id.* While the Postal Service does not believe that STC insourcing will improve service performance scores for single-piece volumes in the short-term, it does expect that it will lead to better overall control over its network and minimize the chances of third-party failure impacting postal operations in the future. *Id.*

As noted by the Public Representative, however, the long-term insourcing strategy appears inconsistent with the Postal Service's stated strategy when it sought the Commission's advisory opinion on service standard changes to First-Class Mail and Periodicals. Docket No. N2021 Advisory Opinion at 134. At the time, the Postal Service's expectation to handle increased volume transferring via STCs was based on excess capacity availability at contracted STCs. *Id.*

The Commission recommends that the Postal Service continue improving operations in the insourced STCs to minimize any remaining negative impacts on the service performance of Single-Piece First-Class Mail and Presorted First-Class Mail. The Commission also recommends that the Postal Service carefully evaluate the remaining contractor-run STCs to determine whether and how quickly they should be insourced to balance the chance of contractor failure impacting service performance and potential capacity concerns.

(3) Impacts of Postal Processing, Logistics, and Delivery
Network Redesign

In FY 2023, the Postal Service began to roll out its redesigned facilities and redesigned network. *FY 2023 Annual Report* at 42. The Postal Service states that under the DFA Plan, its future network model is to aggregate processing facilities into both RP&DCs and newly designed LPCs. *Id.* LPCs are designed to connect RP&DCs to delivery operations with the primary mission of sorting letter and flat mail to carrier route or delivery walk sequence and serving as a transfer center to aggregate product on its way to delivery. *Id.* The Postal Service states that creating the LPC operation as a separate and distinct functional unit from the network RP&DC function will allow it to standardize operations across regions and provide specific management focus on local letter and flat operations. *Id.* The Postal Service claims that this leverages the existing investment in people, equipment, and buildings, while allowing a transformation in the regional mail flow that captures significant operational and logistics savings. *Id.*

However, the Postal Service acknowledges that the size and span of the changes occurring are unprecedented, and as forecasted when developing its FY 2023 Performance Plan it experienced roadblocks with the concurrent transition of its future network model. *Id.* The first RP&DC was implemented in Richmond, VA in July 2023 and was done so in isolation to collect lessons learned for future implementations and minimize national impacts. *Id.*; Postal Service Reply Comments at 6. However, concurrently LPCs that are associated with the RP&DC were also activated, as was the necessary transportation to support these facilities and the first sorting and delivery centers (S&DCs). *FY 2023 Annual Report* at 42. The Postal Service states that the concurrent rollout of all three types of facilities further resulted in service impacts in FY 2023. *Id.*

The OIG has published several reports regarding service performance issues in areas where RP&DC and S&DCs were rolled out. For example, at the Richmond RP&DC the OIG found that: (1) the Postal Service did not address pre-existing weaknesses before converting the Richmond P&DC into an RP&DC, which included inadequate management and employee staffing, low employee availability, high turnover, low service performance, missed clearance times, overcrowding, and low productivity; (2) the Postal Service did not adequately plan and establish new transportation routes to support operations at the Richmond RP&DC; and (3) Postal Service processing, transportation, and delivery managers at the Richmond RP&DC and supporting facilities did not always adhere to the regional integrated operating plan set by the Postal Service headquarters management.²⁹ These issues led to a decline in service performance in the Richmond region after the launch of the RP&DC in July 2023. OIG Report No. 23-161-R24 at 17. Although service performance improved slightly in September 2023, it was still below service levels before the launch. *Id.* Then service performance declined significantly beginning in October 2023 when the Postal Service implemented its Local Transportation Optimization initiative while simultaneously making changes to the RP&DC, handling Election Mail for local elections, and processing the increased mail volumes of its peak mailing season in the same area. *Id.* The OIG also found that the challenges the Postal Service experienced implementing its first RP&DC caused the Postal Service to incur additional labor and transportation costs totaling over \$8 million in the first 4 months of operations and increased the risk that the Postal Service will not achieve expected savings. *Id.* at 1, 15-16.

In response to a CIR, the Postal Service states that it undertook extensive efforts to address identified issues in Richmond, which led to continued performance improvement.³⁰ In addition, “the Postal Service has reviewed the weaknesses identified in the Richmond implementation and made appropriate adjustments to [its] planning and execution processes and timelines.” Response to CIR No. 1, question 1.a.iii. It also has made changes to the implementation processes by, for example, “instituting pre-implementation cross-functional ‘health checks’ to ensure operational readiness before launching RPDCs,” and “creating a quality assurance group at Headquarters that will inspect operations, review performance at a detailed level, and ensure operations management accountability.” *Id.* The Postal Service concludes that these steps should improve execution and mitigate negative impacts on service and efficiency. *Id.*

In another report, the OIG identified deficiencies in clearance times; late, canceled, and extra outbound trips; delayed mail; and scan compliance that affected the efficiency of

²⁹ United States Postal Service, Office of Inspector General, Report No. 23-161-R24, Effectiveness of the New Regional Processing and Distribution Center in Richmond, VA, March 28, 2024, at 7-15, available at <https://www.uspsaig.gov/reports/audit-reports/effectiveness-new-regional-processing-and-distribution-center-richmond-va> (OIG Report No. 23-161-R24).

³⁰ Response of the United States Postal Service to Question 1 of Commission Information Request No. 1, February 20, 2024, question 1.a.iii. (Response to CIR No. 1).

operations at the North Houston P&DC and service performance in the Houston area.³¹ A news article reported that the Postal Service delivered only 71 percent of mail on time in the Houston area in Quarter 2 of FY 2024, following the installation of a new RP&DC in the area, which was well below the declining national service performance.³² Although the Postal Service insists that ultimately all of the changes under its DFA Plan will work in concert to “improve processing, transportation, delivery networks and employee experiences across the country,” it acknowledges that some customers in Houston have received “unacceptable level of service.” *Id.* The Postal Service explains “that while the activities at Houston area processing facilities are related to network modernization efforts, the Houston RPDC region is still in transition.” March 8 Response to CHIR No. 16, question 10.a.

The Postal Service states that:

A confluence of disruptive events impacted the Houston RPDC region. Certain sorting equipment at the North Houston plant was scheduled for removal in order to make space for newer, more efficient sorters. As part of this process, some package volumes, along with employees to work those volumes, were to be relocated to the new South Houston Local Processing Center (LPC) in early January [2024], after peak season. The LPC had been opened before peak season to assist in the processing of peak season package volume. Employee availability issues immediately impacted operations after the move, worsening with severe weather impacts in mid-January [2024]. Due to the large disassembly area required [at] the North Houston facility, mail and package staging areas and the docks became overcrowded, resulting in gridlock in parts of the plant. The combination of machine removal, space constraints, lack of employee availability, and weather disruptions caused delays.

Id.

The Postal Service states that it implemented several measures to address the service delays in Houston, including: (1) “[b]ringing in additional personnel from nearby facilities, including supervisors[;]” (2) “[a]ccelerating package sorting machine deployment timelines[;]” (3) “[d]aily briefings between project manager and local management to address contractor areas and machine moves[;]” (4) “[d]aily briefings with officials from Processing and Logistics teams to discuss mail moves and transportation plans[;]” and (5)

³¹ United States Postal Service, Office of Inspector General, Report No. 23-150-R24, Efficiency of Operations at the North Houston Processing and Distribution Center, Houston, TX, November 28, 2023, at 3, available at <https://www.uspsaig.gov/reports/audit-reports/efficiency-operations-north-houston-processing-and-distribution-center> (OIG Report No. 23-150-R24).

³² Eric Katz, *As USPS institutes network reforms, mail delivery hits a 3-year low*, Government Executive (February 22, 2024), available at <https://www.govexec.com/management/2024/02/usps-institutes-network-reforms-mail-delivery-hits-three-year-low/394388>.

“[m]ultiple daily touchpoints to assess operating conditions and address if needed.” *Id.* question 10.b. The Postal Service also states that as with the launch of the Richmond RP&DC, it continues to investigate the root causes of the challenges faced by the Houston RP&DC and is building additional safeguards into future modernization plans. *Id.* question 10.c. The Postal Service notes “[s]uch safeguards include ensuring effective execution of package equipment moves and timely escalation to (and coordination with) Headquarters in the event of complications related to equipment moves.” *Id.*

The Commission recommends that the Postal Service continue to investigate the issues experienced by its redesigned facilities and redesigned network that negatively affected service performance; continue to apply lessons learned with each newly activated facility to subsequent facilities; avoid activating multiple facilities in a region simultaneously; avoid activating facilities while at the same time implementing other major changes under the DFA Plan such as Local Transportation Optimization; avoid activating facilities during peak season; and avoid activating facilities in periods more likely to suffer from severe weather impacts.

(4) Additional Processing Requirements for Single-Piece First-Class Mail, 2-Day and 3-5-Day

The Postal Service states that Single-Piece First-Class Mail, 3-5-Day requires additional processing, which prohibits its ability to mitigate potential failures or disruptions. *FY 2023 Annual Report* at 41. In addition, for Single-Piece First-Class Mail, 2-Day, the Postal Service states that additional handling and processing requirements for this category relative to Presorted First-Class Mail, 2-Day allow for only a slim recovery window. *Id.* The Postal Service explains that “single-piece volumes are by their nature more prone to processing failures than presort[ed] volumes, as they generally undergo more processing ‘touches’ and are often conveyed through more nodes within the transportation network.” Response to CHIR No. 4, question 3. The Postal Service notes that “[a]s a result, single-piece volumes prove not only vulnerable to human error within processing facilities, but also to transportation delays between facilities[,]” and that “[s]uch transportation delays appear to have played a significant role in hampering single-piece service performance scores in FY 2023, especially [due to] issues experienced with STC operations.” *Id.* Ultimately, this results in “late arrivals of single-piece volumes, both at processing facilities and at delivery units.” *Id.*

The Commission recommends that the Postal Service endeavor to overcome the vulnerabilities caused by Single-Piece First-Class Mail’s additional processing requirements, by, for example, reducing transportation delays, reducing human error, increasing on-time performance, and planning better to meet the additional processing needs.

If the Postal Service experiences higher-than-expected failure in certain processes relating to the processing and transportation of single-piece volumes and fails to achieve any of its single-piece performance targets in FY 2024, it should diagnose the causes behind the failures in

processing and transportation of single-piece volumes, identify the operational processes experiencing the failures, and fix them.

The Postal Service states that it continued to aggressively implement the elements of the DFA Plan and continued to refine SSOPs in FY 2023 to improve service performance throughout the network, including for Single-Piece First-Class Mail. *FY 2023 Annual Report* at 41. The Postal Service explains that improvement in OPP in FY 2023 correlated with an increase in service performance, and by improving OPP through SSOPs, “sites were able to meet clearance times and transportation needs more efficiently in FY 2023.” Library Reference USPS-FY23-29, PDF file “FY23-29 Preface.pdf,” at 24.

If a site does not achieve its SSOP target, the Postal Service will undertake an operational review to ensure the SSOP is correctly set; review if the site has the correct complement and is managing appropriately; review mail arrival profile; and identify other barriers impacting SSOP compliance. March 18 Response to CHIR No. 19, question 1.d. Truck Departures is one of the SSOP measurement categories that shows the processing impact on total late trips. Library Reference USPS-FY23-29, ZIP folder “FY23-29 Files,” Excel file “FY23 Site Specific Op Plan.xlsx,” tab “Categories Description.” Truck Departures shows substantially lower SSOP scores than other SSOP measurement categories at national, regional, and divisional levels. *See id.* tab “FY23 Operating Plan – Public.” The Postal Service explains that this is due to “[d]ock [c]ongestion; [d]ock [p]ersonnel [i]ssues; [l]ate [p]rocessing; and [m]ail not on the dock timely.” March 18 Response to CHIR No. 19, question 1.e.v. The Postal Service explains that its improvement actions for the low SSOP scores for Truck Departures include “[r]educing dock congestion; [e]nsuring the dock has appropriate personnel; [c]ompleting processing operations timely; and [e]nsuring mail is on the dock timely.” *Id.* question 1.e.viii. The Postal Service states that division, region, and headquarters management review several SSOP measure categories including Truck Departures in FY 2023 and FY 2024, but district and area management do not oversee SSOP. April 22 Response to CHIR No. 24, questions 5.a.-5.c.

The Commission recommends that the Postal Service continue to track the correlation between OPP and SSOP on the one hand and service performance on the other hand and continue to improve the low scores achieved by SSOP measurement categories such as Truck Departures.

(5) Other Factors Affecting Service Performance

During FY 2020 and FY 2021, various factors had negative effects on service performance. *See* FY 2021 ACD at 108-28. Although effects of some of these factors (such as those related to the COVID-19 pandemic) abated in FY 2022, other factors continued to affect the Postal Service’s FY 2023 Market Dominant service performance results. *See* FY 2023 ACD at 95. Although these factors may not have led to failures to meet targets, they negatively affected service performance and are discussed below.

(a) Peak Season Performance

As a result of FY 2020 and FY 2021 peak season challenges, the Postal Service began to implement a variety of operational changes.³³ For the FY 2023 peak season (which occurs in FY 2023 Quarter 1 from approximately November 24, 2022 through December 31, 2022), the Postal Service continued to engage in proactive planning and implementation, which according to the Postal Service resulted in its ability to control costs while continuing to provide High-Quality Service. *FY 2023 Annual Report* at 41. The Postal Service states that “[c]onversions of non-career to career employees contributed to the stabilization of [its] workforce, reducing the necessity for hiring over 40,000 seasonal delivery and plant personnel as in previous years to just over 23,000 seasonal hires in FY 2023[,]” and that “[a]dditionally, the facility footprint expansion efforts undertaken in FY 2022 resulted in [its] need to acquire only 27 locations of temporary peak space [in FY 2023], totaling just under 1 million square feet.” *Id.*

The OIG found that the Postal Service generally successfully implemented initiatives during the FY 2023 peak season.³⁴ The OIG states “[s]pecifically, the Postal Service hired and converted temporary employees to career positions, deployed more package sorting machines than planned..., leased fewer temporary annexes than planned in response to lower-than-anticipated volume[,]” and increased “operating plan precision compared to [the same period last year] SPLY.” OIG Report No. 23-025-R23 at 5-7. The OIG found that the service performance scores increased for Market Dominant products, and the Postal Service reduced the average time it took to deliver Priority Mail and First-Class Package Service. *Id.* at 7-8. However, the OIG found that there was consistently delayed Post Office Box delivery service at the S&DC in Athens, GA, one of the two new facilities launched during the FY 2023 peak season. *Id.* at 10.

The OIG found that the Postal Service developed its FY 2024 peak season (which occurs in FY 2024 Quarter 1 from approximately November 23, 2023 through December 31, 2023) preparedness initiatives to build upon the successes it had during prior peak seasons.³⁵ The OIG states “[s]pecifically, the Postal Service’s FY 2024 peak season initiatives spanned multiple functions, including processing and distribution, logistics, and retail and delivery operations.” OIG Report No. 23-121-R24 at 6. The OIG notes “[i]n addition, the Postal Service continued to implement permanent operational changes year-round — such as increasing employee complement and facility space — to plan for the large increase in

³³ In FY 2020 and FY 2021, as a result of the COVID-19 pandemic, unprecedented package volume contributed to decreased Market Dominant service performance during the Postal Service’s peak season and subsequent months. See FY 2021 ACD at 117. Additionally, for FY 2021, the traditional Quarter 1 peak season volume continued into Quarter 2. *FY 2021 Analysis* at 43; cf. FY 2021 ACD at 117-19.

³⁴ United States Postal Service, Office of Inspector General, Report No. 23-025-R23, Service Performance During the Fiscal Year 2023 Peak Mailing Season, July 13, 2023, at 4, available at <https://www.uspsoig.gov/reports/audit-reports/service-performance-during-fiscal-year-2023-peak-mailing-season> (OIG Report No. 23-025-R23). As defined by the OIG, the FY 2023 peak season covers Thanksgiving through New Year’s Eve in calendar year 2022, which occurs in FY 2023 Quarter 1. See *id.* at 3.

³⁵ United States Postal Service, Office of Inspector General, Report No. 23-121-R24, Fiscal Year 2024 Peak Mailing Season Preparedness, November 15, 2023, at 6, available at <https://www.uspsoig.gov/reports/audit-reports/fiscal-year-2024-peak-mailing-season-preparedness> (OIG Report No. 23-121-R24). As defined by the OIG, the FY 2024 peak season covers Thanksgiving through New Year’s Eve in Calendar Year 2023, which occurs in FY 2024 Quarter 1. See *id.* at 3.

package volume that management expects during its upcoming peak season.” *Id.* The OIG also notes that “the Postal Service is undertaking significant changes to its network and products” as part of the DFA Plan and cautions that “changes to processing put the Postal Service at risk for parcel delays, which the OIG observed during” its audit of the North Houston P&DC. *Id.* at 10. Overall, the OIG found that if the Postal Service’s “initiatives are implemented as planned and volume forecasts are accurate, the Postal Service should be prepared for [the FY 2024] peak season.” *Id.*

The Postal Service states “[t]he overall number of pieces mailed during the FY 2024 peak season (approximately 11.6 billion) was lower than the overall number of pieces mailed during the FY 2023 season (approximately 11.7 billion)[,]” as forecasted by the Postal Service during the planning for the FY 2024 peak season. Response to CHIR No. 16, question 7.a. The Postal Service implemented FY 2024 peak season initiatives as planned, which “included right-sizing the workforce, deploying additional floor space, and leveraging greater package sorting capacity.” *Id.* question 7.b. However, the Postal Service cannot estimate with any degree of precision the impact of any discrete initiatives on service performance, even though it believes the initiatives implemented by the Postal Service positively affected service performance. *Id.*

In response to a CHIR requesting explanations for the Postal Service’ assertion that it can mitigate any risk associated with the network and processing changes under the DFA Plan during the peak season, especially in light of the issues observed by the OIG at the North Houston P&DC and media reports about decreased service performance in the Houston area, the Postal Service states that during the FY 2024 peak season it “delivered increased package volume while incurring less cost because of the initiatives under the DFA Plan.” *Id.* question 8.b. The Postal Service explains that “[t]his was achieved through a commitment to improved operational performance from our whole organization, minimizing peak season staffing, continuing to shift air volume to ground transportation, the elimination of unnecessary or underutilized transportation trips, and substantially reducing redundant processes deployed in the past to muscle through activities.” *Id.* Although “service performance may be temporarily impacted in regions where significant modernization efforts are undertaken[,]” the Postal Service believes that the benefits of the DFA Plan outweigh any such risk so that the Postal Service can achieve its long-term goal of 95 percent on-time performance for all mail types in an efficient and sustainable manner. *Id.* question 8.c.

The Commission recommends that the Postal Service continue to make proactive plans to provide High-Quality Service during peak seasons. The Commission recommends that the Postal Service measure and monitor its efforts to optimize peak season performance and evaluate their efficacy to better ascertain what efforts are the most impactful on peak season performance. The Commission recommends that the Postal Service reconsider implementing major changes under the DFA Plan during future peak seasons until underlying weaknesses are fully analyzed and addressed. If the Postal Service decides to undertake major changes under the DFA Plan during future peak seasons, then the Commission recommends that the

Postal Service take any potential negative effects the changes may have on service performance into account when planning its initiatives for the peak season and adjust its peak season initiatives accordingly to minimize any potential negative effects the changes may have on service performance.

(b) Employee Availability

Although low employee availability caused by the COVID-19 pandemic began to subside after Quarter 1 of FY 2022, the Commission recommended that the Postal Service continue to monitor fluctuations in employee availability and its impact on service performance, because employee availability may continue to pose issues for the Postal Service. *FY 2022 Analysis* at 40.

The Postal Service provides employee availability data in total and by function, disaggregated by month for FY 2023, which demonstrates that annual employee availability in FY 2023 reaches its highest level since FY 2020 and there is a 0.5 percent increase compared to FY 2022. January 12 Response to CHIR No. 1, question 1, Excel file “ChIR No. 1 Q1 Employee Availability Data.xlsx.” The Postal Service explains that this is because it made “several efforts to improve employee availability, including maintaining the authorized career workforce, replacing attrition, increasing supervisory staffing, and providing flexibility through part-time (pre-career) workforce.” February 2 Response to CHIR No. 7, question 2. However, the Commission finds there are still seasonal fluctuations in employee availability despite the Postal Service’s efforts. FY 2023 ACD at 96-97. In addition, some regions experienced local staffing shortages in FY 2023, and the Postal Service worked with the National Association of Letter Carriers to allow external hires to career positions in “pockets of hard to hire locations.” January 26 Response to CHIR No. 6, question 3. Moreover, employee availability was identified by the Postal Service as one of a confluence of factors disrupting service performance in Houston (*see* Postal Service Reply Comments at 6; March 8 Response to CHIR No. 16, question 10.a.) and it was one of the pre-existing weaknesses that the OIG found exacerbated the service performance disruptions in Richmond (*see* OIG Report No. 23-161-R24 at 7-9).

The Postal Service reports that it is unable to quantify the magnitude of the relationship between employee turnover and service performance “because of the simultaneous occurrence of too many other variables.” January 12 Response to CHIR No. 1, question 14.a. However, the Commission analyzed the data on monthly employee turnover by function and found that there is a consistent negative correlation between employee turnover in the Processing & Distribution function with service performance across various categories of mail that persist for 2 months after the turnover. FY 2023 ACD at 100. For the Logistics function, the Commission found a weak negative correlation between turnover and service performance that lasts into the subsequent month. *Id.* For the Retail & Delivery function, the Commission found a strong negative correlation between turnover and service performance for flat-shaped categories of mail and weaker correlation between turnover and service performance for letter-shaped categories of mail. *Id.*

The Postal Service states that its network redesign involves insourcing contract transportation in many facilities to expand its ground logistics footprint. Response to CHIR No. 20, question 5.a. This would require the Postal Service to have sufficient postal vehicle operators to perform the insourced transportation operations. However, this does not appear to be the case in some of the redesigned facilities. For example, as discussed above, the OIG found that “[t]he Postal Service did not adequately plan and establish new transportation routes to support operations at the Richmond RP&DC.” OIG Report No. 23-161-R24 at 10. Among other things, the OIG found that “the plan include[s] less contractor transportation and more postal vehicle operators to transport mail,” but the Richmond RP&DC “was not able to hire sufficient postal vehicle operators to cover the newly created routes.” *Id.* As a result, extra trips, late trips, canceled trips, unrecorded trips, and trips departed but not arrived all increased substantially while trailer use decreased after the launch of the Richmond RP&DC. *Id.* at 11. This contributed to lower service performance and \$3 million in costs incurred by the Postal Service for the increased number of extra, late, and canceled trips. *Id.* at 12. Nationally, the Postal Service reports a 3.68 percent vacancy rate for postal vehicle services at the end of FY 2023, which increased to 5.36 percent as of April 22, 2024. April 25 Response to CHIR No. 24, questions 6.a.-6.b. The Postal Service states it tracks driver roles to identify vacancies and posts job openings on a number of platforms. *Id.* questions 6.d., 6.h.-6.j.

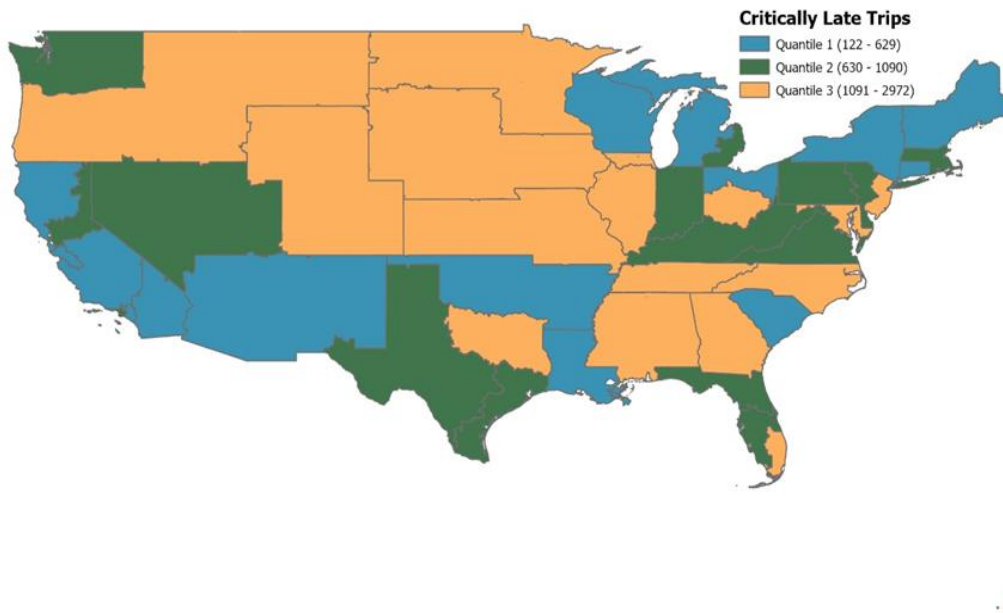
Because employee availability may continue to pose issues for the Postal Service, particularly when low employee availability coincides with network changes and/or disruptive events, the Commission recommends that the Postal Service continue to monitor the impact of fluctuations in employee availability on service performance and consider how low employee availability could impact network changes and/or disruptive events.

(c) Supplier Performance and Capacity

The Postal Service tracks surface trips that arrive more than 4 hours late, referred to as Critically Late Trips (CLTs).³⁶ The Postal Service reports that most CLTs were caused by contractors in FY 2022 and FY 2023. FY 2023 ACD at 105, Figure V-8. In FY 2023, the total number of CLTs decreased substantially, and all three categories of CLTs (CLTs caused by contractors, the Postal Service, and outside factors) saw decreases. *Id.* at 104, Figure V-7.

³⁶ FY 2023 ACD at 102; see Docket No. ACR2015, Responses of the United States Postal Service to Questions 1-20 of Chairman’s Information Request No. 22, November 15, 2016, question 12.b.i.

Figure III-1
FY 2023 First-Class Mail Number of Critically Late Trips, By District



Note: Alaska and Hawaii CLT data are not available.

Source: Library Reference USPS-FY23-29, ZIP folder "FY23-29 Files.zip," Excel file "ACR2023 CLT Data.xlsx," tab "SV FY22 and FY23," table "CURRENT STRUCTURE" with "District" column.

Figure III-1 shows the number of CLTs by District in FY 2023. The Midwest, Great Plains, and Rocky Mountain geographic regions, which tend to be more rural, appear to suffer from high numbers of CLTs despite having substantially lower population densities and thus volumes.³⁷ As enshrined in the statute, the Postal Service "shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities." 39 U.S.C. § 101(a). Currently, the High-Quality Service performance indicators are volume-weighted, such that poor service results in low-volume areas (such as rural areas) could be obfuscated by this aggregation of results. By not discretely evaluating its service performance in these areas, the Postal Service's current performance indicators do not illustrate its progress in achieving its stated mission of delivering High-Quality Service to all areas and all communities. To remedy this gap in goal setting, the Postal Service could calculate one or several indicators to track on-time performance in

³⁷ See, e.g., United States Census Bureau, Historical Population Density Data (1910-2020), April 26, 2021, available at <https://www.census.gov/data/tables/time-series/dec/density-data-text.html>. The percentage of total trips that were critically late varied per division with relatively higher percentages mostly occurring in western United States and relatively lower percentages mostly occurring in eastern United States. Of note, the Southeast division (which includes Georgia) experienced a relatively high percentage of CLTs while the Southwest division (which includes Texas) experienced a relatively low percentage. See Library Reference USPS-FY23-29, Service Performance of Market Dominant Products, ZIP folder "FY23-29 Files.zip," Excel file "ACR2023 CLT Data.xlsx," tab "SV FY22 and FY23," table "CURRENT STRUCTURE" with "Division" column; Library Reference USPS-FY23-29, Service Performance of Market Dominant Products, ZIP folder "FY23-29 Files.zip," File folder "Trips on Time," Excel file "FY23 ARC TOT Division by Quarter.xlsx," tabs "FY23 Q1 Network HCR PVS," "FY23 Q2 Network HCR PVS," "FY23 Q3 Network HCR PVS," and "FY23 Q4 Network HCR PVS."

rural areas.³⁸ The Postal Service has discussed its ability to track service performance at under-performing areas at a local level. *See* March 7 Response to CHIR No. 16, question 6.b.i.

The OIG found that Local Transportation Optimization (previously called “Optimized Collections”), an initiative under the DFA Plan that was first implemented in Richmond, VA in October 2023 shortly after activation of the Richmond RP&DC in July 2023, negatively impacted the service performance of single-piece mail in rural communities in the Richmond area.³⁹ The Local Transportation Optimization initiative is designed to reduce the overall number of transportation trips between sorting facilities and delivery units, and increase the amount of mail transported on each trip. *Id.* at 3. This is achieved by the Postal Service no longer transporting originating mail collected at the optimized delivery units to the Richmond RP&DC the same day it is collected. *Id.* Rather, the mail will remain at the delivery unit until the next day, delaying its entry into sorting operations. *Id.* The OIG found that this initiative impacted more rural ZIP Codes than urban ones in the Richmond area, and service performance declined for all mail classes in the Richmond area compared to the SPLY and the period prior to the implementation of the initiative. *Id.* at 5-6. This further underlines the importance of tracking service performance in rural areas.

