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POSTAL REGULATORY COMMISSION

Analysis of the Postal Service's FY 2017 Annual Performance Report and FY 2018 Performance Plan

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Appendix—Commission Findings and Recommendations

EXECUTIVE SUMMARY

Each year the Postal Service must submit to the Commission its most recent annual performance plan and annual performance report. 39 U.S.C. § 3652(g). On December 29, 2017, the Postal Service filed its fiscal year (FY) 2018 annual performance plan (*FY 2018 Plan*) and FY 2017 annual performance report (*FY 2017 Report*) in Docket No. ACR2017. The *FY 2018 Plan* reviews the Postal Service's plans for FY 2018. The *FY 2017 Report* discusses the Postal Service's progress during FY 2017 toward its four performance goals:

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

In this Analysis, as required by 39 U.S.C. § 3653(d), the Commission evaluates whether the Postal Service met these performance goals. This Analysis contains four chapters. In Chapter 1, the Commission provides background information about the *FY 2018 Plan* and *FY 2017 Report*. In Chapter 2, the Commission evaluates whether the *FY 2018 Plan* and *FY 2017 Report* comply with 39 U.S.C. §§ 2803 and 2804. The Commission finds that the *FY 2018 Plan* complies with 39 U.S.C. § 2803 for the first time, and the *FY 2017 Report* meets most of the requirements of 39 U.S.C. § 2804.

The Commission also finds that the *FY 2018 Plan* and *FY 2017 Report* have improved significantly compared to past years. In past years, annual performance plans and annual performance reports as filed lacked sufficient information for the Commission to determine whether they complied with 39 U.S.C. §§ 2803 and 2804. The *FY 2018 Plan* and *FY 2017 Report* contain almost all the information necessary to show compliance with 39 U.S.C. §§ 2803 and 2804. The Postal Service also made significant efforts to address the issues identified in past Commission analyses and adopted some of the Commission's recommendations. The Commission recommends the Postal Service retain these changes in future annual performance plans and annual performance reports.

In Chapter 3, the Commission evaluates whether the Postal Service met each performance goal in FY 2017 as required by 39 U.S.C. § 3653(d). The Postal Service did not meet or only partially met each performance goal in FY 2017. The Commission provides related observations and recommendations for each performance goal to help the Postal Service meet the goal and better assess its performance in future years.

In Chapter 4, the Commission makes observations and recommendations about the Postal Service's strategic initiatives, which support the Postal Service's strategic goals.

CHAPTER 1: INTRODUCTION

A. Background

The Postal Service is required by title 39 of the United States Code 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 The Postal Service included its *FY 2018 Plan* and *FY 2017 Report* in its *FY 2017 Annual Report to Congress*, which the Postal Service filed as a library reference in Docket No. ACR2017.²

The *FY 2017 Report* discusses the Postal Service's progress in meeting its performance goals during FY 2017. The *FY 2018 Plan* reviews the Postal Service's plans for meeting its performance goals in FY 2018. A performance goal is "a target level of performance expressed as a tangible, measurable objective, against which actual achievement shall be compared, including a goal expressed as a quantitative standard, value or rate[.]" 39 U.S.C. § 2801(3). In the *FY 2017 Report*, the Postal Service identifies its four performance goals:

- High-Quality Service
- Excellent Customer Experiences
- Safe Workplace and Engaged Workforce
- Financial Health³

Each performance goal uses two or more performance indicators to measure output or outcome. 39 U.S.C. § 2801(4). For example, the performance indicators for High-Quality Service measure the percentage of various categories of mail delivered on-time. As discussed in Chapter 2, the Postal Service will continue using the same performance goals in FY 2018, but is adding or changing some of the performance indicators. *See* Chapter 2, section C.4., *infra*.

Table I-1 lists the four performance goals, their corresponding performance indicators, results from FY 2014 through FY 2017, and targets for FY 2017 and FY 2018.

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

² *United States Postal Service FY 2017 Annual Report to Congress* at 13-28; *see* Library Reference USPS-FY17-17, December 29, 2017 (FY 2017 *Annual Report*). This Analysis cites to pages from the *FY 2017 Annual Report* when referring to the *FY 2017 Report* and *FY 2018 Plan*.

³ *FY 2017 Annual Report* at 13. These are the same performance goals the Postal Service used in FY 2016, but were reworded slightly in FY 2017. The four performance goals in FY 2016 were: Deliver High-Quality Service, Provide Excellent Customer Experiences, Ensure a Safe Workplace and Engaged Workforce, and Sustain Controllable Income. *United States Postal Service FY 2016 Annual Report to Congress* at 13 (FY 2016 *Annual Report*); *see* Docket No. ACR2016, Library Reference USPS-FY16-17, December 29, 2016.

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

Performance Goal	Performance Indicator		FY TARGETS		FY RESULTS			
			2018	2017	2017	2016	2015	2014
High-Quality Service	Single-Piece First-Class Mail	2-Day	96.50%	96.50%	94.72%	94.66%	93.28%	94.90%
		3-5-Day	95.25%	95.25%	85.57%	83.66%	76.56%	87.70%
	Presorted First-Class Mail	Overnight	96.80%	96.80%	96.46%	96.16%	95.74%	97.00%
		2-Day	96.50%	96.50%	95.58%	95.05%	93.56%	96.40%
		3-5-Day	95.25%	95.25%	93.16%	91.68%	87.78%	92.20%
	First-Class Mail Letter and Flat Composite		96.00%	96.00%	93.29%	92.34%	89.44%	93.58%
	Marketing Mail and Periodicals Composite		91.80%	91.00%	91.44%	90.01%	86.77%	88.35%
Excellent Customer Experiences	Customer Insights Composite Score ^a		80.93	89.00	88.30	87.62	85.73	84.65
	Business Service Network		96.73%	96.73%	96.25%	95.13%	94.32%	94.05%
	Point of Sale		90.42%	90.42%	88.53%	86.38%	86.28%	81.59%
	Delivery ^a		86.33	82.67	83.22	76.26	77.49	79.55
	Residential		N/A	N/A	79.44	79.93	80.32	77.70
	Small/Medium Business		N/A	N/A	73.35	72.60	74.65	81.40
	Customer Care Center		69.17%	86.80%	86.80%	85.18%	76.00%	74.00%
	Enterprise Customer Care ^b		70.00%	3.44%	3.78%	5.19%	N/A	N/A
	Large Business ^c		78.00%	N/A	76.75%	75.88%	74.61%	N/A
	Business Mail Entry Unit ^c		95.00%	N/A	N/A	N/A	N/A	N/A
	USPS.com ^c		66.33%	N/A	N/A	N/A	N/A	N/A
Safe Workplace and Engaged Workforce	Total Accident Rate ^d		15.00	15.00	15.58	16.08	16.26	15.95
	Survey Response Rate ^e		75.00%	51.00%	46.00%	30.00%	47.00%	51.00%
	Grand Mean Engagement Score ^f		N/A	N/A	3.25	3.24	3.16	N/A
Financial Health	Deliveries per Total Workhours % Change ^g		2.1%	0.6%	(0.5%)	0.1%	0.2%	0.6%
	Controllable Income (Loss) (\$ in billions)		(\$1.40)	\$0.10	(\$0.81)	\$0.61	\$1.19	\$1.35

■ Target Not Met

^a Because results for the Customer Insights (CI) Composite Score and Delivery performance indicators are calculated by weighting and aggregating various survey results, they are not expressed as percentages. The Delivery performance indicator result is a composite of results from the Delivery (Residential) and Delivery (Small/Medium Business) surveys.

^b The FY 2016 and FY 2017 Enterprise Customer Care (eCC) results are expressed as the percentage of cases the customer reopened. See FY 2017 Annual Report at 16. The FY 2018 target is based on customer satisfaction with service regarding the issue prompting the case. *Id.* at 18.

^c The Large Business, USPS.com, and Business Mail Entry Unit (BMEU) are new performance indicators introduced in FY 2018. FY 2017 Annual Report at 18.

^d The Total Accident Rate results in Table I-1 differ from those provided in the FY 2017 Annual Report because results fluctuate due to accidents added later in time that occurred before the end of the fiscal year. See Chapter 3, section C.3.a.(1), *infra*.

^e The FY 2014 result expresses the Survey Response Rate result for the Voice of the Employee (VOE) survey. FY 2015 through FY 2017 results and FY 2017 and FY 2018 targets express the Survey Response Rate results and targets for the Postal Pulse survey. FY 2017 Annual Report at 14 n.6.

^f The Grand Mean Engagement Score result is the average of the mean scores for Questions 1 through 12 on the Postal Pulse survey. FY 2017 Annual Report at 20. The Postal Service explains that it does not set targets for the Grand Mean Engagement Score because targets do not “incent managers to encourage honest survey feedback.” *Id.* at 20 n.3.

^g The FY 2017 Annual Report expresses the Deliveries per Total Workhours % Change results for FY 2014 and FY 2015 using the old methodology. Responses of the United States Postal Service to Questions 1-14 of Chairman’s Information Request No. 9, February 1, 2018, question 13 (February 1 Responses to Chairman’s Information Request (CHIR) No. 9). Table I-1 expresses FY 2014 and FY 2015 results using the current methodology. *Id.*

Sources: FY 2017 Annual Report at 14, 17, 20; February 1 Responses to CHIR No. 9, question 8; United States Postal Service 2015 Annual Report to Congress at 19 (FY 2015 Annual Report); see Docket No. ACR2015, Library Reference USPS–FY15–17, December 29, 2015.

Each year, the Commission must evaluate whether the Postal Service met its performance goals. 39 U.S.C. § 3653(d). It considers the Postal Service to have met a performance goal if the results of each performance indicator for that goal meet or exceed the targets established in the applicable performance plan. The Commission may also provide recommendations to the Postal Service related to protecting or promoting public policy objectives in title 39. *Id.*

B. The FY 2018 Plan and FY 2017 Report

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).⁴ 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 2018 Plan* and *FY 2017 Report* separately from the FY 2017 ACD.⁵

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.⁶ It also sought input on public policy recommendations, strategic initiatives, and other relevant matters. Order No. 4334 at 2-3.

Several CHIRs were issued seeking clarification of the *FY 2018 Plan* and *FY 2017 Report*.⁷ The Postal Service filed responses to all information requests.⁸ The Public Representative

⁴ 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 (FY 2014 Analysis); 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).

⁵ See Annual Compliance Determination Report, Fiscal Year 2017, March 29, 2018 (FY 2017 ACD).

⁶ Notice Regarding the Postal Service FY 2017 Annual Performance Report and FY 2018 Annual Performance Plan, January 3, 2018 (Order No. 4334).

⁷ Chairman's Information Request No. 6, January 22, 2018 (CHIR No. 6); Chairman's Information Request No. 9, January 25, 2018 (CHIR No. 9); Chairman's Information Request No. 13, February 1, 2018 (CHIR No. 13); Chairman's Information Request No. 16, February 9, 2018 (CHIR No. 16); Chairman's Information Request No. 19, February 16, 2018 (CHIR No. 19).

⁸ Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 6, January 29, 2018 (Responses to CHIR No. 6); February 1 Responses to CHIR No. 9; Response of the United States Postal Service to Question 15 of Chairman's Information Request No. 9, February 6, 2018 (February 6 Response to CHIR No. 9); Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 13, February 8, 2018 (Responses to CHIR No. 13); Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 16, February 15, 2018 (Responses CHIR No. 16); Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request No. 19, February 23, 2018 (Responses to CHIR No. 19). One CHIR response was accompanied by a motion requesting late acceptance. See Motion of the United States Postal Service for Late Acceptance of Response to Question 15 of Chairman's Information Request No. 9, February 6, 2018 (Motion). The Motion is granted.

and the Association for Postal Commerce submitted comments,⁹ which the Postal Service responded to in reply comments.¹⁰

The Commission analyzes the *FY 2018 Plan* and *FY 2017 Report* in the following chapters:

- Chapter 2 analyzes the *FY 2018 Plan* and *FY 2017 Report* for compliance with legal requirements.
- Chapter 3 evaluates whether the Postal Service met its four performance goals in FY 2017 and contains related observations and recommendations for each performance goal.
- Chapter 4 discusses the Postal Service's strategic initiatives.

The Commission also provides an appendix listing the Commission findings and recommendations contained in this Analysis.

⁹ Public Representative Comments on the FY 2017 Performance Report and FY 2018 Performance Plan, January 30, 2018 (PR Comments); Comments of the Association for Postal Commerce on FY 2017 Performance Report and FY 2018 Performance Plan, February 8, 2018 (PostCom Comments).

¹⁰ United States Postal Service Reply Comments Regarding FY 2017 Performance Report and FY 2018 Performance Plan, February 22, 2018 (Postal Service Reply Comments).

CHAPTER 2: COMPLIANCE WITH LEGAL REQUIREMENTS

A. Legal Requirements

The *FY 2018 Plan* and *FY 2017 Report* must meet the requirements of 39 U.S.C. §§ 2803 and 2804.¹¹ Section 2803 establishes requirements for the Postal Service’s annual performance plans. Annual performance plans must cover “each program activity set forth in the Postal Service budget...,”¹² and must:

- Establish objective, quantifiable, and measurable performance goals that define a program activity’s performance level.
- 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 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.¹³

¹¹ Chapter 28 of title 39, which includes sections 2803 and 2804, was added by the Government Performance and Results Act (GPRA) of 1993, Pub. L. 103-62, 107 Stat. 285 (1993). Sections 2803 and 2804 were not affected by the GPRA Modernization Act of 2010, which does not apply to the Postal Service. See Pub. L. 111-352, 124 Stat. 3866 (2011).

¹² A “program activity” is “a specific activity related to the mission of the Postal Service[.]” 39 U.S.C. § 2801(5). The Commission discusses program activities below. See Chapter 2, section C.1., *infra*.

¹³ *Id.* § 2803(b). The alternative form must either: (1) include separate descriptive statements of a minimally effective program and a successful program; 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).

Section 2804 sets forth several requirements for the Postal Service's annual performance reports. First, annual performance reports must review whether the Postal Service has met the performance goals previously established by the performance plan for that fiscal year. *Id.* § 2804(d)(1). Second, annual performance reports 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." *Id.* § 2804(b)(1). Third, annual performance reports must include "actual results for the three preceding fiscal years." *Id.* § 2804(c). Fourth, annual performance reports must evaluate the performance plan for the current fiscal year (in this case, the *FY 2018 Plan*) relative to the performance achieved toward those goals in the year covered by the performance report (in this case, the *FY 2017 Report*). *Id.* § 2804(d)(2).

If the Postal Service does not meet a performance goal, annual performance reports must explain why the goal was not met and its plans and schedules for achieving the performance goal.¹⁴ Annual performance reports must also include summary findings of program evaluations completed during the fiscal year covered by the report. *Id.* § 2804(d)(4).

B. Comments

The Public Representative comments that "the Postal Service satisfies all but one of the requirements of [39] U.S.C. §§ 2803 and 2804." PR Comments at 8. She asserts that the Postal Service fails to explain how the annual performance plans covers each of the program activities listed in the FY 2018 congressional budget. *Id.* Thus, she contends that the *FY 2018 Plan* does not comply with section 2803(a). *Id.*

In its reply comments, the Postal Service disagrees with the Public Representative's contention that the *FY 2018 Plan* does not comply with section 2803(a). Postal Service Reply Comments at 7-8. It notes that the Commission previously interpreted "Postal Service budget" in section 2803(a) to mean the Postal Service's operating budget in the *Integrated Financial Plan* (IFP). *Id.* at 8. The Postal Service points out that the *FY 2017 Report* and *FY 2018 Plan* include a table containing planned revenues and expenses for program activities in the IFP. *Id.* It explains that FY 2018 performance indicator targets align with the FY 2018 IFP and are designed "to be achievable given the planned finances in the IFP." *Id.* Thus, it concludes that it met the requirements of 39 U.S.C. §§ 2803 and 2804. *Id.*

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

C. Commission Analysis

In past years, the Commission found that annual performance plans and annual performance reports as filed lacked sufficient information for the Commission to determine whether they complied with 39 U.S.C. §§ 2803 and 2804.¹⁵ Extensive CHIRs were necessary to obtain the information required to evaluate compliance with these statutory requirements. In the FY 2016 *Analysis*, the Commission expressed concern that the Postal Service's continued reliance on CHIR responses to comply with statutory requirements reduced the transparency and usefulness of annual performance plans and annual performance reports. FY 2016 *Analysis* at 9. For this reason, the Commission directed that the *FY 2018 Plan* and *FY 2017 Report* contain all information necessary to show compliance with sections 2803 and 2804. *Id.* The Commission identified one legal compliance issue with the FY 2017 annual performance plan (*FY 2017 Plan*) and described what future annual performance plans and annual performance reports would need to include to comply with 39 U.S.C. §§ 2803 and 2804 in future years. *Id.* at 9-22.

The *FY 2018 Plan* and *FY 2017 Report* demonstrate that the Postal Service made significant efforts to address the issues identified by the Commission. The Postal Service also adopted some of the Commission's recommendations, which helped improve the transparency and utility of the *FY 2018 Plan* and *FY 2017 Report*. For example, the *FY 2017 Report* lists the same performance indicators and targets set in the *FY 2017 Plan*, which promotes clarity and consistency between annual performance plans and annual performance reports. The *FY 2017 Report* also describes changes to performance indicators and methodologies for calculating results, which promotes transparency by helping interested persons identify and understand when performance indicators change. The Commission appreciates the Postal Service's efforts to incorporate the Commission's recommendations into the *FY 2018 Plan* and *FY 2017 Report*.

As discussed below, the *FY 2018 Plan* and *FY 2017 Report* contain almost all information necessary to show compliance with 39 U.S.C. §§ 2803 and 2804. This facilitated the Commission's review of the performance goals under 39 U.S.C. § 3653(d) by allowing the analysis to focus less on legal compliance issues and more on how the Postal Service can meet its performance goals in future years. It also resulted in a more thorough and transparent annual performance plan and annual performance report and significantly reduced the number of CHIRs.

¹⁵ See FY 2016 *Analysis* at 9; FY 2015 *Analysis* at 16.

The Commission finds that the FY 2018 Plan and FY 2017 Report have improved significantly compared to past years. The Commission recommends the Postal Service retain these changes in future annual performance plans and annual performance reports.

1. FY 2018 Plan

This is the first annual performance plan the Commission has reviewed that meets all requirements of 39 U.S.C. § 2803. The Commission appreciates that the Postal Service included all information required for the Commission to evaluate compliance with 39 U.S.C. § 2803 in the *FY 2018 Plan*.

First, the *FY 2018 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 IFP. See *FY 2016 Analysis* at 13. In the *FY 2016 Analysis*, the Commission stated that to comply with 39 U.S.C. § 2803(a), the *FY 2018 Plan* must “identify all program activities in the *FY 2018 Integrated Financial Plan* and explain how the *FY 2018 Plan* covers each one... .”¹⁶ The Commission also directed that the *FY 2018 Plan* relate each program activity to one or more performance goals or indicators. *Id.*

In the *FY 2018 Plan*, the Postal Service explains that the FY 2017 and FY 2018 targets for each performance indicator are aligned with the FY 2018 IFP, which includes the Postal Service’s planned revenue and expenses for FY 2018. *FY 2017 Annual Report* at 13. The Postal Service states that it set all performance indicator targets “to be achievable given the planned finances in the IFP.” *Id.* The Postal Service explicitly defines “program activity” as a budget item contributing to the Controllable Income (Loss) performance indicator for the Financial Health performance goal. *Id.* It identifies program activities contributing to the Controllable Income (Loss) as controllable expenses such as compensation and benefits; transportation; depreciation; supplies and services; and rent and utilities. *Id.* The *FY 2018 Plan* includes planned IFP revenue and expenses for FY 2018, as well as actual revenues and expenses for FY 2017 that list these program activities. *Id.* at 21. Also, the Postal Service states that it developed the IFP budget to be consistent with planned workhours, which are used to calculate targets for the Deliveries per Total Workhours % Change (DPTWH % Change) performance indicator. *Id.* at 13.