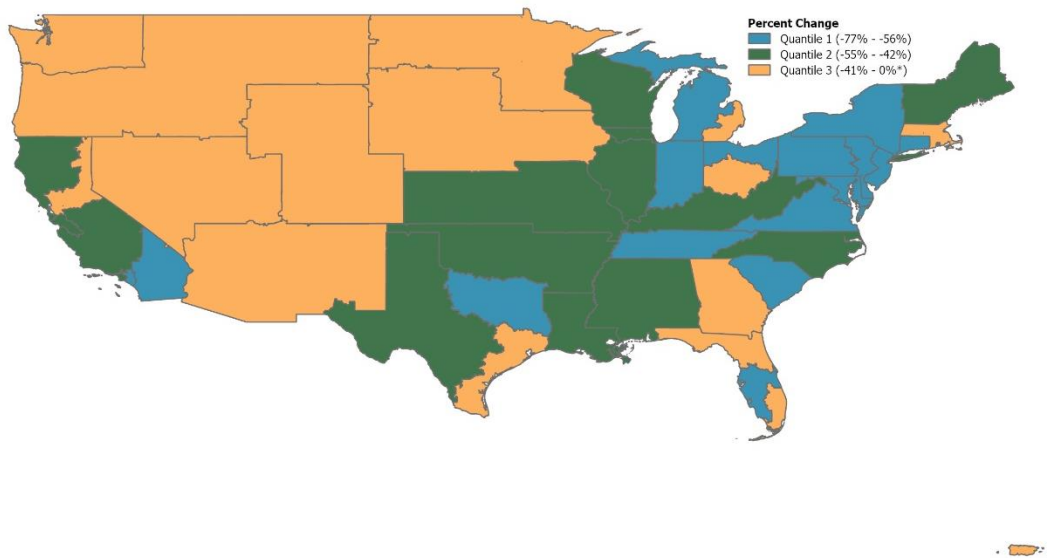
Similarly, service performance issues in non-contiguous areas of the United States is not well understood. For example, the FY 2023 CLT data for First-Class Mail in Alaska and Hawaii are not available. *See* Figures III-1 & III-2. Service performance for various Market Dominant mail products in non-contiguous areas exhibited uneven on-time results in comparison with contiguous areas in FY 2023. *See* Figures III-3, III-4, III-5. The Postal Service also identifies “some differences (better or worse) in service performance results in FY 2022 and FY 2023 for Priority Mail Express, Priority Mail, and USPS Ground Advantage in the proposed Zone 10 locations compared to the rest of the United States.” Response to CHIR No. 4, question 5.c. This demonstrates the importance of incorporating performance indicators for service performance in non-contiguous areas into the Postal Service’s High-Quality Service goal as well.

The Commission recommends the Postal Service incorporate one or more performance indicators that illustrate its service performance in rural areas and non-contiguous areas into its High-Quality Service goal. In doing so, the Postal Service would align its High-Quality Service goal with its mission to serve all areas and all communities.

³⁸ *See, e.g.*, Docket No. RM2022-3, Michael D. Bradley, On the Estimation of a Top-Down Model for City Carrier Street Time, January 5, 2022, at 39-40 (Bradley Study) (describing a method considered by the Postal Service to employ Rural-Urban Commuting Area data from the Economic Research Service of the Department of Agriculture to identify metropolitan, micropolitan, small town, and rural ZIP Codes).

³⁹ United States Postal Service, Office of Inspector General, Report No. 23-161-1-R24, Impacts Associated with Local Transportation Optimization in Richmond, Virginia, April 12, 2024, at 3, 5, available at <https://www.uspsaig.gov/reports/audit-reports/impacts-associated-local-transportation-optimization-richmond-virginia> (OIG Report No. 23-161-1-R24).

Figure III-2
FY 2022 - FY 2023 Percent Change in First-Class Mail Number of Critically Late Trips, By District



Notes: *From FY 2022 to FY 2023, CLTs decreased for all districts except for the Puerto Rico district which increased by 544 percent. Alaska and Hawaii CLT data are not available.

Source: Library Reference USPS-FY23-29, ZIP folder "FY23-29 Files.zip," Excel file "ACR2023 CLT Data.xlsx," tab "SV FY22 and FY23," table "CURRENT STRUCTURE" with "District" column.

Figure III-2 shows a comparison of CLTs between FY 2022 and FY 2023 on the district level. Although the Postal Service tracks the number of CLTs, it remains unable to quantify the impacts of CLTs on service performance. January 12 Response to CHIR No. 1, question 10. Nevertheless, the Postal Service states that it attempted to remediate CLTs through initiatives focused on achieving operational clearance targets, addressing issues with supplier performance, and training and developing employees. *See id.* question 3.b.; Response to CHIR No. 11, question 7.a.

For CLTs related to supplier performance, the Postal Service states that it has been conducting regular training sessions for field personnel to better manage supplier performance and that it must first implement a new contract management system (CLEAR) and a new Integrated (ILE) to enable assessing remedies for CLTs caused by suppliers. Response to CHIR No. 11, questions 6.a., 7.a. The Postal Service expects the transition to CLEAR and ILE to be completed by the end of FY 2024. *Id.* question 6.d.

For CLTs caused by the Postal Service, it states that it has maintained increased staff levels introduced in FY 2022, expanded package sorting capacity, and finetuned site-specific operating plans. *Id.* question 7.a. It has also focused on two Key Performance Indicators throughout FY 2023: OPP and Trips-on-Time. *Id.* OPP enables a precise measurement of performance in mail distribution operations and readiness for transportation. *Id.* Trips-on-

Time, a national metric within the National Performance Assessment program, serves as an incentive for performance enhancement at all levels. *Id.* In addition, the Postal Service introduced Operational Engineers and Operational Support Specialists to provide deeper insights into mail routing, labeling, and dispatching. *Id.* Finally, in March 2023 the Vice President of Logistics began weekly performance reviews with field Regional and Division managers to drive continued focus on CLT root causes, with the aim of improving mail dispatch and arrival to destination. *Id.*

It is important that the Postal Service is focusing on closely monitoring supplier performance. However, 20.50 percent of CLTs in FY 2023 were attributable not to contractors, but to processing failures by the Postal Service. FY 2023 ACD at 105, Figure V-8. The Commission recognizes that Postal Service-caused CLTs decreased by 42.20 percent from FY 2022 to FY 2023.⁴⁰ The Commission supports the Postal Service's current and planned efforts to remediate these CLTs by retaining increased employees, increasing package sorting capacity, measuring and improving OPP and Trips-on-Time, and conducting weekly performance reviews with field Regional and Division managers. *See* Response to CHIR No. 11, questions 7.a.-7.b.

The Commission recommends that the Postal Service continue initiatives to reduce supplier failure, improve supplier capacity, complete the transition to CLEAR and ILE as soon as possible, and increase its efforts to address CLTs whose causes are within its direct control.

(d) Outside Factors

The Postal Service stated that it experienced significant challenges in FY 2021 owing to natural disasters and weather events, which "impacted postal suppliers and led to reduced on-time service performance" in some cases. *FY 2021 Annual Report* at 35. The Postal Service also experienced issues with weather in FY 2022 that affected service. *See* FY 2022 ACD at 112-13. In FY 2023, the Postal Service continued to experience weather disruptions "that resulted in late arrivals, late departures, and missed connections," which "placed mail and packages at risk for service failures and contributed to missing service targets." *FY 2023 Annual Report* at 42. Weather also contributed to the incidence of CLTs. FY 2023 ACD at 103.

The Postal Service restarted the Unexpected Events Initiative in September 2022 but paused it in May 2023. Response to CHIR No. 4, question 4. The Unexpected Events Initiative could enable the Postal Service to quantify more accurately effects of, and diagnose service failures caused by, events outside of management control, such as weather-related emergencies and natural disasters. *FY 2022 Analysis* at 43 (citation omitted). The Postal Service states that it expects to resume development efforts for the Unexpected Events Initiative at some point in the future, but it cautions that the finite resources devoted to this initiative may be diverted to other competing priorities. Response to CHIR No. 4, question 4.

⁴⁰ *See* FY 2023 ACD at 105, Figure V-8. $(9,582-16,579)/16,579 = -42.20\%$.

The Postal Service explains that the Chief Retail & Delivery Office (CRDO) has a Retail & Delivery Operations Command Center (RDOCC) that provides oversight for possible weather impacts to Retail and Delivery Units in the field. March 15 Response to CHIR No. 19, question 2. RDOCC receives weather alerts from the National Preparedness team, and CRDO technology and data driven resources help make informed local decisions on weather impacts. *Id.* RDOCC monitors service delays, employee availability, and C360 for speedy mitigation during weather disruptions, and organizes recovery teams to analyze and determine redeployment of equipment and reallocation of resources to impacted sites during natural disasters. *Id.*

The Postal Service reports that service was disrupted throughout the Midwest in the first quarter of FY 2024, because the St. Louis network distribution center (NDC) had to be shut down on October 26, 2023, due to a potentially hazardous mercury leak from an illegally shipped package. March 8 Response to CHIR No. 16, question 9.a. The Postal Service states “[p]ackages from the NDC were isolated and tested for safe levels of contamination, while over 500 employees were relocated to alternate locations to continue operations” and “[v]olumes were rerouted to other processing facilities.” *Id.* Clean-up work was completed by a qualified contractor before the St. Louis NDC resumed partial operations on November 7, 2023. *Id.*

The Commission recommends that the Postal Service resume developing the Unexpected Events Initiative as soon as possible, because this initiative could enable the Postal Service to more accurately quantify the effects of and diagnose service failures caused by outside factors, such as weather disruptions and the St. Louis shutdown. The Commission recommends that the Postal Service report on its progress in developing, and any results from, the Unexpected Events Initiative in the FY 2024 Report, including any effect on reducing CLTs.

- c. Plans for Improving High-Quality Service in FY 2024
 - (1) Continued Implementation of DFA Plan

The Postal Service reports that in FY 2024, it will continue implementing elements of its DFA Plan. *FY 2023 Annual Report* at 43. These efforts generally involve transforming processing facilities and transportation networks; planning for the peak season; investing in infrastructure; and stabilizing and empowering the workforce. *See id.*

The Postal Service states that it will continue its rollout of the redesigned network by activating more RP&DCs, S&DCs, and transfer hubs in FY 2024. *Id.* Concurrently, it will continue redesigning its transportation and logistics operations to eliminate waste and efficiently integrate with network operations. *Id.*

In FY 2024, the Postal Service plans to utilize the facilities and processing capabilities brought on in the last 2 years to manage the peak season efficiently, reducing reliance on temporary facilities and employees. *Id.* It will augment space and employees where

necessary, but the number of temporary facilities and employees will significantly reduce from prior years because of the stabilization in workforce efforts made in FY 2023. *Id.*

The Postal Service will continue to make significant capital investments in its infrastructure in FY 2024. *Id.* These include additional automated package sorting equipment for larger delivery units and the continued expansion of the Postal Service's Battery Electric Vehicle (BEV) fleet, including the accompanying charging infrastructure. *Id.* The Postal Service plans to replace nearly 200,000 of the current 236,000 vehicles and will acquire and incorporate over 66,000 BEVs over the next 5 years, including the 45,000 units that have already been ordered. *Id.*

In FY 2024, the Postal Service plans to continue to convert pre-career employees to career status after 2 years of service;⁴¹ empower supervisors with better tools, more resources, and a tailored training program; help its workforce advance into new roles through defined career paths, training tracks, and hiring fairs to backfill vacancies; enhance organizational focus, transparency, and accountability through engaged and collaborative leaders; build a diverse pipeline of candidates through its Executive Diversity Council. *See FY 2023 Annual Report* at 43.

On May 9, 2024, Postmaster General Louis DeJoy decided to pause the movement of processing operations associated with the mail processing facility reviews at least until January 1, 2025,⁴² in response to a bipartisan group of 26 Senators' call to pause all changes under the DFA Plan until the Postal Service requests and receives a comprehensive advisory opinion from the Commission to fully study the potential impacts of these changes.⁴³ In a docket examining the DFA Plan, the Postal Service responded to a Commission order stating that an advisory opinion is unnecessary for some DFA Plan initiatives and premature for others.⁴⁴ On May 20, 2024, Postmaster General Louis DeJoy clarified that other DFA Plan initiatives such as the activations of RP&DCs, LPCs, and S&DCs, and air transportation and supporting network redesign will continue in 2024 without pause.⁴⁵ The Commission is concerned that the Postal Service has determined to continue activating RP&DCs, LPCs, and S&DCs in 2024 instead of pausing these network redesign initiatives to conduct a comprehensive study of their potential impacts, particularly given the negative service

⁴¹ The Postal Service uses the term "pre-career" to refer to part-time workers. Docket No. ACR2022, Response to CHIR No. 7, questions 29.a.-29.b. "Through the collective bargaining process, the Postal Service negotiated a provision that provides a path to career employment for all pre-career employees who remain in [the Postal Service's] employ for 24 months. The current agreements allow pre-career employees, who stay employed with the Postal Service for two years, to be automatically converted to career status." *Id.*

⁴² Letter from Postmaster General Louis DeJoy to the Honorable Gary Peters, Chairman, Homeland Security and Government Affairs Committee, United States Senate, May 9, 2024, at 2, available at <https://www.hsgac.senate.gov/library/files/postmaster-general-letter-to-chairman-peters>.

⁴³ Letter from Gary C. Peters, *et al.*, to Postmaster General Louis DeJoy, May 8, 2024, at 2, available at <https://www.hsgac.senate.gov/library/files/bipartisan-letter-on-usps-network-advisory-opinion>.

⁴⁴ *See* Docket No. PI2023-4, United States Postal Service Response to the Order to Show Cause Regarding Certain Delivering for America Initiatives (Order No. 7061), May 16, 2024, at 9-24 (Docket No. PI2023-4, Response to Order No. 7061).

⁴⁵ Letter from Postmaster General Louis DeJoy to the Honorable Gary Peters, Chairman, Homeland Security and Government Affairs Committee, United States Senate, May 20, 2024, at 2-5 (May 20 DeJoy Letter), available at <https://about.usps.com/newsroom/global/pdf/0520-pmg-dejoy-to-chairman-peters.pdf>.

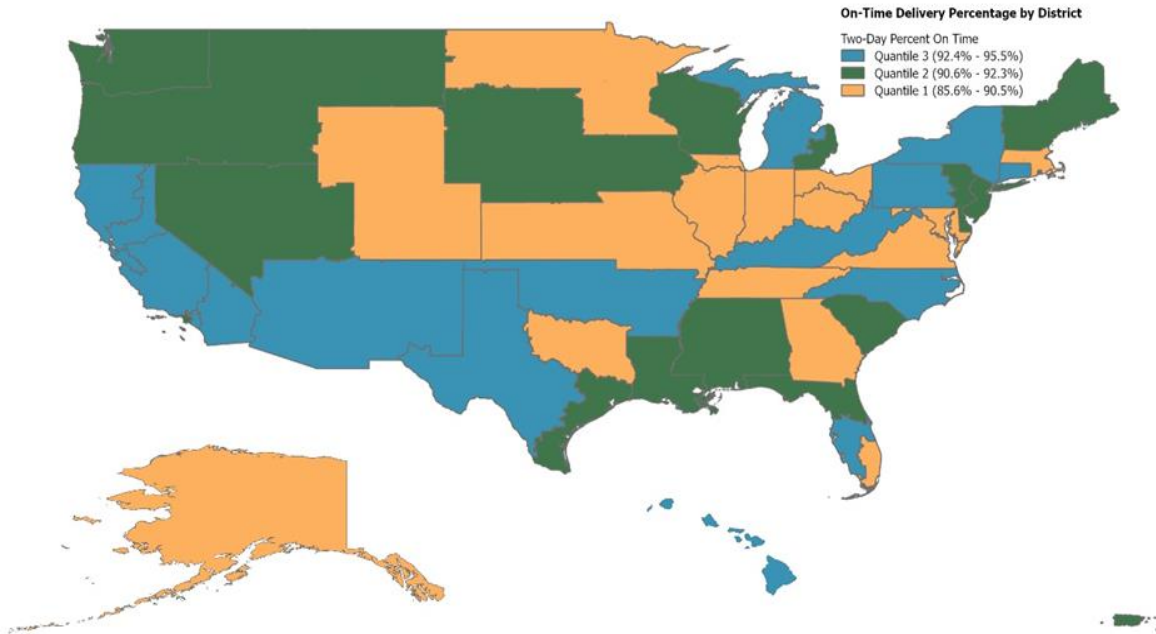
performance issues experienced in the regions where these new facilities were activated. The Postal Service’s decision to pause moving mail processing facilities appears to be based on the Postal Service’s internal process. May 20 DeJoy Letter at 2 (stating that the Senators’ request to pause implementation was something that the Postal Service “could accommodate” as it is still “in the work planning phase of this initiative”). However, it is not clear whether the Postal Service’s “work planning phase” includes an affirmative commitment to study the impacts of moving mail processing facilities. The Postal Service also rejected the Senators’ call for the Postal Service to request an advisory opinion from the Commission, stating that no change implemented to date under the DFA Plan requires an advisory opinion from the Commission. *Id.* at 6.

The Commission identifies recommended content areas for the FY 2024 Annual Report concerning the DFA Plan. See Chapter IV, infra. Given the connection identified by the Postal Service between implementation of the DFA Plan and increased High-Quality Service performance indicator results, the Commission recommends that the Postal Service continue to provide transparency regarding this connection. Specifically, in all future annual reports through the first year following completion of the DFA Plan, the Commission recommends that the Postal Service report how the DFA Plan (as a whole and for applicable distinct initiatives) affected the High-Quality Service performance indicator result. The Commission also recommends that the Postal Service consider pausing other DFA Plan initiatives in addition to the movement of processing operations associated with the mail processing facility reviews, so that it can conduct a comprehensive study of the DFA Plan’s potential impacts on service performance.

(2) Service Performance by District and/or Area

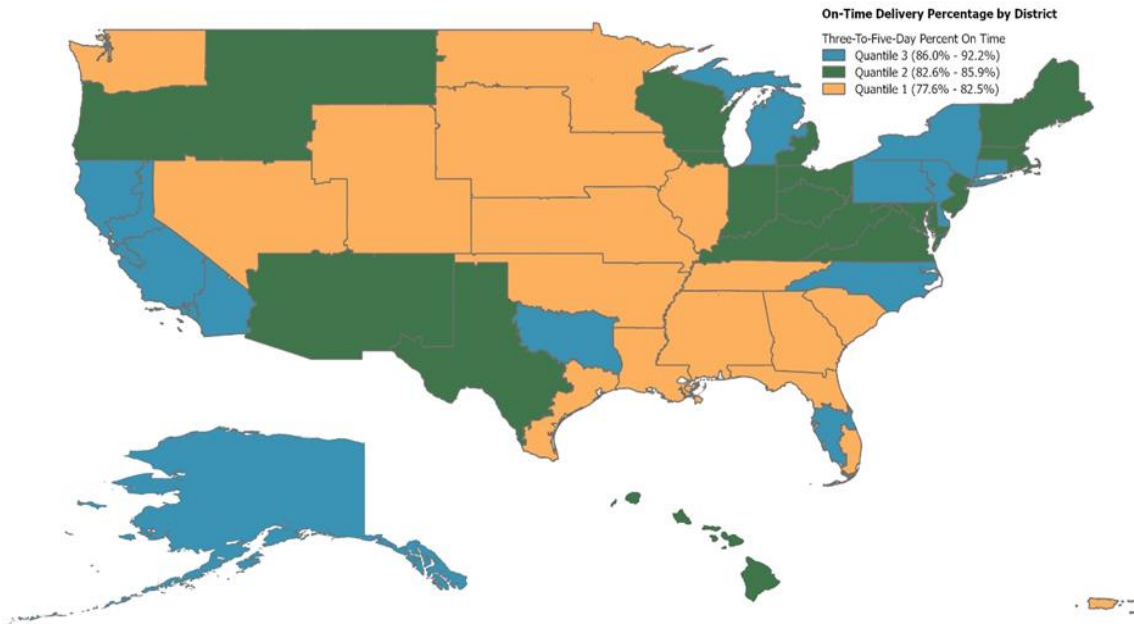
There are differences in service performance across geographic areas. For example, Figures III-3, III-4, and III-5 show geographic variation in on-time service performance of Single-Piece First-Class Mail, 2-Day Letters/Postcards, Single-Piece First Class Mail, 3-5-Day Letters/Postcards, and Outside County Periodicals, respectively.

Figure III-3
FY 2023 On-Time Service Performance, By District
Single-Piece First-Class Mail, 2-Day Letters/Postcards



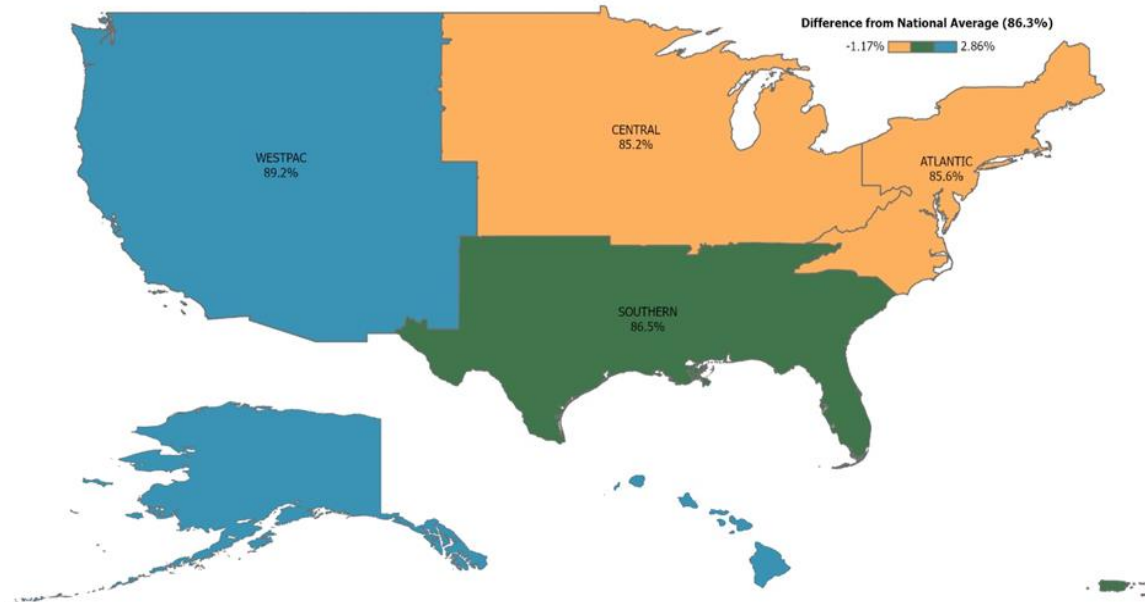
Source: United States Postal Service, FY 2023 Quarter 4 - Quarterly Performance Measurement Data, November 9, 2023, ZIP folder "OneDrive_2023-11-13.zip," File folder "FY23 Q4 SPM Reports," ZIP folder "QuartPerf_FY23_Q4.zip," ZIP folder "FY23 Q4 SPM Reports.zip," ZIP folder "First-ClassMail.zip," Excel file "SPFC LC 234 Scores Report.xls," tab "SPFC LC YTD."

Figure III-4
FY 2023 On-Time Service Performance, By District
Single-Piece First-Class Mail, 3-5-Day Letters/Postcards



Source: United States Postal Service, FY 2023 Quarter 4 - Quarterly Performance Measurement Data, November 9, 2023, ZIP folder "OneDrive_2023-11-13.zip," File folder "FY23 Q4 SPM Reports," ZIP folder "QuartPerf_FY23_Q4.zip," ZIP folder "FY23 Q4 SPM Reports.zip," ZIP folder "First-ClassMail.zip," Excel file "SPFC LC 234 Scores Report.xls," tab "SPFC LC YTD."

Figure III-5
FY 2023 On-Time Service Performance, By Area
Outside County Periodicals



Source: United States Postal Service, FY 2023 Quarter 4 - Quarterly Performance Measurement Data, November 9, 2023, ZIP folder "OneDrive_2023-11-13.zip," File folder "FY23 Q4 SPM Reports," ZIP folder "QuartPerf_FY23_Q4.zip," ZIP folder "Periodicals.zip," Excel file "Periodicals 234 Scores Report.xls," tab "PER YTD."

Beginning in FY 2019, the Commission recommended that the Postal Service examine how service performance across the Postal Service's Districts varies relative to geography.⁴⁶ The Postal Service reports that it performed root cause analysis "for mail processing facilities and/or lanes (*i.e.*, origin/destination pairs) with the lowest scores for certain mail products." March 7 Response to CHIR No. 16, question 6.b.i. Headquarters Processing Operations facilitated regular discussions with division and plant management to make plans to improve, and division directors were responsible for ensuring that plans were implemented. *Id.* Headquarters use "heat maps," which represent service performance scores over a period of several weeks, to track service performance improvement of the targeted lanes. *Id.* Indeed, many divisions monitor poor-performing lanes with recurring service issues and utilize root cause analysis to mitigate the service impacts.⁴⁷

The Commission continues to recommend that the Postal Service explore ways to better balance service performance scores across the nation. It is likely that significant gains in national scores could be made by focusing efforts on low-performing Areas and/or Districts. Thus, the Commission recommends the Postal Service study the reasons for service

⁴⁶ See FY 2019 Analysis at 35-37; FY 2020 Analysis at 57-59; FY 2021 Analysis at 55-57; FY 2022 Analysis at 46-47.

⁴⁷ See, e.g., Library Reference USPS-FY23-29, folder "FY23-29 Files," PDF file "FY23-29 Division Reports.pdf," at 6, 10, 12, 21, 22, 26, 28, 31.

performance issues in the lowest performing Areas/Districts and incorporate one or more performance indicators to capture service performance in rural areas and non-contiguous areas as mentioned above.

(3) CY 2024 Election Cycle

For the CY 2024 election cycle, the Postal Service states that it remains fully committed to fulfilling its role in the electoral process and its efforts will be consistent with efforts undertaken in previous election cycles. Response to CHIR No. 11, question 8. In January 2024, the Postal Service published its 2024 Official Election Mail program kit (KIT 600), which provides election officials with detailed information on using the mail for elections.⁴⁸ In February 2024, management distributed the “Preparing for the 2024 Election Season” memorandum, which summarizes some of the steps the Postal Service has taken and will take to ensure the timely delivery of Election Mail and Political Mail during CY 2024.⁴⁹ The Postal Service plans to distribute memoranda on other topics, including extraordinary measures and postmarking for ballot mail, closer to the 2024 General Election. *Id.* It will also work with the Inspection Service, the OIG, and other agencies on mail security, election crimes, and other issues. *Id.*

The Postal Service states that it does not anticipate the Local Transportation Optimization initiative under the DFA Plan⁵⁰ to affect the timely processing or delivery of ballot mail or other Election Mail. Response to CHIR No. 20, question 1.a. The Postal Service states that it will deploy extra transportation at the optimized facilities to avoid any unintended impact on ballot mail in those locations during the initial rollout of the Local Transportation Optimization initiative. *Id.* question 1.a.-b. In addition, it will deploy extraordinary measures nationwide between October 21, 2024, and November 26, 2024. *Id.* question 1.b.ii.

In response to an OIG recommendation that the Postal Service create “a separate, simplified mail product exclusively for Election Mail that would support uniform mail processing, including mandatory mailpiece tracking and proper mailpiece design,”⁵¹ the Postal Service clarifies that the product under consideration pertains only to ballot mail, not all Election Mail. March 7 Response to CHIR No. 16, question 5. The Postal Service states that it extensively explored the feasibility of a potential ballot mail product or rate category in 2023, by surveying approximately 8,000 election jurisdictions, holding focus group discussions with state and local election administrators, and conducting internal analysis

⁴⁸ *Id.* (citing 2024 Official Election Mail program kit (KIT 600), January 2024, available at <https://about.usps.com/kits/kit600.pdf>).

⁴⁹ *Id.* (citing the “Preparing for the 2024 Election Season” memorandum, January 31, 2024, available at <https://about.usps.com/what/government-services/election-mail/pdf/general-election-preparedness-memorandum-fy24.pdf>).

⁵⁰ Local Transportation Optimization is an initiative under which the Postal Service picks up originating volume entered the prior day on the same trip that is dropping of the destination mail for delivery for long local transportation lanes with low amounts of volume. See Docket No. PI2023-4, Responses of the United States Postal Service to Questions 1-12 of Chairman’s Information Request No. 5, December 4, 2023, question 1.

⁵¹ United States Postal Service, Office of Inspector General, Report No. 20-225-R20, Processing Readiness of Election and Political Mail During the 2020 General Elections, August 31, 2020, at 4, 14, available at <https://www.uspsoig.gov/sites/default/files/reports/2023-01/20-225-R20.pdf>.

on market dynamics for ballot mail. *Id.* question 5.a. Based on this, the Postal Service decided not to move forward with a ballot mail product or rate category at this time, because the election community generally lacks the technical or financial capability and willingness to utilize a ballot mail product or rate category. *Id.* questions 5.a., 5.c.-5.d. The Postal Service states it may re-evaluate this conclusion and is exploring other approaches for future elections. *Id.* questions 5.c.-5.d.

On May 20, 2024, the Postal Service indicated plans to pause initiatives related to ground transportation improvement including “schedule adjustments, routing changes, cross docking, and trip elimination” beginning in September 2024 to “accommodate the demands of the elections and peak season.” May 20 DeJoy Letter at 5-6. It is unclear when the pause will end, although it appears it will end in January 2025 given the reference to the elections and peak season. It is also unclear if any other initiatives related to ground transportation are paused in connection with the election.

The Commission recommends that the Postal Service continue to proactively plan and coordinate with election officials, the Inspection Service, the OIG, and other agencies regarding the CY 2024 election cycle. The Commission also recommends that the Postal Service closely monitor any unintended negative impact that the Local Transportation Optimization initiative or any other initiatives under the DFA Plan may have on the service performance of ballot mail or other Election Mail and take expeditious and comprehensive measures to mitigate any such unintended negative impact. In addition, the Commission recommends that the Postal Service notify its employees, election officials, and the public of the specific actions and timeframe of the pause for initiatives related to ground transportation improvement and consider including the Local Transportation Optimization initiative in the scope of this pause. The Commission further recommends that the Postal Service consider any previous lessons learned from its service performance on Election Mail and its extraordinary measures concerning ballot mail when exploring the feasibility of measures for improving service performance for other types of mail.

d. Responses to Comments

The Public Representative discusses several examples of “severe disruptions to mail service in certain local areas,” such as Colorado mountain towns, St. Louis, Houston, Jacksonville, and Richmond. *See* PR Comments at 10-14. In its reply comments, the Postal Service disagrees with the Public Representative’s implication that the various service performance issues identified in the PR Comments “are somehow indicative of a wide-ranging service performance problem.” Postal Service Reply Comments at 4. The Postal Service asserts these issues are instead “localized and distinct,” and explains the reasons for poor service performance in each area. *Id.* at 4-7. At the same time, the Postal Service acknowledges that due to the changes implemented under the DFA Plan, “service performance may be temporarily impacted in regions where significant modernization efforts are undertaken.” *Id.* at 3. Regardless of whether the service disruptions in the areas discussed by the Public Representative indicate a wide-ranging problem or a localized one, the Commission shares the Public Representative’s concern that these problems are clearly significant at the local

level, but some may not even be captured in nationwide service performance scores. PR Comments at 14. Moreover, many of these service issues appear to be connected with the initiatives under the DFA Plan, such as the issues experienced in the Richmond and Houston areas discussed above. Given that the Postal Service is entering the third year of the DFA Plan, it does not inspire public confidence that there is limited information on various initiatives under the DFA Plan that are being rolled out and there appears to be service performance issues in the areas where these initiatives are implemented. The Commission encourages the Postal Service to provide more transparency into its DFA initiatives, such as through its participation in the Commission's public inquiry Docket No. PI2023-4, proactively engage with various stakeholders to gather their inputs, make every effort to correct service issues in a timely and thorough manner, and learn from experience to improve subsequent execution of DFA initiatives.

The Public Representative expresses concerns with the substantial declines in service performance for both Single-Piece First-Class Mail, 2-Day and 3-5-Day in Quarter 1 of FY 2024, highlighting the stunning declines in Virginia in particular. PR Comments at 16. Again, the Commission believes that this appears to be connected to the implementation of DFA Plan initiatives during the peak season discussed above, which may exacerbate already lower service performance scores due to peak volume and winter weather disruptions.

Regarding the Postal Service's plan for improving High-Quality Service in FY 2024, the Public Representative observes that the redesigned processing network under the DFA Plan appears to put increased pressure on service performance and surface transportation. PR Comments at 22-23. The Public Representative believes that "concrete evidence of significant cost savings arising from the Plan needs to be demonstrated sooner rather than later" and such "cost savings cannot come at the expense of satisfactory service performance." *Id.* at 23-24. He encourages the Commission to continue to seek information from the Postal Service regarding the DFA Plan. *Id.* at 24-26. The Commission fully agrees and intends to continue to engage with the Postal Service on details and impacts of its DFA Plan to ensure transparency and accountability of the Postal Service.

The Public Representative believes that the Postal Service's performance during the 2024 general election will also be important to its achievement of High-Quality Service in FY 2024. *Id.* at 26. He believes that "it would be helpful for the Postal Service to address and mitigate the effects of the highly-publicized service disruptions" discussed in the PR Comments "well in advance of the November 2024 general election." *Id.* at 28. He encourages the Postal Service to "take all necessary actions to ensure that any transportation changes have no significant effects on ballot processing and delivery." *Id.* at 29. In its reply comments, the Postal Service reiterates that it is committed to the secure, timely delivery of Election Mail, and that it will deploy extraordinary measures for ballots and other measures such as the daily "all clear" process, postmarking return ballots, regular employee training, and outreach to election officials. Postal Service Reply Comments at 8-10. The Commission fully agrees with the Public Representative and discusses above the Postal Service's assurance that extra transportation will be deployed at the facilities where

Local Transportation Optimization initiative is implemented to avoid any unintended impact on ballot mail in those locations, in addition to the nationwide deployment of extraordinary measures for ballot mail around 2024 General Election.

B. Excellent Customer Experience

1. Key Observations and Recommendations

The Commission finds that the Postal Service did not meet the Excellent Customer Experience performance goal in FY 2023 because it missed three targets and met or exceeded five targets.

To improve transparency, for each target that is not met in FY 2024, the FY 2024 Report should identify specific reasons why and describe plans to meet targets in FY 2025.

The Commission finds that the FY 2024 targets for the Excellent Customer Experience performance indicators are reasonable. It recommends that the Postal Service continue to consider the prior year's result when setting the subsequent year's target. To improve transparency, the FY 2025 Plan should discuss the rationale for setting FY 2025 targets.

The Commission recommends that the Postal Service consider measuring CX of business customers that negotiate or attempt to negotiate NSAs. If the Postal Service administers other surveys asking about NSAs in FY 2024, the Commission recommends that the FY 2024 Report or FY 2024 ACR identify the questions asked and feedback received.

The Commission recommends that the Postal Service continue to use the NPS to measure and assess CX in FY 2024.

The Commission observes that the social media heat map appears to be an effective method for communicating real-time feedback to enable the Postal Service to respond promptly to issues. The Commission recommends that in FY 2024, the Postal Service make the heat map data available to more people and continue using the social media heat map and other social listening tools to improve CX.

The Commission commends the Postal Service for improving the average Social Media Associate (SMA) response time and encourages the Postal Service to continue implementing these efforts to decrease the average response time in FY 2024. The Commission is concerned that the X and Facebook ChatBOT satisfaction surveys could reflect that customers are consistently selecting extreme responses even if that score does not reflect their true satisfaction (referred to as extreme response bias) and recommends that the Postal Service consider methods to mitigate potential bias such as by using a smiley face scale or adding a comment box if this bias is reflected in FY 2024 surveys.

The Commission observes that the Facebook ChatBOT and Artificial Intelligence Virtual Agent (AIVA) appear to have been effective in improving response times and reducing the need for

live agent interactions in FY 2023. The Commission encourages the Postal Service to continue using these and other AI tools to continue improving CX and its efforts to respond to customer inquiries.

2. Background

The Postal Service measures customer experience (CX) by conducting surveys of residential, small/medium business, and large business customers.⁵² In FY 2023, the Postal Service measured CX using the following eight surveys:

- Business Service Network (BSN)
- Point of Sale (POS)
- Delivery
- Customer Care Center (CCC)
- Customer 360 (C360)
- Business Mail Entry Unit (BMEU)
- *usps.com*
- Large Business Panel

Each survey measures a customer touchpoint or interaction between the customer and the Postal Service. The surveys were described in detail in the *FY 2022 Analysis*. See *FY 2022 Analysis* at 50-53.

In FY 2023, the Postal Service used eight performance indicators or metrics to track progress toward the Excellent Customer Experience performance goal. Seven of those performance indicators correspond directly to one of the CX surveys. See *FY 2023 Annual Report* at 45. Results are calculated as the percentage of customers who responded “Very Satisfied” or “Mostly Satisfied” on a six-point scale to a question about overall satisfaction on the particular survey. FY 2023 ACR at 57-58. The overall satisfaction question for each of the seven CX surveys is shown in Table III-8.

⁵² Residential customers live in United States households that receive mail delivery. Small/medium business customers have fewer than 250 employees at one location. Large business customers have 500 or more employees. Library Reference USPS-FY23-38, December 29, 2023; see Notice of the United States Postal Service of Filing Minor Revisions to USPS-FY23-38 – Errata, March 15, 2024, file “USPS-FY23-38 Preface.Rev.3.15.24.pdf, at 3, 5 (Library Reference USPS-FY23-38, Preface).

Table III-8
Customer Experience Surveys
FY 2023 Overall Satisfaction Questions

Customer Experience Surveys	Overall Satisfaction Questions
Business Service Network	<ul style="list-style-type: none"> How satisfied are you with the overall experience provided by the Business Service Network?
Point of Sale	<ul style="list-style-type: none"> Thinking about this visit to the Post Office, overall, how satisfied were you?
Delivery	<ul style="list-style-type: none"> Thinking about your overall experience with receiving mail and/or packages delivered by the Postal Service recently, how satisfied are you?
Customer Care Center	<ul style="list-style-type: none"> Live Agent survey: Please tell us how satisfied you were with the overall experience provided by the Customer Care Center. Interactive Voice Response survey: Please tell us how satisfied you were with the overall experience provided by the Postal Service automated system.
Customer 360	<ul style="list-style-type: none"> Overall, how satisfied are you with the quality of service you received in response to the issue?
Business Mail Entry Unit	<ul style="list-style-type: none"> Overall, how satisfied were you with your experience at the Business Mail Entry Unit?
<i>usps.com</i>	<ul style="list-style-type: none"> How satisfied are you with the overall experience provided by the usps.com website?

Source: Library Reference USPS-FY23-38, Preface at 3-4.

The Postal Service uses results of the seven CX survey performance indicators to calculate the CX Composite Index, which is the eighth performance indicator tracking progress toward the Excellent Customer Experience performance goal. *See FY 2023 Annual Report* at 44. While each survey measures CX based on specific touchpoints or interactions with the Postal Service, the CX Composite Index measures overall CX across the most frequently used customer-facing channels. *Id.*

In FY 2023, results of the POS, Delivery, and *usps.com* performance indicators did not meet their respective targets. *Id.* at 45. The Postal Service explains that the *usps.com* result did not meet its target because of an increase in website user volume during FY 2023, Quarter 1, which impacted server availability and delayed packages. *Id.* at 46. It notes that it has not identified specific reasons for why the POS and Delivery targets were not met in FY 2023. Response to CHIR No. 21, questions 2.a., 2.b.

To improve progress toward the Excellent Customer Experience performance goal in FY 2024, the Postal Service states it will improve its measurement of CX by ensuring that CX survey questions accurately measure both customer sentiment and attributes of customer

satisfaction. *FY 2023 Annual Report* at 47. It notes it will continue providing scenario-based trainings, provide in-person conferences, and hold weekly customer satisfaction meetings. *Id.*

3. Comments

The Public Representative comments on results and targets for each survey. PR Comments at 32-48. He expresses concerns about response rates for the Delivery and *usps.com* surveys and encourages the Postal Service to focus on improving CX for customers using the CCC Interactive Voice Response (IVR) system. *Id.* at 37, 39, 43. He concludes that FY 2024 targets for the CX Composite Index, BSN, POS, C360, *usps.com*, and BMEU are achievable, and the Postal Service should consider raising the POS target in FY 2025 if the result continues to improve. *Id.* at 33, 35, 41, 43-44, 48.

In its reply comments, the Postal Service responds that it is considering a pilot that would send the Delivery survey to customers by email, which may increase the number of responses. Postal Service Reply Comments at 12. To increase *usps.com* survey response rates, it is revising the sampling rules to offer the survey to a higher percentage of *usps.com* visitors (2.5 percent). *Id.* at 13. Regarding the CCC IVR survey, the Postal Service points out that all customers who use the IVR system are eligible to complete a survey at the end of the call. *Id.*

4. Commission Analysis

The Postal Service exceeded FY 2023 targets for the CX Composite Index, BSN, CCC, C360, and BMEU but missed FY 2023 targets for the other Excellent Customer Experience performance indicators (POS, Delivery, and *usps.com*). *FY 2023 Annual Report* at 45.

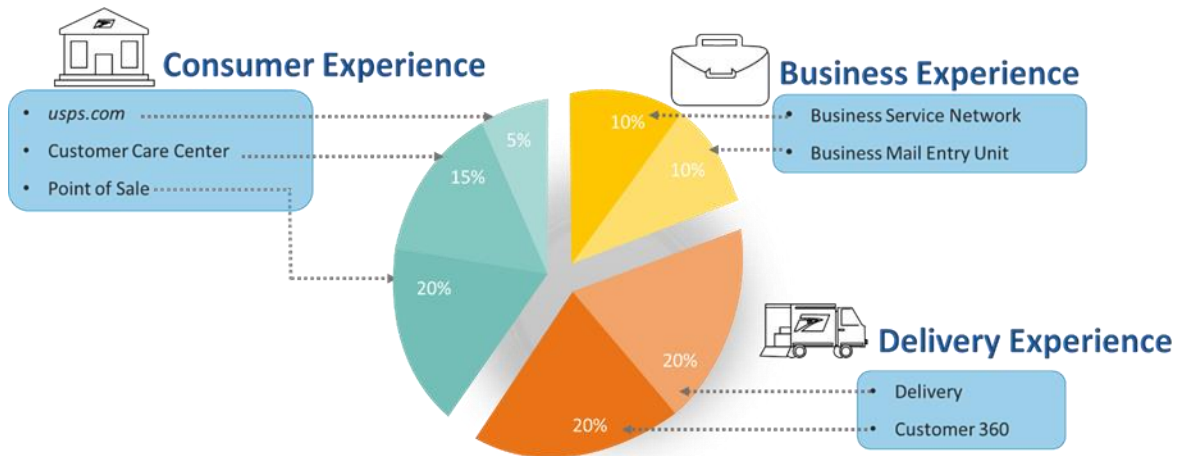
The Commission finds that the Postal Service did not meet the Excellent Customer Experience performance goal in FY 2023 because it missed three targets and met or exceeded five targets.

In the sections below, the Commission describes methodologies for calculating performance indicator results, analyzes targets and results, and explores issues related to business CX. The Commission also compares the Postal Service's measurement of CX to metrics used in the private sector and other organizations, including the NPS, social media customer service, and AI tools.

a. Performance Indicator Methodologies

The CX Composite Index is a weighted aggregate based on results of the CX survey performance indicators. *FY 2023 Annual Report* at 44. Figure III-6 shows how each performance indicator was weighted to calculate the FY 2023 CX Composite Index result.

Figure III-6
Customer Experience Composite Index
Weights of Performance Indicators in FY 2023



Source: FY 2023 Annual Report at 44.

The Postal Service calculated the FY 2023 CX Composite Index result of 76.93 in three steps. First, the Postal Service determined the FY 2023 result for each CX survey performance indicator. Second, the Postal Service multiplied the result by its respective weight listed in Figure III-6. Third, the Postal Service added the weighted results together to arrive at the FY 2023 CX Composite Index result of 76.93. Table III-9 illustrates these steps.

Table III-9
Customer Experience Composite Index
Steps for Calculating the FY 2023 Result

Customer Experience Survey Performance Indicator ^a	FY 2023 Result		Weight (%)		Weighted Result ^b
Business Service Network	98.87	x	10	=	9.89
Point of Sale	87.10	x	20	=	17.42
Delivery	75.85	x	20	=	15.17
Customer Care Center	84.52	x	15	=	12.68
Customer 360	42.21	x	20	=	8.44
usps.com	72.79	x	5	=	3.64
Business Mail Entry Unit	96.89	x	10	=	9.69
FY 2023 Customer Experience Composite Index Score					76.93

^a Results are rounded to the nearest hundredth.

Source: FY 2023 Annual Report at 44-45.

Table III-10 shows the methodologies for calculating results of each CX survey performance indicator from FY 2020 through FY 2023.

Table III-10
Customer Experience Survey
Performance Indicator Methodologies
FY 2020-FY 2023

Customer Experience Survey Performance Indicator	FY 2020	FY 2021	FY 2022	FY 2023
Business Service Network	Overall customer satisfaction with the BSN experience			
Point of Sale	Overall customer satisfaction with the retail experience at the Post Office			
Delivery^a	Composite of overall customer satisfaction with the delivery of mail and packages (unweighted)			
Customer Care Center	Composite of satisfaction with the overall experience provided by the Live Agent (25 percent) and Interactive Voice Response system (75 percent)	Composite of satisfaction with the overall experience provided by the Live Agent and IVR system (unweighted)		
Customer 360	Overall satisfaction with the quality of service received in response to a C360 case or issue			
Business Mail Entry Unit	Overall customer satisfaction with the BMEU experience			
<i>usps.com</i>	Overall customer satisfaction with the experience provided by the <i>usps.com</i> website			

^a Delivery survey results for residential and small/medium business customers are combined into one unweighted score.

Source: *FY 2022 Analysis* at 60; *FY 2023 ACR* at 60.

b. Analysis of Targets and Results

(1) FY 2023 Targets and Results

For each performance indicator, Table III-11 shows results from FY 2020 through FY 2023 and compares FY 2023 targets and results. As Table III-11 shows, in FY 2023 the Postal Service met five targets and missed three targets.

Table III-11
Excellent Customer Experience Performance Indicators
Comparison of FY 2023 Targets and FY 2020-FY 2023 Results

Performance Indicator	FY 2023 Targets	Difference Between FY 2023 Target and Result	Results			
			FY 2023	FY 2022	FY 2021	FY 2020
Customer Experience Composite Index ^a	75.27% ^b	1.66	76.93	72.72	68.49	72.40
Business Service Network	98.00%	0.87	98.87%	98.20%	97.89%	97.33%
Point of Sale	87.46%	(0.36)	87.10%	86.34%	84.39%	87.46%
Delivery ^a	80.94	(5.09)	75.85	73.91	70.41	80.94
Customer Care Center ^a	69.88	14.64	84.52	70.75	61.85	60.03
Customer 360	40.05%	2.16	42.21%	38.44%	33.34%	40.05%
usps.com	73.41%	(0.62)	72.79%	73.62%	67.13%	73.41%
Business Mail Entry Unit	96.29%	0.60	96.89%	96.48%	95.66%	96.72%

Note: Red text indicates below target. Green text indicates above target.

^a Targets and results for these performance indicators are not presented as percentages because they are calculated by weighting and aggregating various survey results.

^b The Postal Service notes that the FY 2023 target for the CX Composite Index was incorrectly published in the *FY 2022 Annual Report* and has been correct to reflect the 2023 weighted methodology. *FY 2023 Annual Report* at 45.

Source: *FY 2023 Annual Report* at 39, 45; *FY 2022 Analysis* at 61.

Table III-11 shows that generally FY 2023 results for each performance indicator improved compared to FY 2022 except for *usps.com*, which declined by less than 1 percentage point. The largest margin of improvement between FY 2022 and FY 2023 was for the CCC performance indicator, which improved by 13.77 points. In the *FY 2023 Report*, the Postal Service explains that it encouraged live agents to remind customers to take the CCC survey after the call, which increased the CCC response rate by 178 percent and resulted in higher overall satisfaction. *FY 2023 Annual Report* at 46.

The Commission is concerned that the Postal Service does not adequately explain why POS and Delivery targets were not met. In a CHIR response, the Postal Service states “it has not identified specific reasons why” these targets were not met in FY 2023 and characterizes

the targets as “aspirational.” Response to CHIR No. 21, questions 2.a., 2.b. If the Postal Service does not meet a performance goal, the annual performance report must explain why and describe plans for meeting the goal. 39 U.S.C. § 2804(d)(3)(A) and (B). This requirement improves transparency and holds the Postal Service accountable for progressing toward the performance goals. As discussed in the ACD, to create effective improvement plans, the Postal Service must first identify root causes for not meeting targets. Without this information, plans may not be adequately tailored to improving progress and meeting targets during the next fiscal year.

The Commission commends the Postal Service for increasing the CCC result by 13.77 points in FY 2023 and encourages CCC live agents to continue reminding customers to take the post-call survey. To improve transparency, for each target that is not met in FY 2024, the FY 2024 Report should identify specific reasons why and describe plans to meet targets in FY 2025.

(2) FY 2024 Targets

The Postal Service set FY 2024 targets for each Excellent Customer Experience performance indicator, which are shown in Table III-12, along with FY 2023 targets and results.

Table III-12
Excellent Customer Experience Performance Indicators
FY 2024 Targets and FY 2023 Targets and Results

Performance Indicators	Targets		FY 2023 Results
	FY 2024	FY 2023	
Customer Experience Composite Index ^a	78.96	75.27 ^b	76.93
Business Service Network	98.00%	98.00%	98.87%
Point of Sale	87.46%	87.46%	87.10%
Delivery ^a	80.94	80.94	75.85
Customer Care Center ^a	85.00	69.88	84.52
Customer 360	46.00%	40.05%	42.21%
usps.com	78.07%	73.41%	72.79%
Business Mail Entry Unit	96.29%	96.29%	96.89%

Note: Red text indicates below target. Green text indicates met or above target.

^a Targets and results for these performance indicators are not presented as percentages because they are calculated by weighting and aggregating various survey results.

^b The Postal Service notes that the FY 2023 target for the CX Composite Index was incorrectly published in the *FY 2022 Annual Report* and has been correct to reflect the 2023 weighted methodology. *FY 2023 Annual Report* at 45.

Source: *FY 2023 Annual Report* at 45, 47.

Table III-12 shows that FY 2024 targets for the BSN, POS, Delivery, and BMEU performance indicators are the same as FY 2023 targets. FY 2024 targets for the CX Composite Index, C360, and *usps.com* increased between 3 and 6 points. The FY 2024 CCC target increased the most by 15.12 points.

The *FY 2023 Report* does not provide the rationale for setting FY 2024 targets and instead this information was only provided in a CHIR response. Including this information in the *FY 2023 Report* would have improved transparency and helped postal stakeholders better understand how the Postal Service sets targets.

The Postal Service explains that it reviews Excellent Customer Experience targets in a holistic manner and sets achievable targets based in part on results from the prior year. April 5 Response to CHIR No. 22, question 1. It asserts that the FY 2024 BSN and BMEU targets are achievable because their FY 2023 targets were met, and the Postal Service believes it should be able to maintain these results in FY 2024. *Id.* question 1.b. and c. For *usps.com*, the Postal Service states that the target is achievable because of ongoing updates and improvements that have been and will continue to be implemented. *Id.* question 1.a. The Postal Service maintains that the CCC target is achievable because it is a modest increase from the FY 2023 result of 84.52 percent. *Id.* question 1.d.

The Commission agrees with the Public Representative that generally the FY 2024 targets are reasonable, and the Postal Service should consider raising the FY 2025 POS target if the Postal Service meets the FY 2024 target. The Postal Service's method for setting targets is consistent with the Commission's past recommendation that it consider the prior year's result when setting the subsequent year's target. *See FY 2022 Analysis* at 65. The Commission observes that targets for the BSN, POS, CCC, and BMEU performance indicators, which are within 1 percentage point of the FY 2023 result, are also the highest targets in FY 2024. To meet FY 2024 targets for the CX Composite Index, Delivery, C360, and *usps.com* targets, results would need to increase by 6 points or less, which is reasonable considering the initiatives the Postal Service has planned to improve CX in FY 2024.

The Commission finds that the FY 2024 targets for the Excellent Customer Experience performance indicators are reasonable. It recommends that the Postal Service continue to consider the prior year's result when setting the subsequent year's target. To improve transparency, the FY 2025 Plan should discuss the rationale for setting FY 2025 targets.

c. Business Customer Experience

Besides mailing and shipping, business customers interact with the Postal Service via negotiated service agreements (NSAs), which are written contracts between the Postal Service and mailers that set customer-specific rates, fees, and/or terms of service for a defined period of time. 39 C.F.R. § 3010.101(f). CHIR No. 23 asked about the Postal Service's efforts to measure CX of business customers that negotiate or attempt to negotiate an NSA with the Postal Service. CHIR No. 23, questions 1-3. The Postal Service responds that in FY 2023, it administered one survey asking business customers whether they have a contract

or NSA with the Postal Service and (if they do), how satisfied they were with the current contract/NSA process. Response to CHIR No. 23, question 3.a. Of the 108 businesses that responded, 33 percent indicated that they had an NSA with the Postal Service, and their level of satisfaction was 51.52 percent. *Id.*

Otherwise, the Postal Service states that it does not separately track the CX of business customers that have existing NSAs or attempt to or successfully negotiate an NSA. *Id.* It confirms that the CX surveys do not have questions asking about NSAs. *Id.* It contends that the current CX surveys “are sufficient to understand business customer satisfaction[,]” and it strives to obtain an acceptable response rate while not overburdening customers with additional surveys. *Id.* questions 1.b., 2.b., 4.

The Commission acknowledges the need to balance seeking customer feedback and avoiding survey fatigue that causes customers to lose interest in taking surveys. However, the Commission is concerned that the current measurement of business CX may not represent overall sentiment and experiences of business customers. The BSN, BMEU, Delivery, and Large Business Panel surveys measure discrete touchpoints that do not include some key interactions between the Postal Service and business customers, such as NSAs.

The Commission observes that the survey administered in FY 2023 would be an effective method for evaluating CX of business customers regarding NSAs. The two questions asked do not overlap with the current CX surveys and are unlikely to cause survey fatigue if the number of questions remains limited. To obtain a holistic picture of business CX regarding NSAs, the Postal Service could also administer the survey to business customers attempting to negotiate NSAs with the Postal Service and ask them about their satisfaction with the process.

The Commission recommends that the Postal Service consider measuring CX of business customers that negotiate or attempt to negotiate NSAs. NSA customer satisfaction is an important aspect of CX that could help the Postal Service improve relationships with business customers. If the Postal Service administers other surveys asking about NSAs in FY 2024, the Commission recommends that the FY 2024 Report or FY 2024 ACR identify the questions asked and feedback received.

d. Net Promoter Score

The Postal Service also measures CX using the NPS, which is a metric that CX programs widely use to measure customer loyalty to a company.⁵³ It measures customer perception on a scale of 0 (Not at All Likely) to 10 (Extremely Likely) based on a single question: “How likely is it that you would recommend [Organization X/Product Y/Service Z] to a friend or colleague?” *See* Bunker. The Postal Service includes the NPS question on each of the CX

⁵³ Adam Bunker, *What is NPS? The ultimate guide to boosting your Net Promoter Score*, Qualtrics XM, available at <https://www.qualtrics.com/experience-management/customer/net-promoter-score/> (Bunker).

surveys by asking customers how likely they are to recommend the Postal Service to a friend or colleague. Depending on their response, customers fall into one of three categories:

- **Promoters**, who respond with a score of 9 or 10 and are typically loyal and enthusiastic customers.
- **Passives**, who respond with a score of 7 or 8, are satisfied with the company, service, or product but not happy enough to be considered Promoters.
- **Detractors**, who respond with a score of 0 to 6, are unhappy customers who are unlikely to buy from the company again and may even discourage others from buying from that company. *Id.*

A study conducted by the Qualtrics XM Institute found that parcel delivery companies had an average NPS of 24, which is 7 points more than the overall average across 22 industries.⁵⁴ There is a strong positive relationship between a parcel delivery company's NPS and overall CX. *See* Temkin, Dorsey, and Quaadgras. Compared to Detractors, Promoters of a parcel delivery service are 3.4 times more likely to buy more products and services, 4.1 times more likely to trust, and 4.0 times more likely to forgive the company if it makes a mistake. *Id.*

Table III-13 shows FY 2023 NPS results and the percentages of Promoters and Detractors for each CX survey. The Commission explained how to calculate the NPS in the *FY 2022 Analysis*. *FY 2022 Analysis* at 66-70.

⁵⁴ Bruce Temkin, Moira Dorsey, and Talia Quaadgras, *Economics of NPS, 2023*, Qualtrics XM (June 16, 2023), Figure 15, available at <https://www.xminstitute.com/research/economics-of-nps-2023/> (Temkin, Dorsey, and Quaadgras).

Table III-13
FY 2023 Net Promoter Scores
Promoters and Detractors

Customer Experience Survey	Percentage of Promoters (9-10) ^a	Percentage of Detractors (0-6) ^a	FY 2023 Net Promoter Scores ^b
Business Service Network	92.7	1.5	91.2
Point of Sale	82.7	10.0	72.7
Delivery^c	61.0	21.6	39.4
Customer Care Center^c	67.7	19.8	47.9
Customer 360	34.5	55.1	-20.7
Business Mail Entry Unit	92.9	2.7	90.2
usps.com	59.5	25.0	34.5

^a The percentages of Promoters and Detractors were calculated by the Commission based on disaggregated CX survey Lib provided by the Postal Service.

^b Some FY 2023 NPS results do not equal the percentage of Promoters minus the percentage of Detractors due to rounding.

^c The NPS results are composite scores derived from results of two more specific surveys. The Delivery NPS is an unweighted composite of the residential and small/medium business customer surveys. The CCC NPS is an unweighted composite of the IVR and Live Agent surveys.

Source: Commission calculation using Postal Service survey responses provided in Library Reference USPS-FY23-38, file "CX_Question_Response_Counts_FY23.Rev.3.15.24.xlsx."

Table III-13 shows that in FY 2023, the NPS for each CX survey was better than the national average for parcel delivery companies except for C360. The BSN and BMEU surveys had the highest NPS and were the only ones with an NPS more than 90.0. The POS survey had the third highest NPS of 72.7. NPS scores for the Delivery, CCC, and *usps.com* surveys were lower, ranging from 47.9 (CCC) to 34.5 (*usps.com*). Each of the CX surveys had a higher percentage of Promoters than Detractors except for the C360 survey, which had the only NPS expressed as a negative number (-20.7). The C360 survey also had the highest percentage of Detractors (55.1), which was more than half of C360 survey respondents. Only 34.5 percent of C360 survey respondents were Promoters that were highly likely or extremely likely to recommend the Postal Service to a friend, family, or colleague.

Table III-13 compares NPS results for each CX survey between FY 2020 and FY 2023.

Table III-14
Net Promoter Scores, FY 2020-FY 2023

Customer Experience Survey	FY 2020	FY 2021	FY 2022	FY 2023
Business Service Network	86.9%	86.2%	88.0%	91.2%
Point of Sale	62.6%	65.3%	70.3%	72.7%
Delivery^a	49.5	29.3	35.0	39.4
Customer Care Center^a	15.6	10.0	25.7	47.9
Customer 360	-23.3%	-38.3%	-27.9%	-20.7%
Business Mail Entry Unit	85.3%	86.6%	88.9%	90.2%
usps.com	33.9%	20.0%	33.9%	34.5%

^a The NPS results are composite scores derived from results of two more specific surveys. The Delivery NPS is an unweighted composite of the residential and small/medium business customer surveys. The CCC NPS is an unweighted composite of the IVR and Live Agent surveys.

Source: Library Reference USPS-FY23-38, file "CX_Question_Response_Counts_FY23.Rev.3.15.24.xlsx;" *FY 2022 Analysis* at 70.