The Public Representative comments that the *FY 2018 Plan* does not comply with 39 U.S.C. § 2803(a) because the Postal Service does not explain how it covers each of the program

¹⁶ *Id.* at 14. Alternatively, the Postal Service could identify all program activities in the applicable congressional budget submission, explain how the *FY 2018 Plan* covers each one, and provide a crosswalk relating the program activities between the FY 2018 IFP and congressional budget submission. *Id.*

activities listed in the FY 2018 congressional budget. PR Comments at 8. In its FY 2016 *Analysis*, the Commission explained that the Postal Service may demonstrate compliance with section 2803(a) by identifying all program activities in either the congressional budget or the IFP. FY 2016 *Analysis* at 14. The Postal Service identified the program activities in the FY 2018 IFP and related them to the Financial Health performance goal. See FY 2017 *Annual Report* at 13, 21.

Unlike past years, the *FY 2018 Plan* explicitly discusses the IFP, defines “program activity,” and identifies the program activities in the FY 2018 IFP. The Postal Service complied with the Commission’s directive to relate the program activities to the performance goals by linking them to the Financial Health performance indicators.

*The Commission finds that the FY 2018 Plan complies with 39 U.S.C. § 2803(a) by “covering each program activity set forth in the Postal Service budget... .” To comply with 39 U.S.C. § 2803(a) next year, the FY 2019 annual performance plan (FY 2019 Plan) must again identify all program activities in the FY 2019 IFP and explain how the FY 2019 Plan covers each one by relating each program activity to one or more performance goals or indicators.*¹⁷

Second, the *FY 2018 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). Section 2803(a)(1) requires the *FY 2018 Plan* to set forth the performance goals and establish targets for each performance indicator used to evaluate performance during FY 2018. See FY 2016 *Analysis* at 10. In FY 2015, the Postal Service began measuring employee engagement using two performance indicators related to the Postal Pulse survey: the Survey Response Rate and the Grand Mean Engagement Score. See Chapter 3, section C.3.b., *infra*. However, annual performance plans for FY 2016 and FY 2017 omitted targets for these performance indicators, as well as targets for most performance indicators measuring progress toward the Excellent Customer Experiences performance goal.¹⁸

The *FY 2018 Plan* improved over past annual performance plans by setting FY 2018 targets for each public performance indicator the Postal Service will use to evaluate performance during FY 2018.¹⁹ Although no target is set for the Grand Mean Engagement Score, the Postal Service explains in the *FY 2018 Plan* that it does not set targets for this performance indicator because targets do not incentivize managers to encourage honest survey feedback.

¹⁷ Alternatively, the Postal Service could identify all program activities in the applicable congressional budget submission, explain how the *FY 2019 Plan* covers each one, and provide a crosswalk relating the program activities between the FY 2019 IFP and congressional budget submission.

¹⁸ See FY 2016 *Annual Report* at 15; FY 2015 *Annual Report* at 14.

¹⁹ The Postal Service also uses three non-public performance indicators for Competitive products that measure progress toward the High-Quality Service performance goal. See Chapter 2, section C.3., *infra*.

FY 2017 *Annual Report* at 20 n.3. This explanation improves the transparency of annual performance plans by providing further insight into how the Postal Service sets targets for its performance goals. The Commission appreciates that the *FY 2018 Plan* provides the rationale for not setting a FY 2018 target for the Grand Mean Engagement Score.

The Commission finds that the FY 2018 Plan complies with 39 U.S.C. § 2803(a)(1) because the FY 2018 Plan sets targets for each performance indicator the Postal Service will use in FY 2018 or explains why a target is not set. In future annual performance plans, if the Postal Service does not set a target for a performance indicator, it should continue to provide a reasoned explanation for not setting a target.

Third, the *FY 2018 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). Section 2803(a)(2) requires the *FY 2018 Plan* to 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. In past years, the Postal Service did not provide measurable targets for the Grand Mean Engagement Score in either annual performance plans or in CHIR responses. *See id.* at 11. In its *FY 2016 Analysis*, the Commission stated that to comply with section 2803(a)(2), the *FY 2018 Plan* must include measurable FY 2018 targets for each performance indicator, including at least one of the performance indicators related to the Postal Pulse survey. *Id.* at 12.

The *FY 2018 Plan* addresses this issue by setting a measurable FY 2018 target for the Survey Response Rate performance indicator. As previously discussed, the Postal Service explains why it does not set a measurable target for the Grand Mean Engagement Score.

Fourth, the *FY 2018 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 2018 Plan* meets this requirement by explaining what resources are necessary to meet each performance goal. For example, to meet the High-Quality Service goal in FY 2018, the Postal Service states it will continue to implement operational and technological initiatives as well as improve the training of field personnel in mail handling. *FY 2017 Annual Report* at 17.

Fifth, the *FY 2018 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). The *FY 2018 Plan* meets this requirement because each performance goal has at least two performance indicators that evaluate outputs, service levels, and outcomes. For example, the Financial Health performance goal uses two performance

indicators to measure financial performance and overall efficiency. *FY 2017 Annual Report* at 20-25.

Sixth, the *FY 2018 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 2018 Plan* meets this requirement by setting forth performance indicators that will provide a basis for comparing FY 2018 results with the targets established in the *FY 2018 Plan*.

Seventh, the *FY 2018 Plan* must “describe the means to be used to verify and validate measured values.” *See id.* § 2803(a)(6). Section 2803(a)(6) requires the Postal Service to explain how it verifies and validates targets and results for each performance indicator using objective measurement systems. The *FY 2018 Plan* meets this requirement by, for example, explaining that it uses a third-party contractor to measure service performance for several mail categories. *See* *FY 2017 Annual Report* at 15.

The Commission finds that the FY 2018 Plan complies with 39 U.S.C. § 2803.

2. FY 2017 Report

The *FY 2017 Report* improved significantly compared to previous years because the Postal Service addressed two major legal issues related to compliance with 39 U.S.C. § 2804 that had been problematic in past annual performance reports. In particular, the Postal Service made changes this year to address comparability between FY 2017 targets and results, as well as to provide comparable results from the past three fiscal years.

a. Target and Result Comparability

Annual performance reports 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). Section 2804(b)(1) requires results expressed in the annual performance reports to be comparable with targets set in the annual performance plan for that fiscal year. *FY 2016 Analysis* at 16. Thus, to comply with section 2804(b)(1), the *FY 2017 Report* must set forth the performance indicators and targets in the *FY 2017 Plan* and compare the FY 2017 results with FY 2017 targets set for each performance indicator in the *FY 2017 Plan*. The Commission also directed that the *FY 2017 Report* express results for each performance indicator that are comparable to the targets the Postal Service set for FY 2017. *Id.* at 18.

Determining compliance with section 2804(b)(1) has been challenging because previous annual performance reports omitted or changed performance indicators and targets from those that were previously set in applicable annual performance plans. *See* *FY 2016 Analysis* at 16-18. For example, in some cases, the Postal Service provided targets in CHIR

responses, but did not include them in the applicable annual performance report. *Id.* In the FY 2016 *Analysis*, the Commission observed that inconsistencies between targets presented in annual performance plans and annual performance reports have been an ongoing issue. *Id.* at 18. In other cases, results in past annual performance reports were not comparable to the targets the Postal Service set in the annual performance plan for that fiscal year. *Id.* at 17-18. The Commission recommended that the Postal Service not change performance indicators or targets after setting them in annual performance plans. *Id.* at 18.

The Postal Service addressed these issues in the *FY 2017 Report* by including the same performance indicators and targets set in the *FY 2017 Plan*. For each public²⁰ performance indicator, the *FY 2017 Report* sets forth FY 2017 targets from the *FY 2017 Plan* and compares them with the FY 2017 results.²¹ The Postal Service did not change any performance indicators or targets mid-year. Results expressed in the *FY 2017 Report* are comparable to the targets the Postal Service set for FY 2017. The Commission appreciates that the Postal Service adopted its recommendation of not changing performance indicators or targets once they are set in the annual performance plan.

The Commission finds that the FY 2017 Report complies with 39 U.S.C. § 2804(b)(1). To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2018 annual performance report (FY 2018 Report) must set forth the same performance indicators and targets in the FY 2018 Plan and compare FY 2018 results with FY 2018 targets for each performance indicator. The FY 2018 Report must express results for each performance indicator that are comparable to the targets the Postal Service set in the FY 2018 Plan.

b. Comparable Three-Year Results

Annual performance reports 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 also be comparable across the three preceding fiscal years. *See FY 2016 Analysis* at 18. The Commission stated that to comply with 39 U.S.C. § 2804(c), the *FY 2017 Report* must include comparable results for each performance indicator for, at a minimum, FYs 2014, 2015, 2016, and 2017. *Id.* at 22. If comparable results were unable to be provided, the Commission directed that the *FY 2017 Report* explain how to compare results between the old and new methodologies. *Id.*

²⁰ The Postal Service uses three non-public performance indicators for Competitive products that measure progress toward the High-Quality Service performance goal. *See* Chapter 2, section C.3., *infra*.

²¹ *See* *FY 2017 Annual Report* at 14. Last year, the Postal Service provided FY 2017 targets for two performance indicators in CHIR responses: First-Class Package Service and the Postal Pulse survey number of business units entering into action plans. *See* *FY 2016 Analysis* at 28, 54. The Postal Service confirms that it is no longer using these as performance indicators. *See* Responses to CHIR No. 6, questions 1, 4.

Recent annual performance reports did not include comparable results from the past three fiscal years for some performance indicators.²² Providing comparable three-year results also was a potential issue in FY 2017 for two reasons. First, the Postal Service replaced some performance indicators. For the High-Quality Service goal, the Postal Service replaced the composite performance indicators measuring First-Class Mail and Marketing Mail. FY 2016 *Analysis* at 20. For the Safe Workplace and Engaged Workforce goal, the Postal Service replaced the prior workplace safety performance indicator with the Total Accident Rate. *Id.* The Postal Service addressed the result comparability issue for these performance indicators by providing three years of comparable results using the new performance indicators.²³

Second, providing three years of comparable results was a potential issue in FY 2017 because the Postal Service changed the methodology for calculating results of some existing performance indicators. FY 2016 *Analysis* at 20-21. For the Excellent Customer Experiences performance goal, the Postal Service changed the methodologies for calculating results of two performance indicators: Customer Insights (CI) Composite Score and Delivery. *Id.* In the FY 2016 *Analysis*, the Commission directed that to comply with section 2804(c), the FY 2017 *Report* must include results for these performance indicators calculated using both the old and new methodologies. *Id.* at 21. The Commission stated that if the FY 2017 *Report* does not include comparable results for the CI Composite Score, the Postal Service should explain why it is not feasible to do so. *Id.*

The FY 2017 *Report* does not contain comparable results for the CI Composite Score and the Delivery performance indicators. However, in the FY 2017 *Report*, the Postal Service explains why results for these performance indicators are not easily or directly comparable across years. See FY 2017 *Annual Report* at 17. The FY 2017 *Report* also contains results of their subcomponents, which are comparable across the past three fiscal years. *Id.* at 14, 17.

For the Safe Workplace and Engaged Workforce performance goal, the Postal Service changed the survey for measuring employee engagement from the VOE to the Postal Pulse survey in FY 2015. FY 2017 *Annual Report* at 14 n.6. In the FY 2016 *Analysis*, the Commission directed that to comply with 39 U.S.C. § 2804(c), the FY 2017 *Report* must include comparable results for at least one performance indicator related to the Postal Pulse survey. FY 2016 *Analysis* at 65. The FY 2017 *Report* addresses this issue by including three years of comparable results for the Survey Response Rate performance indicator. See FY 2017 *Annual Report* at 14.

²² See FY 2016 *Analysis* at 19-20; FY 2016 *Annual Report* at 15; FY 2015 *Annual Report* at 14.

²³ See FY 2017 *Annual Report* at 14. For its non-public performance indicators for the High-Quality Service performance goal, the Postal Service provided three years of comparable results under seal. Library Reference USPS–FY17–NP37, file “USPS-FY17-NP37.Preface.pdf;” see Chapter 2, section C.3., *infra*.

The Commission finds that the FY 2017 Report “include[s] actual results for the three preceding fiscal years” and thus complies with 39 U.S.C. § 2804(c) for the High-Quality Service, Excellent Customer Experiences, and Safe Workplace and Engaged Workforce performance goals.

For the Financial Health performance goal, the Postal Service changed the methodology for calculating the DPTWH % Change performance indicator in FY 2016. The *FY 2017 Report* expresses FY 2014 and FY 2015 results using the old methodology and FY 2016 and FY 2017 results using the new methodology. February 1 Responses to CHIR No. 9, question 13. These results are not comparable because to be comparable, results must be calculated and expressed using the same methodology. Also, the *FY 2017 Report* does not explain how to compare results between the old and new methodologies.

The FY 2017 Report does not comply with 39 U.S.C. § 2804(c) for the Financial Health performance goal. To comply with 39 U.S.C. § 2804(c) next year, the FY 2018 Report must include comparable DPTWH % Change results calculated and expressed using the same methodology for, at a minimum, FYs 2015, 2016, 2017, and 2018.

In FY 2018, the Postal Service is adding new performance indicators or changing the methodology for calculating results of existing performance indicators. See Chapter 2, section C.4., *infra*. The Commission clarifies that for new performance indicators added during the previous year, annual performance reports only need to include results for the fiscal year covered by the annual performance report. For example, for FY 2018 the Postal Service is adding three new performance indicators for the Excellent Customer Experiences goal. See *FY 2017 Annual Report* at 14, 17.

To comply with 39 U.S.C. § 2804(c) next year, the FY 2018 Report must include comparable FY 2018 results for new performance indicators. For all other performance indicators, annual performance reports must include comparable results from the past three fiscal years as required by 39 U.S.C. § 2804(c). Specifically, the Postal Service must provide comparable results if it replaces a performance indicator or changes the methodology for calculating results of an existing performance indicator. To comply with 39 U.S.C. § 2804(c) next year, the FY 2018 Report must include comparable results for each performance indicator for, at a minimum, FYs 2015, 2016, 2017, and 2018.

To be comparable, results for each fiscal year must be calculated and expressed using the same performance indicator or methodology. If comparable results cannot be provided, the FY 2018 Report must explain why results are not directly comparable across these fiscal years. In that case, the FY 2018 Report must either explain how to compare results between the old and new methodologies or explain why making this comparison is not feasible.

c. Other Annual Performance Report Requirements

The *FY 2017 Report* must also meet the other requirements of 39 U.S.C. § 2804. Annual performance reports must review the Postal Service's success in achieving its performance goals during FY 2017. 39 U.S.C. § 2804(d)(1). The *FY 2017 Report* states whether the Postal Service met targets for each performance goal in FY 2017. The Postal Service provided this information both in a table comparing targets and results and in the text of the *FY 2017 Report*. See *FY 2017 Annual Report* at 14, 16-17, 19, 22, 25.

Annual performance reports 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). Section 2804(d)(2) requires the *FY 2017 Report* to evaluate the *FY 2018 Plan* relative to the performance achieved toward the performance goals during FY 2017. In other words, the Postal Service must compare FY 2018 targets with FY 2017 results for each performance indicator the Postal Service will use during FY 2018. The *FY 2017 Report* provides this information in a table comparing results and targets for each performance indicator. See *FY 2017 Annual Report* at 14.

Annual performance reports 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). "Program 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 2017 Report* includes summary findings of program evaluations completed during FY 2017 by evaluating how programs helped the Postal Service meet targets in FY 2017. For example, the Postal Service states it met the FY 2017 Delivery performance indicator target for the Excellent Customer Experiences goal by increasing the percentage of mail that is properly scanned and tracking and reporting problem delivery units to decrease change-of-address complaints. *FY 2017 Annual Report* at 17.

The Commission finds that the FY 2017 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).

If a performance goal has not been met, annual performance reports must explain why the Postal Service did not meet the goal and describe the plans and schedules for achieving the goal. 39 U.S.C. § 2804(d)(3). Because the Postal Service either did not meet or only partially met each performance goal in FY 2017, the *FY 2017 Report* must explain why and describe plans and schedules for achieving each goal in FY 2018. See Table III-1, *infra*. The *FY 2017*

Report provides this information for the High-Quality Service and Excellent Customer Experiences performance goals.²⁴

The Commission finds that the FY 2017 Report complies with 39 U.S.C. § 2804(d)(3) for the High-Quality Service and Excellent Customer Experiences performance goals.

For the Safe Workplace and Engaged Workforce and Financial Health performance goals, the *FY 2017 Report* does not include all the information required by 39 U.S.C. § 2804(d)(3). The *FY 2017 Report* describes plans and schedules for meeting the Safe Workplace and Engaged Workforce goal in FY 2018, but does not explain why the Postal Service did not meet this goal in FY 2017. See *FY 2017 Annual Report* at 19-20. Conversely, the *FY 2017 Report* explains why the Postal Service did not meet the Financial Health performance goal in FY 2017, but does not describe plans and schedules for meeting this goal in FY 2018. See Chapter 3, section D.3.(a)(2), *infra*.

The Commission finds that the FY 2017 Report does not comply with 39 U.S.C. § 2804(d)(3) for the Safe Workplace and Engaged Workforce and Financial Health performance goals. The Commission reiterates that “plans and schedules” for meeting performance goals under 39 U.S.C. § 2804(d)(3)(B) must be designed to meet applicable performance indicator targets. These plans and schedules must also include specific timelines if they fall outside of the fiscal year covered by the annual performance plan. See FY 2015 Analysis at 15. If the Postal Service does not meet FY 2018 target(s), the FY 2018 Report must describe specific plans for improving performance that are designed to meet FY 2019 target(s). These plans must also include timelines for implementing programs that will help meet FY 2019 target(s).

3. Non-Public Performance Indicators

The Postal Service uses three non-public performance indicators to measure progress toward the High-Quality Service performance goal. February 1 Responses to CHIR No. 9, question 1. These performance indicators measure service performance for some Competitive products.²⁵ The Postal Service filed under seal targets for FY 2017 and FY 2018 and results from FY 2014 through FY 2017 for these non-public performance indicators.²⁶

²⁴ The Postal Service explained under seal why it did not meet two of the three targets set for its non-public performance indicators and its plans and schedules for meeting targets in FY 2018. See Chapter 2, section C.3., *infra*.

²⁵ *Id.*; see *FY 2016 Analysis* at 25 n.27.

²⁶ Library Reference USPS–FY17–NP37, February 1, 2018, file “USPS-FY17-NP37.Preface.pdf.”

Because the Postal Service provided FY 2018 targets, the Commission finds that the FY 2018 Plan complies with 39 U.S.C. § 2803(a)(1), which requires annual performance plans to set targets for each performance indicator.

In its filing under seal, the Postal Service compared FY 2017 targets with FY 2017 results and included three years of comparable results from FY 2014 through FY 2017 for each non-public performance indicator. The Postal Service explains under seal why it missed FY 2017 targets for two non-public performance indicators and its plans and schedules for meeting FY 2018 targets. *Id.*

The Commission finds that the FY 2017 Report complies with 39 U.S.C. § 2804(b)(1), (c), and (d)(3) with respect to the non-public performance indicators.

Annual performance plans and annual performance reports do not need to include information on non-public performance indicators. However, to ensure compliance with 39 U.S.C. §§ 2803 and 2804 in future years, the Postal Service must file under seal with the *Annual Compliance Report* (ACR) targets and three years of comparable results for each non-public performance indicator.

To ensure that the FY 2019 Plan and FY 2018 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Postal Service must file under seal with the FY 2018 ACR: (1) FY 2018 and FY 2019 targets; and (2) comparable results from FY 2015 through FY 2018 for each non-public performance indicator. If the Postal Service does not meet a FY 2018 target, the Postal Service must explain why and describe the plans and schedules for meeting FY 2019 targets.

The Postal Service may include this information with the *Annual Report to Congress* or submit this information in a non-public library reference.