Table III-14 shows that the NPS for each survey improved between FY 2022 and FY 2023. The CCC showed the most improvement, increasing by 22.2 points in FY 2023, likely due to higher response rates. Between FY 2020 and FY 2023, the C360 survey had the only NPS expressed as a negative number, which means that there were more Detractors than Promoters. Since FY 2021, the C360 survey has been making steady improvement towards having more Promoters and fewer Detractors year over year.

In the *FY 2022 Analysis*, the Commission recommended that the Postal Service strive to improve successful resolution of customer issues for C360 survey results. *FY 2022 Analysis* at 63. In the FY 2023 ACR, the Postal Service states it responded to this recommendation by incorporating key drivers of overall satisfaction into its CX monitoring dashboards and conducting daily reporting to capture issues on a route before customers file a service request. FY 2023 ACR at 73. The Commission observes that these efforts appear to have succeeded in improving the C360 NPS from -27.9 in FY 2022 to -20.7 in FY 2023.

The Commission recommends that the Postal Service continue to use the NPS to measure and assess CX in FY 2024. Although the Commission remains concerned about the C360 NPS, the Postal Service's plans implemented in FY 2023 appear to have improved the result. The Commission recommends the Postal Service continue its efforts to improve the NPS for each CX survey in FY 2024. For each NPS that declines in FY 2024, the FY 2024 Report should explain why and describe plans for improvement in FY 2025.

e. Social Media Customer Service

Social media customer service involves companies providing customer support through social media channels, including social media posts and direct messages.⁵⁵ By giving customers the option to reach out conveniently on social media, companies ultimately improve CX while reducing the cost to service customers compared to calling contact centers. *See* Qualtrics XM Social Media Customer Service. The Postal Service states that during FY 2023, it continued to use social media as an important platform for engaging customers who prefer interacting on social media rather than more traditional forms of communication such as email, chat, and telephone. FY 2023 ACR at 85-86. To evaluate customer perceptions and improve CX, the Postal Service uses social media mainly to conduct social listening and respond to customer inquiries, which are each described below.

(1) Social Listening

Social listening is the process of monitoring a company's social media channels for customer feedback, direct mentions of the company's brand, or discussions regarding specific keywords, topics, competitors, or industries.⁵⁶ In FY 2023, the Postal Service states that the Social Business Intelligence (SBI) team continued to use social listening to review what people were saying about the Postal Service on various social platforms. FY 2023 ACR at 86. It notes that social listening helped the Postal Service understand “what overarching issues may be concerning to customers, such as delivery issues, operational issues, confusion about products or services and issues at the local [P]ost [O]ffice...” *Id.* The SBI team then compiled and analyzed data obtained from social listening to communicate lessons learned across the Postal Service to help specific groups solve problems at the root, before they become larger and less manageable. *Id.*

For example, the Postal Service states that in FY 2023, the three major categories of issues customers were concerned about were: package tracking; mail/package delivery; and Human Resources, which is a broad category including comments from and/or about prospective, current, or retired employees. April 9 Response to CHIR No. 22, question 2.a. It notes that compared to FY 2022, the number of customer concerns in FY 2023 decreased in every category except for Human Resources. *Id.* question 2.b.

To communicate lessons learned from social listening, the Postal Service continued to use the social media heat map, which geographically displays comments left on the Postal Service's official Facebook and X (formerly Twitter) accounts and from online review websites.⁵⁷ The heat map covers all domestic addresses served by the Postal Service and

⁵⁵ *What is social media customer service?*, Qualtrics XM, available at <https://www.qualtrics.com/experience-management/customer/social-media-customer-service/> (Qualtrics XM Social Media Customer Service).

⁵⁶ Swetha Amaresan, *What Is Social Listening & Why Is It Important?*, HubSpot (October 7, 2022), available at <https://blog.hubspot.com/service/social-listening>.

⁵⁷ Response to CHIR No. 22, question 2.c.; see United States Postal Service, *Temperature check: Social media gauges customer service*, USPS News Link (October 27, 2022), available at <https://link.usps.com/2022/10/27/temperature-check/>.

categorizes information by customer concern, which can be viewed by Area, District, and ZIP Code. The Commission describes the social media heat map in detail in the *FY 2022 Analysis*. See *FY 2022 Analysis* at 72-75.

The Postal Service states that Area, District, and local personnel have used heat map data to improve CX in FY 2023 by:

- Publishing internal newsletters recognizing locations and individuals performing excellent work.
- Compiling and sending review scores and comments to respective managers to help them understand which post offices needed to improve customer service and satisfaction.
- Sharing heat map data weekly with Customer Relations Coordinators, which resulted in a 17 percent increase in online review scores between FY 2022 and FY 2023.
- Identifying specific customer concerns during natural disasters, such as service interruptions and change of address requests.

Response to CHIR No. 20, question 9.c.ii-iv.

The Postal Service states it will continue applying lessons learned from the social media heat map data to improve CX in FY 2024 and future years. *Id.* question vi. It plans to make heat map data available to anyone with a Postal Service email address to help facilitate access to a broader segment of postal employees. *Id.* It anticipates that continued use of heat map data to help with specific initiatives such as Operation Santa and unforeseen events such as natural disasters should positively impact customer satisfaction. *Id.*

The Commission observes that the social media heat map appears to be an effective method for communicating real-time feedback to enable the Postal Service to respond promptly to issues. The Commission recommends that in FY 2024, the Postal Service make the heat map data available to more people and continue using the social media heat map and other social listening tools to improve CX.

(2) Responding to Customer Inquiries

The Postal Service responds to customer inquiries and concerns primarily on two social media platforms: X and Facebook.⁵⁸ Customers may contact the Postal Service via its corporate @USPS Facebook page, as well as @USPS or @USPSHelp on X. *Id.* The Social Customer Response (SCR) team addresses X and Facebook customer inquiries directly with the customer from inception to completion. FY 2023 ACR at 86. The Postal Service explains

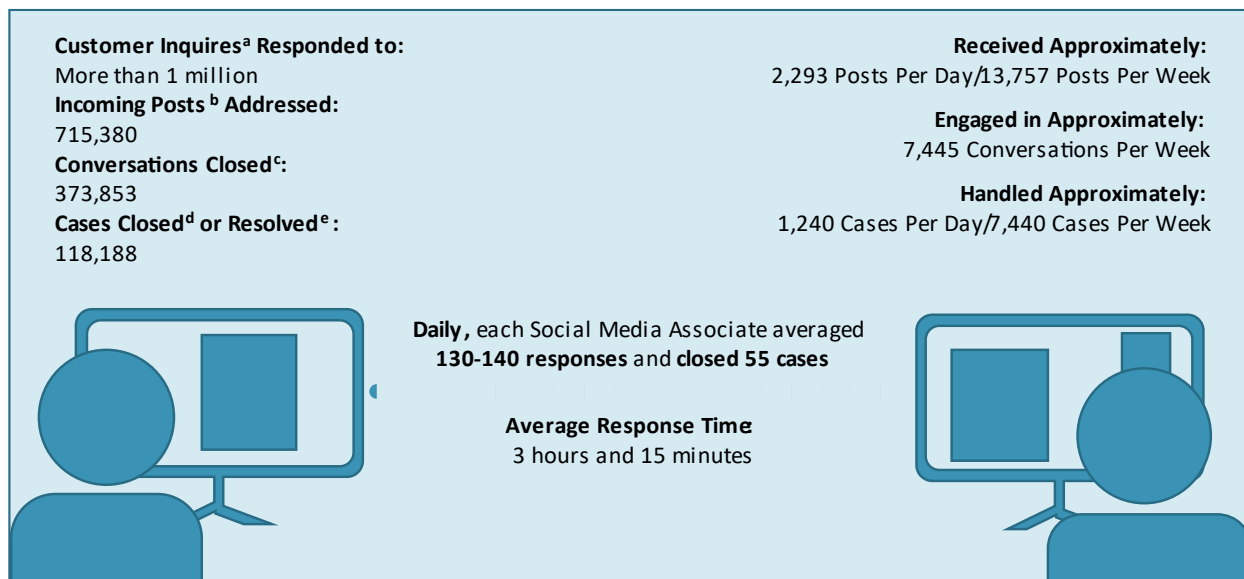
⁵⁸ Docket No. ACR2021, Revised Responses of the United States Postal Service to Questions 2 and 3 of the Chairman's Information Request No. 26—Errata, April 25, 2022, question 3.a.

that to address customer issues and inquiries, SCR associates contacted local Post Office supervisors, District Managers, Consumer and Industry Contact Managers, and other personnel. *Id.*

The Postal Service states that in FY 2023, the three most common types of customer inquiries or issues submitted via X and Facebook were: help locating and tracking packages; missing mail deliveries; and why certain mail took too long to be delivered; including questions about the delivery path. April 9 Response to CHIR No. 22, question 9.a. For example, one issue involved a customer complaining that they could not retrieve an item mailed to them because it was stuffed into the P.O. Box. *Id.* question b.i.1. The customer stated that they contacted the Local Post Office several times with no response. *Id.* In response, an SMA worked with the Local Post Office and asked the carrier to remove the item for the customer to retrieve the following day. *Id.* question b.ii.1. The SMA stayed with the customer from the beginning to the end of their issue. *Id.*

Figure III-7 shows the reported number of inquiries the SCR team received, responded to, and resolved, as well as the average length of time for responding to customer inquiries.

Figure III-7
Social Customer Response Team
FY 2023 Reported Inquiries and Responses



^a An inquiry occurs when a customer asks for help from a Postal Service social media channel.

^b A post is any customer message or comment on a Postal Service social media channel.

^c A conversation is a communication exchange between a customer and Postal Service SMA. A conversation is closed when the Postal Service determines that the customer no longer needs help.

^d An inquiry becomes a case when it requires the SMA to perform detailed research to determine a resolution.

^e A case is closed when, after research, the situation is deemed non-actionable, or the SMA liaised with the Local Post Office, who is now addressing the concern directly with the customer. A case is resolved after the SMA researches the inquiry, reaches out to all available sources to determine the best course of action for resolving the issue, and the SMA and customer agree that the customer's concern has been resolved.

Source: FY 2023 ACR at 86-87; April 9 Response to CHIR No. 22, questions 8, 9.c.i.; Response to CHIR No. 26, question 2.

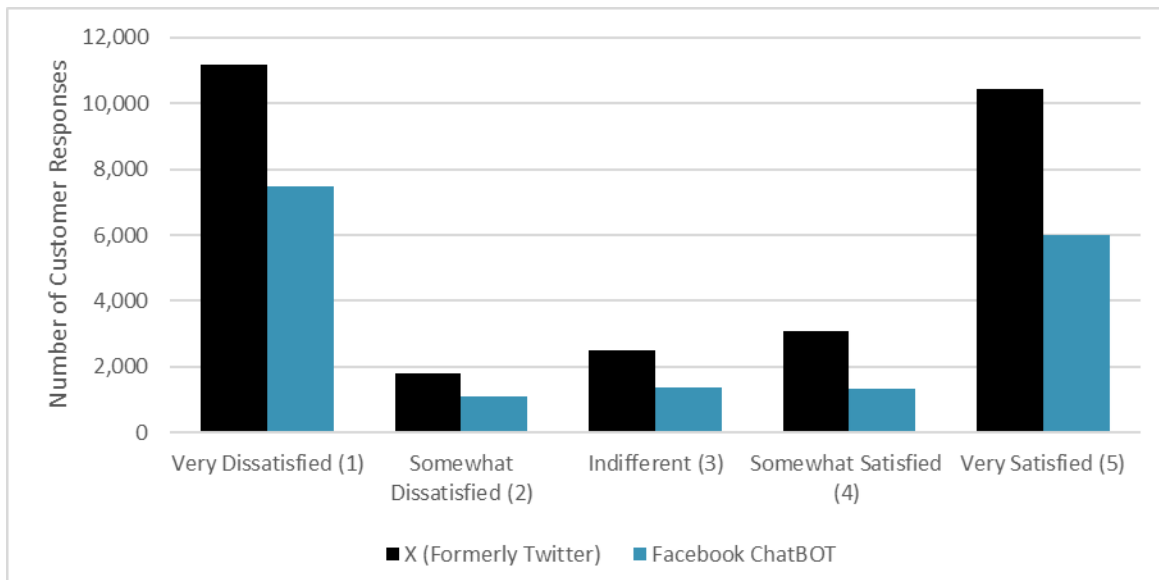
In the *FY 2022 Analysis*, the Commission expressed concerns about the average length of time to respond to customer inquiries, which was approximately 5 hours and 7 minutes in FY 2022. *FY 2022 Analysis* at 79. Figure III-7 shows that the Postal Service reduced the average SMA response time to 3 hours and 15 minutes in FY 2023. Response to CHIR No. 26, question 2. The Postal Service identifies several factors that may have decreased the response time. First, customers are becoming more familiar with the SCR team, which enhanced their ability to navigate the platform and ask questions. *Id.* Second, the Postal Service improved the interactive Facebook ChatBOT, which helped lower the number of customers waiting for a SMA to respond. *Id.* Third, SMAs completed new training programs in March 2023, which helped them address customer inquiries faster. *Id.* Fourth, the Postal Service distributed articles sharing useful information with SMAs to help them resolve customer concerns. *Id.*

Customers who submit a question, concern, or inquiry via X receive a customer survey after the situation is closed or resolved. April 9 Response to CHIR No. 22, question 10.a. The

question asks the customer “How satisfied are you with the level of service our Social Media Associate has provided” on a scale of 1 (Very Dissatisfied) to 5 (Very Satisfied). *Id.* question 10.b. Due to Facebook’s internal algorithms, the Postal Service is unable to send a customer satisfaction survey to customers who submit inquiries or issues via Facebook and interact with a SMA. *Id.* question 17. However, it does send surveys to customers who use the Facebook ChatBOT tool, which is described below. This tool asks one survey question: “Was this helpful?” *Id.* question 12.b.iv.

Figure III-8 compares the number of responses received for the X and Facebook ChatBOT customer surveys.

Figure III-8
FY 2023 Customer Satisfaction Survey Responses
X (formerly Twitter) and Facebook ChatBOT



Source: April 22 Response to CHIR No. 24, questions 11.a., 11.b.

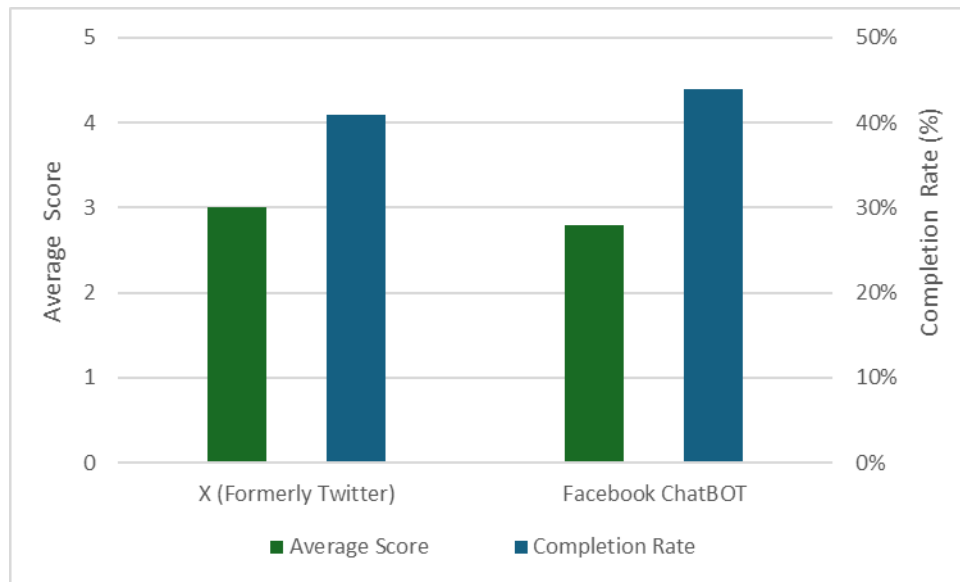
Figure III-8 shows that approximately 75 percent of responses to both the X and Facebook ChatBOT were either Very Dissatisfied (1) or Very Satisfied (5). The Commission observes that these results could reflect the occurrence of a type of satisfaction survey response bias classified as an extreme response bias.⁵⁹ When customers are asked to rate their satisfaction level on a scale of 1 to 5, extreme responses (consistently selecting 1 or 5 even if that score does not reflect their true satisfaction) can occur out of eagerness to please the questioner or due to the wording of the question. *See Qualtrics XM Response Bias. To*

⁵⁹ *What is response bias and how can you avoid it?*, Qualtrics XM, available at <https://www.qualtrics.com/experience-management/research/response-bias/#:~:text=Extreme%20response%20bias&text=What%20usually%20happens%20is%20respondents,it's%20not%20their%20true%20stance> (Qualtrics XM Response Bias).

mitigate extreme response bias, some surveys use smiley faces or provide a comment box asking respondents to explain their rating.⁶⁰

Figure III-9 compares the average customer satisfaction score and survey completion rate and shows that both are similar for X and Facebook ChatBOT users.

Figure III-9
FY 2023 X (formerly Twitter) and Facebook ChatBOT Surveys
Comparison of Average Customer Satisfaction Score and Completion Rate



Source: April 22 Response to CHIR No. 24, questions 11.a., 11.b.

The Commission commends the Postal Service for improving the average SMA response time and encourages the Postal Service to continue implementing these efforts to decrease the response time in FY 2024. The Commission is concerned that the X and Facebook ChatBOT satisfaction surveys could reflect that customers are consistently selecting extreme responses even if that score does not reflect their true satisfaction (referred to as extreme response bias) and recommends that the Postal Service consider methods to mitigate potential bias such as by using a smiley face scale or adding a comment box if this bias is reflected in FY 2024 surveys.

⁶⁰ *Different Types of Bias in Surveys and How to Avoid Them*, Userpilot (August 14, 2023), available at <https://userpilot.com/blog/types-of-bias-in-surveys/#:~:text=How%20to%20fix%20extreme%20response%20bias&text=Using%20smiley%20face%20surveys%20instead,can%20cross%2Dreference%20honest%20responses.>

f. Artificial Intelligence Tools

Many companies use AI tools to improve CX and their relationship with customers. For example, an AI chatbot is a software program that simulates human speech and allows people to communicate with computers in a natural and conversational way.⁶¹ A chatbot uses machine learning (ML) and natural language processing (NLP) to interpret inputs and understand the intent behind a request, allowing it to handle complex inquiries and generate more accurate results.⁶² NLP helps a computer understand human language through text analysis, and ML is used to automatically mine insights from large amounts of data.⁶³

In FY 2023, the Postal Service continued using the Facebook ChatBOT to respond to more than 115,470 conversations and resolve more than 34,422 customer needs without agent interaction for basic tasks such as looking up tracking numbers and stamp prices. FY 2023 ACR at 87; April 9 Response to CHIR No. 22, question 13. It states that NLP has improved the ChatBOT's ability to better understand and address customer concerns by analyzing customer verbiage and usage of postal lingo when discussing their issues and concerns. April 9 Response to CHIR No. 22, question 14.a.

In FY 2023, the Postal Service also continued using the AIVA to provide a self-service option for customers calling the CCC at 1-800-ASK-USPS. The AIVA handles package tracking, which is one of most common self-service call types. FY 2023 ACR at 77. In FY 2023, the AIVA handled 3,553,361 calls, which is more than 2.5 times the number of calls in FY 2022 (1,399,203).⁶⁴ In FY 2023, 2,634,794 calls ended without live agent involvement, and the average overall satisfaction score was 65.6. April 5 Response to CHIR No. 22, questions 19.b., 19.c.

Another AI tool the Postal Service used in FY 2023 to improve CX was the Insights Portal, an internal data science tool that provides a user interface for identifying and monitoring CX issues on *usps.com*. April 5 Response to CHIR No. 22, question 21.a. It states that the Insights Portal helped discover issues on *usps.com* that would otherwise go undetected, reduce the time necessary for internal teams to discover issues, and facilitate escalating these matters for resolution. *Id.* question 21.b. In FY 2024, it describes several opportunities it is exploring to leverage AI to reduce customer inquiry response times, reduce mailings of prohibited items, and improve the resolution time for customer

⁶¹ Lily Pollock, *15 Best AI Chatbots for Customer Support in 2024*, Ultimate (January 23, 2024), available at <https://www.ultimate.ai/blog/ai-automation/15-best-ai-chatbots-for-customer-support>.

⁶² Clifford Chi, *AI Chatbots: Our Top 21 Picks for 2024*, HubSpot (November 29, 2023), available at <https://blog.hubspot.com/marketing/best-ai-chatbot>.

⁶³ Annette Chacko, *The role of AI in creating a more human customer experience*, Sprout Social (June 6, 2023), available at <https://sproutsocial.com/insights/ai-customer-experience/>.

⁶⁴ *Compare* April 5 Response to CHIR No. 22, question 19.a., with Docket No. ACR2022, Responses of the United States Postal Service to Question 1-7 of Chairman's Information Request No. 19, March 27, 2023, question 6.a. (Docket No. ACR2022, Response to CHIR No. 19).

incidents. *Id.* question 23. It notes that it may or may not develop these opportunities into tools for improving CX. *Id.*

The Commission observes that the Facebook ChatBOT and AIVA appear to have been effective in improving response times and reducing the need for live agent interactions in FY 2023. The Commission encourages the Postal Service to continue using these and other AI tools to continue improving CX and its efforts to respond to customer inquiries.

C. Safe Workplace and Engaged Workforce

1. Key Observations and Recommendations

In FY 2023, the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal because it missed targets for both the Total Accident Rate and Grand Mean Engagement Score.

Significant changes occurring at the Postal Service partly contributed to not meeting the Safe Workplace and Engaged Workforce performance goal in FY 2023.

To improve transparency, in future annual performance reports, the Postal Service should provide more thorough and detailed explanations for why targets were not met.

The Commission is concerned that the Postal Service missed the FY 2023 Total Accident Rate target, which was likely caused by the ongoing network realignment's changes to employee routines and travel routes. In FY 2024, the Commission recommends that the Postal Service continue to monitor the ongoing network realignment's impact on the Total Accident Rate to ensure that the number of accidents decreases. If the Postal Service does not meet the FY 2024 Total Accident Rate target, the Commission recommends that the FY 2024 Report provide a more detailed explanation that identifies which factors contributed most to the increase in accidents.

The Commission is concerned about the increase in motor vehicle accidents in FY 2023, which was likely caused by the operational changes from the network redesign. The Postal Service's plans to insource contract transportation will shift the manner in which these accidents are reported. The Postal Service should ensure that previous years of accident data for contractors is part of the baseline analysis of the accidents that will now occur internal to Postal Operations. Rather than just the number of accidents, the data should also account for mileage, so that a ratio of accidents to miles traveled is available for analysis. The Commission recommends that the Postal Service continue to monitor the number of motor vehicle accidents for both contractors and employees. If either or both of these numbers increase in FY 2024 compared to FY 2023, the FY 2024 Report should explain why, identify specific factors causing the increase, and describe plans to improve motor vehicle safety in FY 2025.

The Commission is concerned about the increase in crimes affecting letter carriers and postal employees but supports and appreciates continued efforts by the Postal Service, the Inspection Service, and law enforcement officers to combat crime against letter carriers and mail theft. The Commission recommends that the Postal Service continue to monitor injuries caused by crimes committed against letter carriers and other postal employees. It recommends that the FY 2024 Report discuss actions taken and results achieved under Project Safe Delivery in FY 2024. The Commission concurs with the GAO's recommendations that the Inspection Service document processes for determining the size and location of both the postal inspector and postal police workforce as well as set a time frame for completing a security force assessment to determine the size and location of the postal police workforce.

The Commission finds that employee engagement levels as measured by the Grand Mean Engagement Score remained stable between FY 2022 and FY 2023. In FY 2024, the Commission recommends that the Postal Service continue to monitor the ongoing network realignment's impact on the employee engagement levels. If the Grand Mean Engagement Score continues to decline or does not increase in FY 2024, the Commission recommends that the FY 2024 Report clearly explain why. If one of the reasons relates to significant changes occurring at the Postal Service, the FY 2024 Report should identify which changes contributed most to the decline in employee engagement. In the FY 2024 Report, the Commission recommends that the Postal Service describe how implementing its plans to encourage supervisor-employee conversations and filling supervisor vacancies affected the FY 2024 Grand Mean Engagement Score.

To facilitate the Commission's and commenters' review of employee engagement, the Commission recommends that going forward, the Postal Service file the Postal Pulse survey and data on the number of respondents, mean scores, and disaggregated survey responses for the past 3 fiscal years in the ACR. The Postal Service should file the following information for FY 2024 with Docket No. ACR2024, Library Reference USPS-FY24-38: (1) a copy of the Postal Pulse survey; (2) the number of bargaining-unit and non-bargaining unit employees who received the survey; (3) the number of bargaining-unit and non-bargaining unit employees that responded to at least one question on the survey; (4) the mean score for each question on the survey; and (5) the number of responses received for each question, disaggregated by each of the possible responses.

The Commission is concerned that the Engagement Survey Response Rate declined by approximately 50 percent during the last 4 years from 33 percent (FY 2020) to 17 percent (FY 2023). The Commission finds that the vendor printing error likely impacted the representativeness of bargaining-unit employees in FY 2023. Consequently, survey results may not accurately reflect engagement levels of all Postal Service employees. This error appears to be a unique circumstance that the Postal Service is addressing by contracting with a new survey vendor.

The Commission encourages the Postal Service to conduct quality review during the next Postal Pulse survey administration and create a plan that actively encourages employee engagement. It recommends that the Postal Service work with the new survey vendor to encourage participation in the survey. If the Engagement Survey Response Rate does not improve in FY 2024, the Commission recommends that the FY 2024 Report explain why and describe plans for improvement in FY 2025.

2. Background

In FY 2023, the Postal Service used two performance indicators to evaluate progress toward the Safe Workplace and Engaged Workforce performance goal. The Total Accident Rate measures progress toward improving employee safety. The Grand Mean Engagement Score assesses overall engagement levels of survey respondents.

a. Total Accident Rate

In FY 2023, the Postal Service continued to use the Total Accident Rate as a performance indicator to measure progress toward improving employee safety. *FY 2023 Annual Report* at 48. The Total Accident Rate is calculated by multiplying the total number of accidents during the year by 200,000, which is the average number of annual workhours per employee (2,000) multiplied by 100 to standardize accident rates. *Id.* This number is then divided by the annual number of exposure hours. *Id.* The Total Accident Rate formula is:

$$\frac{\text{Total Number of Accidents} \times 200,000}{\text{Exposure Hours}}$$

Id.

The Total Accident Rate result yields an annual accident frequency per 100 employees. A lower result is a better outcome. The Total Accident Rate uses the same formula as the Occupational Safety and Health Administration (OSHA) Illness and Injury Rate. *Id.* The Total Accident Rate includes recordable and non-recordable industrial and motor vehicle accidents. Response to CHIR No. 21, question 7. Recordable accidents are those that result in the need for medical care, days away from work, or restricted duty. *Id.* Non-recordable accidents result in property damage or first aid treatment only. *Id.*

The FY 2023 Total Accident Rate was 13.48, which did not meet the FY 2023 target of 13.25. *FY 2023 Annual Report* at 48. The Postal Service reports that between FY 2022 and FY 2023, the number of recordable, non-recordable, and motor vehicle accidents increased. *Id.* The largest increase was for motor vehicle accidents, which increased by 8.56 percent. *Id.*

The Postal Service explains that it did not meet the “aggressive” FY 2023 target because the FY 2023 target was 1.5 percent lower than FY 2022, which “created challenges due to operational changes as part of network redesign efforts.” *Id.* In a CHIR response, the Postal

Service clarifies that these changes include insourcing contract transportation in many facilities, Terminal Handling Services, and STC operations at many work locations. Response to CHIR No. 20, question 5.a. It states that these changes increased the number of employees and the chance of accidents overall. *Id.*

The FY 2024 Total Accident Rate target is 13.25, which is the same as the FY 2023 target. *See FY 2023 Annual Report* at 48. The Postal Service asserts that the FY 2024 target accounts for challenges due to operational changes that affected the Postal Service performance in FY 2023. *Id.* It explains that it will meet this target by continuing proactive safety and prevention efforts focusing on the most common workplace hazards and enhancing the Occupational Safety and Health Scorecard and Safety and Health Management tool to increase visibility into accident and injury prevention opportunities. *Id.* at 48-49.

b. Grand Mean Engagement Score

Each year, the Postal Service administers the Postal Pulse survey to all employees to measure the level of engagement at the Postal Service. *Id.* at 50. Figure III-10 is a copy of the FY 2023 Postal Pulse survey.

Figure III-10
FY 2023 Postal Pulse Survey

THE POSTAL PULSE

SURVEY INSTRUCTIONS

Please carefully follow the steps below when completing this survey.

- Use only a blue or black ink pen that does not blot the paper
- Make solid marks inside the response boxes
- Do not make other marks on the survey

EXAMPLE
RIGHT WAY **WRONG WAY**

Please complete your survey at your workplace in order to receive time on-the-clock to take the survey.

START HERE Begin the survey by answering the following question regarding your level of satisfaction with the Postal Service as a place to work.

0. On a five-point scale where 5 means extremely satisfied and 1 means extremely dissatisfied, how satisfied are you with the Postal Service as a place to work?.....

	1	2	3	4	5	Don't Know
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

On a five-point scale, where 5 means strongly agree and 1 means strongly disagree, please rate your level of agreements with the following items.

	1	2	3	4	5	Don't Know/ Does Not Apply
1. I know what is expected of me at work.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I have the materials and equipment I need to do my work right.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. At work, I have the opportunity to do what I do best every day.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. In the last seven days, I have received recognition or praise for doing good work.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. My supervisor, or someone at work, seems to care about me as a person.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. There is someone at work who encourages my development.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. At work, my opinions seem to count.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. The mission of purpose of my company make me feel my job is important.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. My fellow employees are committed to doing quality work.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. I have a best friend at work.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. In the last six months, someone at work has talked to me about my progress.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. This last year, I have had opportunities at work to learn and grow.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. I would recommend my organization to friends and family as a great place to work.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. I would recommend my organization's products and services to friends and family members.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

THANK YOU for your participation!

Please mail your completed survey to Gallup no later than Friday, July 28, 2023, using the postage-paid business reply envelope provided.

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Barcode Q3 FY 2023

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Source: Response to CHIR No. 13, question 2, file "ChIR13+Q2+Response_PP+Survey.pdf."

As shown in Figure III-10, the Postal Pulse survey asks participants to rate their level of agreement with 16 statements concerning their work environment on a scale of 1 to 5, with higher numbers reflecting stronger agreement with a survey statement. Question 0 asks employees to rate their level of satisfaction with the Postal Service as a place to work. Questions 1 through 12 are the foundational questions from the Gallup Q12 survey, which

many companies use to measure their employee engagement.⁶⁵ These questions are based on the hierarchy of an employee's developmental needs: Basic Needs, Management Support, Teamwork, and Growth. *See Sapko.*

The Postal Service added Question 13 to the survey in FY 2020 to determine whether supervisors and employees had one-on-one conversations to discuss workplace needs. *FY 2020 Annual Report* at 43. In FY 2022, the Postal Service added Questions 14 and 15 to the survey, which are similar to the questions asked on the Net Promoter Survey. *See FY 2022 Analysis* at 82-83.

In FY 2023, the Postal Pulse survey was initially administered from April 25, 2023, through May 28, 2023, to the Postal Service workforce, which consists of bargaining-unit and non-bargaining unit employees.⁶⁶ Non-bargaining employees received the survey link via postal email when the survey began and continued receiving links to the survey until they responded or when the survey closed. *FY 2023 Annual Report* at 50. Bargaining-unit employees receive a paper copy of the survey at their work unit and home address, and also via postal email. *Id.* The Postal Service states it encouraged employees to complete the survey using several communication channels, including scanner alerts, stand-up talks, and weekly meetings. *Id.* All employees were invited to respond to the survey on-the-clock at work. *Id.*

Approximately 2 weeks after administering the survey, a vendor printing error required the Postal Service to redistribute the paper survey and discard any paper survey responses received. *Id.* The Postal Pulse survey was again conducted from June 27, 2023, through July 28, 2023. *Id.*

The Postal Service uses results from the survey to calculate the Grand Mean Engagement Score and the Engagement Survey Response Rate. The Grand Mean Engagement Score assesses overall engagement levels of survey respondents, while the Engagement Survey Response Rate shows the level of participation among the entire employee population. *FY 2023 Annual Report* at 50. The FY 2023 Grand Mean Engagement Score was 3.29, which was slightly lower than both the FY 2023 target (3.33) and the FY 2022 result (3.31). *See id.* at 39. Because of the vendor printer error, the FY 2023 Engagement Survey Response Rate declined from 25 percent in FY 2022 to 17 percent in FY 2023. *Id.* at 39, 50.

The FY 2024 target for the Grand Mean Engagement Score is 3.31. *Id.* at 51. The Postal Service did not set a FY 2024 target for the Engagement Survey Response Rate because it is not a performance indicator for the Safe Workplace and Engaged Workforce performance goal. It describes plans for meeting the FY 2024 target, including launching electronic

⁶⁵ *See* Wowka Sapko, *Gallup Q12 Questions – The most famous engagement survey*, SurveyLab (March 25, 2024), available at <https://www.surveylab.com/blog/gallup-q12/> (Sapko).

⁶⁶ *FY 2023 Annual Report* at 50. Bargaining-unit employees are represented by a labor organization or union that negotiates with the Postal Service for wages, hours, and other terms and conditions of employment. "Bargaining unit," United States Postal Service, Glossary of Postal Terms (Publication 32), July 2013, available at https://about.usps.com/publications/pub32/pub32_terms.htm (Glossary of Postal Terms).

probationary forms to reinforce supervisor interactions and timely performance discussions. *Id.*

3. Comments

Regarding a Safe Workplace, the Public Representative disagrees with the Postal Service's contention that it failed to meet the FY 2023 target because it was "aggressive." PR Comments at 49. He comments that the Postal Service did not provide a thorough explanation for why it did not meet the target. *Id.* at 49-50. He expresses concern about the 8.5 percent increase in motor vehicle accidents and crimes committed against Postal Service employees in FY 2023. *Id.* at 51-52. He concludes that "the FY 2024 target seems reasonable in light of the ongoing operational changes within the Postal Service network." *Id.* at 52.

In its reply comments, the Postal Service counters that the FY 2023 target was aggressive considering the anticipated major changes to the Postal Service network. Postal Service Reply Comments at 14. It responds that the network redesign, which insourced some operations and changed many employees' job routines, caused the increases in the Total Accident Rate and motor vehicle accidents in FY 2023. *Id.* at 13-14. It affirms its commitment to addressing crimes against employees through ongoing law enforcement efforts. *Id.* at 14-15.

Regarding an Engaged Workforce, the Public Representative asserts that due to the vendor printing error, survey results may not accurately reflect engagement levels of all Postal Service employees in FY 2023, especially bargaining-unit employees. PR Comments at 53-54. He comments that the *FY 2023 Report* does not clearly explain why the Grand Mean Engagement Score declined in FY 2023 and concludes that the FY 2024 target appears appropriate. *Id.* at 55. For the next reporting cycle, he recommends that the Commission obtain from the Postal Service certain Postal Pulse disaggregated survey response and score data early enough for commenters to review. *Id.* at 55-56.

In its reply comments, the Postal Service maintains that the 17 percent response rate is "a valid portrayal of the sentiments of those [101,033] employees who responded[.]" *Id.* at 16. It explains that the decline in Grand Mean Engagement Score during the past 2 years was caused by significant changes the Postal Service has been undergoing since 2021. *Id.* at 16-17.

4. Commission Analysis

In FY 2023, the Postal Service missed targets for both the Total Accident Rate and Grand Mean Engagement Score. *See FY 2023 Annual Report* at 39.

The Commission finds that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2023.

In the sections below, the Commission examines issues related to workplace safety and employee engagement and makes observations and recommendations for improving performance in future years.

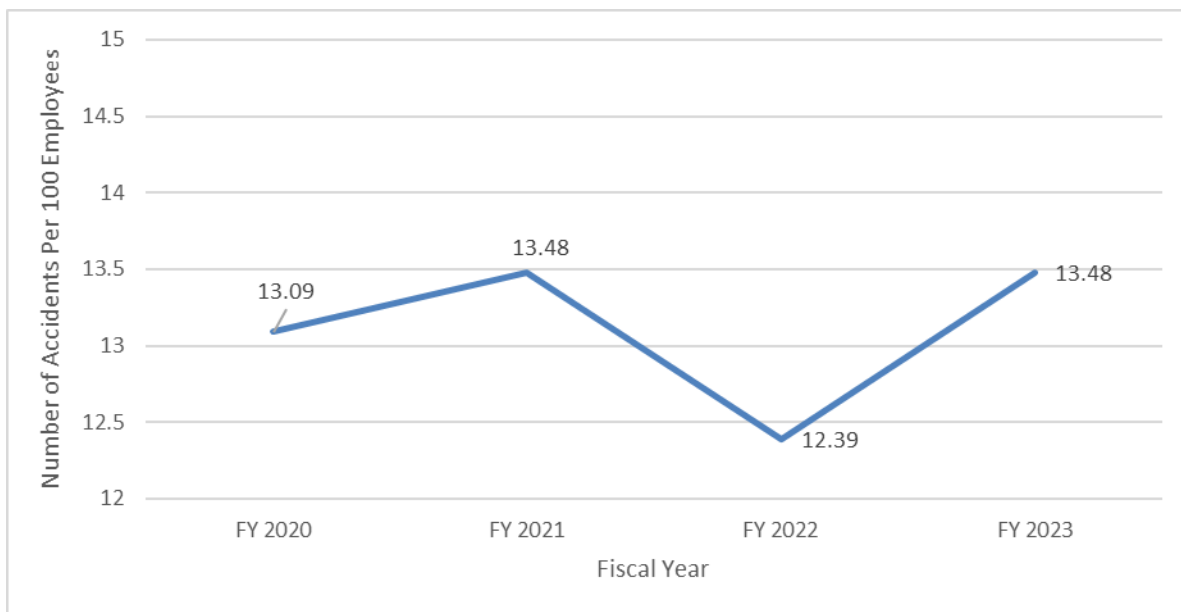
a. Safe Workplace

In this section, the Commission discusses the Total Accident Rate performance indicator and explores issues related to crimes against letter carriers, heat-related injuries, and motor vehicle accidents.

(1) Total Accident Rate

Figure III-11 shows Total Accident Rate results from FY 2020 through FY 2023.

Figure III-11
Total Accident Rate Results
FY 2020-FY 2023



Source: *FY 2023 Annual Report* at 39.

Figure III-11 shows that the Total Accident Rate improved in FY 2022 but worsened to FY 2021 levels in FY 2023. The FY 2023 result was 13.48, which did not meet the FY 2023 target of 13.25. The Postal Service explains that it did not meet the “aggressive” FY 2023 target because the FY 2023 target was 1.5 percent lower than FY 2022, which “created challenges due to operational changes as part of network redesign efforts.” *FY 2023 Annual Report* at 48.

The Commission is concerned that the Total Accident Rate worsened between FY 2022 and FY 2023, and the FY 2023 target was not met. However, the Postal Service previously met

targets between FY 2019 and FY 2022, and it missed the FY 2023 target partly because of major operational changes due to the network alignment. Specifically, the ongoing consolidation of mail processing operations could require employees to change their daily routines to conform to new practices and expectations. Employees may have to commute to different facilities and adjust to new processing equipment and machinery. They would also need training to learn work instructions for new processes.

The *FY 2023 Report* contains a one-sentence explanation for why the FY 2023 target was not met. See *FY 2023 Annual Report* at 48. The Public Representative observes that this explanation was “overly conclusory” because it does not identify which factors contributed more than others to the increased Total Accident Rate. PR Comments at 49-50. The Commission agrees that the Postal Service does not provide an adequate explanation in the *FY 2023 Report*. Although the Postal Service provides more details in a CHIR response, including this information in the *FY 2023 Report* would have improved transparency. In future annual performance reports, the Postal Service should provide more thorough and detailed explanations for why targets were not met.

The Commission is concerned that the Postal Service missed the FY 2023 Total Accident Rate target, which was likely caused by the ongoing network realignment’s changes to employee routines and travel routes. In FY 2024, the Commission recommends that the Postal Service continue to monitor the ongoing network realignment’s impact on the Total Accident Rate to ensure that the number of accidents decreases. If the Postal Service does not meet the FY 2024 Total Accident Rate target, the Commission recommends that the FY 2024 Report provide a more detailed explanation that identifies which factors contributed most to the increase in accidents.

(a) Crimes Against Letter Carriers

The Inspection Service is the law enforcement arm within the Postal Service that is responsible for enforcing the laws defending the nation's mail system and ensuring public trust in the mail.⁶⁷ Among other responsibilities, the Inspection Service protects Postal Service employees and property against serious crimes, including robbery, burglary, assault, and homicide. GAO-24-106497 at 1, GAO Highlights. The number of serious crimes against Postal Service employees and property has increased significantly between FY 2017 and FY 2023. *Id.* at 6. This increase was driven primarily by robberies of letter carriers, which have increased almost sevenfold from FY 2019 through FY 2023. *Id.* Criminals target letter carriers to obtain arrow and modified arrow keys used to unlock apartment panels, outdoor parcel lockers, and neighborhood delivery and collection boxes.⁶⁸ The number of letter carrier robberies rose from 64 cases in FY 2019 to 412 in FY 2022. The Eagle

⁶⁷ See United States Government Accountability Office, U.S. Postal Service: Inspection Service Should Document Its Law Enforcement Workforce Decision-Making Processes, GAO-24-106497 (May 2024), at 5 (GAO-24-106497).

⁶⁸ *Id.* at 11-12. United States Postal Service, *Project Safe Delivery*, The Eagle Magazine, Vol. 3, Issue 2 (February 2024), at 4, available at <https://about.usps.com/resources/eaglemag.htm> (The Eagle Magazine, Feb. 2024).

Magazine, Feb. 2024 at 5. In FY 2023, there were 605 letter carrier robberies, an 845 percent increase compared to FY 2019.⁶⁹

In a CHIR response, the Postal Service confirms that the Total Accident Rate measures injuries caused by crimes committed against letter carriers and other Postal Service employees. Response to CHIR No. 21, question 8.a. Specifically, the Total Accident Rate includes those injuries resulting in the need for first aid treatment, medical care, days away from work, or restricted duty. *Id.* If none of these applies, the event is considered a “near miss” that, “but for a change in circumstances could have resulted in an injury and are tracked for analytic purposes but not in [the] Total Accident Rate.” *Id.*

The number of injuries caused by crimes against postal employees that resulted in death or the need for first aid treatment, medical care, hospitalization, restricted duty, or lost time increased from 341 in FY 2022 to 567 in FY 2023. *See* Response to CHIR No. 27, question 1. The number of “near miss” events related to crimes, including property damage, increased from 203 in FY 2022 to 341 in FY 2023. *Id.*

To address the recent rise in mail theft and crimes against letter carriers, in May 2023, the Postal Service and the Inspection Service launched Project Safe Delivery, an initiative designed to protect postal employees and secure mail and packages. *Id.* question 3. Under Project Safe Delivery, the Postal Service and Inspection Service are focusing on three key areas, which are described in Figure III-12, along with actions taken as of April 2024.

⁶⁹ United States Postal Service Inspection Service, *Project Safe Delivery: Combating Mail Theft and Letter Carrier Robberies Strategy* (March 2024), at 7, available at https://www.uspis.gov/wp-content/uploads/2024/03/USPIS_Mail-Theft-Strategy-FINAL-3-13-24_v2-002.pdf (Project Safe Delivery Strategy).

Figure III-12
Project Safe Delivery
Key Areas and Actions Taken as of April 2024

	Key Area and Description	Actions Taken as of April 2024
Secure Postal Mail Receptacles	<ul style="list-style-type: none"> • Replace antiquated arrow locks with electronic locks, which are harder to break and can be remotely tracked or disabled.^a • Install high-security blue collection boxes to discourage mail theft. 	<ul style="list-style-type: none"> • Replaced more than 30,000 arrow locks with electronic locks. • Installed more than 15,000 new high-security blue collection boxes at critical locations across the country. • Increased employee accountability for arrow keys.
Advance Ongoing Investigations of Organized Mail Theft and Robbery Activity	<ul style="list-style-type: none"> • Deploy postal inspectors in a “surge strategy” targeting high risk metropolitan areas most impacted by letter carrier robberies and mail theft. • Coordinate with local law enforcement and prosecutors to focus efforts on known criminal patterns. • Conduct surveillance activities and security reviews at postal facilities. • Increase reward amounts for information leading to the arrest and conviction for certain postal crimes. 	<ul style="list-style-type: none"> • Conducted surges in Chicago, San Francisco, and cities across Ohio. • In FY 2023, made 193 arrests for robberies and 1,382 arrests for mail theft and related financial crimes. • Conducted more than 400 prevention activities and more than 950 investigative and enforcement actions. • Significantly increased reward amounts for homicide, robbery, assault on postal employees, and mail theft (ranging from \$100,000 to \$250,000).
Raise Awareness on Employee Safety and Mail Theft Prevention	<ul style="list-style-type: none"> • Conduct public service announcements and employee stand up talks. • Deliver presentations to postal employees on employee safety and mail theft prevention. 	<ul style="list-style-type: none"> • Sent an employee safety awareness mailer to approximately 450,000 employees. • Launched a new website providing the public, employees, and stakeholders with information and updates on Project Safe Delivery.^b

^a An arrow lock is a special type of brass and steel security lock installed in street collection boxes, apartment boxes, cluster boxes such as neighborhood delivery and collection box units, and other postal mail-receiving receptacles. “Arrow Lock,” Glossary of Postal Terms.

^b The website is <https://www.uspis.gov/project-safe-delivery>.

Source: Response to CHIR No. 27, questions 3-5; The Eagle Magazine, Feb. 2024 at 4-5.

In a CHIR response, the Postal Service reports that Project Safe Delivery has produced positive results. In FY 2024, as of April 22, 2024, the Inspection Service made 156 more arrests for robberies and 710 arrests for mail theft and related financial crimes. Response to CHIR No. 27, question 4. The Postal Service reports that compared to the same period last year, it experienced the following:

- 23 percent decrease in the number of Postal-related robberies
- 34 percent decrease in the number of mail theft complaints received
- 12 percent decrease in the number of reports of high-volume mail theft from mail receptacles
- 69 percent increase in the number of arrests

Id. For the remainder of FY 2024, the Postal Service commits to continue implementing all facets of Project Safe Delivery, as well as “mak[ing] significant investments in time, capital, and personnel to address attacks on Postal Service employees and associated mail theft and financial crimes.” *Id.* question 5. The Postal Service describes its strategy and approach in detail in its Project Safe Delivery Strategy.⁷⁰

In a recent report reviewing issues related to postal crime and law enforcement, the GAO found that the Inspection Service “has not fully documented its processes for determining the size and location of its postal inspector and postal police workforce” and is relying on outdated information to determine the size and location of postal police workforce. GAO-24-106497 at 20-25, GAO Highlights. The GAO made three recommendations including to recommend that the Postmaster General ensure that the Inspection Service document its processes for determining the size and location of both the postal inspector and postal police workforces as well as to set a time frame for completing a security force assessment to determine the size and location of the postal police workforce. GAO-24-106497 at 26. The Postal Service agreed with the GAO recommendations and plans to implement them by April 30, 2025. *Id.* at 36-37.

The Public Representative expresses concern about the increase in crimes committed against Postal Service employees. PR Comments at 51. The Commission shares these concerns. Letter carriers perform an important public service by helping the Postal Service meet its universal service obligation. However, the Commission is encouraged by recent actions taken to protect postal employees and secure mail, which appear to have reduced the number of postal-related crimes. The Commission supports and appreciates continued efforts by the Postal Service, Inspection Service, and law enforcement officers to combat crime against letter carriers and mail theft.

⁷⁰ PPOA filed comments on Response to CHIR No. 27, questions 1-5. See PPOA Comments at 4-11.

The Commission recommends that the Postal Service continue to monitor injuries caused by crimes committed against letter carriers and other postal employees. It recommends that the FY 2024 Report discuss actions taken and results achieved under Project Safe Delivery in FY 2024. The Commission concurs with the GAO's recommendations that the Inspection Service document processes for determining the size and location of both the postal inspector and postal police workforce as well as set a time frame for completing a security force assessment to determine the size and location of the postal police workforce.

(b) Heat-Related Injuries

One workplace safety concern in FY 2023 was heat-related illnesses and injuries. For example, several news articles reported that a letter carrier in Dallas, Texas died while delivering mail during an extreme heat wave.⁷¹ In response, 15 lawmakers from the House of Representatives issued a letter to the Postal Service expressing concerns about heat-related illnesses and injuries and asking questions about measures the Postal Service has in place to address heat-related risks to mail carriers.⁷² OSHA subsequently issued a citation that proposed a fine of \$15,625 and required the Postal Service to abate the heat hazard by ensuring that all employees are trained in the Heat Illness Prevention Program (HIPP), as well as allowing employees to start mail deliveries earlier on hot days and take rest breaks and drink water when temperatures rise.⁷³

The HIPP is designed to protect employees from heat illnesses by educating them on how to stay safe during hot weather.⁷⁴ The HIPP occurs during the period of April 1 through October 31, and when weather reports issued by the National Weather Service for a particular work location indicate that outdoor heat index temperatures are expected to exceed 80 degrees Fahrenheit during a workday or work shift. *Postal Bulletin 22646*. Employees must complete HIPP training by March 15 of each fiscal year.⁷⁵ Beyond training, key elements of the HIPP include conspicuous facility-level postings of visual aids, distributing badge cards, placing stickers in vehicles, planning for emergencies and responses, and engineering and administrative controls. Response to CHIR No. 23, question 16. These controls include routine inspections and availability of water, checking vehicle fans, escalating requests for HVAC repairs, and focusing on newly-hired employees and those returning from extended absences. *Id.*

⁷¹ See, e.g., Eric Katz, *They don't care about my life: Lawmakers, employees raise concerns about heat after USPS mail carrier's death*, Government Executive (July 11, 2023), available at <https://www.govexec.com/workforce/2023/07/they-dont-care-about-my-life-lawmakers-employees-raise-concerns-about-heat-after-usps-employee-death/388388/>.

⁷² Letter from the Committee on Oversight and Accountability, House of Representatives, to the Honorable Louis DeJoy, United States Postal Service (July 7, 2023), available at <https://oversightdemocrats.house.gov/news/press-releases/following-death-of-texas-mail-carrier-oversight-democrats-press-postmaster>.

⁷³ Ariel Wittenberg & E&E News, *Heat-Related Death of Postal Worker Leads to Controversial Fine*, Scientific American (January 2, 2024), available at <https://www.scientificamerican.com/article/heat-related-death-of-postal-worker-leads-to-controversial-fine/>.

⁷⁴ United States Postal Service, *Prepare for Rising Temperatures to Help Prevent Heat Illnesses*, *Postal Bulletin 22646* (March 21, 2024), at 3, available at <https://about.usps.com/postal-bulletin/2024/pb22646/html/welcome.htm> (*Postal Bulletin 22646*).

⁷⁵ See United States Postal Service, *Postal Service employees must complete this year's heat safety training* (January 31, 2024), available at <https://news.usps.com/2024/01/31/postal-service-employees-must-complete-this-years-heat-safety-training/>.

The Commission is concerned about heat-related illnesses and injuries, especially as temperatures continue to rise. However, the Postal Service appears to be taking appropriate steps to promote safety during hot weather. Specifically, Next Generation Delivery Vehicles (NGDVs), which are scheduled to deploy in FY 2024, are equipped with a modern air conditioning system that should help keep carriers cool during hot weather.⁷⁶ NGDVs will also have adjustable cupholders to allow carriers to have water readily available when they are driving. The Eagle Magazine, Apr. 2024, at 11.

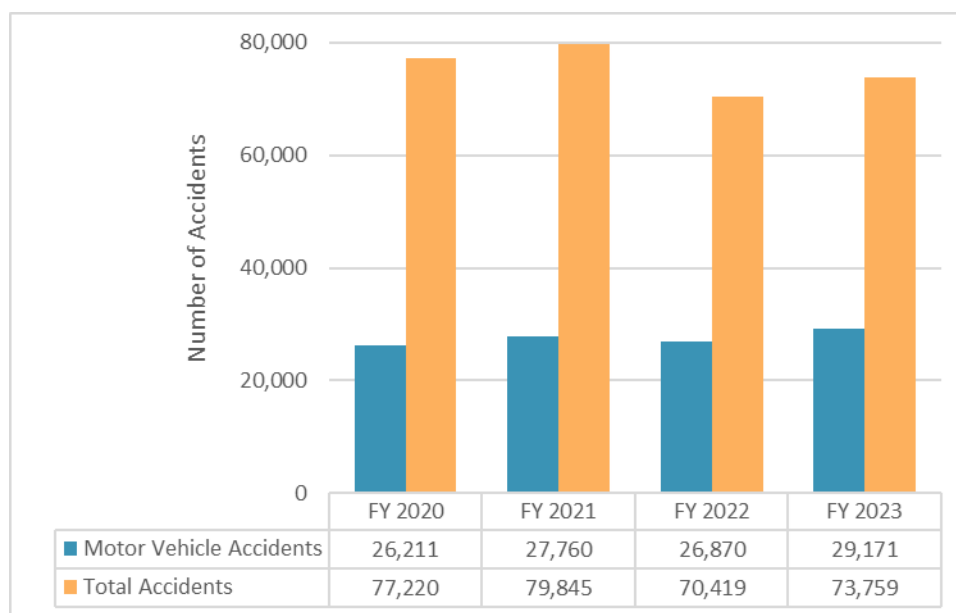
The Commission recommends that the Postal Service continue to implement the HIPP and other initiatives to help employees stay safe during hot weather. If the number of heat-related illnesses and injuries increases in FY 2024, the Commission recommends that the FY 2024 Report explain why, identify specific factors causing the increase, and describe plans to promote heat safety in FY 2025.

(c) Motor Vehicle Accidents

The Total Accident Rate includes motor vehicle accidents. Figure III-13 shows the number of motor vehicle accidents and the total number of accidents from FY 2020 through FY 2023.

⁷⁶ United States Postal Service, *Vehicle for Growth*, The Eagle Magazine, Vol. 3, Issue 3 (April 2024), at 11, available at <https://about.usps.com/resources/eaglemag.htm> (The Eagle Magazine, Apr. 2024).

Figure III-13
Total Accidents and Motor Vehicle Accidents
FY 2020-FY 2023



Source: *FY 2023 Annual Report* at 48; *FY 2021 Annual Report* at 43. The total number of accidents and number of motor vehicle accidents may differ from the numbers reported in past Annual Reports to Congress and CHIR responses because these numbers are obtained from a dynamic database that reflect coding changes or additional claims submitted after the end of the fiscal year. See *FY 2021 Annual Report* at 43 n.2.

As Figure III-13 shows, motor vehicle accidents represented 39.55 percent of the total number of accidents in FY 2023. While the total number of accidents decreased by 11.81 percent between FY 2021 and FY 2022, they increased by 4.74 percent in FY 2023. Similarly, the number of motor vehicle accidents decreased by 3.21 percent between FY 2021 and FY 2022 but increased by 8.56 percent in FY 2023.

CHIR No. 24 asked the Postal Service to describe plans to reduce the number of motor vehicle accidents in FY 2024. CHIR No. 24, question 9. The Postal Service clarifies that as it grows its transportation footprint, it will focus primarily on reducing the rate of motor vehicle accidents and not the total number of motor vehicle accidents. April 22 Response to CHIR No. 24, question 9. It states that the groups with the largest increases in motor vehicle accidents were fleet operations and logistics drivers. *Id.* Consequently, it updated its truck driver training program and developed new standardized guidance for Logistics that focuses on skills for reducing large truck motor vehicle accidents, such as backing, maneuvering, and defensive driving. *Id.*

In the *FY 2022 Analysis*, the Commission discussed safety issues regarding motor vehicles contracted to transport mail for the Postal Service. See *FY 2022 Analysis* at 90-92. To improve contractor-operated motor vehicle safety in FY 2023, the Postal Service stated it

planned to use a third-party software provider to help measure and monitor carrier safety, as well as re-engineer its approach to managing its transportation portfolio.⁷⁷ In a CHIR response, the Postal Service confirms that it continued to use third-party software to evaluate potential new carriers, update data related to carrier safety performance, and determine if changes are necessary for safety reasons. Response to CHIR No. 23, question 13.b.i. Also, the Postal Services states that the software helps it investigate every major accident or incident affecting the prompt carriage of mail by observing trends and collecting other data points that could allow the Postal Service to take appropriate actions regarding a carrier. *Id.* question 13.b.ii.

The Postal Service confirms that it implemented planned changes to its transportation portfolio regarding independent third-party carriers. *Id.* question 14.a. Specifically, it reduced the number of carriers and contracts that had a “Conditional” safety rating from the Department of Transportation. *Id.* question 14.b. It states that by 2027, it anticipates not having any carriers with a “Conditional” safety rating. *Id.* It notes that independent third-party carriers are no longer allowed to use subcontractors with “Conditional” safety ratings, and the Postal Service may immediately terminate all business with any carriers that fail to comply. *Id.*

The Commission shares the Public Representative’s concerns about the increase in motor vehicle accidents but is encouraged by the Postal Service’s efforts to improve contractor-operated motor vehicle safety. Insourcing contract transportation in many facilities could reduce the number of contractor motor vehicle accidents and could improve workplace safety because the Postal Service has more control and supervision over its own employees. However, in the shorter-term insourcing contract transportation may increase motor vehicle accidents and the Total Accident Rate as Postal Service employees learn to navigate different travel patterns and adjust to new routines. They will also need to maneuver the NGDVs when they are rolled out. However, the Commission expects the number of motor vehicle accidents to decrease over time as employees make the necessary adjustments to the “new normal.”

The Commission is concerned about the increase in motor vehicle accidents in FY 2023, which was likely caused by the operational changes from the network redesign. The Postal Service’s plans to insource contract transportation will shift the manner in which these accidents are reported. The Postal Service should ensure that previous years of accident data for contractors is part of the baseline analysis of the accidents that will now occur internal to Postal Operations. Rather than just the number of accidents, the data should also account for mileage, so that a ratio of accidents to miles traveled is available for analysis. The Commission recommends that the Postal Service continue to monitor the number of motor vehicle accidents for both contractors and employees. If either or both of these numbers increase in

⁷⁷ Docket No. ACR2022, Responses of the United States Postal Service to Questions 1-12 of Chairman’s Information Request No. 26, April 24, 2023, questions 6-7 (Docket No. ACR2022, Response to CHIR No. 26).

FY 2024 compared to FY 2023, the FY 2024 Report should explain why, identify specific factors causing the increase, and describe plans to improve motor vehicle safety in FY 2025.

b. Engaged Workforce

In FY 2023, the Postal Service tracked progress toward the Safe Workplace and Engaged Workforce performance goal using the Grand Mean Engagement Score and Engagement Survey Response Rate. Each of these metrics is explored below.

(1) Grand Mean Engagement Score

To calculate the Grand Mean Engagement Score, responses to Questions 1 through 12 are averaged to calculate the mean score for each question using the 5-point survey scale, with 5 being the highest score and 1 being the lowest. Docket No. ACR2022, Response to CHIR No. 26, question 12. Next, the mean scores for Questions 1 through 12 are averaged to calculate the Grand Mean Engagement Score. *Id.* Table III-15 shows the Grand Mean Engagement Score, as well as the mean score for each question on the Postal Pulse survey, from FY 2020 through FY 2023.