4. FY 2018 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 *FY 2017 Report* adopts this recommendation by explaining changes to performance indicators and the methodology for calculating them. First, the Postal Service states that in FY 2018, it is adding three new performance indicators for the Excellent Customer Experiences performance goal. *FY 2017 Annual Report* at 14, 18. Second, the Postal Service explains that in FY 2018, it is changing the methodology for calculating some existing performance indicators for the High-Quality Service and Excellent Customer Experiences goals. *Id.* at 14 nn. 3-5, 16, 18. Third, the Postal Service identifies areas where the methodology change will affect the comparability of results. *Id.* Fourth, the Postal Service

notes that the DPTWH % Change performance indicator was referred to as “DPTWH % SPLY” in the FY 2016 annual performance report. *Id.* at 24 n.5.

The Commission appreciates that the Postal Service adopted the Commission’s recommendation by describing performance indicator and methodology changes in the *FY 2018 Plan* and the *FY 2017 Report*, and analyzing the impact of these changes on results. These explanations promote transparency by helping interested persons understand when performance indicators and methodologies change and how they impact results. In the *FY 2019 Plan* and *FY 2018 Report*, the Postal Service should continue to describe future performance indicator and methodology changes as well as analyze the impact of these changes on results.

The Commission recognizes that changes to performance indicators and the methodology for calculating results can be necessary for driving innovation and growth. However, as the Commission discussed in the FY 2016 *Analysis*, these changes hamper the Commission’s ability to fulfill its statutory responsibility under 39 U.S.C. § 3653(d) to evaluate whether the Postal Service has met its performance goals. *See* FY 2016 *Analysis* at 20. They also decrease transparency and make it difficult to evaluate progress year-over-year and over time. *Id.*

After implementing a change, the Postal Service will need time to evaluate whether the change was beneficial or effective. Implementing a change for a three-year period will also help future annual performance reports comply with 39 U.S.C. § 2804(c) by generating three years of comparable results.

The Commission reiterates its recommendation that the Postal Service not change performance indicators, targets, or methodologies once they are established in the annual performance plan. See FY 2016 Analysis at 18. To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service limit the number of performance indicator or methodology changes made. The Postal Service should implement a performance indicator or methodology change for three consecutive fiscal years before revising it unless the change is clearly not beneficial or effective.

If the Postal Service decides to add a new performance indicator or change the methodology for an existing performance indicator, the Commission recommends that the Postal Service provide the rationale for these changes in future annual performance plans and annual performance reports.

CHAPTER 3: EVALUATION OF PERFORMANCE GOALS

The Postal Service's four performance goals in FY 2017 were:

- High-Quality Service
- Excellent Customer Experiences
- Safe Workplace and Engaged Workforce
- Financial Health²⁷

In this chapter, the Commission evaluates whether the Postal Service met each performance goal in FY 2017 as required by 39 U.S.C. § 3653(d). The Commission considers the Postal Service to have met a performance goal if the results of each performance indicator for that goal meet or exceed targets established in the applicable annual performance plan. FY 2016 *Analysis* at 5. Results for most performance indicators improved between FY 2016 and FY 2017. However, the Postal Service missed one or more targets for each performance goal.

The Commission finds that the Postal Service either did not meet or only partially met its performance goals in FY 2017.

If a performance goal has not been met, annual performance reports must explain why the Postal Service did not meet the goal and describe the plans and schedules for achieving the goal. 39 U.S.C. § 2804(d)(3). Table III-1 lists each performance goal, whether the goal was met in FY 2017, reasons provided by the Postal Service for not meeting the goal, and the Postal Service's plans and schedules for achieving the performance goal in future years.

²⁷ FY 2017 *Annual Report* at 13. These are the same performance goals the Postal Service used in FY 2016, but reworded slightly. The four performance goals in FY 2016 were: Deliver High-Quality Service, Provide Excellent Customer Experiences, Ensure a Safe Workplace and Engaged Workforce, and Sustain Controllable Income. FY 2016 *Annual Report* at 13.

**Table III-1
FY 2017 Progress Toward Performance Goals**

Performance Goal	Goal Met in FY 2017	Postal Service's Reasons for Not Meeting Goal	Postal Service's FY 2018 Plans and Schedules for Meeting the Goal
High-Quality Service	Partially	Temporary disruptions in mail distribution, network transportation, and delivery processes; delays resulting from natural disasters and weather events	Implement technological initiatives such as improved software to generate better daily operational plans; improve training of field personnel in mail handling; implement operational changes such as increasing the amount of mail processed ahead of schedule
Excellent Customer Experiences	Partially	<p><i>Business Service Network (BSN)</i>: customers did not receive prompt information about the status of their packages</p> <p><i>Point of Sale (POS)</i>: primary drivers of customer satisfaction at retail locations are staff efficiency, staff knowledge, and acceptable wait times in line</p> <p><i>Enterprise Customer Care (eCC)</i>: customers waited a long time before being contacted about their issue, or were not contacted at all</p>	<p><i>BSN</i>: implement integrated technology platform during FY 2018, Quarter 1 to address package status inquiries for customers</p> <p><i>POS</i>: develop employee communication and training to address retail location management; streamline package pick-up processes</p> <p><i>eCC</i>: increase emphasis on prompt and reliable initial contact and issue resolution</p>
Safe Workplace and Engaged Workforce	Not Met	<i>FY 2017 Report</i> does not explain why goal was not met.	<p><i>Safe Workplace</i>: focus on prevention strategies and take a proactive approach to safety; emphasize leadership and maintain a culture of safety</p> <p><i>Engaged Workforce</i>: continue to mail surveys to bargaining employees at both their work and home addresses instead of only home addresses; increase employee engagement training</p>
Financial Health	Not Met	<p><i>Deliveries per Total Workhours (DPTWH) % Change</i>: rapid decrease in volume during FY 2017; Postal Service's large network made it difficult to adjust workhours</p> <p><i>Controllable Income (Loss)</i>: shortfall in revenue due to higher-than-expected First-Class Mail diversion and unexpected decline in Marketing Mail volume</p>	<p><i>DPTWH % Change</i>: Postal Service describes general plans for reducing workhours, but not specific plans or timelines for meeting FY 2018 target</p> <p><i>Controllable Income (Loss)</i>: modest revenue growth from Shipping and Packages due to volume growth and price increases</p>

Sources: FY 2017 Annual Report at 16-25; February 1 Responses to CHIR No. 9, questions 4-7; Responses to CHIR No. 19, questions 4, 5; Postal Service Reply Comments at 5, 7.

The *FY 2017 Report* provides a thorough explanation of why it partially met the Excellent Customer Experiences performance goal. The Postal Service identifies the specific performance indicators that missed FY 2017 targets and provides reasons why based on the underlying customer survey. *See FY 2017 Annual Report* at 17. The Postal Service also tailors plans for meeting FY 2018 targets to address the issues that caused the Postal Service to miss targets in FY 2017. *See id.*

The Commission finds the Postal Service's explanation of why it partially met the Excellent Customer Experiences goal an improvement over past years. If the Postal Service partially meets or does not meet the Excellent Customer Experiences goal in FY 2018, the Commission recommends that the Postal Service provide a similar explanation by identifying each performance indicator that did not meet its FY 2018 target and providing a reason based on the underlying customer survey.

For the other performance goals, the Postal Service could improve the transparency and utility of future annual performance reports by including a more thorough explanation of why a goal or target was not met. When performance goal(s) are not met, the Postal Service should identify the performance indicator(s) that did not meet target(s) as well as the reason(s) why based on the underlying data in future annual performance reports.

A. High-Quality Service

1. Background

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. Service performance results are expressed as the percentage of mail meeting the applicable service standard. The Postal Service uses the percentage of selected and combined mail products delivered on-time to assess whether its performance meets the High-Quality Service²⁸ performance goal.²⁹ Seven public³⁰ performance indicators measured progress toward this goal in FY 2017:

²⁸ In FY 2016, this performance goal was called "Deliver High-Quality Service." *See FY 2016 Annual Report* at 13.

²⁹ The Postal Service also reports service performance on all Market Dominant products in the ACR. 39 U.S.C. § 3562(a)(2)(B)(i)(ii). Service performance measurement reporting in the ACR is independent of service performance measurement reporting in the 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 2017 Annual Report* does not meet the same class- or group-specific granular reporting criteria as those service performance measurements required in the Commission's rules. *See* 39 C.F.R. §§ 3055.20 through 3055.24. The Single-Piece First Class Mail and the Presorted First-Class Mail performance indicators in the *FY 2017 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 3-5-Day service standards by First-Class Mail product. *See, e.g.,* 39 C.F.R. § 3055.20(a).

³⁰ The Postal Service also uses three non-public performance indicators to measure service performance for some Competitive products. February 1 Responses to CHIR No. 9, question 1; *see FY 2016 Analysis* at 25 n.27. The Postal Service filed under seal targets for FY 2017 and FY 2018 and results from FY 2014 through FY 2017 for these non-public performance indicators. Library Reference USPS-FY17-NP37, file "USPS-FY17-NP37.Preface.pdf." The Postal Service met one of these targets in FY 2017. *Id.*

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

Results of the Single-Piece First-Class Mail performance indicators show the estimated percentage of Single-Piece First-Class Mail by service standard (2-Day and 3-5-Day) delivered on-time. FY 2017 *Annual Report* at 15. The Postal Service combined the on-time score for parcels with an on-time score for letters, postcards, and flats by weighting the two scores by the estimated volume of each mail type. *Id.* In FY 2017, the Single-Piece First-Class Mail (2-Day and 3-5-Day) performance indicators measured the service performance of Single-Piece First-Class Mail Parcels received through September 8, 2017³¹ and service performance of Single-Piece First Class Mail letters, postcards, and flats for the entire fiscal year (through September 30, 2017). FY 2017 *Annual Report* at 15. This discrepancy in measurement periods is due to the transfer of the First-Class Mail Parcels Retail (Single-Piece) price category from the Market Dominant to the Competitive product list.³² Consequently, the Postal Service classified all mailed Single-Piece First-Class Mail Parcels as Competitive products beginning in September 2017. FY 2017 *Annual Report* at 15.

The Presorted First-Class Mail performance indicators measure the performance of commercial Presorted First-Class Mail by using the estimated percentage of total mail delivered on-time by service standard (Overnight, 2-Day, and 3-5-Day). *Id.*

In FY 2017, the Postal Service introduced two new composite performance indicators. First, the FCLF Composite replaced the First-Class Mail Composite, which the Postal Service used as a performance indicator through FY 2016. *Id.* The FCLF Composite is the weighted average, by volume, of Single-Piece First-Class Mail and Presorted First-Class Mail across all service standards. *Id.* Unlike the First-Class Mail Composite, the FCLF Composite does not include First-Class Mail Parcels, which the Postal Service states

³¹ *Id.*; Responses to CHIR No. 6, question 1.

³² See Docket No. MC2015-7, Order Conditionally Approving Transfer, July 20, 2017 (Order No. 4009); Docket No. CP2017-230, Order Approving Price Adjustment for First-Class Package Service Product, August 9, 2017 (Order No. 4032).

represented less than 1 percent of overall First-Class Mail in FY 2017. *Id.* After the transfer of Single-Piece First-Class Mail Parcels to the Competitive product list, First-Class Mail no longer includes any parcel product. The Postal Service asserts that service performance for First-Class Mail Parcels is similar to that of First-Class Mail Letters and Flats. *Id.*

Second, the Marketing Mail and Periodicals Composite replaced the Standard Mail Composite, which the Postal Service used as a performance indicator through FY 2016.³³ The Marketing Mail and Periodicals Composite results show the percentage of all USPS Marketing Mail letters, USPS Marketing Mail flats, and Periodicals delivered within the established service standard. FY 2017 *Annual Report* at 15. The former Standard Mail Composite performance indicator only measured USPS Marketing Mail entered at destination network distribution center (DNDC) or destination sectional center facility (DSCF) entry points. *Id.* By contrast, the new Marketing Mail and Periodicals Composite measures all measured USPS Marketing Mail and Periodicals regardless of entry point. *Id.* The Postal Service explains that the Marketing Mail and Periodicals Composite results are lower than the Standard Mail Composite results because the Marketing Mail and Periodicals Composite measures additional products in both USPS Marketing Mail and Periodicals, as well as mailpieces that travel through the entire postal network, rather than destination entry mail only. *Id.*

In the *FY 2017 Plan*, the Postal Service stated, “First-Class Mail Packages performance will be measured using a composite score of commercial and retail two-day and three-to-five day.” FY 2016 *Annual Report* at 17. In a CHIR response, the Postal Service confirms that the Postal Service is not using First-Class Mail Packages as a performance indicator because the First-Class Mail Parcels Retail (Single-Piece) price category was transferred to the Competitive product list in FY 2017. Responses to CHIR No. 6, question 1.

In FY 2017, results for each High-Quality Service performance indicator improved between FY 2016 and FY 2017.³⁴ The Marketing Mail and Periodicals Composite result (91.44 percent) exceeded the target (91.00). FY 2017 *Annual Report* at 14, 16. However, the Postal Service missed FY 2017 targets set for the other performance indicators. *Id.* The Postal Service attributes the missed FY 2017 targets to “temporary disruptions in any of the mail distribution, network transportation or delivery processes.”³⁵ The Postal Service explains that the “delays were sometimes the result of natural disasters and weather events.” FY 2017 *Annual Report* at 16.

³³ *Id.* On November 15, 2016, the Commission approved the Postal Service’s request to change the name of “Standard Mail” to “USPS Marketing Mail.” Docket No. R2017-1, Order on Price Adjustments for First-Class Mail, Standard Mail, Periodicals, and Package Services Products and Related Mail Classification Changes, November 15, 2016, at 39 (Order No. 3610).

³⁴ See FY 2017 *Annual Report* at 14-15; Table I-1, *supra*.

³⁵ *Id.* The Postal Service explained that these disruptions have less of an impact on USPS Marketing Mail and Periodicals performance due to the differences in service standards and networks. February 1 Responses to CHIR No. 9, question 3.

In the *FY 2018 Plan*, FY 2018 targets for the Single-Piece First-Class Mail and Presorted First-Class Mail performance indicators are the same as FY 2017 targets. *See id.* at 14, 16. The *FY 2018 Plan* also maintains the same target for the FCLF Composite, but increases the FY 2018 target for the Marketing Mail and Periodicals Composite from 91.00 to 91.80. *Id.*

In order to improve performance, the Postal Service asserts it “will implement improved software to generate better daily operational plans.” *Id.* at 16. It states that improved procedures and the deployment of new technologies will improve efficiency. *Id.* The Postal Service also plans to continue to develop and deploy more precise tools, including Informed Visibility, to more frequently scan and track mail. *Id.* The Postal Service notes that it plans to improve training for personnel to improve the efficiency of mail handling and delivery. *Id.* The Postal Service also describes plans to “increase operational maintenance and the presence of maintenance personnel” to reduce inefficiencies due to equipment failure. *Id.* These plans are discussed in more detail below. *See Chapter 3, section A.3.d., infra.*

2. Comments

a. Initial Comments

The Public Representative concludes that the Postal Service did not meet the High-Quality Service performance goal in FY 2017. PR Comments at 6. She observes that results improved for every performance indicator for the second year in a row. *Id.* at 4. Despite this increase, she asserts that the Postal Service missed all targets in FY 2017. *Id.* at 5. She notes that the FY 2017 result for the Single-Piece First-Class Mail (3-5-Day) performance indicator improved the most, but was also the furthest away from meeting the FY 2017 target. *Id.* at 4-5.

The Public Representative contends that the Postal Service failed to provide a reasonable explanation for missing FY 2017 targets. *Id.* at 5. She states that although the Postal Service identifies temporary disruptions as a cause of the missed targets, “it does not specify whether these disruptions were in distribution, network transportation or delivery processes.” *Id.* She asserts that the Postal Service did not explain whether the disruptions were unique to FY 2017. *Id.* She recommends that the Postal Service set realistic targets for the High-Quality Service performance indicators. *Id.* at 6.

PostCom also filed comments regarding the High-Quality Service performance goal. *See PostCom Comments.* PostCom suggests that the Postal Service’s performance indicators represent “opaque and scant” reporting of service performance data. PostCom Comments at 1. PostCom criticizes the measures as “highly edited and aggregated.” *Id.* at 2. PostCom labels as inadequate the use of composites as the only indicators for major product categories. *Id.* at 3.

PostCom states that the aggregation of data “masks what may be important difference[s] in service performance[s]” between pieces at different entry points and pieces with other

distinguishing dimensions. *Id.* at 2. PostCom states that the Postal Service already collects the information and uses it internally for diagnostic and analytic purposes. *Id.* PostCom states that the composite indicators specifically are dominated by letter-shaped mail, rendering flats service performance meaningless. *Id.* at 3.

PostCom further suggests that the Postal Service's plan for improving performance "is utterly lacking in specifics." *Id.* at 4. PostCom calls for the Postal Service to explain how and to what degree its planned actions will affect service. *Id.*

b. Reply Comments

In its reply comments, the Postal Service asserts that a second year of improvement for each High-Quality Service performance indicator demonstrates that its efforts to improve performance are working. Postal Service Reply Comments at 2. The Postal Service acknowledges the gap between results and the "aggressive 'stretch'" target for the Single-Piece First-Class Mail (3-5-Day) performance indicator. *Id.* However, it contends that because the differential decreased in FY 2017, the Postal Service's efforts to continue the upward trend of improvement have been effective. *Id.*

Regarding its explanation for why it did not meet the FY 2017 targets, the Postal Service explains that it does maintain data on how weather and other natural events impact service performance. *Id.* at 3. However, it asserts that identifying the exact number of impacted mailpieces would not be feasible to implement. *Id.* The Postal Service responds to the Public Representative's comments regarding setting realistic targets, stating that the "stretch targets" are ultimately achievable and inspire continued improvement. *Id.*

Regarding PostCom's comments on aggregated composite indicators, the Postal Service states that the use of composite indicators "does not impede the Postal Service's conscientious efforts to continuously address service performance issues." *Id.* at 4-5. In response to comments regarding the specifics of its *FY 2018 Plan*, the Postal Service references its February 1 Responses to CHIR No. 9, questions 4-7. *Id.* at 5. The Postal Service states that the responses show that the *FY 2018 Plan* "is anything but lacking in specifics." *Id.*

3. Commission Analysis

In FY 2017, the Postal Service met one of the seven targets set for the High-Quality Service performance indicators. In the *FY 2017 Report* and *FY 2018 Plan*, the Postal Service makes four improvements to its discussion of the High-Quality Service performance goal compared to prior years. First, the Postal Service clearly describes how it calculates results for each performance indicator. *See FY 2017 Annual Report* at 15. Second, it explains how the FCLF Composite and the Marketing Mail and Periodicals Composite differ from the performance indicators they replaced. *See id.* Third, unlike the *FY 2016 Report*, the *FY 2017 Report* explains why the Postal Service missed targets in FY 2017. *See id.* at 16. Fourth, the

FY 2018 Plan describes methodology changes that will affect the comparability of results in FY 2018. *See id.*

The Commission finds that the Postal Service partially met the High-Quality Service performance goal in FY 2017. The Commission finds that the discussion of the High-Quality Service performance goal in the FY 2017 Report and FY 2018 Plan improved compared to past years. The Commission recommends that the Postal Service continue to provide these types of explanations in future annual performance plans and annual performance reports.