Table III-15
Postal Pulse Survey Scores
FY 2020-FY 2023

Postal Pulse Survey Questions	Question-Specific Mean Score ^a			
	FY 2020	FY 2021	FY 2022	FY 2023
Q00. How satisfied are you with the Postal Service as a place to work?	3.48	3.52	3.45	3.45
Grand Mean Engagement Score	3.29	3.36	3.31	3.29
Q01. I know what is expected of me at work.	4.26	4.29	4.29	4.18
Q02. I have the materials and equipment I need to do my work right.	3.54	3.60	3.55	3.50
Q03. At work, I have the opportunity to do what I do best every day.	3.74	3.81	3.78	3.70
Q04. In the last seven days, I have received recognition or praise for doing good work.	2.83	2.91	2.86	2.85
Q05. My supervisor, or someone at work, seems to care about me as a person.	3.41	3.48	3.42	3.39
Q06. There is someone at work who encourages my development.	3.01	3.12	3.08	3.07
Q07. At work, my opinions seem to count.	2.85	2.95	2.90	2.91
Q08. The mission or purpose of my company makes me feel my job is important.	3.60	3.62	3.54	3.48
Q09. My fellow employees are committed to doing quality work.	3.43	3.42	3.35	3.38
Q10. I have a best friend at work.	3.04	3.10	3.03	3.03
Q11. In the last six months, someone at work has talked to me about my progress.	2.73	2.83	2.80	2.85
Q12. This last year, I have had opportunities at work to learn and grow.	3.04	3.14	3.11	3.13
C01. My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs.	2.73	2.83	2.77	2.84
C02. I would recommend my organization to friends and family as a great place to work.	N/A		3.13	3.11
C03. I would recommend my organization's products and services to friends and family members.	N/A		3.79	3.76

Source: Response to CHIR No. 13, questions 3.c.v. and 3.c.vi., Excel file "ChIR13 Q3 Response_Attachment File.xlsx," tab "3c v. Mean Scores;" Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 23, March 11, 2021, question 7.d.

Table III-15 shows that although the Postal Service did not meet the FY 2023 target, employee engagement was largely the same in FY 2022 and FY 2023. Between FY 2022 and FY 2023, the Grand Mean Engagement Score and mean scores changed by less than 0.1 points except for Question 1 on knowing work expectations, which decreased by 0.11 points. Declines of less than 0.1 points are statistically insignificant. The decrease in Question 1 is consistent with Gallup's 2023 survey of employee engagement in the United States, which found that clarity of expectations has declined since 2020.⁷⁸ Nonetheless, Question 1 continued to have the highest mean score and was the only question with a score of more than 4 points.

The Commission agrees with the Public Representative that the *FY 2023 Report* does not clearly explain why the Grand Mean Engagement Score declined in FY 2023. Although the Postal Service provides the information in a CHIR response, including this explanation in the *FY 2023 Report* would have improved transparency, and identifying specific changes that affected employee engagement would have helped clarify the reason for the decline.

For FY 2024, the Postal Service set the Grand Mean Engagement Score target at 3.31, an increase of 0.02 from the FY 2023 result. *FY 2023 Annual Report* at 51. It asserts that this target is "optimistic, yet realistic" because Grand Mean Engagement Scores have increased by 0.01 each year from FY 2016 through FY 2019. *Id.* The Public Representative comments that the FY 2024 target seems appropriate. PR Comments at 55.

To meet the FY 2024 target, the Postal Service plans to create electronic probationary forms to reinforce and encourage supervisor interactions and timely performance discussions with new employees. *FY 2023 Annual Report* at 51. The Postal Service explains that these interactions correlate highly with employee engagement, and it has been working on communication strategies to convey this message to managers and supervisors. Response to CHIR No. 21, question 17.c.i. The Commission observes that these plans are consistent with Gallup's finding that a weekly meaningful conversation between a manager and team member "develops high-performing relationships more than any other leadership activity." *See Harter.*

The Postal Service also plans to continue expanding initiatives to hire and train new supervisors to ensure that facilities will be adequately staffed, and supervisors are equipped with tools to foster a more engaging environment for employees. *FY 2023 Annual Report* at 51. In May 2023, the Postal Service launched the Supervisor Apprentice Program "to create a pipeline of qualified candidates to fill full-time supervisor positions[.]" *Id.* at 50. This 26-week program prepares participants to become frontline supervisors via a virtual classroom, job shadowing, coaching and mentoring, and on-the-job training. April 22 Response to CHIR No. 24, question 7.b. After completing the program, 27 participants

⁷⁸ Jim Harter, *In New Workplace, U.S. Employee Engagement Stagnates*, Gallup (January 23, 2024), available at <https://www.gallup.com/workplace/608675/new-workplace-employee-engagement-stagnates.aspx> (Harter).

transitioned into supervisor positions. *Id.* The Postal Service plans to initiate another 26-week program to fill 22 current supervisor vacancies in October 2024. *Id.* question 7.c.

The Commission finds that employee engagement levels as measured by the Grand Mean Engagement Score remained stable between FY 2022 and FY 2023. In FY 2024, the Commission recommends that the Postal Service continue to monitor the ongoing network realignment's impact on the employee engagement levels. If the Grand Mean Engagement Score continues to decline or does not increase in FY 2024, the Commission recommends that the FY 2024 Report clearly explain why. If one of the reasons relates to significant changes occurring at the Postal Service, the FY 2024 Report should identify which changes contributed most to the decline in employee engagement. In the FY 2024 Report, the Commission recommends that the Postal Service describe how implementing its plans to encourage supervisor-employee conversations and filling supervisor vacancies affected the FY 2024 Grand Mean Engagement Score.

To facilitate the Commission's and commenters' review of employee engagement, the Commission recommends that going forward, the Postal Service file the Postal Pulse survey and data on the number of respondents, mean scores, and disaggregated survey responses for the past three fiscal years in the ACR. The Postal Service should file the following information for FY 2024 with Docket No. ACR2024, Library Reference USPS-FY24-38: (1) a copy of the Postal Pulse survey administered in FY 2024; (2) the number of bargaining-unit and non-bargaining unit employees who received the survey; (3) the number of bargaining-unit and non-bargaining unit employees that responded to at least one question on the survey; (4) the mean score for each question on the survey; and (5) the number of responses received for each question, disaggregated by each of the possible responses.

(2) Engagement Survey Response Rate

The response rate in employee engagement surveys is a key indicator of data quality and completeness.⁷⁹ High response rates indicate that the data accurately represent the entire workforce. *See* Kruse. Low response rates indicate a smaller sample size, and the survey data may not be representative of the entire workforce if some groups of people do not respond, or the survey inadvertently excludes certain participants.⁸⁰

The Engagement Survey Response Rate measures the Postal Pulse survey level of participation among the entire employee population. *FY 2023 Annual Report* at 50. The result is calculated by dividing the total number of employees who responded to at least one question by the total number of employees who received the survey. *See* Docket No. ACR2022, Responses to CHIR No. 26, question 10. The FY 2023 result was adversely affected by a vendor printing error, which only impacted surveys administered to

⁷⁹ Kevin Kruse, *What is a Good Employee Engagement Survey Participate Rate?*, LEADx (November 10, 2023), available at <https://leadx.org/articles/what-is-a-good-employee-engagement-survey-participation-rate/#:~:text=Ideal%20Participation%20Rates&text=For%20companies%20with%20less%20than,is%2065%25%20to%2080%25> (Kruse).

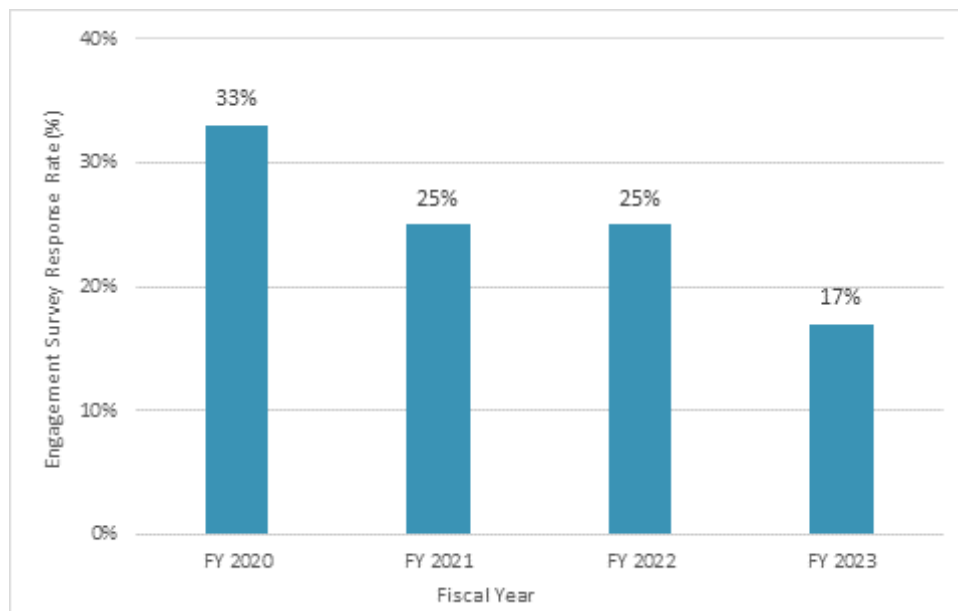
⁸⁰ Aaron Carpenter, *How to increase survey response rates*, Qualtrics XM, available at <https://www.qualtrics.com/experience-management/research/tools-increase-response-rate/>.

bargaining-unit employees because non-bargaining employees did not receive paper copies of the survey. Response to CHIR No. 13, question 3.a.

In FY 2023, surveys were distributed to 581,043 employees, but only 101,033 responded to at least one question. *Id.* questions 3.c.i, 3.c.iii. The FY 2023 Engagement Survey Response Rate was 17 percent. *FY 2023 Annual Report* at 39.

Figure III-14 compares the Engagement Survey Response Rates from FY 2020 through FY 2023.

Figure III-14
Postal Pulse Engagement Survey Response Rates
FY 2020-FY 2023



Source: *FY 2023 Annual Report* at 39.

Figure III-14 shows that the Engagement Survey Response Rate result declined significantly from 25 percent in FY 2021 and FY 2022 to 17 percent in FY 2023. The Public Representative expresses concern that because of the low response rate, Postal Pulse survey results may not accurately reflect current employee engagement levels in FY 2023, especially for bargaining-unit employees. PR Comments at 53-54. The Postal Service responds that despite the 17 percent response rate, survey results accurately portray sentiments of those employees who responded. Postal Service Reply Comments at 16.

To improve the Engagement Survey Response Rate in FY 2024, the Postal Service states it is working with a new survey vendor to develop a communication strategy for all managers to educate them on interpreting survey results and leveraging those results to improve

employee engagement. *FY 2023 Annual Report* at 51; Response to CHIR No. 21, question 16. It notes that it will require enhanced quality review processes to ensure that surveys are properly administered in future years. Postal Service Reply Comments at 15.

The Commission is concerned that because of fewer responses in FY 2023, survey results may not accurately reflect engagement levels for all Postal Service employees. The Commission agrees with the Public Representative that the vendor printing error likely impacted the representativeness of bargaining-unit employees because the number of bargaining-unit employees who took the survey declined from 119,727 in FY 2022 to 75,814 in FY 2023. Response to CHIR No. 13, question 3.c.iii. To obtain an accurate picture of employee engagement, the Postal Service should continue to strive to improve Engagement Survey Response Rate.

The Commission is concerned that the Engagement Survey Response Rate declined by approximately 50 percent during the last 4 years from 33 percent (FY 2020) to 17 percent (FY 2023). The Commission finds that the vendor printing error likely impacted the representativeness of bargaining-unit employees in FY 2023. Consequently, survey results may not accurately reflect engagement levels of all Postal Service employees. This error appears to be a unique circumstance that the Postal Service is addressing by contracting with a new survey vendor.

The Commission encourages the Postal Service to conduct quality review during the next Postal Pulse survey administration. It recommends that the Postal Service work with the new survey vendor to encourage participation in the survey and create a plan that actively encourages employee engagement. If the Engagement Survey Response Rate does not improve in FY 2024, the Commission recommends that the FY 2024 Report explain why and describe plans for improvement in FY 2025.

D. Financial Health

1. Key Observations and Recommendations

The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2023.

The Commission recommends that the Postal Service continue to include information on Controllable Income (Loss) and non-controllable expenses in future annual performance plans and annual performance reports regardless of whether the performance goal was met.

The Commission expects that in all future Annual Reports through the first year following completion of the DFA Plan, the Postal Service should report on the effects of the DFA Plan on: (1) the Postal Service's Financial Health performance indicator results; and (2) labor productivity.

The Commission recommends that the Postal Service adopt Net Income (Loss) as a supplemental or replacement performance indicator for Controllable Income (Loss). If the Postal Service makes changes to, or supplements, the Controllable Income (Loss) performance indicator in its FY 2024 Report, the Postal Service should also provide comparable performance indicator results for FY 2021 through FY 2024 to help ensure compliance with 39 U.S.C. § 2804(c).

The Commission recommends that the Postal Service consider whether continuing to increase prices twice a year may accelerate electronic diversion resulting in adverse volume effects, and whether the Postal Service may be stymieing its own productivity due to its limited ability to reduce its resource input.

The Commission recommends that the Postal Service continue monitoring and reporting TFP and labor productivity trends. The Commission recommends that future annual performance reports continue to include information on TFP, labor productivity, and other productivity measures. In addition, the Postal Service should explain the reason for any changes in TFP and/or labor productivity in FY 2024. In the FY 2024 Annual Report, it should consider whether a rolling calculation of TFP (such as a 3-year rolling average) could serve as a performance indicator so that the Postal Service stays focused on improving operational efficiency as it rolls out the DFA Plan while alleviating concerns of the interpretability of year-to-year fluctuations in TFP.

2. Background

In FY 2023, the Postal Service used one performance indicator to measure progress toward the Financial Health performance goal: Controllable Income (Loss).⁸¹ The results for the Controllable Income (Loss) performance indicator are calculated as the Postal Service's total revenue less controllable expenses. *Id.* at 53.

Revenue includes funds received from the sale of postage, mailing, and shipping services; Post Office Box rentals; the sale and lease of property; and interest and investment income. *See id.* at 55. Controllable expenses consist of salaries and benefits; the Federal Employees Retirement System (FERS) normal costs; transportation; depreciation; supplies and services; and rent, utilities, and other controllable expenses. *See id.* at 56. Controllable expenses exclude non-controllable expenses, which are expenses that the Postal Service states do not reflect short-term operational decisions and are subject to large fluctuations that are outside of the Postal Service's control. *See id.* at 53. Non-controllable expenses include amortization of the Postal Service's unfunded liabilities for its participation in FERS and the Civil Service Retirement System (CSRS) and non-cash expenses related to changes in liability for participating in the federal workers' compensation program. *See id.*

⁸¹ FY 2023 Annual Report at 39. The Commission notes that controllable losses are shown in parentheses.

Consistent with historical practice, the Commission published a separate financial analysis of the Postal Service's FY 2023 financial results and 10-K statement.⁸² That analysis provides a detailed evaluation of the Postal Service's financial status by examining volume, revenue, and cost trends, as well as the Postal Service's sustainability, liquidity, activity, and financial solvency.

In FY 2023, the Postal Service did not meet its target for Controllable Income (Loss).⁸³ The Postal Service's total Controllable Income (Loss) for FY 2023 of \$(2.26) billion was worse than its target Controllable Income (Loss) of \$0.5 billion by \$2.8 billion. *Id.* at 55. The Postal Service explains that revenue was \$1.9 billion less than the planned amount. *Id.* Controllable expenses were \$0.9 billion more than planned. *Id.* at 54. Reasons for the FY 2023 target miss and plans for meeting the FY 2024 Controllable Income (Loss) target of \$(0.75) billion are discussed in more detail below. *Id.* at 39. Generally Accepted Accounting Principle (GAAP) measures such as Net Income (Loss) also show bleak assessments of the Postal Service's financial health. *Id.* at 53. Net Income (Loss) was recorded at \$(6.5) billion in FY 2023 and predicted to be \$(6.3) billion in FY 2024. *Id.* at 54.

3. Comments

PostCom expressed concern that the Postal Service's pricing approach since Docket No. RM2017-3 has been "irrational" and has exacerbated volume declines. PostCom Comments at 2. PostCom asserts that the Postal Service's poor financial performance and inability to hit its financial health target for FY 2023 demonstrate the failure of its strategic initiatives to further the policies of Title 39. *Id.* PostCom is skeptical the Postal Service will achieve its FY 2024 target of a \$(0.75) billion Controllable Income (Loss), because the Postal Service failed to meet revenue targets in FY 2023 despite raising prices twice and struggled with cost control. *Id.* PostCom argues the existing regulatory framework is not providing the right incentives or tools for the Postal Service to improve its revenue and cost picture. *Id.* at 2-3.

The Public Representative expressed concern that the Postal Service failed to meet its Financial Health goal, noting the \$(2.26) billion Controllable Income (Loss) was short of the \$0.5 billion target, and the FY 2024 target represents a loss even if an improvement. PR Comments at 4. The Public Representative states that while the Postal Service appears to be realizing some transportation cost savings from network changes, the projected revenue increases still do not outweigh expense increases by enough to generate controllable income. *See id.* at 60-61. The Public Representative also observes that total factor

⁸² *Financial Analysis of United States Postal Service Financial Results and 10-K Statement*, June 17, 2024.

⁸³ *FY 2023 Annual Report* at 55. Projections of Controllable Income (Loss) are based on planned revenues and expenditures for every program activity included in the Postal Service's Integrated Financial Plan (IFP). The FY 2023 Controllable Income (Loss) target was aligned with the FY 2023 IFP, November 29, 2022, available at <https://about.usps.com/what/financials/integrated-financial-plans/fy2023.pdf> (FY 2023 IFP). The FY 2024 Controllable Income (Loss) target was aligned with the FY 2024 IFP, November 24, 2023, available at <https://about.usps.com/what/financials/integrated-financial-plans/fy2024.pdf> (FY 2024 IFP). *See also* *FY 2023 Annual Report* at 39 n.6; April 22 Response to CHIR No. 24, question 1.b. (confirming that the FY 2024 IFP information in the *FY 2024 Annual Report* was not, nor is planned to be, revised).

productivity and labor productivity declined noticeably from FY 2021 to FY 2023 and references that this trend should be monitored going forward. *See id.* at 64.

In response to PostCom, the Postal Service contended that PostCom's arguments are misplaced in this docket, which is focused on the Postal Service's performance report and plan. USPS Reply Comments at 18. In response to the Public Representative, the Postal Service agreed with the Public Representative that there is no way to link the DFA Plan and recent TFP declines, arguing that productivity is affected by many factors and is only meaningful to evaluate over a longer time period. *See id.* at 19. The Postal Service contended recent TFP declines reflect lags in responding to market trends, the Postal Service's inflexible cost structure, and pandemic-related volatility rather than issues with the DFA Plan itself. *See id.* at 20. The Postal Service believed, consistent with the Public Representative's view, that the longer-term impacts of the DFA Plan on productivity will only be seen as implementation continues. *See id.*

4. Commission Analysis

In FY 2023, the Postal Service fell short of its Financial Health performance goal, reporting a Controllable Income (Loss) of \$(2.26) billion compared to its target of \$0.5 billion. *See FY 2023 Annual Report* at 39. This marked a significant deterioration from the \$(0.5) billion Controllable Income (Loss) in FY 2022. *See id.* The Commission finds that the Financial Health indicator target for Controllable Income (Loss) for FY 2023 is comparable to the result for FY 2022 because each calculates Controllable Income (Loss) as total revenue less controllable expenses. *See Response to CHIR No. 11, question 1.a.* This methodology was also used from FY 2020 through FY 2023. *See id.* question 2.a.

The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2023.

Below, the Commission provides observations and recommendations related to the Postal Service's explanations for its failure to meet the Financial Health performance goal in FY 2023. The Commission also provides discussion and recommendations concerning the Postal Service's plans to meet the Financial Health performance goal in FY 2024.

a. FY 2023 Performance Report

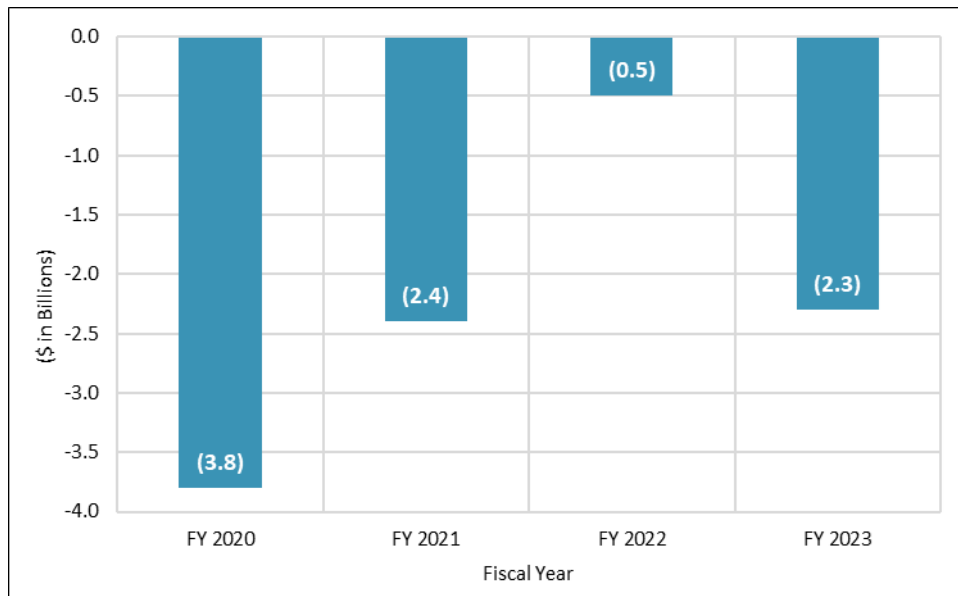
The *FY 2023 Annual Report* provides an explanation of the principal components used to calculate Controllable Income (Loss). *See FY 2023 Annual Report* at 53. The *FY 2023 Annual Report* includes a table showing revenue and expenses and describes certain categories of revenue and controllable expenses. *See id.* at 54. The Postal Service explains how and why the FY 2023 Controllable Income (Loss) target was not met and provides its own rationale for the FY 2024 target. *Id.* at 55-57. Additionally, the *FY 2023 Annual Report* discusses non-controllable expenses. *See id.* at 57. This information improves the transparency and usefulness of the *FY 2023 Annual Report* by assisting interested persons to better

understand how the Postal Service calculates targets and results and its stated reason for the performance goal miss.

The Commission recommends that the Postal Service continue to include information on Controllable Income (Loss) and non-controllable expenses in future annual performance plans and annual performance reports regardless of whether the performance goal was met.

The Postal Service also provides the Controllable Income (Loss) results from FY 2020 through FY 2023. *Id.* at 54. Controllable Income (Loss) showed improvement between FY 2020 and FY 2022, with annual losses decreasing in magnitude since FY 2020, but challenges in FY 2023 appear to have halted (and perhaps reversed) this trend. *See* Figure III-15. As explained above, the *FY 2023 Annual Report* also includes a table listing the components of Controllable Income (Loss) and Net Income (Loss), which is adapted as Table III-16.

Figure III-15
Controllable Income (Loss) Results
FY 2020-FY 2023



Source: *FY 2023 Annual Report* at 54. Results are rounded to the nearest tenth.

Table III-16
Integrated Financial Plan
Revenue and Expenses (\$ in Billions)
Results and Targets, FY 2020-FY 2024

	Results			FY 2023		FY 2024
	FY 2020	FY 2021	FY 2022	Target	Result	Target
Revenue						
First-Class Mail	23.8	23.3	24.0	24.9	24.5	25.0
USPS Marketing Mail	13.9	14.6	16.0	16.4	15.1	14.6
Shipping and Packages	28.5	32.0	31.3	31.9	31.6	33.7
International Mail	2.4	2.2	1.7	1.8	1.6	1.5
Periodicals	1.0	1.0	1.0	1.0	0.9	0.9
Other ^a	3.6	4.0	4.8	5.2	5.6	6.0
Total Revenue	73.2	77.1	78.8	81.2	79.3	81.7
Controllable Expenses						
Salaries and benefits ^b	50.0	51.4	52.8	54.0	54.4	55.1
FERS normal cost	3.8	4.1	4.5	4.6	4.8	5.0
RHB normal cost ^c	4.0	3.9	—	—	—	—
Transportation	8.8	9.7	10.3	10.0	10.1	9.6
Depreciation	1.7	1.7	1.7	1.8	1.8	2.0
Supplies and services	3.1	2.9	3.2	3.4	3.4	3.3
Rent, utilities and other ^d	5.6	5.8	6.8	6.9	7.1	7.5
Total Controllable Expenses	77.0	79.5	79.3	80.7	81.6	82.5
Controllable Income (Loss)	(3.8)	(2.4)	(0.5)	0.5	(2.3)	(0.8)
Non-Controllable Expenses						
Impact of Postal Service reform legislation ^e	—	—	57.0	—	—	—
RHB normal cost actuarial revaluation	0.1	(0.3)	—	—	—	—
RHB unfunded liability amortization	(0.8)	(0.9)	—	—	—	—
FERS unfunded liability amortization	(1.3)	(1.4)	(1.6)	(1.9)	(2.1)	(2.3)
CSRS unfunded liability amortization	(1.8)	(1.9)	(2.3)	(3.1)	(3.0)	(3.2)
Workers' compensation fair value and other non-cash adjustments	(1.6)	2.0	3.4	—	0.9	—
Total Non-Controllable Expenses	(5.4)	(2.5)	56.5	(5.0)	(4.2)	(5.5)
Net Income (Loss)	(9.2)	(4.9)	56.0	(4.5)	(6.5)	(6.3)

Note: The sum of columns may not equal total due to rounding. *FY 2023 Annual Report* at 54 n.1.

^a Includes investment and interest income, gain or loss on sale, and income from the out-lease of property. *Id.* at 54 n.2.

^b Includes salaries, health benefits expenses for active employees, and workers' compensation cash outlays. *Id.* at 56.

^c Retiree health benefit (RHB) normal costs were eliminated by the Postal Service Reform Act (PSRA). *Id.* at 54 n.5.

^d Rent, utilities, and other includes interest expense. *Id.* at 54 n.4.

^e Represents the one-time non-cash benefit due to the reversal of \$57.0 billion for past due RHB obligations that were canceled by the enactment of the PSRA. With the PSRA, RHB normal cost and amortization payments will be 0 for FY 2022 and future years. RHB top-up payments, a new payment, are expected to begin in FY 2026. *Id.* at 54 n.5.

Source: *FY 2023 Annual Report* at 54.

The Postal Service attributed its overall controllable loss in FY 2023 to several factors, six of which were the same reasons cited by the Postal Service for its FY 2022 loss: overall customer demand, the mix of postal services and contribution associated with those services, the Postal Service's inability to manage its cost structure in line with the shifting volume mix, an increasing number of delivery points, legacy pension costs, and inflation. *Compare FY 2023 Annual Report* at 55, with *FY 2022 Annual Report* at 47. For FY 2023, the Postal Service adds that lower-than-expected mail volumes (particularly in Market Dominant products) led to less revenue and indicates that inflationary pressures were higher than expected. *See FY 2023 Annual Report* at 55.

With respect to revenue, the Postal Service's \$79.3 billion in FY 2023 revenue was \$1.9 billion below the plan. *FY 2023 Annual Report* at 55. This shortfall was driven primarily by worse-than-anticipated volume loss in First-Class Mail and USPS Marketing Mail. USPS Marketing Mail revenue deviated the most (1.3 billion) from the plan. *Id.* at 54-55. Shipping and Packages revenue grew modestly from FY 2022, but the growth was less than planned because of strong competition. *Id.*

At the same time, the Postal Service struggled to control costs in FY 2023. Controllable expenses of \$81.6 billion were \$0.9 billion above the plan. *Id.* at 54. This shortfall was primarily due to higher-than-anticipated staffing needs and the decision to convert more non-career employees to career employees to stabilize operations, with compensation and benefits expenses having the largest positive cost deviation of \$0.4 billion from the plan. *Id.* at 54, 56. In addition, the Postal Service states that inflation in the trucking industry led to transportation costs that were \$0.1 billion higher than planned. *Id.* at 56.

The key driver of the Postal Service's financial challenges appears to remain unchanged in FY 2023. In terms of revenue, the Postal Service must manage better the long-term decline in mail volumes, particularly in profitable First-Class Mail. While the Postal Service has had some success in growing its Competitive offerings, these products typically have lower margins and face intense competition from other providers.⁸⁴ The Postal Service's current pricing strategy has not been sufficient to achieve break-even results. According to some stakeholders, such as PostCom, this strategy may be accelerating volume losses and undermining the long-term sustainability of the mail ecosystem. *See PostCom Comments.* These kinds of stakeholder concerns, as well as the deteriorating financial condition accompanied with overall volume declines, have prompted the Commission to initiate Docket No. RM2024-4 to review the ratemaking system for Market Dominant products to

⁸⁴ *See id.* at 55; Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*, March 19, 2021, at 10 n.2, available at: https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf (DFA Proposal).

determine if the ratemaking system is achieving the objectives appearing in 39 U.S.C. § 3622(b), taking into account the factors in 39 U.S.C. § 3622(c).⁸⁵ The referenced docket will be the appropriate forum for this discussion.⁸⁶ The Commission encourages the Postal Service and its stakeholders to submit comments in that docket to help inform the Commission’s evaluation of the ratemaking system.

Relevant to the FY 2023 performance goals, though, the Commission notes that the Postal Service failed to meet its overall volume target for FY 2023. *FY 2023 Annual Report* at 55. The Postal Service projected only a 5.0 percent decrease in total mail and package volume for FY 2023 from 127.3 to 120.9 billion pieces, but the Postal Service had an overall volume of 116.1 billion pieces in FY 2023 – an 8.8 percent decrease from FY 2022. *FY 2023 IFP* at 3; *FY 2024 IFP* at 2. The failure to meet this target underlies the Postal Service’s inability to generate sufficient revenues to meet its Controllable Income (Loss) goal as discussed above.

With respect to costs, the Postal Service continues to face a challenging operating environment. Its labor costs, which represent the majority of its cost base, are subject to binding collective bargaining agreements that limit near-term flexibility and are subject to inflation. *See FY 2023 Annual Report* at 54, 56. The Postal Service’s universal service obligation also constrains its ability to rapidly adjust its network and service levels in response to volume declines. *See id.* at 56. While the DFA Plan initiatives aim to drive efficiency improvements over the long term, the Postal Service has faced implementation challenges and near-term cost pressures as it attempts to restructure its operations, and it has not been able to realize many benefits. *See id.* Therefore, the Commission expects that the Postal Service has and will continue to evaluate how the DFA Plan initiatives individually and together make “positive contributions to financial health and productivity.” Response to CHIR No. 11, question 11.b.

The Commission expects that in all future Annual Reports through the first year following completion of the DFA Plan, the Postal Service will report the effects of the DFA Plan on: (1) the Postal Service’s Financial Health performance indicator results; and (2) labor productivity.

Largely the same challenges to financial health that the Postal Service reported in FY 2022 were at play in FY 2023. *See FY 2022 Annual Report* at 48-49; *FY 2023 Annual Report* at 56. Because the Postal Service has had an additional year of using its new pricing authority and consolidating its network under the DFA Plan, the Commission expects that the Postal Service will improve its ability to set targets that it can reasonably achieve in FY 2024 while balancing the need for stretch goals and targets to remedy its dire financial situation.

⁸⁵ See Docket No. RM2024-4, *et al.*, Advance Notice of Proposed Rulemaking on the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products, April 5, 2024, at 23 (Order No. 7032).

⁸⁶ The Commission notes that the Postal Service is required to “provide econometric estimates of demand elasticity for all postal products accompanied by the underlying econometric models and the input data sets used” each January. *See* 39 C.F.R. § 3050.26; *FY 2022 Analysis* at 107.

For example, the Net Income (Loss) in FY 2023 was \$(6.5) billion, which was \$2.0 billion worse than the planned Net Income (Loss) of \$(4.5) billion.⁸⁷ The Commission in FY 2022 suggested the Postal Service consider adding Net Income (Loss) as a performance indicator. *See FY 2022 Analysis* at 108. The Postal Service decided not to incorporate Net Income (Loss) as a performance indicator because Net Income (Loss) would include “pension amortization payments and non-cash adjustments to workers’ compensation, which are highly sensitive to changes in macroeconomic variables, such as the inflation rate and interest rate. Management has almost no control over these expenses in the short- or medium-term.” Response to CHIR No. 11, question 12.b.

Nevertheless, Net Income (Loss) includes significant non-controllable expenses related to legacy benefit obligations that have a material impact on the Postal Service’s overall financial position. These expenses affect the Postal Service’s liquidity and constrain its ability to make needed investments in its network and infrastructure, and they are therefore useful indicators to consider in gauging the Postal Service’s overall financial health.

Therefore, the Commission again recommends that the Postal Service adopt Net Income (Loss) as a supplemental or replacement performance indicator for Controllable Income (Loss). If the Postal Service makes changes to, or supplements, the Controllable Income (Loss) performance indicator in its FY 2024 Report, the Postal Service should also provide comparable performance indicator results for FY 2021 through FY 2024 to help ensure compliance with 39 U.S.C. § 2804(c).

b. FY 2024 Performance Plan

In FY 2024, the Postal Service anticipates a reduced but still substantial Controllable Income (Loss) of \$(0.75) billion. *FY 2023 Annual Report* at 39, 54. The FY 2024 plan projects a \$2.4 billion revenue increase, driven by a combination of Market Dominant price increases to offset electronic diversion revenue loss and growing the Competitive Ground Advantage product. *Id.* at 54, 56. However, this revenue growth is expected to be offset by a \$0.9 billion increase in controllable expenses, as the Postal Service continues to face inflationary pressures and the costs of its network restructuring efforts. *Id.* at 56-57.

The Postal Service projects a total piece volume target of 107.2 billion pieces. FY 2024 IFP at 2. This target represents a 7.7 percent decline from the FY 2023 volume of 116.1 billion pieces and assumes that volume declines will occur at a similar rate as what actually occurred in FY 2023 (8.8 percent) rather than the assumed rate of decline in the FY 2023 IFP. *Id.*

⁸⁷ *FY 2023 Annual Report* at 54. Non-controllable expenses that contributed to the larger Net Income (Loss) included a \$0.2 billion increase in FERS unfunded liability amortization and a \$0.1 billion decrease in CSRS unfunded liability amortization compared to plan. *Id.*

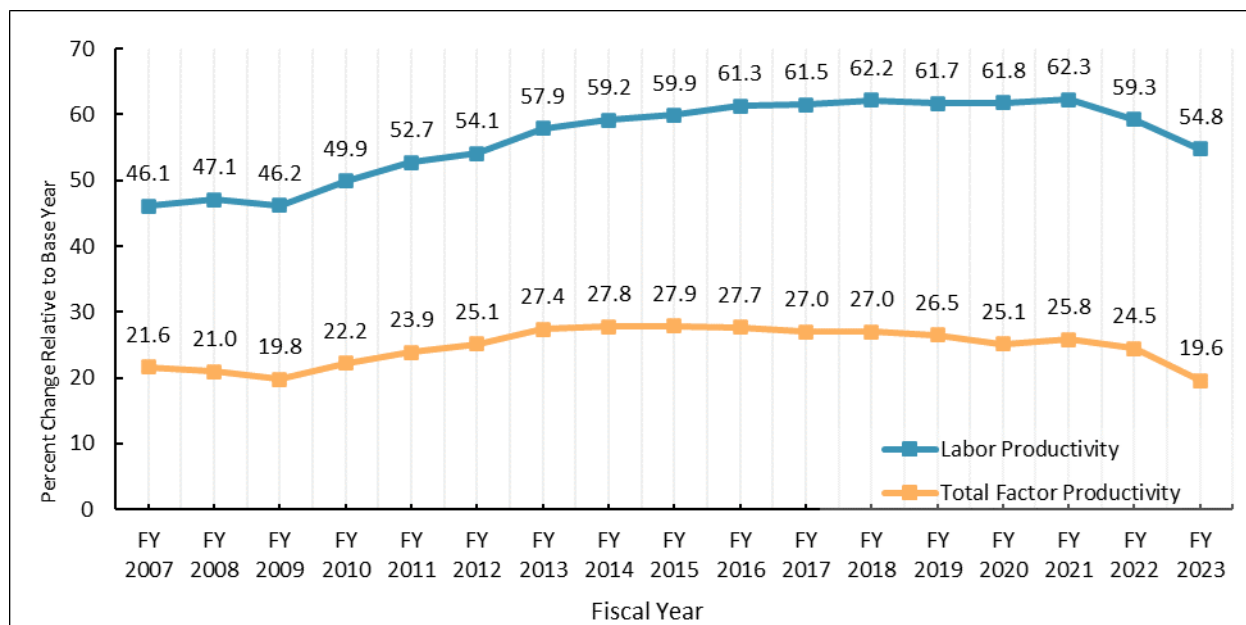
A future with positive Net Income (Loss) seems distant; Net Income (Loss) is expected to be \$(6.3) billion at the end of FY 2024. *Id.* at 54. In its initial DFA Plan Proposal, the Postal Service stated that “we project that we will operate with a positive net income beginning in 2023 or 2024 and realize break-even operations over the next ten years.” DFA Proposal at 7. To ensure the DFA Plan delivers on its promise of achieving positive net income, the Postal Service must aggressively pursue opportunities to grow profitable revenue streams, rationalize its cost structure, and improve efficiency.

In improving efficiency, the Postal Service needs to place renewed focus on productivity and efficiency improvements throughout processing, transportation, and delivery operations. As the Postal Service implements network redesign efforts, it must aggressively pursue opportunities to eliminate excess costs, better align capacity with shifting volumes, and fully capture economies of scale and density. The Postal Service should establish measurable efficiency targets and regularly monitor progress against them.

c. Operational Efficiency

Although not used as a performance indicator in FY 2023, the Postal Service reported TFP results since FY 2007 in the *FY 2023 Annual Report*. TFP is a comprehensive measure of the efficiency with which the Postal Service uses resources (inputs) to handle workload and create outputs. *FY 2023 Annual Report* at 58. An increase in TFP indicates the Postal Service is operating more efficiently. *Id.* The Postal Service explains the methodology used to calculate TFP has been consistent since 2007, with changes in the component weights over time reflecting updates to the underlying data rather than revisions to the core approach. March 7 Response to CHIR No. 16, question 1.b. This suggests TFP results should be comparable from FY 2007 through FY 2023.

Figure III-16
Total Factor Productivity and Labor Productivity Results FY 2007-FY 2023



Source: *FY 2023 Annual Report* at 58. Base year is FY 1971.

In FY 2023, TFP declined by 4.0 percent compared to FY 2022, the worst 1-year decline since it was first measured in 1965, following a 1.0 percent decline in the previous year. *FY 2023 Annual Report* at 58; *Financial Analysis of United States Postal Service Financial Results and 10-K Statement Fiscal Year 2023*, June 17, 2024, at 108. The Postal Service attributes the decrease partially to lower labor productivity as it focused on stabilizing operations and improving precision as part of the DFA Plan. *Id.* Additionally, overall workload decreased by 4.7 percent in FY 2023, with an 8.1 percent decrease in weighted mail volume being a key driver. *Id.* The *FY 2023 Annual Report* does not provide a FY 2024 target for TFP growth or labor productivity improvement. However, the sharp declines in both metrics in FY 2023 (4.0 percent and 2.9 percent, respectively) are concerning, as they suggest the Postal Service is struggling to adjust its cost base and resource usage in line with declining mail volumes. Reversing these negative trends will be challenging but critical to achieving financial sustainability.

With respect to inputs, FY 2023 resource usage decreased 0.7 percent compared to FY 2022. *Id.* Labor input, the largest component, declined 1.9 percent, driven by decreases in non-career and full-time clerk positions and non-career city delivery carriers. *Id.* However, these decreases were partially offset by increases in career rural carriers and other labor categories. *Id.*

The Postal Service states that labor, capital, and material inputs may change at different rates than overall workload due to factors like operational lags, inflexible cost structures, and workload volatility. March 7 Response to CHIR No. 16, questions 2.b.i.-2.iii. It argues TFP is best used to evaluate productivity over a multi-year period rather than single years in isolation. *Id.* This perspective aligns with the Commission view that individual year TFP fluctuations may be noisy, but sustained TFP trends are informative regarding the Postal Service's overall efficiency. *FY 2022 Analysis* at 110. If the Postal Service is correct regarding its inflexible cost structure, it should reconsider its strategy of quickly increasing prices that may be driving electronic diversion faster than the Postal Service can change its cost structure. *See, e.g., PostCom Comments* at 2.

The Commission also recommends that the Postal Service consider whether continuing to increase prices twice a year may accelerate electronic diversion resulting in adverse volume effects, and whether the Postal Service may be stymieing its own productivity due to its limited ability to reduce its resource input.

The Postal Service notes that some productivity improvements take years to realize their full effects, so it is more informative to consider TFP changes over a period of years rather than single year fluctuations. *FY 2023 Annual Report* at 58; Postal Service Reply Comments at 19-20; March 7 Response to CHIR No. 16, question 2. It may be the case that DFA Plan will lead to TFP improvements in the long term. However, as discussed above, it does not appear that the operational and financial benefits from the DFA Plan will be realized in the next few years. The Commission notes that since labor input does not decline in direct proportion with workload and as volume declines the Postal Service loses some economy of scale by processing fewer total pieces, the Commission expects TFP to continue to decline. Declining TFP would require careful monitoring.

The Commission has previously recommended that the Postal Service consider using TFP or another operational-efficiency oriented performance indicator to measure progress toward the Financial Health performance goal. *See FY 2022 Analysis* at 110-11. The Postal Service did not opt to use the operating ratio as suggested by the Commission because it might include non-controllable expenses and would simply be a different formulation of the same metrics that are inputs to calculating Controllable Income (Loss). Response to CHIR No. 11, questions 13.a.-13.b. The Postal Service states it assesses and leverages TFP in conjunction with other metrics to provide a more comprehensive picture of its performance. However, it cautions that TFP can misrepresent year-over-year productivity changes that may be caused by factors like the inability to quickly reduce work hours in response to lower mail volumes. *FY 2023 Annual Report* at 58; Postal Service Reply Comments at 19-20; March 7 Response to CHIR No. 16, questions 2.b.i.-2.iii.

The Commission recommends that the Postal Service continue monitoring and reporting TFP and labor productivity trends. The Commission recommends that future annual performance reports continue to include information on TFP, labor productivity, and other productivity measures. In addition, the Postal Service should explain the reason for any changes in TFP

and/or labor productivity in FY 2024. In the FY 2024 Annual Report, it should consider whether a rolling calculation of TFP (such as a 3-year rolling average) could serve as a performance indicator so that the Postal Service stays focused on improving operational efficiency as it rolls out the DFA Plan while alleviating concerns of the interpretability of year-to-year fluctuations in TFP.

CHAPTER IV. STRATEGIC INITIATIVES

A. Key Observations and Recommendations

In the FY 2024 Report and FY 2025 Plan, the Commission recommends that the Postal Service:

- *Identify and describe each strategic initiative the Postal Service used in FY 2024.*
- *Show how the strategic initiatives relate to the performance goals and performance indicators.*
- *Describe the Postal Service's progress toward completing each strategic initiative during FY 2024 or include cross-references to the DFA Plan progress reports, PSRA reports, or other documents that contain this information.*
- *Describe each strategic initiative the Postal Service will use in FY 2025, and provide performance measures and targets, if applicable.*
- *Explain in detail how the strategic initiatives were refined or changed between FY 2024 and FY 2025.*

B. Background

The Postal Service must prepare a strategic plan describing “general goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the Postal Service[.]” 39 U.S.C. § 2802(a)(2). On March 23, 2021, the Postal Service issued the DFA Plan, a strategic plan to achieve financial sustainability and service excellence during the next 10 years. The DFA Plan outlines the following strategic areas of focus to achieve financial sustainability and service excellence:

- Strengthen value of mail and sustain public service mission, including 6-day mail delivery.
- Implement service standards that achieve service excellence 95 percent of the time.
- Innovate and launch USPS Connect.
- Modernize delivery vehicle fleet, and with Congressional support, implement electric fleet by 2035.
- Implement best-in-class processing operations.
- Implement best-in-class delivery operations.
- Implement a modern, transformed network of retail Post Offices.
- Implement a fully optimized surface and air transportation network.

- Stabilize and empower workforce to include reducing pre-career turnover.
- Align organizational structure to support effectiveness.
- Support legislative and administrative actions.
- Implement a more rational pricing approach including a judicious implementation of new and existing pricing authorities.

FY 2023 Annual Report at 38. In the *FY 2023 Report* and *FY 2024 Plan*, the Postal Service refers to these 12 strategic areas of focus as “strategic initiatives.” *See id.* at 60. To assess its efforts in implementing the strategic initiatives, the Postal Service measures performance through progress against the four performance goals. *Id.* The *FY 2023 Report* and *FY 2024 Plan* show how each strategic initiative aligns with the performance goals. *Id.* at 60.

The Postal Service explains that “[e]ach strategic initiative has a specific set of measures to track performance against desired” outcomes in the DFA Plan. *Id.* at 59. It provided the performance measures and FY 2024 targets in a CHIR response. Response to CHIR No. 21, question 19.a. The performance measures and FY 2024 targets for the strategic initiatives are the same as the performance indicators for each performance goal. *Compare* Response to CHIR No. 21, question 19.a., *with FY 2023 Annual Report* at 39. In FY 2024, the Postal Service will refine each strategic initiative to align with FY 2024 performance indicator targets. *FY 2023 Annual Report* at 59-60; Response to CHIR No. 21, question 19.a.

C. Commission Analysis

None of the commenters discuss the strategic initiatives. In the *FY 2022 Analysis*, the Commission made the following recommendations regarding the strategic initiatives:

- Identify and describe each strategic initiative the Postal Service used in FY 2023.
- Explain how the strategic initiatives relate to the performance goals and performance indicators.
- Describe the Postal Service’s progress toward completing each strategic initiative during FY 2023 or include cross-references to the DFA Plan progress reports, PSRA reports, or other documents that contain this information.
- Describe each strategic initiative the Postal Service will use in FY 2024, and provide performance measures and targets, if applicable.
- Explain in detail how the strategic initiatives changed between FY 2023 and FY 2024.

FY 2022 Analysis at 120. The Postal Service adopted some of these recommendations in the *FY 2023 Report* and *FY 2024 Plan* and provided other information a CHIR response. The *FY 2023 Report* and *FY 2024 Plan* identify each strategic initiative used in FY 2023 and align each one with one or more performance goals. See *FY 2023 Annual Report* at 60. The Postal Service previously described each strategic initiative in Docket No. ACR2021 and confirmed in a CHIR response that these descriptions apply to and remain current for the strategic initiatives implemented in FY 2023 and planned for FY 2024.⁸⁸ The *FY 2023 Report* and *FY 2024 Plan* state that the Postal Service will continue to implement the same strategic initiatives in FY 2024. *FY 2023 Annual Report* at 59. The Postal Service states that it will refine the strategic initiatives to align them with FY 2024 targets but does not explain the refinements in detail. *Id.* at 59-60.

The *FY 2023 Report* neither describes the Postal Service's progress toward completing each strategic initiative in FY 2023 nor includes cross-references to documents containing this information. However, the Postal Service provided this information in the progress reports described below.

The Postal Service periodically issues reports describing progress made toward the DFA Plan goals. First, shortly after the anniversary of the DFA Plan publication, the Postal Service published its own progress reports for the first year (April 2021 through April 2022) and second year (May 2022 through April 2023) of the DFA Plan.⁸⁹ The Postal Service plans to issue the third-year progress report on or before September 30, 2024.⁹⁰

Second, section 207 of the PSRA requires the Postal Service to submit semi-annual reports to the President, the Commission, the Senate Committee on Homeland Security and Governmental Affairs, and the House Committee on Oversight and Reform describing the Postal Service's operations and financial condition. PSRA § 207(a). The Postal Service must file PSRA reports with the Commission every 6 months in June and December of each fiscal year beginning December 2, 2022 and ending December 2, 2027. *Id.* § 207(a), (d). The PSRA report filed in June covers Quarters 1 and 2 of the applicable fiscal year, and the PSRA report filed in December covers Quarters 3 and 4 of the applicable fiscal year. See *id.* § 207(a). To date, the Postal Service has filed four PSRA reports, with the most recent report covering FY 2024 Quarters 1 and 2 (FY 2024 PSRA Report, Quarters 1 and 2) (FY 2023

⁸⁸ Response to CHIR No. 21, question 18; Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 21, March 4, 2022, question 2.a. (Docket No. ACR2021, Response to CHIR No. 21).

⁸⁹ United States Postal Service, Delivering for America First-Year Progress Report, April 7, 2022; available at <https://about.usps.com/what/strategic-plans/delivering-for-america/assets/usps-dfa-one-year-report.pdf>; United States Postal Service, Delivering for America Second-Year Progress Report, April 2023; available at <https://about.usps.com/what/strategic-plans/delivering-for-america/assets/usps-dfa-two-year-report.pdf>.

⁹⁰ Docket No. PI2023-4, Responses of the United States Postal Service to Questions 4-5 of Chairman's Information Request No. 11, May 24, 2024, question 5.

PSRA Report, Quarters 3 and 4).⁹¹

In each PSRA report, the Postal Service must report its progress on 15 postal areas, such as actual mail and package volume growth and the effect of pricing changes on product volume for Market Dominant and Competitive products. PSRA § 207(b). Most of these areas align with the strategic initiatives. Figure IV-1 describes each strategic initiative and the Postal Service progress toward each one in FY 2023 based on the two PSRA reports filed by the Postal Service for FY 2023.

⁹¹ United States Postal Service, Delivering for America, Responses of the United States Postal Service to the Reporting Requirements Specified in the Postal Service Reform Act of 2022, FY 2022 3rd and 4th Quarter, December 2, 2022, available at <https://prc.arkcase.com/portal/docket-search/advanced/filing-details/84254> (filed on February 10, 2023); United States Postal Service, Delivering for America, Responses of the United States Postal Service to the Reporting Requirements Specified in the Postal Service Reform Act of 2022, FY 2023 1st and 2nd Quarter, June 2, 2023; available at <https://prc.arkcase.com/portal/docket-search/advanced/filing-details/85094> (FY 2023 PSRA Report, Quarters 1 and 2); United States Postal Service, Delivering for America, Responses of the United States Postal Service to the Reporting Requirements Specified in the Postal Service Reform Act of 2022, FY 2023 3rd and 4th Quarter, December 4, 2023; available at <https://prc.arkcase.com/portal/docket-search/advanced/filing-details/127180> (FY 2023 PSRA Report, Quarters 3 and 4); United States Postal Service, Delivering for America, Responses of the United States Postal Service to the Reporting Requirements Specified in the Postal Service Reform Act of 2022, FY 2024 1st and 2nd Quarter, May 31, 2024; available at <https://prc.arkcase.com/portal/docket-search/advanced/filing-details/129121>.

Figure IV-1
Strategic Initiatives, Descriptions,^a and Progress During FY 2023 As Reported by the Postal Service

(Strategic Initiative) Strengthen Value of Mail and Sustain Public Service Mission, Including 6-Day Mail Delivery ^b	
<p>(Description)</p> <ul style="list-style-type: none"> • Increase the value of mail to senders by using new data-driven tools and promoting digital integration. • Develop new programs, resources, and offerings that benefit businesses of all sizes, including enhancing Informed Delivery and Informed Visibility and mail promotions and incentives. 	<p>(Progress)</p> <ul style="list-style-type: none"> • Improved delivery of mail and packages to more than 165 million delivery points across the nation 6 days a week so that 98 percent of the American public receive their deliveries within three days. • Delivered more than 750 million COVID-19 test kits to date and expanded the initiative to provide a fifth round of free test kits available to every United States household.
Implement Service Standards that Achieve Service Excellence 95 Percent of the Time ^c	
<ul style="list-style-type: none"> • Modify existing service standards for letter- and flat-shaped First-Class Mail from a 1 to 3-Day Standard within the continental United States to a 1 to 5-day service standard. • Modify existing service standards for First-Class Package Service. 	<ul style="list-style-type: none"> • Exceeded FY 2023 targets for USPS Marketing Mail and Package Services. • Exceeded FY 2023 target for Periodicals during FY 2023, Quarters 3 and 4. • Increased on-time service performance results observed in FY 2023, Quarters 3 and 4 compared to FY 2023, Quarters 1 and 2 for First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services.
Innovate and Launch USPS Connect	
<ul style="list-style-type: none"> • Support a new product offering, USPS Connect, which is a diverse suite of scalable and customizable solutions for businesses to reach their customers, including Local, Regional, Returns, and eCommerce offerings.^d 	<ul style="list-style-type: none"> • Continued to expand the USPS Connect suite of services to provide businesses of all sizes direct access to the Postal Service’s delivery network for affordable services such as same-day and next-day delivery, as well as returns in local, regional and national markets.^e • Began developing an application to support the USPS Connect Local Directory, which lists a select number of small businesses that ship via USPS Connect Local and meet other requirements.

(Strategic Initiative) Modernize Delivery Vehicle Fleet and Implement Electric Fleet by 2035	
<p>(Description)</p> <ul style="list-style-type: none"> • Upgrade the vehicle fleet, including the purchase and deployment of the Next Generation Delivery Vehicles (NGDVs). • Leverage new technology to improve safety and comfort and increase delivery efficiency by providing more space for mail and packages. 	<p>(Progress)</p> <ul style="list-style-type: none"> • Committed to buy 18,500 left-hand drive commercial off-the-shelf vehicles, including 9,250 battery electric vehicles (BEVs). • Committed to 35,000 BEVs for the Postal Service’s NGDV program. • Began producing 14,000 charging stations that can support up to 26,000 BEVs.
Implement Best-in-Class Processing Operations	
<ul style="list-style-type: none"> • Modernize the Postal Service’s operating plans. • Invest in the logistics and processing network, including processing equipment investments, technology upgrades, and facility footprint realignment. 	<ul style="list-style-type: none"> • Network Distribution Centers (NDCs) and Processing and Distribution Centers (P&DCs) allowed customers to connect from any origin point to more than 165 million delivery points. <ul style="list-style-type: none"> ○ In FY 2023, Quarters 1 and 2, 936 customers inducted commercial mail directly at NDCs, and 5,233 customers inducted commercial mail directly at P&DCs. ○ In FY 2023, Quarters 3 and 4, 844 customers inducted commercial mail directly at NDCs, and 5,007 customers inducted commercial mail directly at P&DCs. • Converted almost one-third of the Atlanta NDC into a Sorting and Delivery Center (S&DC); began converting NDCs to Regional Processing and Distribution Centers (RPDCs) in Greensboro, Springfield, and Washington; began developing three RPDCs in Indianapolis, Charlotte, and Atlanta. • Opened the first RPDC in Richmond, Virginia.
Implement Best-in-Class Delivery Operations	
<ul style="list-style-type: none"> • Enhance delivery operations by driving operational precision; optimizing delivery units; modernizing route structures, investing in employees, technology, and systems; and deploying sortation equipment to delivery units. 	<ul style="list-style-type: none"> • Began using S&DCs to combine delivery operations from small delivery units into larger, standardized, delivery units that are optimally located. New S&DCs feature advanced parcel automation, charging infrastructure for electric delivery vehicles, and optimized transportation to and from processing facilities. • Insourced Terminal Handling Services and Surface Transfer Centers in some locations. • Invested in improved package processing capabilities and committed capital funding for more Small Delivery Unit Sorter machines to support automated processing at delivery unit sites. • Launched USPS Ground Advantage to provide an affordable way to ship packages in two to five business days across the continental United States.

(Strategic Initiative) Implement a Modern, Transformed Network of Retail Post Offices	
<p>(Description)</p> <ul style="list-style-type: none"> • Transform retail locations into a destination center for local businesses providing expert shipping and mailing solutions, including the alignment of retail locations to meet evolving customer needs. • Expand partnerships with government partners to provide additional services to include passport services and fingerprint/biometric capture. 	<p>(Progress)</p> <ul style="list-style-type: none"> • In the process of investing in and designing retail locations to make them modern, go-to destinations meeting customer needs.
Implement a Fully Optimized Surface and Air Transportation Network	
<ul style="list-style-type: none"> • Redesign the surface and air transportation network. • Reduce reliance on air transportation for certain classes of mail. • Deploy a state-of-the-art platform for end-to-end execution of a unified logistics operation. 	<ul style="list-style-type: none"> • Reduced costs and improved service performance by transitioning more mail and package from the air network to the surface network. • Reduced the share of First-Class Mail volumes transported via the air network during the second half of FY 2023.
Stabilize and Empower Workforce to Include Reducing Pre-Career ^f Turnover	
<ul style="list-style-type: none"> • Hire, develop, and retain capable and diverse employees. • Reduce non-career employee turnover by half, expand career planning programs, elevate front-line leadership capabilities, establish an Executive Diversity Council, and enhance employee safety and wellbeing.^g 	<ul style="list-style-type: none"> • Converted non-career employees to career positions during FY 2023, Quarters 1 and 2 (26,204) and Quarters 3 and 4 (21,732). • Reduced total work hours by 27.7 million hours, or 2.3 percent. • Enhanced recruitment and marketing efforts to fill pre-career and front-line supervisor positions through social media posts and virtual job fairs. • Promoted career development and employee retention through training, communications, conferences, and creating new supervisor relief positions to cover leave and vacancies.

(Strategic Initiative) Align Organizational Structure to Support Effectiveness	
<p>(Description)</p> <ul style="list-style-type: none"> • Design a high-performing organization with greater line of sight from strategy to business outcomes focusing on Retail and Delivery, Logistics and Processing, and Commerce and Business. • Accept, process, and deliver mail and packages more efficiently. • Use infrastructure to enable growth. 	<p>(Progress)</p> <ul style="list-style-type: none"> • Continued investing in processing, delivery, and transportation equipment to modernize and streamline facilities infrastructure. • Updated processing equipment to meet modern mail and package mix demands.
Support Legislative and Administrative Actions	
<ul style="list-style-type: none"> • Create a legislative and administrative framework that aligns with the Postal Service’s needs. • Request integrating Medicare with Postal Service health plans and eliminating pre-funding obligations stemming from the PAEA. • Correct the unfair allocation of CSRS benefits for legacy Post Office Department employees. 	<ul style="list-style-type: none"> • Continued seeking changes through the Office of Personnel Management to reflect fair and proper apportionment of CSRS benefit costs according to modern actuarial principles to eliminate the Postal Service’s CSRS amortization payments
Implement a More Rational Pricing Approach	
<ul style="list-style-type: none"> • Align the Postal Service’s pricing strategies with operational and marketplace needs by applying new Commission rules on Market Dominant product pricing above CPI.^h • Review all Competitive postal products and services for opportunities to drive higher revenue based on needs. 	<ul style="list-style-type: none"> • Continued implementing semi-annual rate increases for Market Dominant products.ⁱ • Review all Competitive postal products and services for opportunities to drive higher revenue based on needs.^j

Source: *FY 2023 Annual Report* at 28; *FY 2023 PSRA Report, Quarters 1 and 2*, at 8, 10-11, 14-15, 19; *FY 2023 PSRA Report, Quarters 3 and 4*, at 7, 15, 17-24, 26-28; *The Eagle Magazine*, Apr. 2024, at 9.

^a The Postal Service provided descriptions of each strategic initiative in Docket No. ACR2021, Response to CHIR No. 21, question 2.a.

^b PSRA § 202(a) requires delivery to be made at least 6 days a week (codified in 39 U.S.C. § 101(b)).