In this section, the Commission discusses performance indicator changes; makes observations on the results, targets, and performance indicators; and explores the Postal Service's plans for meeting FY 2018 targets.

a. Performance Indicator Changes

Annual performance reports must include comparable results for the three preceding fiscal years. 39 U.S.C. § 2804(c); *see* Chapter 2, section C.2.b., *supra*. In FY 2017, the Postal Service replaced the composite performance indicators measuring First-Class Mail and USPS Marketing Mail with the FCLF Composite and the Marketing Mail and Periodicals Composite, respectively, which could have affected the comparability of results in the *FY 2017 Report*. *See* *FY 2016 Analysis* at 20 (discussing changes to the High-Quality Service performance indicators). The Commission stated that for the *FY 2017 Report* to comply with 39 U.S.C. § 2804(c), the Postal Service must provide comparable results for each performance indicator for, at a minimum, FYs 2014, 2015, 2016, and 2017. *FY 2016 Analysis* at 22. If comparable results could not be provided, the Commission directed that the *FY 2017 Report* explain how to compare results between the old and new methodologies. *Id.* The Postal Service addressed this issue by providing three years of comparable results using the new performance indicators.³⁶

The Postal Service is changing the methodology for calculating results for the Single-Piece First-Class Mail (2-Day and 3-5-Day) performance indicators. In FY 2018, results for these performance indicators will only include data for letters, postcards, and flats. *Id.* at 16. They will not include data for First-Class Mail Parcels because the Postal Service currently classifies them as Competitive products. *Id.* The Postal Service confirms that it will calculate results of all other performance indicators in the same manner as in FY 2017. *Id.*

As discussed in Chapter 2, to comply with 39 U.S.C. § 2804(c) next year, the FY 2018 Report must include comparable results for each performance indicator for, at a minimum, FYs 2015, 2016, 2017, and 2018. To be comparable, results for each fiscal year must be calculated and expressed using the same performance indicator or methodology. For the Single-Piece First-Class Mail (2-Day and 3-5-Day) performance indicators, the FY 2018 Report must express results for FYs 2015, 2016, 2017, and 2018 using data for letters,

³⁶ *See* *FY 2017 Annual Report* at 14 nn. 1-2.

postcards, and flats only and excluding parcels. If comparable results cannot be provided, the FY 2018 Report must explain why results are not directly comparable across these fiscal years. In that case, the FY 2018 Report must either explain how to compare results between the old and new methodologies or explain why making this comparison is not feasible.

b. Observations on Results and Targets

Table III-2 compares FY 2016 and FY 2017 results for each High-Quality Service performance indicator. In FY 2017, results for each performance indicator improved over FY 2016. This was the second consecutive year that all High-Quality Service performance indicator results improved over the previous fiscal year. In particular, results of the Single-Piece First-Class Mail (3-5-Day) and Presorted First-Class Mail (3-5-Day) performance indicators showed a significant year-over-year improvement. As a result, the FY 2017 FCLF Composite performance indicator result also showed a significant year-over-year improvement from FY 2016.

**Table III-2
High-Quality Service Performance Indicators
Comparison of FY 2016 and FY 2017 Results**

High-Quality Service Performance Indicator		FY 2017 Percentage Point Increase	Percent On-Time	
			FY 2017	FY 2016
Single-Piece First-Class Mail	2-Day	+0.06	94.72%	94.66%
	3-5-Day	+1.91	85.57%	83.66%
Presorted First-Class Mail	Overnight	+0.30	96.46%	96.16%
	2-Day	+0.53	95.58%	95.05%
	3-5-Day	+1.48	93.16%	91.68%
First-Class Mail Letter and Flat Composite		+0.95	93.29%	92.34%
Marketing Mail and Periodicals Composite		+1.43	91.44%	90.01%

Source: FY 2017 Annual Report at 14.

The Single-Piece First-Class Mail (3-5-Day) performance indicator improved the most compared to FY 2016. However, it also had the lowest FY 2017 result (85.57), which was approximately 5.8 percentage points below the next lowest result (91.44 for Marketing Mail and Periodicals Composite). As the Commission discusses in greater detail in the FY 2017 ACD, the Postal Service should continue to focus its efforts on identifying problem areas and continuing to improve service performance, particularly for Single-Piece First-Class Mail (3-5-Day). See FY 2017 ACD at 142.

Table III-3 compares FY 2017 results with FY 2017 targets for each High-Quality Service performance indicator. The Postal Service only met one target in FY 2017. The improvement needed for all High-Quality Service performance indicators to have met their respective FY 2017 targets ranges from 0.34 to 9.68 percentage points. In particular,

the Single-Piece First-Class Mail (3-5-Day) performance indicator continues to have the largest gap between the target and result.

**Table III-3
High-Quality Service Performance Indicators
Comparison of FY 2017 Results with FY 2017 Targets**

High-Quality Service Performance Indicator		FY 2017		
		On-Time Result	Target	Percentage Point Performance Gap
Single-Piece First-Class Mail	2-Day	94.72%	96.50%	1.78
	3-5-Day	85.57%	95.25%	9.68
Presorted First-Class Mail	Overnight	96.46%	96.80%	0.34
	2-Day	95.58%	96.50%	0.92
	3-5-Day	93.16%	95.25%	2.09
First-Class Mail Letter and Flat Composite		93.29%	96.00%	2.71
Marketing Mail and Periodicals Composite		91.44%	91.00%	Target Exceeded

Source: FY 2017 Annual Report at 14.

FY 2018 targets for each High-Quality Service performance indicator are the same as FY 2017 targets except for the Marketing Mail and Periodicals Composite. *See* FY 2017 Annual Report at 14, 16. The Public Representative recommends that the Postal Service set realistic targets in annual performance plans. PR Comments at 6. She asserts that the Postal Service is particularly unlikely to meet the FY 2018 target for the Single-Piece First-Class Mail (3-5-Day) performance indicator because the Postal Service would have to increase its on-time performance by 11 percent. *Id.* She observes that results for this performance indicator improved by only 2 percent in FY 2017, and that the Postal Service did not explain what changes it will make to achieve “unprecedented improvement” for this performance indicator. *Id.*

In its reply comments, the Postal Service responds that setting ambitious service performance targets “inspire[s] the type of continuous improvement that has been documented over the past two fiscal years.” Postal Service Reply Comments at 3. It contends that the positive trend of service performance improvement shows that the Postal Service should continue challenging itself with aggressive targets that are ultimately achievable. *Id.*

Results of all High-Quality Service performance indicators improved for the second year in a row. Despite this improvement, the Postal Service only partially met the High-Quality Service performance goal in FY 2017 because only one FY 2017 target was met. Annual performance plans have set the same respective targets for the Single-Piece First-Class Mail (2-Day and 3-5-Day) and Presorted First-Class Mail (Overnight, 2-Day, and 3-5-Day) performance indicators since FY 2014. *See* FY 2016 Analysis at 4. However, the Postal Service has not met the High-Quality Service performance goal since FY 2014 because it

has missed almost every target set for these performance indicators.³⁷ Consequently, it appears that the High-Quality Service targets are not realistic or achievable.

The Postal Service contends that setting ambitious targets drives performance and inspires the type of continuous improvement shown over the last two fiscal years. Postal Service Reply Comments at 3. Meeting targets may also help drive performance by acknowledging efforts to improve. Conversely, failing to meet targets may discourage further improvement if the gap between the target and result is too high. Specifically, the Single-Piece First-Class Mail (3-5-Day) performance indicator result must improve substantially in order for the Postal Service to meet the FY 2018 target.

Given that the FY 2017 result for the Single-Piece First-Class Mail (3-5-Day) performance indicator is substantially further from the target than any other performance indicator and that the Postal Service sets the target each year, the Commission recommends that the Postal Service revisit this performance indicator target in the FY 2019 Plan if the Postal Service does not meet the FY 2018 target.

If the Postal Service considers reaching the same target to be realistic, the Postal Service should explain how it will achieve such significant improvement for that indicator. As an alternative, the Postal Service could set “stretch targets” to achieve after a period of time (e.g., three years) and set more realistic and achievable targets for the upcoming fiscal year.

c. Performance Indicator Observations

In the *FY 2017 Report*, the Postal Service asserts that of the mailpieces used to calculate the FY 2017 Marketing Mail and Periodicals Composite result, approximately two-thirds are USPS Marketing Mail letters and the remaining one-third is USPS Marketing Mail flats and Periodicals. *FY 2017 Annual Report* at 15. In a CHIR response, the Postal Service provided the volumes of Periodicals, USPS Marketing Mail letters, and USPS Marketing Mail flats used to calculate the FY 2017 Marketing Mail and Periodicals Composite result. February 1 Responses to CHIR No. 9, question 2. Table III-4 shows these volumes.

³⁷ See *FY 2014 Analysis* at 3, 17; *FY 2015 Analysis* at 4, 25; *FY 2016 Analysis* at 3, 29. The Postal Service met the Presorted First-Class Mail (Overnight) target in FY 2014. See *FY 2014 Analysis* at 3.

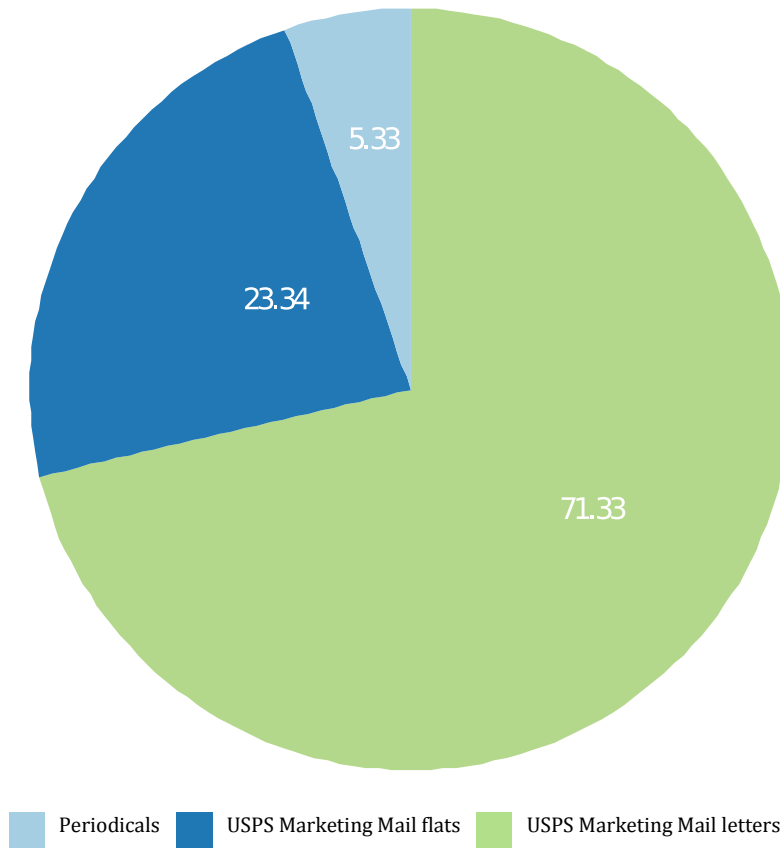
Table III-4
Marketing Mail and Periodicals Composite
Products and Volumes Used to Calculate FY 2017 Result

Product	Volume
USPS Marketing Mail letters	39,311,374,279
USPS Marketing Mail flats	12,867,887,434
Periodicals	2,940,504,221
Total	55,119,765,934

Source: February 1 Responses to CHIR No. 9, question 2.

Figure III-1 shows the percentage of measured volumes from each product used to calculate the FY 2017 Marketing Mail and Periodicals Composite result.

Figure III-1
Marketing Mail and Periodicals Composite
Percentages of Measured Volumes Used to Calculate FY 2017 Result



Source: February 1 Responses to CHIR No. 9, question 2.

Table III-4 shows that the total number of USPS Marketing Mail mailpieces (letters and flats) far exceeds the total number of Periodicals mailpieces used to calculate the FY 2017 result. Figure III-1 shows that USPS Marketing Mail represents more than 94 percent of the volumes used to calculate the result. Thus, the Marketing Mail and Periodicals Composite performance indicator is driven by USPS Marketing Mail letters. As a result, the Marketing Mail and Periodicals Composite performance indicator likely does not reflect service performance of USPS Marketing Mail flats and Periodicals, and the composite provides little insight into the service performance for these products. Service performance for letters typically outperforms that of flat-shaped mail.³⁸ Because letters generally have better performance results than flats, the performance results skew upward due to the high percentage of letters in the data used in the performance indicator.

PostCom raises a similar concern with the FCLF Composite performance indicator, which measures service performance for Single-Piece First-Class Mail and Presorted First-Class Mail letters and flats. PostCom states that “flats are overwhelmingly outnumbered by letters[,]” which PostCom contends renders flats service performance “meaningless.” PostCom Comments at 3. The Postal Service responds that it “pays close attention to the individual scores for Overnight, Two-Day, and Three-to-Five Day First-Class Mail Flats, all of which have increased for the second consecutive year.” Postal Service Reply Comments at 4. The Postal Service states that its use of composite performance indicators “does not impede” its efforts to address flats performance. *Id.* at 5.

The Commission acknowledges that the Postal Service has the discretion to choose the performance indicators that measure progress toward its performance goals. However, the Commission agrees that the FCLF and the Marketing Mail and Periodicals Composite performance indicators may provide little insight into the performance of flats given the weighting by volume and the disparity in flat and letter volumes. By combining letters and flats in the composite measures, the “measured” volumes reflect service performance of letters rather than flats. The relatively stronger performance of letters raises results for the entire composite. The generally lower performance results for flats are masked as flats volume comprises a low percentage of the composite data.

In the FY 2018 Report, the Commission recommends that the Postal Service provide the volumes of First-Class Mail letters and flats used to measure the FCLF Composite performance indicator. The Postal Service should provide the volumes of USPS Marketing Mail letters, USPS Marketing Mail flats, and Periodicals mailpieces used to measure the Marketing Mail and Periodicals Composite performance indicator. The Commission also

³⁸ See FY 2017 ACD at 144, 150, 152; Docket No. ACR2016, Annual Compliance Determination Report, Fiscal Year 2016, March 28, 2017, at 130, 137, 139 (FY 2016 ACD); Docket No. ACR2015, Annual Compliance Determination Report, Fiscal Year 2015, March 28, 2016, at 162-163 (FY 2015 ACD).

recommends utilizing at least one performance indicator that reflects solely the performance of flats.

d. Plans for Improving Performance

In the *FY 2018 Plan*, the Postal Service asserts that it will meet FY 2018 targets by implementing operational, technological, and other initiatives to improve the mail delivery process. *FY 2017 Annual Report* at 16. PostCom contends that the *FY 2018 Plan* is inadequate because “it is utterly lacking in specifics.” PostCom Comments at 4. PostCom urges the Commission to require the Postal Service to explain how and to what degree, the planned actions will improve service. *Id.* In response, the Postal Service states that PostCom’s concerns about the *FY 2018 Plan’s* specificity are alleviated by the February 1 Responses to CHIR No. 9. Postal Service Comments at 5. The Postal Service states that the responses provide the specifics that PostCom finds lacking. *Id.*

First, the Postal Service states that it will implement improved software to generate better daily operational plans. *Id.* In a CHIR response, the Postal Service explains that employees use weekly software enhancements to drive operational performance. February 1 Responses to CHIR no. 9, question 4. For example, the Performance to Plan Dashboard “allows operations for a more accurate run plan and promotes operating plan compliance, which in turn improves service.” *Id.* The Postal Service also notes its Container Tracker System, which enables more real time visibility. *Id.*

The Postal Service asserts that it is also developing software to improve parcel routing and handling. February 1 Responses to CHIR No. 9, question 6. This software would move parcel volume “from geographically concise high-density package delivery areas to relatively small dynamic package-only routes.” *Id.* The Postal Service states that this would improve delivery efficiencies and allow the leveraging of the existing vehicle fleet during non-regular carrier hours. *Id.*

Second, the Postal Service states that it will continue to develop and deploy more precise tools, such as Informed Visibility, to scan and track mail at every step of the mail-handling process. *FY 2017 Annual Report* at 16. The Postal Service asserts that the continued development of Informed Visibility will “improve all aspects of Postal Service operations.” February 1 Responses to CHIR No. 9, question 5. It explains that better visibility helps pinpoint areas of opportunity in mail flow and reduce inefficiencies, such as waiting for mail processing. *Id.* It notes tools within Informed Visibility—such as Incoming Inventory, Yard Status, and Bundle Visibility—enable the tracking of sensitive volume. *Id.*

The Postal Service states that Informed Visibility will allow front line managers to process mail to equipment capacities, allowing for an increase in advanced mail. *Id.* question 7.a. It states that Informed Visibility, Surface Visibility, and Enterprise Transportation Analytics will allow managers to know when volumes will arrive, helping to ensure that late arrival mail is captured. *Id.* question 7.b. The Postal Service also plans to use Informed Visibility to enhance delivery point sequencing performance. *Id.* question 7.c.

Third, the Postal Service notes that it is adding new technologies to improve efficiency. These include an employee scheduling tool to improve planning for workload and employee availability (Informed Visibility Employee Scheduler), and other tools within Informed Visibility “that can identify productivity and staffing deficiencies.” *Id.* question 6. The Postal Services plans to use Informed Mobility, a platform providing real time information to front line managers and supervisors, allowing informed decision-making on safety, service, and cost efficiencies. *Id.*

Fourth, the Postal Service states it will implement other operational changes, such as increasing the amount of mail that is processed ahead of schedule, ensuring that all late arrival mail is captured, and improving delivery point sequencing procedures to make delivery operations more efficient. *FY 2017 Annual Report* at 16.

The *FY 2017 Report* describes the Postal Service’s plans and schedules for meeting the High-Quality Service performance goal in FY 2018 as required by 39 U.S.C. § 2804(d)(3)(B). *See* Chapter 2, section C.2.c., *supra*. The Postal Service provided further details in CHIR responses. The Commission supports the Postal Service’s planned software, technology, and operational improvements. Given that the Postal Service identified “temporary disruptions in any of the mail distribution, network transportation or delivery processes,” as the primary reason for missing its targets, these improvements appear to be reasonably designed to reduce or mitigate such disruptions.

The Commission finds that the Postal Service’s plans for improving performance demonstrate initiatives that should support continued service improvement. The Commission recommends that the FY 2018 Report provide a similar level of detail for plans and schedules to improve performance if the Postal Service does not meet the High-Quality Service performance goal in FY 2018.

B. Excellent Customer Experiences

1. Background

a. FY 2017 Performance Indicators

The Postal Service measures customer experiences by conducting surveys of residential, small/medium business, and large business customers.³⁹ In FY 2017, the Postal Service measured progress toward the Excellent Customer Experiences performance goal using four surveys: Business Service Network (BSN), Point of Sale (POS), Delivery, and Customer

³⁹ Residential customers live in United States households that receive mail delivery. Small/medium business customers have fewer than 250 employees. Large business customers have more than 250 employees. Library Reference USPS–FY17–38, December 29, 2017, file “USPS-FY17-38 Preface.pdf,” at 1 (Preface).

Care Center (CCC).⁴⁰ The Postal Service provided copies of these surveys in the FY 2017 ACR.⁴¹ Each survey is described below.

The BSN survey measures the customer experience of BSN customers by asking them to rate their level of satisfaction with their account representative.⁴² Customers who initiate a service request within the BSN receive an email invitation to take the BSN survey online. Preface at 2.

The POS survey measures customer experiences at retail locations that use POS equipment. After completing a retail transaction, customers receive a receipt that invites them to take the POS survey via website, telephone number, or QR Code. *Id.* The POS survey asks retail customers to evaluate their visit to the retail location, their interaction with the sales associate, and their wait time in line.⁴³

The Delivery survey measures customer experiences with mail and package delivery. There are separate Delivery surveys for residential and small/medium business customers.⁴⁴ Residential and small/medium business customers are randomly selected and mailed a survey invitation, which asks them to take the survey by phone or online. Preface at 2. The Delivery survey asks customers to evaluate their experience with their mail and package delivery, Post Office Box, and letter carrier. *See n. 44, infra.*

The CCC survey measures customers' level of satisfaction with their call to the CCC.⁴⁵ The CCC handles customer calls to the Postal Service's toll free customer service line. Customers first interact with an Interactive Voice Response (IVR) system, which resolves approximately two-thirds of the calls received annually. Primer of Four Surveys at 11. If the IVR system does not resolve the issue, customers then speak to a live agent. *Id.* In FY 2017, all customers who spoke to a live agent were invited to take the CCC survey. Responses to CHIR No. 13, question 6.a. Customers who only interacted with the IVR system were asked by phone on a random basis to complete the CCC survey. *Id.* The Postal Service clarifies that customers were only surveyed once, either in the IVR system or after their interaction with a live agent. *Id.*

⁴⁰ In FY 2016, this goal was called "Provide Excellent Customer Experiences." *See FY 2016 Annual Report* at 13.

⁴¹ *See Library Reference USPS-FY17-38.* The Commission's rules require the ACR to include a copy of each customer survey, a description of the customer type targeted by the survey, the number of surveys initiated and received, and in the case of multiple choice questions, the number of responses received for each question, disaggregated by each of the possible responses. 39 C.F.R. § 3055.92.

⁴² *FY 2017 Annual Report* at 16; Preface at 2. The BSN is a nationwide network that provides support to qualified business customers for service issues, information, and requests. *FY 2017 Annual Report* at 16. The BSN has approximately 12,000 customers that are primarily large businesses and organizations. United States Postal Service Office of Inspector General, *Postal Customer Satisfaction: A Primer of Four Surveys*, RARC-WP-17-010, August 28, 2017, at 9 (Primer of Four Surveys).

⁴³ Library Reference USPS-FY17-38, file "POS û USPS FY17 POS Survey.docx."

⁴⁴ Library Reference USPS-FY17-38, files "Delivery û USPS FY17 Residential Delivery Survey.docx" and "Delivery û USPS FY17 Small Business Delivery Survey.docx."

⁴⁵ *FY 2017 Annual Report* at 16; Preface at 2.

The Postal Service used these customer surveys to develop four performance indicators that measure progress toward achievement of the Excellent Customer Experiences performance goal: BSN, POS, Delivery, and CCC. Results of the BSN, POS, and Delivery performance indicators are expressed as the percentages of customers who respond “Very Satisfied” or “Mostly Satisfied” to a question on the corresponding customer survey. FY 2016 *Analysis* at 34. The Delivery performance indicator results are composites that combine responses from both residential and small/medium business customers. *Id.* The CCC performance indicator results are expressed as the percentage of customers who selected the top four survey question responses. *Id.*

The Postal Service has used the BSN, POS, Delivery, and CCC performance indicators for the Excellent Customer Experiences goal since FY 2014. In FY 2017, the Postal Service added the Enterprise Customer Care (eCC) as another performance indicator for this performance goal. The eCC is a case management system the Postal Service uses to manage customer complaints.⁴⁶ In FY 2017, the eCC performance indicator result was expressed as the percentage of cases that customers reopened, which the Postal Service calculates by identifying the number of cases that were resolved during any particular month and reopened within 90 days. FY 2017 *Annual Report* at 16-17. The Postal Service explains that a lower eCC performance indicator result is a better outcome because “reducing the number of times a customer reopens a previously submitted inquiry drives customer satisfaction.” *Id.* at 16.

In FY 2017, the BSN, POS, Delivery, CCC, and eCC performance indicators were components of the Customer Insights (CI) Composite Score, which the Postal Service uses as a performance indicator for measuring overall customer experience. The CI Composite Score is a weighted composite of the component performance indicators. To calculate the FY 2017 CI Composite Score result, each component performance indicator was weighed as follows: BSN (30 percent); POS, Delivery, and CCC (20 percent each); and eCC (10 percent). FY 2017 *Annual Report* at 17. *See* Chapter 3, section B.3.b.(2), *infra*.

b. Comparison of FY 2017 Targets and Results

Table III-5 compares FY 2017 targets and results for each Excellent Customer Experiences performance indicator. Results for each performance indicator improved between FY 2016 and FY 2017. *See* FY 2017 *Annual Report* at 14. However, the Postal Service did not meet FY 2017 targets for the CI Composite Score, BSN, POS, and eCC performance indicators. As Table III-5 shows, FY 2017 results for these performance indicators fell slightly short of FY 2017 targets.

⁴⁶ Docket No. ACR2014, United States Postal Service Responses to Questions 6, 7, 9, 10, 20-25, 29, 30, 34, and 35 of Chairman’s Information Request No. 13, March 13, 2015, question 24.a., file “ChIR13.24a.Complaint-Guidelines.pdf,” at 10.

Table III-5
Excellent Customer Experiences Performance Indicators
FY 2017 Targets and Results

Performance Indicator	FY 2017 Target	FY 2017 Result Target Not Met
Customer Insights Composite Score	89.00 ^a	88.30 ^a
Business Service Network	96.73%	96.25%
Point of Sale	90.42%	88.53%
Delivery	82.67 ^a	83.22 ^a
Customer Care Center	86.80%	86.80%
Enterprise Customer Care	3.44%	3.78% ^b
^a Because CI Composite Score and Delivery performance indicator results are calculated by weighting and aggregating various survey results, they are not presented as percentages. ^b The Postal Service explains that a lower eCC performance indicator result is a better outcome because "reducing the number of times a customer reopens a previously submitted inquiry drives customer satisfaction." FY 2017 Annual Report at 16.		

Source: FY 2017 Annual Report at 14.

The *FY 2017 Report* explains why the Postal Service did not meet FY 2017 targets using data from the underlying surveys. For the BSN performance indicator, the Postal Service states that the primary reason customers contacted their BSN representative was to ask about the status of a package. *FY 2017 Annual Report* at 17. The Postal Service notes it is developing an integrated technology platform that will allow BSN representatives to find a customer's package. *Id.*

For the POS performance indicator, the Postal Service states that POS survey data show that the primary drivers of customer satisfaction at retail locations are staff efficiency, staff knowledge, and acceptable wait times in line. *Id.* It notes that it developed communications to its employees that addressed management issues at retail locations. *Id.* The Postal Service asserts that it improved retail customer experience by conducting office-level reviews to streamline the package pick-up process. *Id.*

For the eCC performance indicator, the Postal Service explains that eCC data show that some customers had long wait times before being contacted about their issue, or were not contacted at all. *Id.* The Postal Service notes that customers have a more positive experience if they are contacted within one business day of submitting their issue. *Id.* For this reason, the Postal Service states it is increasing emphasis on prompt initial contact and issue resolution. *Id.*

c. FY 2018 Plan

In the *FY 2018 Plan*, the Postal Service describes several changes to the Excellent Customer Experiences performance indicators and methodology for calculating results. First, the Postal Service is adding three new performance indicators: Large Business, Business Mail Entry Unit (BMEU), and USPS.com. *FY 2017 Annual Report* at 14, 18. Second,

the Postal Service is changing the methodology for calculating the CI Composite Score to include these new performance indicators as components. *Id.* Third, the Postal Service is changing the methodology for calculating results of three other component performance indicators: Delivery, CCC, and eCC. *Id.* These changes are discussed in more detail below. *See* Chapter 3, section B.3.b., *infra.*

The *FY 2018 Plan* sets FY 2018 targets for each Excellent Customer Experiences performance indicator the Postal Service will use in FY 2018. *FY 2017 Annual Report* at 14. The Postal Service describes these targets as “aggressive.” Postal Service Reply Comments at 6. To meet FY 2018 targets, the *FY 2018 Plan* states the Postal Service will develop new scanning and case tracking platforms and improve employee training. *FY 2017 Annual Report* at 18.

The *FY 2018 Plan* also describes specific plans to improve the BSN, POS, and eCC performance indicator results, which did not meet FY 2017 targets. To improve the BSN performance indicator result, the Postal Service asserts that it will implement an integrated technology platform during the first quarter of FY 2018 to address package status inquiries for BSN customers. *Id.* To improve the POS performance indicator result, the Postal Service notes that it will distribute a handout encouraging customers to respond to the survey. *Id.* The Postal Service states that it will also deploy redesigned training for new sales associates focused on enhancing the customer experience. *Id.* To improve the eCC performance indicator result, the Postal Service asserts that it “will prioritize prompt and reliable issue resolution by exploring new trainings, processes and technological upgrades.” *Id.*

2. Comments

The Public Representative comments that although FY 2017 results for some component performance indicators met or exceeded targets, the CI Composite Score did not meet the FY 2017 target. PR Comments at 6. Thus, she concludes that the Postal Service did not meet the Excellent Customer Experiences goal in FY 2017. *Id.*

The Postal Service acknowledges that the CI Composite Score fell short of its “stretch” target “by less than one percentage point.” Postal Service Reply Comments at 6. It points out that results improved across all customer experience categories. *Id.* For example, it notes that the FY 2017 Delivery performance indicator result improved by almost 7 percentage points. *Id.* The Postal Service asserts that it intends to continue this progress and will work to identify ways to reach its “aggressive customer experience targets in FY 2018.” *Id.*

3. Commission Analysis

Results for each Excellent Customer Experiences performance indicator improved between FY 2016 and FY 2017. *See* *FY 2017 Annual Report* at 14, 16. Although the Postal Service met FY 2017 targets for the Delivery and CCC performance indicators, it did not

meet FY 2017 targets for the CI Composite Score, BSN, POS, and eCC performance indicators.

The *FY 2018 Plan* and *FY 2017 Report* make several changes to the discussion of the Excellent Customer Experiences performance goal that address issues from past years. First, annual performance plans for FY 2016 and FY 2017 omitted targets for the component performance indicators.⁴⁷ The *FY 2018 Plan* addresses this issue by setting FY 2018 targets for each Excellent Customer Experiences performance indicator. See *FY 2017 Annual Report* at 14.

Second, the *FY 2016 Report* did not provide comparable results from the past three fiscal years. See *FY 2016 Analysis* at 19. The *FY 2017 Report* addresses this issue by providing three years of comparable results for each Excellent Customer Experiences performance indicator except for the CI Composite Score and Delivery. See *FY 2017 Annual Report* at 14. The *FY 2017 Report* explains why the Postal Service views the results for these performance indicators as not easily or directly comparable across years. See *id.* The *FY 2017 Report* also contains results of their subcomponents, which are comparable across the past three fiscal years. *Id.* at 14, 17.

Third, the *FY 2018 Plan* and *FY 2017 Report* explain the methodology for calculating results of the CI Composite Score and eCC performance indicators. *FY 2017 Annual Report* at 16-17. Fourth, the *FY 2018 Plan* and *FY 2017 Report* identify performance indicator and methodology changes that will affect the comparability of results in FY 2018. *Id.* at 14 nn. 3-5, 16-18.

The Commission finds that the Postal Service partially met the Excellent Customer Experiences performance goal in FY 2017. The Commission finds that the discussion of the Excellent Customer Experiences performance goal in the FY 2018 Plan and FY 2017 Report improved compared to past years. The Commission recommends that the Postal Service retain these changes in future annual performance plans and annual performance reports.

In the sections below, the Commission analyzes the FY 2017 results and the planned FY 2018 performance indicator and methodology changes and makes related observations and recommendations.

a. FY 2017 Results

Table III-6 shows results for the Excellent Customer Experiences performance indicators from FY 2014 to FY 2017. In each fiscal year between FY 2014 and FY 2017, the results for each performance indicator improved, except for Delivery. The Delivery performance indicator results declined between FY 2014 and FY 2016. However, in FY 2017, the Delivery result improved by approximately 7 percentage points over FY 2016.

⁴⁷ See *FY 2016 Annual Report* at 15; *FY 2015 Annual Report* at 14.

**Table III-6
Provide Excellent Customer Experiences
Performance Indicator Results, FY 2014 to FY 2017**

Performance Indicator	FY 2017	FY 2016	FY 2015	FY 2014
Customer Insights Composite Score ^a	88.30	87.62	85.73	84.65
Business Service Network	96.25%	95.13%	94.32%	94.05%
Point of Sale	88.53%	86.38%	86.28%	81.59%
Delivery ^a	83.22	76.26	77.49	79.55
Customer Care Center	86.80%	85.18%	76.00%	74.00%
Enterprise Customer Care ^b	3.78%	5.19%	Not Used	Not Used
n/a – not available ^a Because CI Composite Score and Delivery performance indicator results are calculated by weighting and aggregating various survey results, they are not expressed as percentages. ^b The eCC performance indicator result is expressed as the percentage of cases that were resolved in any particular month and reopened within 90 days. FY 2017 <i>Annual Report</i> at 16-17. Therefore, a lower percentage reflects year-over-year improvement.				

Source: FY 2017 *Annual Report* at 14.

In FY 2017, the Postal Service changed the methodology for calculating the Delivery performance indicator result. *See* FY 2016 *Analysis* at 42-45. In its FY 2016 *Analysis*, the Commission observed that if the FY 2016 Delivery performance indicator result had been calculated using the new methodology, the result would have increased by eight points. *Id.* at 45. The Commission calculated the FY 2017 Delivery performance indicator result using the former methodology. Under the former methodology, the FY 2017 result would have been 74.38, almost nine points lower than the FY 2017 result under the new methodology. Thus, the improvement in the Delivery performance indicator result between FY 2016 and FY 2017 was due entirely to the methodology change rather than improved customer experiences with delivery. Based on the former methodology, customer experiences with delivery declined almost two points between FY 2016 and FY 2017.

This issue demonstrates the necessity of having comparable methodologies to meaningfully and accurately evaluate performance results across fiscal years. *See* FY 2014 *Analysis* at 12. Comparable methodologies also avoid having to determine whether an increase in results is due to a methodology change or improvement in performance.

To ensure meaningful and accurate comparisons across fiscal years, the FY 2018 Report must include comparable results for each performance indicator, including Delivery, or provide an explanation as described in more detail below. See Chapter 3, section B.3.b.(4), infra.

b. FY 2018 Performance Indicator and Methodology
Changes

In FY 2018, the Postal Service is making several changes to the Excellent Customer Experiences performance indicators and methodologies for calculating results. It is adding three new performance indicators, changing the methodology for calculating the CI Composite Score result, and changing the methodology for calculating results of three components of the CI Composite Score. Each change is discussed below.

(1) New Performance Indicators

The three new performance indicators are: Large Business, BMEU, and USPS.com. FY 2017 *Annual Report* at 14, 18. These performance indicators will also be components of the CI Composite Score. *See id.* at 18. The Large Business performance indicator will measure customer experiences of large businesses. The Postal Service will calculate results based on the Large Business survey, an online survey of a panel of respondents from large businesses. *Id.* The Postal Service states it will conduct the Large Business survey quarterly in FY 2018. *Id.* It notes that this survey assesses satisfaction with all experiences that businesses have had with the Postal Service. *Id.* It asserts that it will target individuals with influence over shipping solutions. *Id.*

The Commission previously recommended that the Postal Service use the Large Business survey as a performance indicator for the Excellent Customer Experiences goal.⁴⁸ The Postal Service acknowledges that it needs to improve large business customer experiences.⁴⁹ As discussed in the FY 2017 ACD, large business customer satisfaction with Market Dominant products declined for the second year in a row. FY 2017 ACD at 173. Customer satisfaction results for large business customers were far lower than those of residential and small/medium business customers. *Id.* The Commission directed the Postal Service to take appropriate steps to improve customer satisfaction. *Id.*

The Commission finds that the Large Business performance indicator will help the Postal Service track the effectiveness of programs designed to accomplish improvements in large business customer satisfaction.

The BMEU performance indicator will measure business customers' satisfaction with their BMEU. FY 2017 *Annual Report* at 18. A BMEU is the area of a postal facility where business customers mail bulk, presorted, and permit mail.⁵⁰ The Postal Service will calculate results based on the BMEU survey, which the Postal Service sends to customers who have finalized a postage statement every 30 days. Responses to CHIR No. 6, question 2.b.

⁴⁸ FY 2015 *Analysis* at 46; FY 2016 *Analysis* at 40.

⁴⁹ Docket No. ACR2017, United States Postal Service FY 2017 Annual Compliance Report, December 29, 2017, at 59.

⁵⁰ United States Postal Service, *Glossary of Postal Terms (Publication 32)*, July 2013, at 30.

The new Large Business and BMEU performance indicators, along with the BSN performance indicator, will help ensure that large business customer satisfaction is reflected in the CI Composite Score, which measures overall customer experiences. These performance indicators will also ensure that the Postal Service evaluates several facets of the large business customer experience ranging from mail entry (BMEU), mail delivery (Large Business), and customer service (BSN). The Postal Service may use data from these performance indicators to understand key drivers of results to better design and implement customer experience improvements.

The Commission finds that adding both the Large Business and BMEU performance indicators is an improvement because both additions should provide a more complete view of business customer experiences.

The USPS.com performance indicator will evaluate customer satisfaction with the USPS.com website. FY 2017 *Annual Report* at 18. Results of this performance indicator will be based on a survey presented to a random sample of users who visit at least three pages on USPS.com. Responses to CHIR No. 6, question 2.b. The Postal Service asserts that the digital experience accounts for around 1.7 billion interactions annually, and these interactions were previously not measured for the Excellent Customer Experiences performance goal. Responses to CHIR No. 13, question 1.a. USPS.com is the most frequently visited website in the federal government.⁵¹

Because millions of customers interact with the Postal Service through its website, the Commission finds that adding the USPS.com performance indicator is an improvement because it ensures that the Postal Service consider digital customer experiences when measuring customer satisfaction.

(2) CI Composite Score

The CI Composite Score is a performance indicator that measures overall customer experience. The result is a weighted composite of the component performance indicators. From FY 2014 through FY 2016, the Postal Service calculated the CI Composite Score result using the same methodology. In FY 2017, the Postal Service changed the CI Composite Score methodology by adding eCC as a component performance indicator. In FY 2018, the Postal Service is again changing the methodology for calculating the CI Composite Score by adding three new component performance indicators: Large Business, BMEU, and USPS.com. See Chapter 3, section B.3.b.(1), *supra*. Table III-7 illustrates how the CI Composite Score methodology changed between FY 2014 and FY 2018.

⁵¹ See "About the United States Postal Service," (available at: <http://about.usps.com/who-we-are/leadership/about-usps.htm>).

Table III-7
Customer Insights Composite Score
Component Performance Indicator Weights

Component Performance Indicator	Weight of Customer Insights Composite Score		
	FY 2014, FY 2015, and FY 2016	FY 2017	FY 2018
Business Service Network	40%	30%	10%
Point of Sale	20%	20%	10%
Delivery	20%	20%	20%
Customer Care Center	20%	20%	20%
Enterprise Customer Care	Not Included	10%	15%
Large Business	Not Included	Not Included	10%
Business Mail Entry Unit	Not Included	Not Included	10%
USPS.com	Not Included	Not Included	5%

Source: FY 2017 Annual Report at 17-18.

As Table III-7 shows, the weight of the BSN component performance indicator declined from 40 percent in FY 2016 to 10 percent in FY 2018. The Postal Service explains that it reduced the BSN component weight because it added the Large Business and BMEU as new component performance indicators. Responses to CHIR No. 13, question 1.b. Although the BSN component weight declined, business customer experiences will still represent 30 percent of the CI Composite Score in FY 2018 through the BSN, Large Business, and BMEU component performance indicators.

In FY 2017, the CI Composite Score result was calculated using a mapping scale. The Postal Service explains that it mapped the result for each component performance indicator to a scale with values ranging from 1 to 15. *FY 2017 Annual Report* at 17. It then took the weighted average of these scaled results and then mapped this number to another scale ranging from 75 to 99. *Id.*

By contrast, in FY 2018, the CI Composite Score result “will be a simple weighted average of the component [results].” *FY 2017 Annual Report* at 18. To calculate the CI Composite Score result, the Postal Service will multiply the FY 2018 result for each component performance indicator by its respective weight to reach the weighted contribution for that component. *See Responses to CHIR No. 13, question 3.c.* The Postal Service will then sum the weighted contributions for each component to calculate the FY 2018 CI Composite Score result. *See id.*

The *FY 2017 Report* does not explain why the Postal Service changed the CI Composite Score methodology for FY 2018 or how the Postal Service determined the weight for each component performance indicator. In a CHIR response, the Postal Service explains that it updated the CI Composite Score methodology for FY 2018 “to provide a more complete

view of the customer experience across the Postal Service's customer groups and touchpoints." Responses to CHIR No. 13, question 1.a. The Postal Service states that it increased the representation of business and digital experiences because "[t]he business customer represents roughly 80 percent of Postal Service revenue, and the digital experience accounts for about 1.7 billion interactions annually, which were previously unaccounted for in the CI Composite." *Id.* It notes that it adjusted weights for all component performance indicators to account for new surveys and to balance both the business and consumer perspective. *Id.*

In its Responses to CHIR No. 13, question 1.a., the Postal Service provided a reasoned explanation for changing the CI Composite Score methodology. This change works in conjunction with the methodology changes the Postal Service is making to the component performance indicators (Delivery, CCC, and eCC). *See* Chapter 3, section B.3.b.(3), *infra*. As discussed below, the FY 2018 eCC performance indicator result will be calculated based on responses to a customer survey similar to the other component performance indicators. This will enable the Postal Service to calculate the FY 2018 CI Composite Score result as a simple weighted average of the component performance indicator results.