^c PSRA § 201(a) requires the Postal Service to file reasonable performance targets for each Market Dominant product with the Commission for each fiscal year both pre- and post-implementation (codified in 39 U.S.C. § 3692(a)(1)-(2)).

^d USPS Connect Local offers expected same-day or next-day delivery to customers who are located within the same ZIP Code as participating Postal Service facilities. *FY 2023 PSRA Report, Quarters 1 and 2*, at 11. USPS Connect Local shipping and mailing supplies are available at no additional cost when postage is printed and paid through the Click-N-Ship application. *Id.* USPS Connect Regional provides shipping mailers who need expanded geographical reach direct access to plants and distribution centers across the country for next-day and 2-day delivery services. *Id.* USPS Connect Returns

enhances the Postal Service's return shipping options through network and technology investments and improvements. *Id.* USPS eCommerce offers discounted rates to platforms and marketplaces offering Postal Service products and services, which improves customer access to package services. *Id.*

^e Volume and revenue for USPS Connect Local and USPS Connect Regional were redacted in the PSRA reports.

^f The Postal Service uses the term "pre-career" to refer to part-time workers. Docket No. ACR2022, Response to CHIR No. 7, questions 29.a.-29.b. "Through the collective bargaining process, the Postal Service negotiated a provision that provides a path to career employment for all pre-career employees who remain in [the Postal Service's] employ for 24 months. The current agreements allow pre-career employees, who stay employed with the Postal Service for two years, to be automatically converted to career status...." *Id.*

^g Employee safety and wellbeing are discussed in the Safe Workplace and Engaged Workforce chapter. See Chapter III, Section C.

^h See 39 C.F.R. pt. 3030; Order No. 5763.

ⁱ Docket No. R2023-1, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, November 28, 2022 (Order No. 6341) (finding that the Postal Service's planned pricing and classification adjustments were consistent with applicable law and may take effect as planned on January 22, 2023); Docket No. R2023-2, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, May 31, 2023 (Order No. 6526) (finding that the Postal Service's planned pricing and classification adjustments were consistent with applicable law and may take effect as planned on July 9, 2023).

^j Docket No. CP2023-42, Order Approving Price Adjustments for Competitive Products, December 22, 2022 (Order No. 6384) (finding that the Postal Service's planned pricing and classification adjustments were consistent with applicable law and may take effect as planned on January 22, 2023); Docket Nos. CP2023-113 and CP2023-114, Order Concerning Changes in Rates of General Applicability and Classifications for First-Class Package Service and Parcel Select, June 7, 2023 (Order No. 6536) (approving proposed rate changes for First-Class Package Service and Parcel Select to become effective July 9, 2023); Docket No. CP2023-151, Order Concerning Changes in Rates of General Applicability and Classifications for Competitive Products, June 23, 2023 (Order No. 6552) (finding that the Postal Service's planned pricing and classification adjustments were consistent with applicable law and may take effect as planned on July 9, 2023).

On April 20, 2023, the Commission found that it would be beneficial to provide a forum to examine the recent and planned network changes associated with the DFA Plan and therefore initiated Docket No. PI2023-4 for such purpose. *See* Order No. 6488. Since then, the Commission has sought information regarding these changes, including those that have already been implemented.⁹² Due to mail delays and concerns from stakeholders, the Commission issued an order directing the Postal Service to either show cause for “why an advisory opinion is not warranted for [certain] initiatives within the DFA Plan...” or “file a request for an advisory opinion consistent with 39 C.F.R. part 3020” Order No. 7061 at 2. The Postal Service responded that an advisory opinion is unnecessary for some DFA Plan initiatives and premature for others. Docket No. PI2023-4, Response to Order No. 7061 at 9-24. The Postal Service also rejected a call from multiple Senators asking for the Postal Service to request an advisory opinion from the Commission, stating that no change implemented to date under the DFA Plan requires an advisory opinion from the Commission. May 20 DeJoy Letter at 6.

In the *FY 2022 Analysis*, given the public interest and potential for significant impact on the postal industry, the Commission recommended that the Postal Service describe progress toward the strategic initiatives by including cross-references to the DFA Plan progress reports, PSRA reports, or other documents containing this information. *FY 2022 Analysis* at 120. The Postal Service did not adopt this recommendation. The *FY 2024 Report* could be improved by describing the Postal Service progress toward each strategic initiative in FY 2024 by cross-referencing progress reports and other documents similar to Figure IV-1, above.

In the FY 2024 Report and FY 2025 Plan, the Commission recommends that the Postal Service:

- *Identify and describe each strategic initiative the Postal Service used in FY 2024.*
- *Show how the strategic initiatives relate to the performance goals and performance indicators.*
- *Describe the Postal Service’s progress toward completing each strategic initiative during FY 2024 or include cross-references to the DFA Plan progress reports, PSRA reports, or other documents that contain this information.*
- *Describe each strategic initiative the Postal Service will use in FY 2025, and provide performance measures and targets, if applicable.*
- *Explain in detail how the strategic initiatives were refined or changed between FY 2024 and FY 2025.*

⁹² Docket No. PI2023-4, Order Directing Postal Service to Show Cause or File a Nature of Service Proceeding Regarding Certain Delivering for America Initiatives, April 26, 2024, at 1 (Order No. 7061).

Appendix A: Commission Findings and Recommendations

Chapter II – Compliance with 39 U.S.C. §§ 2803 and 2804:

- *The Commission finds that the FY 2024 Plan complies with all requirements of 39 U.S.C. § 2803(a).*
- *The Commission finds that the FY 2023 Report complies with 39 U.S.C. § 2804(b)(1). To comply next year, the FY 2024 Report must set forth the same performance indicators and targets as the FY 2024 Plan and compare FY 2024 targets and results for each performance indicator.*
- *Also, the FY 2024 result for each performance indicator must be comparable to the corresponding FY 2024 target set in the FY 2024 Plan. If a comparable FY 2024 result is not provided, the FY 2024 Report must address the lack of comparability by explaining **either** of the following:*
 1. *How to compare results between the current and former methodologies; **or***
 2. *Why making this comparison is not feasible.*
- *Except for the Excellent Customer Experience performance goal, the FY 2023 Report complies with 39 U.S.C. § 2804(c). The FY 2023 Report is non-compliant with respect to this performance goal because CCC performance indicator results are not comparable from FY 2020 through FY 2023, and the Postal Service did not address the lack of comparability.*
- *To comply with 39 U.S.C. § 2804(c) next year, the FY 2024 Report must include comparable results for each performance indicator for FYs 2021, 2022, 2023, and 2024. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. If comparable results from FY 2021 through FY 2024 are not provided for any performance indicator, the FY 2024 Report must:*
 1. *Identify each performance indicator with non-comparable results from FY 2021 through FY 2024; **and***
 2. *Address the lack of comparability by explaining **either** of the following:*
 - a. *How to compare results from FY 2021 through FY 2024 between the current and former methodologies; **or***
 - b. *Why making this comparison is not feasible.*
- *For the CX Composite Index, the Postal Service must address the lack of comparability in the FY 2024 ACR by calculating FY 2021 through FY 2024 results using both methodologies.*

- *The FY 2024 Report must include all information necessary to evaluate compliance with the requirements of 39 U.S.C. §§ 2803 and 2804, including section 2804(c). Inclusion of this information in the FY 2024 Report may be satisfied by either: (1) including the information itself in the text of the FY 2024 Report; or (2) including cross-references identifying the documents containing this information in the text of the FY 2024 Report. The Commission recommends that the FY 2024 Report cross-reference a recent CHIR response containing comparability information, such as Response to CHIR No. 11, questions 1 through 4 filed in Docket No. ACR2023.*
- *The Commission finds that the FY 2023 Report complies with 39 U.S.C. § 2804(d)(3) because it explains why performance goals were not met and describes plans and schedules for meeting the goals in FY 2024. To comply next year, for each FY 2024 target that is not met, the FY 2024 Report must both explain why and describe plans and schedules for meeting the FY 2025 target.*
- *The Commission finds that the FY 2023 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).*
- *With respect to the non-public performance indicators, the Commission finds that the FY 2023 Report complies with 39 U.S.C. § 2804, but the FY 2024 Plan does not comply with section 2803. The FY 2023 Report complies with 39 U.S.C. § 2804(b)(1) and 2804(c) because it provides comparable FY 2023 targets and results, as well as comparable results from the past 3 fiscal years or the required explanations. The FY 2023 Report also complies with 39 U.S.C. § 2804(d)(3) because the Postal Service explains why it did not meet FY 2023 target(s) and describes plans and schedules for meeting FY 2024 target(s). The FY 2024 Plan does not comply with 39 U.S.C. § 2803(a)(1) and (2) because it does not set measurable FY 2024 targets for each performance indicator the Postal Service will use in FY 2024.*
- *To ensure that the FY 2025 Plan and FY 2024 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, for the Competitive products' non-public performance indicator(s), the Postal Service must file under seal with the FY 2024 ACR:*
 1. *Comparable FY 2024 targets and results*
 2. *Comparable results from FY 2021 through FY 2024 (or explanations addressing lack of comparability)*
 3. *Measurable FY 2025 targets for each non-public performance indicator the Postal Service plans to use in FY 2025*
- *For USPS Ground Advantage, the Postal Service must continue to address the lack of comparability by calculating retroactive scores for FY 2021 through FY 2024 (or explaining why this calculation is not feasible).*
- *If the Postal Service does not meet the FY 2024 target for any non-public performance indicator, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2025 target. The FY 2024 ACR should continue to identify the library reference that contains this information.*

- *To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service continue to limit the number of changes to performance indicators and methodologies for calculating targets and results. If the Postal Service plans to add or change any performance indicators or methodologies, the Commission recommends that the Annual Report to Congress continue to describe these changes, provide the rationale for making them, and analyze the impact of these changes on results.*
- *The Commission recommends that the Postal Service not change performance indicators, methodologies, or targets once they are set for a given fiscal year. To help ensure compliance with 39 U.S.C. § 2804(c), if the Postal Service changes a performance indicator or the methodology for calculating targets or results, the Commission recommends that the Postal Service maintain the same performance indicator or methodology for at least 3 consecutive fiscal years unless the change is clearly not beneficial or effective.*

Chapter III – Evaluation of Performance Goals:

High-Quality Service:

- *The Commission finds that the High-Quality Service performance goal was not met in FY 2023, with the Postal Service failing to meet six of eight public performance indicators.*
- *In the FY 2024 Annual Report, the Postal Service should address whether any service standard changes implemented in FY 2024 affected the comparability of performance indicator results. If comparability has been affected, the Postal Service should propose a way for the Commission to compare FY 2024 High-Quality Service performance indicator results to results from prior fiscal years. If the Postal Service asserts that comparability is unaffected, the Postal Service should fully explain the rationale and supporting basis for this assertion.*
- *The Commission continues to recommend that the Postal Service consider developing more granular composites based on significant class, shape, and product-level differences between mailpieces in terms of service standards and how they are processed and delivered. If the Postal Service intends to continue using highly aggregated composites as performance indicators, then the Commission recommends that the Postal Service also develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly aggregated composites. If the Postal Service continues to use highly aggregated composites as performance indicators, the Commission recommends that the Postal Service explain why such highly aggregated composites can accurately reflect whether High-Quality Service is achieved for each disparate mail class, shape, and product incorporated within the composites.*

- *For the third year in a row, the Commission recommends that the Postal Service include with each Annual Report supporting workpapers containing the inputs for, and a detailed calculation of, the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the ACR filing. If not included, the Postal Service should explain why these workpapers cannot or were not produced. This recommendation has been ignored by the Postal Service for the past 2 fiscal years without explanation, but the Commission finds that such workpapers would contribute significant transparency on the Postal Service's progress in meeting its High-Quality Service performance goal.*
- *The Commission recommends that the Postal Service continue improving operations in the insourced STCs to minimize any remaining negative impacts on the service performance of Single-Piece First-Class Mail and Presorted First-Class Mail. The Commission also recommends that the Postal Service carefully evaluate the remaining contractor-run STCs to determine whether and how quickly they should be insourced to balance the chance of contractor failure impacting service performance and potential capacity concerns.*
- *The Commission recommends that the Postal Service continue to investigate the issues experienced by its redesigned facilities and redesigned network that negatively affected service performance; continue to apply lessons learned with each newly activated facility to subsequent facilities; avoid activating multiple facilities in a region simultaneously; avoid activating facilities while at the same time implementing other major changes under the DFA Plan such as Local Transportation Optimization; avoid activating facilities during peak season; and avoid activating facilities in periods more likely to suffer from severe weather impacts.*
- *The Commission encourages the Postal Service to provide more transparency in its DFA Plan initiatives, proactively engage with various stakeholders to gather their inputs, make every effort to correct service issues in a timely and thorough manner, and learn from experience to improve subsequent execution of DFA Plan initiatives.*
- *The Commission recommends that the Postal Service endeavor to overcome the vulnerabilities caused by Single-Piece First-Class Mail's additional processing requirements, by, for example, reducing transportation delays, reducing human error, increasing on-time performance, and planning better to meet the additional processing needs.*
- *If the Postal Service experiences higher-than-expected failure in certain processes relating to the processing and transportation of single-piece volumes and fails to achieve any of its single-piece performance targets in FY 2024, it should diagnose the causes behind the failures in processing and transportation of single-piece volumes, identify the operational processes experiencing the failures, and fix them.*
- *The Commission recommends that the Postal Service continue to track the correlation between OPP and SSOP on the one hand and service performance on the other hand,*

and continue to improve the low scores achieved by SSOP measurement categories such as Truck Departures.

- *The Commission recommends that the Postal Service continue to make proactive plans to provide High-Quality Service during peak seasons. The Commission recommends that the Postal Service measure and monitor its efforts to optimize peak season performance and evaluate their efficacy to better ascertain what efforts are the most impactful on peak season performance. The Commission recommends that the Postal Service reconsider implementing major changes under the DFA Plan during future peak seasons until underlying weaknesses are fully analyzed and addressed. If the Postal Service decides to undertake major changes under the DFA Plan during future peak seasons, then the Commission recommends that the Postal Service take any potential negative effects the changes may have on service performance into account when planning its initiatives for the peak season and adjust its peak season initiatives accordingly to minimize any potential negative effects the changes may have on service performance.*
- *Because employee availability may continue to pose issues for the Postal Service, particularly when low employee availability coincides with network changes and/or disruptive events, the Commission recommends that the Postal Service continue to monitor the impact of fluctuations in employee availability on service performance and consider how low employee availability could impact network changes and/or disruptive events.*
- *The Commission recommends the Postal Service incorporate one or more performance indicators that illustrate its service performance in rural areas and non-contiguous areas into its High-Quality Service goal. In doing so, the Postal Service would align its High-Quality Service goal with its mission to serve all areas and all communities.*
- *The Commission recommends that the Postal Service continue initiatives to reduce supplier failure, improve supplier capacity, complete the transition to CLEAR and ILE as soon as possible, and increase its efforts to address CLTs whose causes are within its direct control.*
- *The Commission recommends that the Postal Service resume developing the Unexpected Events Initiative as soon as possible, because this initiative could enable the Postal Service to more accurately quantify the effects of and diagnose service failures caused by outside factors, such as weather disruptions and the St. Louis shutdown. The Commission recommends that the Postal Service report on its progress in developing, and any results from, the Unexpected Events Initiative in the FY 2024 Report, including any effect on reducing CLTs.*
- *The Commission identifies recommended content areas for the FY 2024 Annual Report concerning the DFA Plan. See Chapter IV, infra. Given the connection identified by the Postal Service between implementation of the DFA Plan and increased High-Quality Service performance indicator results, the Commission recommends that the Postal Service continue to provide transparency regarding this connection. Specifically, in all*

future annual reports through the first year following completion of the DFA Plan, the Commission recommends that the Postal Service report how the DFA Plan (as a whole and for applicable distinct initiatives) affected the High-Quality Service performance indicator result. The Commission also recommends that the Postal Service consider pausing other DFA Plan initiatives in addition to the movement of processing operations associated with the mail processing facility reviews, so that it can conduct a comprehensive study of the DFA Plan's potential impacts on service performance.

- *The Commission continues to recommend that the Postal Service explore ways to better balance service performance scores across the nation. It is likely that significant gains in national scores could be made by focusing efforts on low-performing Areas and/or Districts. Thus, the Commission recommends the Postal Service study the reasons for service performance issues in the lowest performing Areas/Districts and incorporate one or more performance indicators to capture service performance in rural areas and non-contiguous areas as mentioned above.*
- *The Commission recommends that the Postal Service continue to proactively plan and coordinate with election officials, the Inspection Service, the OIG, and other agencies regarding the CY 2024 election cycle. The Commission also recommends that the Postal Service closely monitor any unintended negative impact that the Local Transportation Optimization initiative or any other initiatives under the DFA Plan may have on the service performance of ballot mail or other Election Mail and take expeditious and comprehensive measures to mitigate any such unintended negative impact. In addition, the Commission recommends that the Postal Service notify its employees, election officials, and the public of the specific actions and timeframe of the pause for initiatives related to ground transportation improvement, and consider including the Local Transportation Optimization initiative in the scope of this pause. The Commission further recommends that the Postal Service consider any previous lessons learned from its service performance on Election Mail and its extraordinary measures concerning ballot mail when exploring the feasibility of measures for improving service performance for other types of mail.*

Excellent Customer Experience:

- *The Commission finds that the Postal Service did not meet the Excellent Customer Experience performance goal in FY 2023 because it missed three targets and met or exceeded five targets.*
- *The Commission commends the Postal Service for increasing the CCC result by 13.77 points in FY 2023 and encourages CCC live agents to continue reminding customers to take the post-call survey. To improve transparency, for each target that is not met in FY 2024, the FY 2024 Report should identify specific reasons why and describe plans to meet targets in FY 2025.*
- *The Commission finds that the FY 2024 targets for the Excellent Customer Experience performance indicators are reasonable. It recommends that the Postal Service*

continue to consider the prior year's result when setting the subsequent year's target. To improve transparency, the FY 2025 Plan should discuss the rationale for setting FY 2025 targets.

- *The Commission recommends that the Postal Service consider measuring CX of business customers that negotiate or attempt to negotiate NSAs. NSA customer satisfaction is an important aspect of CX that could help the Postal Service improve relationships with business customers. If the Postal Service administers other surveys asking about NSAs in FY 2024, the Commission recommends that the FY 2024 Report or FY 2024 ACR identify the questions asked and feedback received.*
- *The Commission recommends that the Postal Service continue to use the NPS to measure and assess CX in FY 2024. Although the Commission remains concerned about the C360 NPS, the Postal Service's plans implemented in FY 2023 appear to have improved the result. The Commission recommends the Postal Service continue its efforts to improve the NPS for each CX survey in FY 2024. For each NPS that declines in FY 2024, the FY 2024 Report should explain why and describe plans for improvement in FY 2025.*
- *The Commission observes that the social media heat map appears to be an effective method for communicating real-time feedback to enable the Postal Service to respond promptly to issues. The Commission recommends that in FY 2024, the Postal Service make the heat map data available to more people and continue using the social media heat map and other social listening tools to improve CX.*
- *The Commission commends the Postal Service for improving the average SMA response time and encourages the Postal Service to continue implementing these efforts to decrease the response time in FY 2024. The Commission is concerned that the X and Facebook ChatBOT satisfaction surveys could reflect that customers are consistently selecting extreme responses even if that score does not reflect their true satisfaction (referred to as extreme response bias) and recommends that the Postal Service consider methods to mitigate potential bias such as by using a smiley face scale or adding a comment box if this bias is reflected in FY 2024 surveys.*
- *The Commission observes that the Facebook ChatBOT and AIVA appear to have been effective in improving response times and reducing the need for live agent interactions in FY 2023. The Commission encourages the Postal Service to continue using these and other AI tools to continue improving CX and its efforts to respond to customer inquiries.*

Safe Workplace and Engaged Workforce:

- *The Commission finds that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2023.*
- *The Commission is concerned that the Postal Service missed the FY 2023 Total Accident Rate target, which was likely caused by the ongoing network realignment's changes to*

employee routines and travel routes. In FY 2024, the Commission recommends that the Postal Service continue to monitor the ongoing network realignment's impact on the Total Accident Rate to ensure that the number of accidents decreases. If the Postal Service does not meet the FY 2024 Total Accident Rate target, the Commission recommends that the FY 2024 Report provide a more detailed explanation that identifies which factors contributed most to the increase in accidents.

- *The Commission recommends that the Postal Service continue to monitor injuries caused by crimes committed against letter carriers and other postal employees. It recommends that the FY 2024 Report discuss actions taken and results achieved under Project Safe Delivery in FY 2024. The Commission concurs with the GAO's recommendations that the Inspection Service document processes for determining the size and location of both the postal inspector and postal police workforce as well as set a time frame for completing a security force assessment to determine the size and location of the postal police workforce.*
- *The Commission recommends that the Postal Service continue to implement the HIPP and other initiatives to help employees stay safe during hot weather. If the number of heat-related illnesses and injuries increases in FY 2024, the Commission recommends that the FY 2024 Report explain why, identify specific factors causing the increase, and describe plans to promote heat safety in FY 2025.*
- *The Commission is concerned about the increase in motor vehicle accidents in FY 2023, which was likely caused by the operational changes from the network redesign. The Postal Service's plans to insource contract transportation will shift the manner in which these accidents are reported. The Postal Service should ensure that previous years of accident data for contractors is part of the baseline analysis of the accidents that will now occur internal to Postal Operations. Rather than just the number of accidents, the data should also account for mileage, so that a ratio of accidents to miles traveled is available for analysis. The Commission recommends that the Postal Service continue to monitor the number of motor vehicle accidents for both contractors and employees. If either or both of these numbers increase in FY 2024 compared to FY 2023, the FY 2024 Report should explain why, identify specific factors causing the increase, and describe plans to improve motor vehicle safety in FY 2025.*
- *The Commission finds that employee engagement levels as measured by the Grand Mean Engagement Score remained stable but is concerned that the Engagement Survey Response Rate declined by approximately 50 percent during the last 4 years from 33 percent (FY 2020) to 17 percent (FY 2023). In FY 2024, the Commission recommends that the Postal Service continue to monitor the ongoing network realignment's impact on the employee engagement levels. If the Grand Mean Engagement Score continues to decline or does not increase in FY 2024, the Commission recommends that the FY 2024 Report clearly explain why. If one of the reasons relates to significant changes occurring at the Postal Service, the FY 2024 Report should identify which changes contributed most to the decline in employee engagement. In the FY 2024 Report, the Commission recommends that the Postal*

Service describe how implementing its plans to encourage supervisor-employee conversations and filling supervisor vacancies affected the FY 2024 Grand Mean Engagement Score.

- *To facilitate the Commission's and commenters' review of employee engagement, the Commission recommends that going forward, the Postal Service file the Postal Pulse survey and data on the number of respondents, mean scores, and disaggregated survey responses for the past three fiscal years in the ACR. The Postal Service should file the following information for FY 2024 with Docket No. ACR2024, Library Reference USPS-FY24-38: (1) a copy of the Postal Pulse survey administered in FY 2024; (2) the number of bargaining-unit and non-bargaining unit employees who received the survey; (3) the number of bargaining-unit and non-bargaining unit employees that responded to at least one question on the survey; (4) the mean score for each question on the survey; and (5) the number of responses received for each question, disaggregated by each of the possible responses.*
- *The Commission finds that the vendor printing error likely impacted the representativeness of bargaining-unit employees in FY 2023. Consequently, survey results may not accurately reflect engagement levels of all Postal Service employees. This error appears to be a unique circumstance that the Postal Service is addressing by contracting with a new survey vendor.*
- *The Commission encourages the Postal Service to conduct quality review during the next Postal Pulse survey administration and create a plan that actively encourages employee engagement. It recommends that the Postal Service work with the new survey vendor to encourage participation in the survey. If the Engagement Survey Response Rate does not improve in FY 2024, the Commission recommends that the FY 2024 Report explain why and describe plans for improvement in FY 2025.*

Financial Health:

- *The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2023.*
- *The Commission recommends that the Postal Service continue to include information on Controllable Income (Loss) and non-controllable expenses in future annual performance plans and annual performance reports regardless of whether the performance goal was met.*
- *The Commission expects that in all future Annual Reports through the first year following completion of the DFA Plan, the Postal Service will report the effects of the DFA Plan on: (1) the Postal Service's Financial Health performance indicator results; and (2) labor productivity.*
- *The Commission recommends that the Postal Service adopt Net Income (Loss) as a supplemental or replacement performance indicator for Controllable Income (Loss). If the Postal Service makes changes to, or supplements, the Controllable Income (Loss)*

performance indicator in its FY 2024 Report, the Postal Service should also provide comparable performance indicator results for FY 2021 through FY 2024 to help ensure compliance with 39 U.S.C. § 2804(c).

- *The Commission also recommends that the Postal Service consider whether continuing to increase prices twice a year may accelerate electronic diversion resulting in adverse volume effects, and whether the Postal Service may be stymieing its own productivity due to its limited ability to reduce its resource input.*
- *The Commission recommends that the Postal Service continue monitoring and reporting TFP and labor productivity trends. The Commission recommends that future annual performance reports continue to include information on TFP, labor productivity, and other productivity measures. In addition, the Postal Service should explain the reason for any changes in TFP and/or labor productivity in FY 2024. In the FY 2024 Annual Report, it should consider whether a rolling calculation of TFP (such as a 3-year rolling average) could serve as a performance indicator so that the Postal Service stays focused on improving operational efficiency as it rolls out the DFA Plan while alleviating concerns of the interpretability of year-to-year fluctuations in TFP.*

Chapter IV – Strategic Initiatives:

In the FY 2024 Report and FY 2025 Plan, the Commission recommends that the Postal Service:

- *Identify and describe each strategic initiative the Postal Service used in FY 2024.*
- *Show how the strategic initiatives relate to the performance goals and performance indicators.*
- *Describe the Postal Service’s progress toward completing each strategic initiative during FY 2024 or include cross-references to the DFA Plan progress reports, PSRA reports, or other documents that contain this information.*
- *Describe each strategic initiative the Postal Service will use in FY 2025, and provide performance measures and targets, if applicable.*
- *Explain in detail how the strategic initiatives were refined or changed between FY 2024 and FY 2025.*

Appendix B: Checklists for Compliance with Major Legal Requirements

Figure B-1
FY 2025 Plan Checklist for Compliance
with Major Requirements of 39 U.S.C. § 2803(a)

Checklist Items:
Does the *FY 2025 Plan*

Title 39 Section:
2803(a)

- Identify all program activities in the FY 2025 IFP?
- Link each program activity to at least one performance goal or performance indicator?

2803(a)(1)

- Set FY 2025 targets for each performance indicator that the Postal Service will use to evaluate performance during FY 2025?
- If applicable, explain why a FY 2025 target was not set for a performance indicator?

2803(a)(2)

Identify FY 2025 targets that are **either** of the following:

- Objective, quantifiable, and measurable,

OR

- Use an “alternative form” under 39 U.S.C. § 2803(b)?

2803(a)(3)

- Describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet each performance goal?

2803(a)(4)

- For each performance goal, establish at least one performance indicator to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity?

2803(a)(5)

- Provide a basis for comparing actual program results with the established performance goals?

2803(a)(6)

- Explain how the Postal Service verifies and validates targets and results for each performance indicator using objective measurement systems?

Note: The statutory requirements apply to both public and non-public performance indicators. The *FY 2025 Plan* and *FY 2024 Report* must include all information necessary to evaluate compliance with 39 U.S.C. §§ 2803 and 2804, which may be satisfied by either: (1) including the information itself in the text of the *FY 2025 Plan* or *FY 2024 Report*; or (2) including cross-references identifying the documents containing this information in the text of the *FY 2025 Plan* or *FY 2024 Report*. Further information appears in Chapter II, Sections C.1. and C.3., *supra*.

Figure B-2
FY 2024 Report Checklist for Compliance
with Major Requirements of 39 U.S.C. § 2804

Checklist Items:
Does the *FY 2024 Report*

Title 39 Section:
2804(b)(1)

Set forth the FY 2024 result for each performance indicator that is comparable to the corresponding FY 2024 target set in the *FY 2024 Plan*?
If a comparable FY 2024 result is not provided, does the *FY 2024 Report*:

Address the lack of comparability by explaining **either** of the following:

- How to compare results between the current and former methodologies

OR

- Why making this comparison is not feasible?

2804(c)

For each performance indicator, provide results across FYs 2021-2024 that are comparable (calculated and expressed using the same methodology for each fiscal year)?
If comparable results across FYs 2021-2024 are not provided, does the *FY 2024 Report*:

Identify each performance indicator with non-comparable results across FYs 2021-2024?

Address the lack of comparability by explaining **either** of the following:

- How to compare results across FYs 2021-2024 between the current and former methodologies

OR

- Why making this comparison is not feasible?

2804(d)(3)

For each FY 2024 target that is not met, does the *FY 2024 Report* **both**:

Explain why

AND

Describe plans and schedules for meeting FY 2025 target?

Note: The statutory requirements apply to both public and non-public performance indicators. The *FY 2025 Plan and FY 2024 Report* must include all information necessary to evaluate compliance with 39 U.S.C. §§ 2803 and 2804, which may be satisfied by either: (1) including the information itself in the text of the *FY 2025 Plan or FY 2024 Report*; or (2) including cross-references identifying the documents containing this information in the text of the *FY 2025 Plan or FY 2024 Report*. Further information appears in Chapter II, Sections C.2. and C.3., *supra*.

HELP US IMPROVE THIS REPORT

In connection with Section 2 of the Plain Writing Act of 2010, the Postal Regulatory Commission is committed to providing communications that are valuable to our readers.

We would like to hear your comments on what you find useful about our Analysis of the Postal Service's FY 2023 Annual Performance Report and FY 2024 Performance Plan and how we can improve its readability and value.

Please contact the Commission's Office of Public Affairs and Government Relations to provide your feedback.

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