If the Postal Service decides to add a new performance indicator or change the methodology for an existing performance indicator, the Commission recommends that the Postal Service provide the rationale for these changes in future annual performance plans and annual performance reports.

The CI Composite Score measures experiences of both business and non-business customers, but the Postal Service has different interactions with these two customer groups. The Postal Service interacts with millions of non-business customers annually by delivering mail to residences as well as providing services at postal retail facilities and through its website. Although fewer in number, business customers represent approximately 80 percent of the Postal Service's revenue. Responses to CHIR No. 13, question 1.a. The CI Composite Score may not fully capture the importance of both high revenue customers (businesses) and high interaction customers (non-businesses). A separate Business Composite would allow the Postal Service to capture and track overall business customer satisfaction.

The Commission recommends the Postal Service add a Business Composite performance indicator consisting of the Large Business, BMEU, BSN, and Delivery (Small/Medium Business) components.

(3) Component Performance Indicators

In FY 2018, the Postal Service is changing the methodology for calculating results of the Delivery, CCC, and eCC performance indicators. First, in FY 2017, the Delivery performance indicator result was a weighted composite consisting of component scores

based on satisfaction with the customer's letter carrier and P.O. Box.⁵² In FY 2018, the Delivery performance indicator result will instead be calculated based on a single overall question about satisfaction with mail and package delivery.⁵³ The Commission observes that the FY 2018 methodology for calculating the Delivery performance indicator result is similar to the one used from FY 2014 to FY 2016. During this time period, the Postal Service calculated the Delivery performance indicator results based on one question about overall satisfaction. FY 2016 *Analysis* at 43. The Postal Service weighed responses from residential and small/medium business customers equally.⁵⁴ In FY 2018, the Postal Service will calculate the Delivery performance indicator result based on the same question about overall satisfaction, but will not weigh responses from residential and small/medium business customers separately. The FY 2018 methodology yields almost identical results as the methodology used from FY 2014 to FY 2016.

Second, the FY 2017 CCC performance indicator result was based on customer satisfaction with live agents only. FY 2017 *Annual Report* at 14 n.4. The FY 2018 result will be a weighted composite of both overall satisfaction with live agents (weighted 25 percent) and with the IVR system (weighted 75 percent). FY 2017 *Annual Report* at 18. The IVR system resolves approximately two-thirds of the CCC calls received annually. Primer of Four Surveys at 11.

The Commission finds that the FY 2018 CCC performance indicator methodology change is an improvement because it evaluates customer satisfaction with both live agents and the IVR system, which resolves most of the CCC calls.

Third, the FY 2017 eCC performance indicator result was expressed as the percentage of cases resolved in any particular month and reopened by the customer within 90 days. FY 2017 *Annual Report* at 16-17. In the FY 2016 *Analysis*, the Commission identified several issues with the eCC performance indicator methodology. It observed that the eCC performance indicator measures different experiences compared to the other component performance indicators. FY 2016 *Analysis* at 47. In FY 2017, the eCC performance indicator measured the percentage of reopened cases, while the other component performance indicators measured customer satisfaction based on responses to customer surveys. *Id.* Also, the Commission noted that it was unclear how the Postal Service will use the eCC result (expressed in single digits) to calculate the CI Composite Score result (expressed in double digits). *See id.* at 47-48.

⁵² FY 2017 *Annual Report* at 16, 18. In its FY 2016 *Analysis*, the Commission analyzes the methodology for calculating the FY 2017 Delivery result. *See* FY 2016 *Analysis* at 43-46.

⁵³ FY 2017 *Annual Report* at 18. The Postal Service Office of Inspector General recently issued a report analyzing the Delivery survey and performance indicator. *See* United States Postal Service Office of Inspector General, *Delivering the Best Customer Experience*, RARC-WP-18-003, December 13, 2017.

⁵⁴ *See* Docket No. ACR2014, United States Postal Service Responses to Questions 1-5, 8 and 9 of Chairman's Information Request No. 5, February 10, 2015, question 1.b., Library Reference USPS-FY14-47, Excel file "CHIR5.Q1b.Calculation Worksheet.xlsx," tab "Delivery."

The eCC performance indicator methodology change addresses the issues identified in the FY 2016 *Analysis*. In FY 2018, the eCC performance indicator result will be based on responses to a customer survey similar to the other component performance indicators. FY 2017 *Annual Report* at 18. The eCC performance indicator will measure customers' overall satisfaction with the quality of service the customer received in response to the issue that prompted the customer to open a case.⁵⁵ The eCC performance indicator results will also be expressed in double digits similar to the other Excellent Customer Experiences performance indicators, with higher results representing year-over-year improvements. Consequently, the Postal Service will be able to calculate the FY 2018 CI Composite Score result as a simple weighted average of the component performance indicator results. See Chapter 3, section B.3.b.(2), *supra*.

The Commission finds that the FY 2018 eCC performance indicator methodology change is an improvement compared to FY 2017.

(4) Comparability Issues

In summary, the Postal Service is adding three new Excellent Customer Experiences performance indicators and changing the methodology for calculating results of some existing performance indicators. Overall, the new performance indicators and methodology changes are an improvement to how the Postal Service measures progress toward the Excellent Customer Experiences goal. However, these changes raise two issues. First, as discussed in Chapter 2, the Commission is concerned about the continual changes to performance indicators and methodologies. See Chapter 2, section C.4., *supra*. Second, performance indicator and methodology changes may affect compliance with 39 U.S.C. §§ 2804(b)(1) and 2804(c) in FY 2018. 39 U.S.C. § 2804(b)(1) requires results expressed in the annual performance reports to be comparable with targets set in the annual performance plan for that fiscal year.⁵⁶

To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2018 Report must set forth the same Excellent Customer Experiences performance indicators and targets as in the FY 2018 Plan and compare FY 2018 results with FY 2018 targets for each performance indicator. FY 2018 results must be comparable to the targets set in the FY 2018 Plan. Specifically, the FY 2018 Report must provide comparable FY 2018 results for the new performance indicators (Large Business, USPS.com, and BMEU). The FY 2018 Report must also express comparable FY 2018 results for the CI Composite Score, Delivery, CCC, and eCC performance indicators using the new methodologies.

⁵⁵ See *id.* The Postal Service provided a copy of the eCC survey in a CHIR response. Responses to CHIR No. 6, question 2.a., file "eCC_FY18_Survey."

⁵⁶ FY 2016 *Analysis* at 16; see Chapter 2, section C.2.a., *supra*.

39 U.S.C. § 2804(c) requires annual performance reports to include comparable results for the three preceding fiscal years.⁵⁷ This requirement does not apply to new indicators. Consequently, the *FY 2018 Report* does not need to include comparable results from past fiscal years for the Large Business, USPS.com, and BMEU performance indicators because they were added in FY 2018.⁵⁸

For all other Excellent Customer Experiences performance indicators, the FY 2018 Report must include comparable results for each performance indicator for, at a minimum, FYs 2015, 2016, 2017, and 2018 to comply with 39 U.S.C. § 2804(c) next year. Because the Postal Service changed the methodology for calculating results of the CI Composite Score, Delivery, CCC, and eCC performance indicators, the FY 2018 Report must express results for FYs 2015, 2016, 2017, and 2018 using the same methodology. If comparable results cannot be provided, the FY 2018 Report must explain why results are not directly comparable across these fiscal years. In that case, the FY 2018 Report must either explain how to compare results between the old and new methodologies or explain why making this comparison is not feasible.

In the *FY 2017 Report*, the Postal Service asserts that the Delivery performance indicator results “are not directly comparable from year-to-year because the weighting of residential and [small medium business] customers changes.” *FY 2017 Annual Report* at 17. However, the Commission was able to make the FY 2017 Delivery performance indicator result comparable to results from FY 2014 to FY 2016 by calculating the FY 2017 result using the former methodology. *See* Chapter 3, section B.3.a., *supra*. As previously discussed, the new methodology for calculating the FY 2018 Delivery result is similar to the former methodology used from FY 2014 to FY 2016.

To provide comparable results in the FY 2018 Report, the Commission recommends that the Postal Service take a similar approach by calculating the Delivery performance indicator results for FYs 2015, 2016, 2017 and 2018 using the new (FY 2018) methodology.

C. Safe Workplace and Engaged Workforce

1. Background

The Postal Service uses three performance indicators to evaluate progress toward its performance goal to ensure a Safe Workplace and Engaged Workforce.⁵⁹ The Total Accident Rate measures progress toward improving employee safety. To measure levels of

⁵⁷ *FY 2016 Analysis* at 18; *see* Chapter 2, section C.2.b., *supra*.

⁵⁸ The Postal Service did include prior year results for the eCC and Large Business performance indicators, which were new performance indicators for FY 2017 and FY 2018, respectively. *See* *FY 2017 Annual Report* at 14. The Commission appreciates that the Postal Service provided prior year results for these performance indicators and recommends that the Postal Service continue to include them in the *FY 2018 Report*.

⁵⁹ In FY 2016, this goal was called “Ensure a Safe Workplace and Engaged Workforce.” *See* *FY 2016 Annual Report* at 13.

employee engagement, the Postal Service uses two performance indicators related to the Postal Pulse survey: the Survey Response Rate and the Grand Mean Engagement Score.

Total Accident Rate. In FY 2017, the Postal Service began using the Total Accident Rate as a performance indicator to measure progress toward improving employee safety. The Total Accident Rate is calculated by multiplying the total number of accidents for the year by the approximate number of workhours per employee (2,000), multiplied by 100.⁶⁰ This number is then divided by the number of exposure hours. 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. FY 2017 *Annual Report* at 18. A lower result is a better outcome. The Total Accident Rate uses the same formula as the former Occupational Safety and Health Administration Illness and Injury Rate (OSHA I&I Rate), which the Postal Service used as its employee safety performance indicator until FY 2016. *Id.* Unlike the OSHA I&I Rate, the Total Accident Rate includes accidents that do not result in medical expenses, days away from work, or restrictions from performing full work duties. *Id.* at 18-19. The Total Accident Rate also includes accidents that result in only property damage, as well as all motor vehicle accidents.⁶¹

The Total Accident Rate result improved for the second year in a row, declining from 16.08 in FY 2016 to 15.58 in FY 2017.⁶² The Postal Service states that the total number of accidents decreased between FY 2016 and FY 2017 despite a slight increase in the number of employees. FY 2017 *Annual Report* at 19. However, the Postal Service did not meet the FY 2017 target of 15.00. *Id.*

The FY 2018 Total Accident Rate target is the same as FY 2017. *Id.* at 14, 19. The Postal Service explains that it will improve workplace safety by focusing more on prevention

⁶⁰ FY 2017 *Annual Report* at 18; February 1 Responses to CHIR No. 9, question 8.

⁶¹ Docket No. ACR2016, Responses of the United States Postal Service to Questions 1-5 and 7 of Chairman's Information Request No. 27, March 15, 2017, questions 4.a and 4.b. Specifically, the Total Accident Rate includes: accidents that resulted in damage of \$500 or more to Postal Service property regardless of whether an injury was involved; motor vehicle accidents that result in death, injury, or only property damage, regardless of cost, who was injured (if anyone), or what property was damaged; and injury, illness, or death of a Postal Service employee on Postal Service premises or on the job. *Id.* The Total Accidents Rate excludes other accidents that do not involve Postal Service employees; damage of \$500 or more to customer property without injury, unless such damage involves a motor vehicle accident; and fire damage of \$100 or more without injury, unless such damage involves a motor vehicle accident. *Id.*

⁶² February 1 Responses to CHIR No. 9, question 8. As discussed below, these results differ from those presented in the FY 2017 *Annual Report*. See Chapter 3, section C.3.a.(1), *infra*.

strategies and taking a more proactive approach toward employee safety through efforts designed to address the most frequent workplace hazards, such as dog bites, extreme weather, distracted driving, and improper lifting. *Id.* at 19. The Postal Service states it will focus on the importance of leadership and maintaining a culture of safety. *Id.* It describes safety initiatives such as establishing effective accident reduction plans in plants and post offices and addressing motor vehicle accidents through training, engineering controls, and consistent communication. *Id.*

Postal Pulse survey. The Postal Service measures employee engagement using the Postal Pulse survey, which evaluates overall satisfaction and 12 elements of employee engagement.⁶³ The Postal Service administered the Postal Pulse survey to its entire workforce in August and September of FY 2017. *FY 2017 Annual Report* at 19. Figure III-2 is a copy of the FY 2017 Postal Pulse survey.

⁶³ *Id.* The Postal Pulse survey was developed by Gallup, Inc. and is also called the “Gallup Q12” survey. See “Gallup Q12 and Employee Engagement FAQs: Frequently Asked Questions About Employee Engagement and the Engagement Survey” (available at: <https://liteblue.usps.gov/emp-engagement/pdf/Employee-Engagement-FAQs.pdf>).

**Figure III-2
FY 2017 Postal Pulse Survey**

4236950911

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 on-the-clock time 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?


	Extremely Dissatisfied	1	2	3	4	Extremely Satisfied	5	Don't Know
	▼	▼	▼	▼	▼	▼	▼	▼
	<input type="checkbox"/>	<input type="checkbox"/>	<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 agreement with the following items.

	Strongly Disagree	1	2	3	4	Strongly Agree	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"/>	<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"/>	<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"/>	<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"/>	<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"/>	<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"/>	<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"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. The mission or purpose of my company makes me feel my job is important.....	<input type="checkbox"/>	<input type="checkbox"/>	<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"/>	<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"/>	<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"/>	<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"/>	<input type="checkbox"/>	<input type="checkbox"/>

THANK YOU for your participation!

Please mail your completed survey to Gallup no later than Friday, September 15, 2017, using the postage-paid business reply envelope provided.



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Source: Responses to CHIR No. 6, question 3, file "Postal Pulse Survey.pdf."

As shown in Figure III-2, the Postal Pulse survey asks participants to rate their level of agreement with 13 statements concerning the workplace on a scale of 1 to 5, with higher numbers reflecting either a greater level of employee satisfaction or stronger agreement with a survey statement. The first question (Question 0) ask employees to rate their level of satisfaction with the Postal Service as a place to work. The remaining questions (Questions 1-12) measure elements of employee engagement. Engaged employees are “involved in, enthusiastic about and committed to their work and contribute to their organization in a positive manner.”⁶⁴

In FY 2017, the Postal Service measured progress toward improving employee engagement using two performance indicators related to the Postal Pulse survey: the Survey Response Rate and the Grand Mean Engagement Score.⁶⁵ The Survey Response Rate is “the percentage of employees who responded to the survey questions.” FY 2017 *Annual Report* at 19. The FY 2017 Survey Response Rate result was 46 percent, a significant improvement from the FY 2016 result of 30 percent. *Id.* However, the Postal Service did not meet the FY 2017 target of 51 percent. *Id.*

The mean score is the average score for each question on the Postal Pulse survey. The Grand Mean Engagement Score is the average of the mean scores for Questions 1-12, expressed on a scale of 1 to 5. *Id.* at 20. In FY 2017, the Grand Mean Engagement Score result was 3.25, which was a slight improvement over the FY 2016 result of 3.24. *Id.*

The FY 2018 Survey Response Rate target is 75 percent. *Id.* To meet this target, the *FY 2018 Plan* states that employees will receive increased training in engagement, and the Postal Service will provide on-site coaching for select leaders to reinforce principles of creating engaged workplaces. *Id.* The Postal Service also describes a pilot version of engagement training with craft employees, starting with those who have taken on lead roles such as safety captain. *Id.* The goal of this pilot training is to raise engagement awareness and encourage participation in the feedback process. *Id.*

The Postal Service explains that it does not set targets for the Grand Mean Engagement Score because setting such targets would “not incent managers to encourage honest survey feedback.” *Id.* at 20 n.3. It states that driving high response rates is important because it increases the availability and number of employee feedback reports. *Id.* The Postal Service notes that employee feedback allows local leaders to receive employee engagement data specific to their teams and create action plans for improving employee engagement. *Id.*

⁶⁴ United States Postal Service, “Brief Guide to the 12 Elements of Engagement” at 1 (available at: <https://liteblue.usps.gov/emp-engagement/pdf/Brief-Engagement-Guide.pdf>).

⁶⁵ In past years, the Postal Service also measured employee engagement using the number of business units participating in action planning. FY 2016 *Analysis* at 54. The Postal Service confirms that it is no longer using this as a performance indicator for the Safe Workplace and Engaged Workforce performance goal. Responses to CHIR No. 6, question 4.

2. Comments

The Public Representative notes that the Postal Service missed the FY 2017 targets for both the Total Accident Rate and the Survey Response Rate, although results for both performance indicators increased between FY 2016 and FY 2017. PR Comments at 7. Thus, she concludes that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2017. *Id.* In its reply comments, the Postal Service acknowledges the Public Representative's comments on employee safety and explains why the Total Accident Rate result improved between FY 2016 and FY 2017. Postal Service Reply Comments at 6-7.

The Public Representative also comments that the FY 2018 Total Accident Rate target appears achievable, but that the FY 2018 Survey Response Rate target is likely unattainable. PR Comments at 7. The Postal Service responds that the Survey Response Rate result improved by 16 percentage points from FY 2016 because the paper copies of the Postal Pulse Survey were mailed to both the work and home addresses of bargaining employees. Postal Service Reply Comments at 7. Based on this significant improvement, the Postal Service contends that the FY 2018 Survey Response Rate target is achievable. *Id.* The Commission discusses this issue in more detail below. *See* Chapter 3, section C.3.b.(1), *infra*.

3. Commission Analysis

The Postal Service uses three performance indicators to evaluate its achievement of the Safe Workplace and Engaged Workforce performance goal: the Total Accident Rate, the Survey Response Rate, and the Grand Mean Engagement Score. Results for each of these performance indicators improved between FY 2016 and FY 2017. However, the Postal Service did not meet FY 2017 targets set for the Total Accident Rate and the Survey Response Rate.⁶⁶

The Commission finds that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2017.

As discussed in Chapter 2, the *FY 2017 Report* does not explain why the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2017 as required by 39 U.S.C. § 2804(d)(3). *See* Chapter 2, section C.2.c., *supra*.

To comply with 39 U.S.C. § 2804(d)(3) next year, if the Postal Service misses one or more FY 2018 targets for the Safe Workplace and Engaged Workforce performance goal, the FY 2018 Report must explain why this goal was not met and describe the Postal Service's plans and schedules for achieving the goal in future years.

⁶⁶ The Postal Service explains that it does not set targets for the Grand Mean Engagement Score because doing so "does not incent managers to encourage honest survey feedback." *FY 2017 Annual Report* at 20 n.3.

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

a. Safe Workplace

In the sections below, the Commission discusses the Total Accident Rate performance indicator and explores issues related to motor vehicle accidents.

(1) Total Accident Rate

Annual performance reports must include comparable results for the three preceding fiscal years. 39 U.S.C. § 2804(c); *see* Chapter 2, section C.2.b., *supra*. In FY 2017, the Postal Service replaced the former employee safety performance indicator (the OSHA I&I Rate) with the Total Accident Rate. *See* FY 2016 *Analysis* at 21-22. The Commission stated that for the *FY 2017 Report* to comply with 39 U.S.C. § 2804(c), the Postal Service must provide comparable results for each performance indicator for, at a minimum, FYs 2014, 2015, 2016, and 2017. *FY 2016 Analysis* at 22. If comparable results could not be provided, the Commission directed that the *FY 2017 Report* explain how to compare results between the old and new methodologies. *Id.* The Postal Service addressed this issue in the *FY 2017 Report* by providing three years of comparable results using the new Total Accident Rate performance indicator. *See* *FY 2017 Annual Report* at 14.

The Total Accident Rate results are expressed as the approximate number of accidents per 100 employees. *Id.* at 18. Table III-8 shows the total number of accidents, exposure hours, and results from FY 2014 through FY 2017.

Table III-8
Total Accident Rate Results
FY 2014 through FY 2018

Year	Total Number of Accidents	Exposure Hours	Total Accident Rate Result
FY 2014	87,670	1,099,470,792	15.95
FY 2015	91,108	1,120,514,360	16.26
FY 2016	92,465	1,149,939,707	16.08
FY 2017	90,051	1,156,314,192	15.58

Source: February 1 Responses to CHIR No. 9, question 8.

As Table III-8 shows, the Total Accident Rate results improved for the second year in a row. Between FY 2016 and FY 2017, the total number of accidents decreased despite an increase in exposure hours. The Postal Service attributes this improvement to several factors. Responses to CHIR No. 16, question 2. First, the Postal Service states it focused on leading safety indicators such as hazard abatement, inspection, and joint safety committee meetings to create a more proactive approach to preventing accidents. *Id.* Second, the Postal Service notes that it continued to emphasize the importance of the Counseling at Risk Employee program to address safety concerns and train newer employees and

employees involved in more than one accident. *Id.* Third, the Postal Service states it implemented a program giving employees a single point of contact for all safety concerns during the peak holiday season, which resulted in a nearly 23 percent reduction in accidents over the holidays. *Id.* The Commission commends the Postal Service's efforts to improve the Total Accident Rate result for the second year in a row and its reduction of the total number of accidents despite an increase in exposure hours.

The Total Accident Rate results reported for FYs 2014 through 2017 differ slightly between the *FY 2017 Report* and the Postal Service's CHIR responses.⁶⁷ The Postal Service explains that results in the *FY 2017 Report* represent the data captured as of September 30, 2017. Responses to CHIR No. 16, question 3.a. It states that the Total Accident Rate results fluctuate due to accidents added later in time that occurred before the end of the fiscal year. *Id.* It notes that results remain fluid and show slight deviations from end-of-year reporting. *Id.*

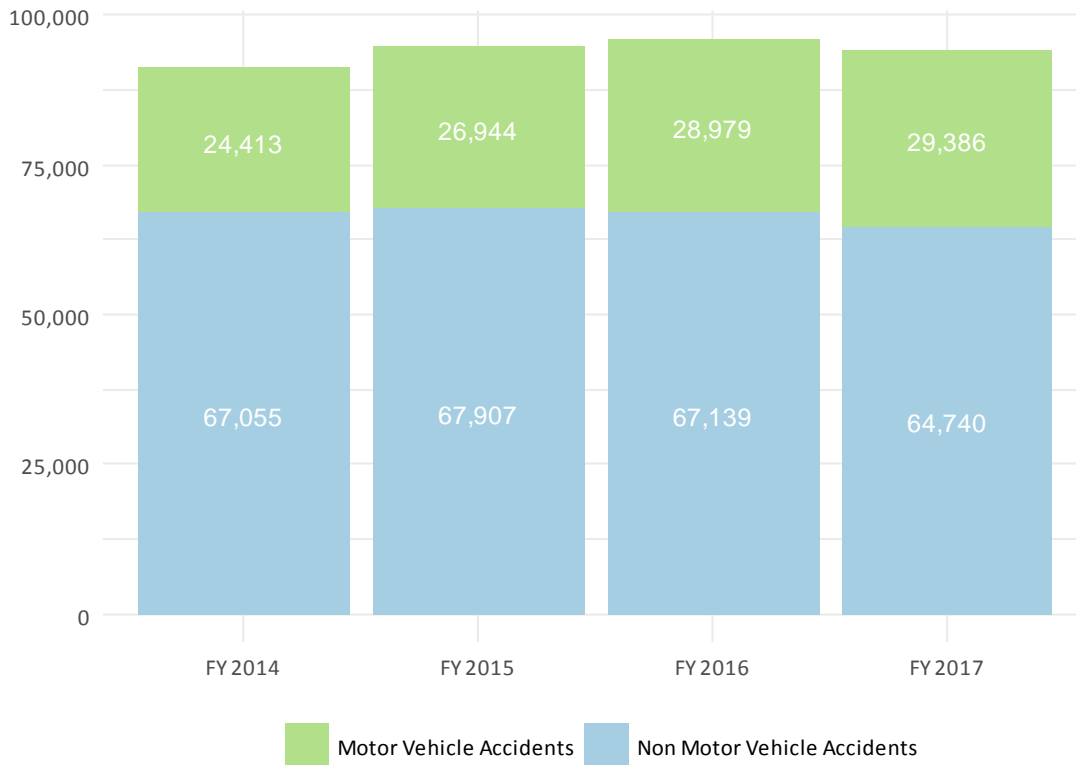
The Commission reiterates its recommendation that the Postal Service use a workplace safety performance indicator for which results are final and not revised after the end of the fiscal year. See FY 2016 Analysis at 57.

(2) Motor Vehicle Accidents

The Total Accident Rate includes both motor vehicle and non-motor vehicle accidents. Figure III-3 shows the number of motor vehicle and non-motor vehicle accidents from FY 2014 through FY 2017.

⁶⁷ Compare FY 2017 Annual Report at 14 with February 1 Responses to CHIR No. 9, question 8.

Figure III-3
Motor Vehicle and Non-Motor Vehicle Accidents
FY 2014 through FY 2017



Sources: February 1 Responses to CHIR No. 9, question 9.a.i; Responses to CHIR No. 16, question 5.

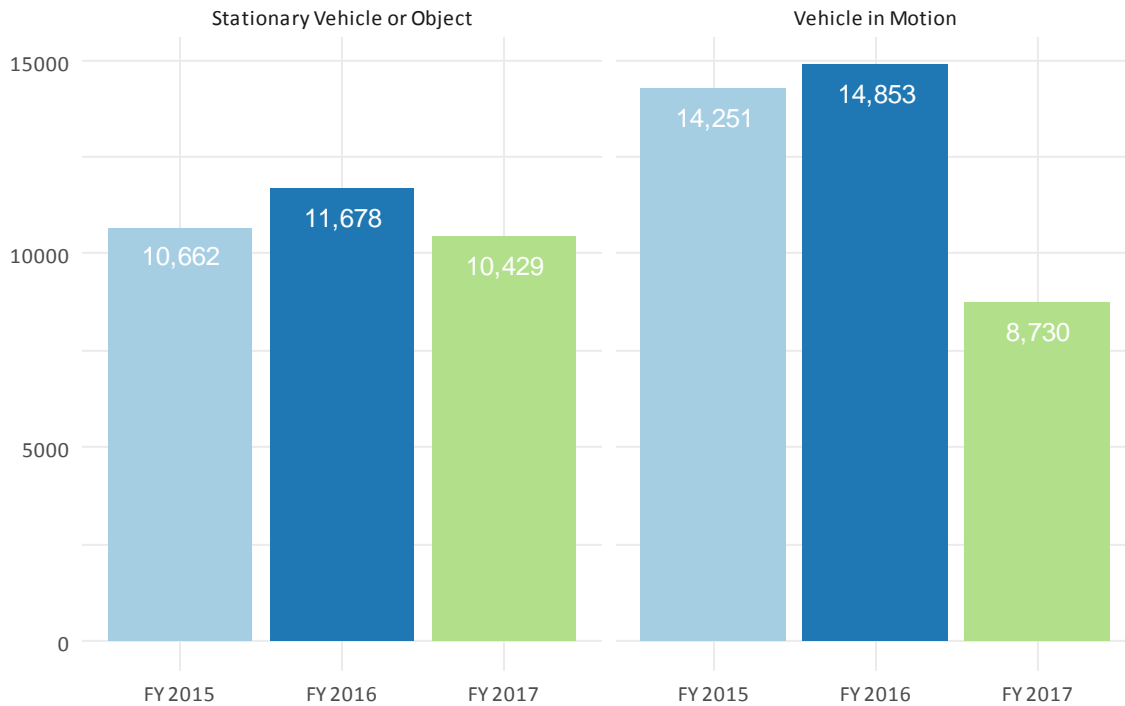
As Figure III-3 shows, motor vehicle accidents represent approximately 30 percent of the total number of accidents during the fiscal year.⁶⁸ However, the Total Accident Rate performance indicator does not distinguish between motor vehicle and non-motor vehicle accidents. A separate motor vehicle accident performance indicator could help the Postal Service better monitor and measure the outcome of its plans to reduce the number of motor vehicle accidents.

The Commission reiterates its recommendation that the Postal Service establish another workplace safety performance indicator measuring the number of motor vehicle accidents or motor vehicle accident rate. See FY 2016 Analysis at 60.

⁶⁸ The sum total of motor vehicle and non-motor vehicle accidents differs from the total number of accidents provided by the Postal Service. See FY 2017 Annual Report at 19; February 1 Responses to CHIR No. 9, question 8. It appears that these numbers differ because accidents that occurred before the end of the fiscal year may be added later. See Chapter 3, section C.3.a.(1), *supra*.

Figure III-3 shows that the number of motor vehicle accidents has steadily increased between FY 2014 and FY 2017. The Postal Service attributes the increase in motor vehicle accidents between FY 2016 and FY 2017 to a number of factors, including an increase in newer or less experienced drivers, an increase in the number of miles driven, and an increase in drivers struck by non-postal vehicles while stopped to make delivery. February 1 Responses to CHIR No. 9, question 9.a.ii. The Postal Service provided data on the number of motor vehicle accidents by cause code from FY 2015 through FY 2017 in CHIR responses. These data show that most motor vehicle accidents fell under two cause codes. “Collision/Sideswipe – Vehicle in Motion” includes accidents where a postal vehicle driver makes contact with a moving vehicle. Responses to CHIR No. 16, question 6.a. “Collision/Sideswipe – Stationary Vehicle or Object” includes accidents where a postal vehicle driver makes contact with a stationary vehicle or object. *Id.* question 6.b. In both cases, the postal vehicles were in motion. *Id.* questions 6.a.ii, 6.b.ii. Figure III-4 shows the number of motor vehicle accidents reported under these two cause codes between FY 2015 and FY 2017.

Figure III-4
Motor Vehicle Accidents, Collisions or Sideswipes
FY 2015 through FY 2017



Sources: February 1 Responses to CHIR No. 9, question 9.a.i.; Docket No. ACR2016, Responses of the United States Postal Service to Questions 7-11 of Chairman’s Information Request No. 19, March 1, 2017, question 7, Excel file “ChIR.19.Q.7.MVA by Cause.xlsx” (Docket No. ACR2016, Responses to CHIR No. 19).

Figure III-4 shows that number of postal vehicle drivers colliding with or sideswiping moving vehicles declined significantly between FY 2016 and FY 2017. In Docket No. ACR2016, the Postal Service stated that to help drivers become more aware of their surroundings, mirror stations were installed to help drivers see other drivers approaching. Docket No. ACR2016, Responses to CHIR No. 19, question 7.c. The Postal Service stated that many facilities have a “hot spot” board that warns carriers about road hazards, blind spots, and other situations that might increase the risk of motor vehicle accidents. *Id.* These hot spot boards help prevent accidents caused by clearance issues and road conditions. *Id.* It appears that these efforts have contributed to the decline in collisions or sideswipes with other moving vehicles.

The Commission recommends that the Postal Service continue using mirror stations and hot spot boards to help prevent accidents.

Figure III-4 shows that the number of postal vehicle drivers colliding with or sideswiping stationary vehicles or objects also declined between FY 2016 and FY 2017. However, the number of collisions or sideswipes with stationary vehicles or objectives did not decline as substantially as the number of collisions or sideswipes with moving vehicles. The Postal Service explains that to reduce the number of motor vehicle accidents in FY 2018, it will focus on initial driver training and refresher training. February 1 Responses to CHIR No. 9, question 9.a.iii. It describes a new professional driving academy that will increase the length of training, employ more hands-on experience with each vehicle, and use virtual reality tools such as driver simulators and iPad activities. *Id.* Once drivers are behind the wheel, the Postal Service states that it will increase its focus on quality driver observations by management, which will help address unsafe driving practices before accidents occur. *Id.*

b. Engaged Workforce

In FY 2017, the Postal Service measured employee engagement using two performance indicators related to the Postal Pulse survey: the Survey Response Rate and the Grand Mean Engagement Score. In the FY 2016 *Analysis*, the Commission identified several issues with these performance indicators that could have affected compliance with 39 U.S.C. §§ 2803 and 2804. Regarding the annual performance plan, the Commission stated that the *FY 2017 Plan* did not set forth FY 2017 targets for the performance indicators related to the Postal Pulse survey. FY 2016 *Analysis* at 64. Also, the Postal Service did not set a measurable FY 2017 target for the Grand Mean Engagement Score. *Id.* The Commission stated that to comply with 39 U.S.C. § 2803(a), the *FY 2018 Plan* must set targets for each performance indicator used to evaluate performance during FY 2018 and include at least one measurable FY 2018 target for the performance indicators related to the Postal Pulse survey. *Id.*

For the annual performance report, the Commission stated that the *FY 2016 Report* neither set forth the FY 2016 targets for the Postal Pulse survey performance indicators nor

included comparable results from the past three fiscal years. *Id.* at 64-65. The Commission stated that to comply with 39 U.S.C. § 2804, the *FY 2017 Report* must compare all FY 2017 targets with FY 2017 results and include comparable results for FYs 2014, 2015, 2016, and 2017 for at least one performance indicator related to the Postal Pulse survey. *Id.*

The Postal Service addressed these issues in the *FY 2018 Plan* and *FY 2017 Report*. The *FY 2018 Plan* sets a FY 2018 target for the Survey Response Rate and explains why the Postal Service does not set measurable targets for the Grand Mean Engagement Score. *FY 2017 Annual Report* at 14, 20 n.3. The *FY 2017 Report* compares the FY 2017 Survey Response Rate target and result. *See id.* at 14. Although the Postal Service set a FY 2017 target for the number of business units participating in action planning, the Postal Service confirms that it is no longer using this as a performance indicator for the Safe Workplace and Engaged Workforce performance goal.⁶⁹ The *FY 2017 Report* also includes three years of comparable results for the Survey Response Rate performance indicator. *See FY 2017 Annual Report* at 14.

The Commission finds that the Postal Service's discussion of employee engagement in the FY 2017 Report and FY 2018 Plan improved compared to past years.

Below the Commission examines the Survey Response Rate and the Grand Mean Engagement Score in further detail.

(1) Survey Response Rate

The Survey Response Rate is “the percentage of employees who responded to the survey questions.” *FY 2017 Annual Report* at 19. The Postal Service explains how the Postal Pulse survey was administered during FY 2017. All employees had the option of taking the Postal Pulse survey through a link posted on LiteBlue. February 1 Responses to CHIR No. 9, question 11.a. Non-bargaining employees received an email invitation to take the survey online. *Id.* Bargaining employees received paper copies of the survey at both their work and home addresses. *Id.* The survey instructions encouraged employees to take the survey at work to receive time on-the-clock to take the survey. *Id.* Bargaining employees with a Postal Service or Postal Inspection Service email address also received online invitations to take the survey. *Id.* For employees with multiple options to take the survey, only the first response was counted. *Id.*

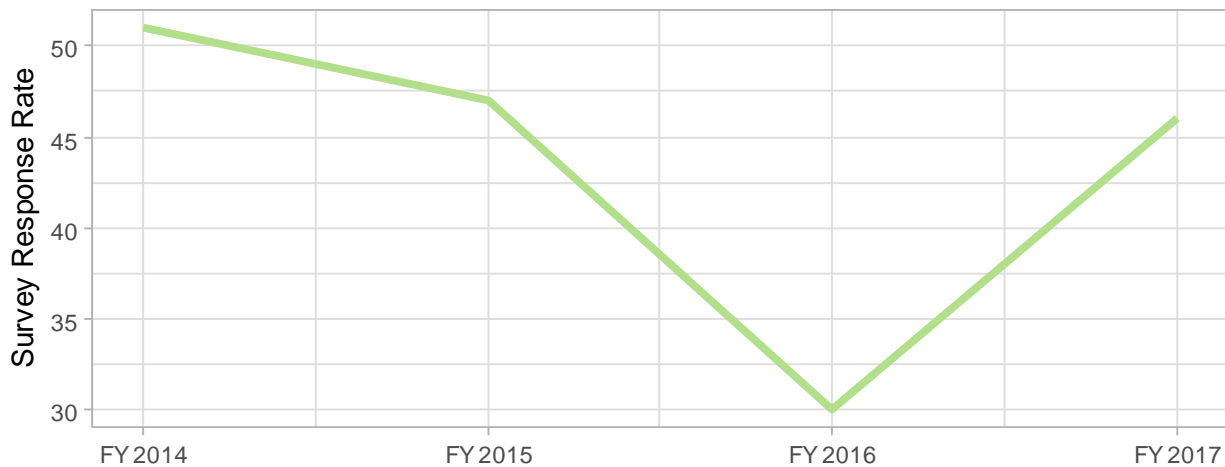
The Postal Service states that it administered 621,332 surveys in FY 2017. *Id.*, question 11.b. After the survey closed, the Postal Service reduced this number by the number of employees who separated from the Postal Service and did not take the survey. *Id.* This process reduced the number of potential survey participants to 603,260. *Id.* The Postal Service received 279,669 responses, for a Survey Response Rate result of 46 percent in FY 2017. *Id.*

⁶⁹ Responses to CHIR No. 6, question 4; *see FY 2016 Analysis* at 54.

The Commission finds that the Postal Service’s explanation clarifies how the Postal Pulse survey was administered and how the Postal Service calculates the Survey Response Rate results. The Commission recommends that the Postal Service include this information in future annual performance reports.

Figure III-5 shows the Survey Response Rate results from FY 2014 through FY 2017. As Figure III-5 shows, the Survey Response Rate declined significantly from 47 percent in FY 2015 to 30 percent in FY 2016. The Postal Service explains that in FY 2016, it mailed surveys to bargaining employees at their home addresses only. Postal Service Reply Comments at 7. In FY 2017, the Survey Response Rate result was 46 percent, which is 16 percentage points more than the FY 2016 result. The Postal Service attributes this increase to the decision to mail surveys to bargaining employees at both their home and work addresses in FY 2017. *Id.* The Commission commends the Postal Service for significantly improving the Survey Response Rate between FY 2016 and FY 2017.

Figure III-5
Survey Response Rate Results
FY 2014 through FY 2017



Source: FY 2017 Annual Report at 14. The FY 2014 result expresses the Survey Response Rate for the VOE survey. *Id.* at 14 n.6. Results for FY 2015, FY 2016, and FY 2017 express Survey Response Rates for the Postal Pulse survey. *Id.*

The FY 2018 Survey Response Rate target is 75 percent, 29 percentage points above the FY 2017 result. *Id.* at 14. In the *FY 2017 Report*, the Postal Service states that the FY 2018 target for the Survey Response Rate is “a stretch goal in excess of results to date to emphasize the importance of this measure.” *Id.* at 14 n.6. The Public Representative comments that it is unclear whether the Postal Service believes that the FY 2018 Survey Response Rate target is attainable. PR Comments at 7. She asserts that she views

ambitious targets favorably, but unachievable targets as problematic. *Id.* She recommends that the Postal Service set reasonable targets each year and then surpass them. *Id.*

In its reply comments, the Postal Service responds that the Survey Response Rate result improved by 16 percentage points in FY 2017. Postal Service Reply Comments at 7. Based on this increase, the Postal Service contends that the FY 2018 target is achievable and states that it will continue the trend of improvement throughout FY 2018. *Id.*

The Postal Service explains that the FY 2018 Survey Response Rate target is “a stretch goal in excess of results to date to emphasize the importance of this measure.” FY 2017 *Annual Report* at 14 n.6. The Commission observes that the Postal Service already emphasizes the importance of the Survey Response Rate by using it as a performance indicator to measure employee engagement.

If the Postal Service does not meet the FY 2018 Survey Response Rate target, the Commission recommends that the Postal Service set a more realistic and achievable target in the FY 2019 Plan.

If the Postal Service sets an aggressive target for FY 2019, the Commission suggests that the Postal Service explain how it will achieve such significant improvement. As an alternative, the Postal Service could set “stretch” targets to achieve after a period of time (*e.g.*, three years) and set more realistic and achievable targets for the upcoming fiscal year.

(2) Grand Mean Engagement Score

The Grand Mean Engagement Score is the average of the mean scores for Questions 1 through 12 on the Postal Pulse survey, expressed on a scale of 1 to 5. Table III-9 depicts the Grand Mean Engagement Score results, as well as the mean scores for each question on the Postal Pulse survey, for FYs 2015, 2016, and 2017.

Table III-9
FY 2015, FY 2016, and FY 2017 Postal Pulse Survey
Mean Scores and Grand Mean Engagement Scores

Postal Pulse Survey Question	FY 2017	FY 2016	FY 2015
	Question-Specific Mean Score		
Q0. How satisfied are you with the Postal Service as a place to work?	3.49	3.52	3.44
Grand Mean Engagement Score (Average of Mean Scores^a for Questions 1-12)	3.25	3.24	3.16
	Question-Specific Mean Score		
Q1. I know what is expected of me at work.	4.22	4.22	4.20
Q2. I have the materials and equipment I need to do my work right.	3.53	3.55	3.52
Q3. At work, I have the opportunity to do what I do best every day.	3.68	3.68	3.63
Q4. In the last seven days, I have received recognition or praise for doing good work.	2.75	2.70	2.60
Q5. My supervisor, or someone at work, seems to care about me as a person.	3.37	3.33	3.29
Q6. There is someone at work who encourages my development.	2.98	2.93	2.86
Q7. At work, my opinions seem to count.	2.81	2.84	2.71
Q8. The mission or purpose of my company makes me feel my job is important.	3.50	3.54	3.42
Q9. My fellow employees are committed to doing quality work.	3.38	3.46	3.40
Q10. I have a best friend at work.	3.02	2.94	2.84
Q11. In the last six months, someone at work has talked to me about my progress.	2.73	2.71	2.62
Q12. This last year, I have had opportunities at work to learn and grow.	3.03	3.04	2.92

^a The mean score is the average score for each question using the 5-point survey scale, with 5 being the highest score and 1 being the lowest.

Sources: February 1 Responses to CHIR No. 9, question 12; Docket No. ACR2016, Responses of the United States Postal Service to Questions 2 and 6 of Chairman’s Information Request No. 19, February 27, 2017, questions 6.a., 6.b.

Table III-9 shows that both the Grand Mean Engagement Score and mean scores for most questions improved between FY 2015 and FY 2017. The mean score for Question 1 was the highest and was also the only question to have a mean score more than four points. This indicates that Postal Service employees are clear about what is expected of them at work. High scores for questions 0, 2, 3, and 8 indicate that Postal Service employees are satisfied overall with the Postal Service as a place to work, feel that their job is important, and have the resources to do their work right and perform their best every day.

The lowest scores on the Postal Pulse survey were for Questions 4 and 11, which involve feedback and employee recognition. Regular feedback is important so that employees

understand how well they are doing, where their work is leading them, and what areas they can improve.⁷⁰ Similarly, recognition for doing good work is important for creating a culture of appreciation and reinforcing positive behavior. *Id.* The Postal Service should consider whether changes to its performance evaluation process and additional supervisor training may help improve the lowest scoring questions.

D. Financial Health

1. Background

In FY 2017, the Postal Service used two performance indicators to measure progress toward its Financial Health⁷¹ goal: the Deliveries per Total Workhours (DPTWH) % Change and Controllable Income (Loss). Although not used as performance indicators, the Postal Service also included results for Total Factor Productivity (TFP) and labor productivity. *FY 2017 Annual Report* at 26.

DPTWH % Change. From FY 2011 to FY 2015, the Postal Service measured productivity improvements using the Deliveries per Workhour (DPWH) performance indicator, which evaluated the Postal Service's productivity improvement efforts by comparing the total number of deliveries of all types with the total number of workhours used in all employee categories.⁷² In FY 2016, the Postal Service replaced the DPWH performance indicator with the DPTWH % Change, which measures the percentage change in the DPTWH from the current year over the prior year.⁷³ The Postal Service calculates the DPTWH by multiplying the total possible deliveries by the number of delivery days and dividing that product by total workhours.⁷⁴

The FY 2017 target for the DPTWH % Change was an increase of 0.6 percent over the FY 2016 result. *FY 2017 Annual Report* at 25. The FY 2017 result was a decrease of 0.5 percent and, therefore, was 1.1 percentage points lower than the FY 2017 target. *Id.* The Postal Service explains that a "rapid decrease in volume during the year contributed to [the Postal Service] missing the DPTWH target" and that the Postal Service's large network makes it difficult to adjust workhours when faced with sudden, unexpected changes in volume. *Id.* The Postal Service explains that its large network of interdependent offices are governed by national collective bargaining agreements and many local agreements. Responses to CHIR No. 19, question 4.a. The Postal Service states these agreements make

⁷⁰ United States Postal Service, "Brief Guide to the 12 Elements of Engagement" at 2 (available at: <https://liteblue.usps.gov/emp-engagement/pdf/Brief-Engagement-Guide.pdf>).

⁷¹ In FY 2016, this goal was called "Sustain Controllable Income." See *FY 2016 Annual Report* at 13.

⁷² See Docket No. ACR2011, *Annual Compliance Determination*, March 28, 2012, at 46; *FY 2015 Analysis* at 4, 57.

⁷³ *FY 2017 Annual Report* at 24; Responses to CHIR No. 19, question 1. In FY 2016, this performance indicator was referred to as "DPTWH, % SPLY." *FY 2017 Annual Report* at 24 n.5.

⁷⁴ *FY 2017 Annual Report* at 24. For a detailed explanation of the DPTWH % Change calculation, see *FY 2016 Analysis* at 70-71.

it “challenging for the organization to implement quick fixes to sudden and unexpected volume changes, such as those experienced in FY 2017.” *Id.*

For example, the Postal Service notes that Presorted First-Class Mail letter volume had been steady in FY 2015, and experienced only a slight decline in FY 2016, only to experience substantial and rapid decline from FY 2016, Quarter 4 through FY 2018, Quarter 1. *Id.* The Postal Service states that volume declines for the past six consecutive quarters were “sudden and unexpected.” *Id.* The Postal Service has experienced a similar decrease in USPS Marketing Mail volume, with declining volume for the past four consecutive fiscal quarters. *Id.*

The Postal Service recognizes its challenge to make adjustments to handle unexpected changes in volume without negatively affecting service performance. *Id.*, question 4.c. It states that, in real time, it is “difficult to extrapolate whether observed [volume] differences are manifestations of a longer trend, or patterns that will subside or reverse in the next reporting period.” *Id.* The Postal Service describes postal volumes and operations as “dynamic” in nature, which presents the challenge of balancing the Postal Service’s various objectives. *Id.*

The FY 2018 target for the DPTWH % Change represents a 2.1 percent increase over the FY 2017 result. FY 2017 *Annual Report* at 25. The Postal Service states it will meet the FY 2018 target by capturing workhour reductions from declining mail volume, and from operational initiatives to improve efficiency. *Id.* The Postal Service notes that these initiatives are described in other sections of the *FY 2017 Report*. *Id.* For example, the Postal Service states that it plans to deploy new technologies to improve the efficiency of package handling and delivery to improve service performance. *Id.* at 16. The Postal Service states that the implementation of such technologies will also have the effect of improving the DPTWH % Change. *See Responses to CHIR No. 19, question 5.*

Controllable Income (Loss). The results of this performance indicator are calculated as the Postal Service’s total revenue minus controllable expenses and one-time accounting adjustments. FY 2017 *Annual Report* at 13. Revenue includes funds received from the sale of postage, mailing and shipping services, passports, Post Office Box rentals, gains from the sale or outlease of property, and interest and investment income. *Id.* at 22.

Controllable expenses consist of compensation and benefits; transportation; depreciation; supplies and services; and rent, utilities, and other controllable expenses. *Id.* at 13, 22-23. Controllable expenses exclude non-controllable expenses, or expenses that do not reflect the Postal Service’s operational decisions and are subject to large fluctuations that are outside of the Postal Service’s control. *Id.* at 23. Non-controllable expenses include:

- Re-evaluations of the Postal Service Retiree Health Benefit Fund (RHBF) normal cost by the Office of Personnel Management

- Amortization of the Postal Service's unfunded liabilities for its portion of the Federal Employees Retirement System and Civil Service Retirement System
- Non-cash expenses related to changes in liability for participating in the federal workers' compensation program

Id. at 24.

In FY 2017, the Controllable Income (Loss) result was \$(0.8) billion, which was \$0.9 billion lower than the FY 2017 target of \$0.1 billion. *Id.* at 21. The Postal Service explains that this result was primarily attributable to a shortfall in revenue. *Id.* at 22. It states that FY 2017 revenue of \$69.7 billion was \$1.0 billion less than planned largely because of "higher-than-expected First-Class Mail diversion and an unexpected drop in Marketing Mail" volume. *Id.* First-Class Mail revenue for FY 2017 was \$25.6 billion, which was \$0.4 billion below the FY 2017 target set in the FY 2017 IFP, "due to continued and accelerated migration of consumers to electronic communication and transactional alternatives." *Id.* USPS Marketing Mail revenue in FY 2017 was \$16.6 billion, \$1.1 billion below the FY 2017 target set in the FY 2017 IFP. *Id.* The Postal Service attributes the USPS Marketing Mail revenue shortfall to an unexpected 2.6 billion mailpiece decline.⁷⁵

The Controllable Income (Loss) target for FY 2018 is \$(1.4) billion "driven by modest revenue growth, inflationary and contractual cost increases, and an anticipated increase in the controllable portion of the RHBF normal cost of \$0.7 billion." *Id.* at 23. The Postal Service states that it expects revenue to increase by \$0.5 billion in FY 2018 due to volume and market price increases in Shipping and Packages offsetting volume decreases in First-Class Mail, USPS Marketing Mail, and Periodicals. *Id.*

The Postal Service also expects controllable expenses to increase by \$1.1 billion between FY 2017 and FY 2018. *Id.* at 21. Compensation and benefits expenses are expected to increase by \$0.2 billion primarily due to contractually required wage increases. *Id.* at 23. The Postal Service plans to mitigate the increase in compensation and benefits expenses by employing a larger portion of newer, less expensive employees and reducing workhours through increased efficiency. *Id.* In addition to the \$0.7 billion increase to the RHBF normal cost expense, planned increases in controllable expenses also include a \$0.1 billion increase transportation expenses due to growth in package volume and inflationary pressures; and a \$0.1 billion increase in rent, utilities, and other expenses increases due to normal inflationary pressures. *Id.*

⁷⁵ The Postal Service states the decline was unexpected, "given the relative stability of Marketing Mail volumes in recent years, the overall health of the economy and the impact of the 2016 election, which provided a boost in volume in the first weeks of FY2017." *Id.* at 22.

2. Comments

The Public Representative comments that the Postal Service did not meet FY 2017 targets for either the DPTWH % Change or Controllable Income (Loss). PR Comments at 8. Thus, she concludes that the Postal Service did not meet the Financial Health performance goal in FY 2017. *Id.* However, she states that the Postal Service's explanations for failing to meet Financial Health targets is sufficient. *Id.* In its reply comments, the Postal Service agrees with the Public Representative that its explanation is sufficient. Postal Service Reply Comments at 7.

The Public Representative also raises concerns about the FY 2018 DPTWH % Change target. PR Comments at 7-8. These comments are discussed in more detail below. *See* Chapter 3, section D.3.a.(2), *infra*.

3. Commission Analysis

In FY 2017, the Postal Service missed both targets set for the DPTWH % Change and Controllable Income (Loss) performance indicators.

The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2017.

Below, the Commission analyzes the DPTWH % Change and Controllable Income (Loss) performance indicators in more detail.

a. Deliveries per Total Workhour % Change

In the *FY 2017 Report*, the Postal Service improved the discussion of the DPTWH % Change compared to FY 2016. The *FY 2016 Report* did not clearly describe this performance indicator. *See* *FY 2016 Annual Report* at 22. By contrast, the *FY 2017 Report* explains what the DPTWH % Change is, what it measures, and how the Postal Service calculates results. *See* *FY 2017 Annual Report* at 24-25. In the *FY 2017 Report*, the Postal Service explains that it adjusts workhours to reflect changes in workload compared to the prior year, which ensures that results are comparable from year-to-year. *Id.* at 24. The *FY 2017 Report* also includes a table showing the methodology and components used for calculating results. *Id.* at 25.

The Commission finds that these changes improve the transparency and utility of the FY 2017 Report by helping interested persons better understand the DPTWH % Change performance indicator and how the Postal Service calculates results.

Last year the Commission recommended that the Postal Service measure productivity improvements using the TFP index rather than the DPTWH % Change. *See* *FY 2016 Analysis* at 73. In the *FY 2017 Report*, the Postal Service explains that it prefers the DPTWH % Change because, compared with the TFP index, it is easier to understand and target at

the area and district levels, and it can be calculated in a timelier manner. FY 2017 *Annual Report* at 26 n.6. Although the Postal Service continues to use the DPTWH % Change performance indicator, the *FY 2017 Report* also includes information on both the TFP index and labor productivity measures. *Id.* at 26. The Commission appreciates that the *FY 2017 Report* explains why the Postal Service prefers the DPTWH % Change performance indicator and includes information on TFP and other productivity measures. Future annual performance reports should continue to include information on both the TFP index and other productivity measures.

Below the Commission makes observations and recommendations on the DPTWH % Change methodology and the FY 2018 performance plan.

(1) Methodology

The Postal Service calculates the DPTWH % Change using the total number of delivery days, delivery points, and workhours.⁷⁶ The Postal Service explains that total workhours are the sum of actual workhours from the official National Workhour Reporting System, adjusted for earned workload impacts. Responses to CHIR No. 19, question 2.a. It states that total workhours represent actual hours worked, and are collected primarily by the Postal Service's Time and Attendance Collection System, although a small amount of workhour records are collected by the use of manual time clocks. *Id.*, question 2.b.

The Postal Service explains that it adjusts workhours "to recognize the impact of earned hours from changes in mail mix and the impact of Sunday delivery." FY 2017 *Annual Report* at 25 n.1. The Commission observed that adjusting for Sunday deliveries was an improvement over the former performance indicator but that it was unclear whether the Postal Service would use full or partial year Sunday delivery data to calculate the FY 2017 result. FY 2016 *Analysis* at 73. The Commission stated that calculating the DPTWH % Change using Sunday delivery data from the entire fiscal year may improve the accuracy of the FY 2017 result. *Id.*

The Postal Service clarifies that it removes hours from the current fiscal year that are directly caused by changes in year-over-year workload, as well as hours caused by Sunday delivery increases over the prior year. Responses to CHIR No. 19, question 3.a. The Postal Service explains that it makes this adjustment so that the current year total workhours can be used for comparison. *Id.* The Postal Service confirms that it used full year Sunday delivery stops to calculate the FY 2017 DPTWH % Change result. *Id.*, question 3.b.

The Commission finds that using full instead of partial year Sunday delivery stops is an improvement to the methodology for calculating the DPTWH % Change results. The

⁷⁶ FY 2017 *Annual Report* at 24. The Commission explains in detail how to calculate the DPTWH % Change (formerly called DPTWH % SPLY) performance indicator in its FY 2016 *Analysis*. See FY 2016 *Analysis* at 70-71.

Commission recommends that the Postal Service continue to use full year Sunday delivery stops when calculating the DPTWH % Change results.

Annual performance reports must include comparable results from the past three fiscal years. 39 U.S.C. § 2804(c); see Chapter 2, section C.2.b, *supra*.

To ensure comparability of results, the FY 2018 Report must calculate and express the DPTWH % Change results using the same methodology (including full year Sunday delivery data) for, at a minimum, FYs 2015, 2016, 2017, and 2018. If comparable results cannot be provided, the FY 2018 Report must explain why results are not directly comparable across these fiscal years. In that case, the FY 2018 Report must either explain how to compare results between the former and new methodologies or explain why making this comparison is not feasible.

(2) FY 2018 Performance Plan

(a) FY 2018 Target

The *FY 2018 Plan* sets the FY 2018 DPTWH % Change target at 2.1 percent. *FY 2017 Annual Report* at 25. The FY 2018 target is 1.5 percentage points more than the FY 2017 target of 0.6, and 2.6 percentage points above the FY 2017 result. *See id.* at 14. The Postal Service asserts that it designs all of its targets “to be achievable given the planned finances in the IFP.” *Id.* at 13. It characterizes its workhour reduction targets as “stretch goals to continue to drive efficiency gains” across the postal network. Responses to CHIR No. 19, question 5.

The Public Representative comments that the FY 2018 target is more than twice the highest percentage increase since FY 2014. PR Comments at 7-8. She contends that targets are not meant to be long-term goals and that targets should be achievable during the fiscal year covered by the annual performance plan. *Id.* at 8.

The DPTWH % Change results have declined from 0.6 percent in FY 2014 to (0.5) percent in FY 2017. Given this downward trend in results, it is unclear how the Postal Service will meet the FY 2018 target. The Postal Service contends that setting stretch targets for other performance indicators drives performance and inspires continuous improvement. *See* Postal Service Reply Comments at 3. The Postal Service should consider whether it could continue to drive performance and inspire improvement if it set ambitious but more achievable targets. Meeting targets may also drive performance by providing a way to acknowledge achievement through efforts to improve. Conversely, consistently failing to meet targets may discourage further improvement if the gap between the target and result is too high.

If the FY 2018 DPTWH % Change target is not met in FY 2018, the Commission recommends that the Postal Service set a more realistic and achievable target in the FY 2019 Plan.

If the Postal Service considers reaching a stretch target to be realistic, the Postal Service should explain how it will achieve such significant improvement during FY 2019. As an alternative, the Postal Service could set “stretch” targets to achieve after a period of time (*e.g.*, three years) and setting more realistic and achievable targets for the upcoming fiscal year.

(b) Plans for Improving Performance

To meet the FY 2018 target, the Postal Service states that it will “capture [workhour] reductions from declining mail volume and from operational initiatives to improve efficiency.” *FY 2017 Annual Report* at 25. In an effort to reduce workhours, the Postal Service states that it implemented a new workhour scheduler software, enabling managers to “more quickly realign complement bids to take into consideration workload fluctuations.” Responses to CHIR No. 19, question 5. The Postal Service also has offered select employee groups a voluntary early retirement. *Id.* The Postal Service asserts that it will aggressively streamline its equipment sets to match workload and volume. *Id.* It notes that these measures should reduce mail processing workhours and reduce plant and equipment maintenance workhours. *Id.*

To ensure future efficiency gains, the Postal Service states it plans to deploy additional automation and implement new technologies to improve mail and package handling efficiency in FY 2018. *Id.* These plans include deploying new in-plant material handling systems, new Automated Delivery Unit Sorting machines, and new software and operating procedures to increase carrier vehicle package loading efficiencies. *Id.*

The Postal Service states that it intends to deploy new technologies to achieve workhour targets by the end of FY 2018. *Id.* However, it acknowledges that these plans are not specifically focused toward meeting the DPTWH % Change target. *Id.* Rather, the Postal Service explains that these plans “are directed towards achieving a whole host of benefits that accrue with workhour improvements[,]” including progress toward meeting the FY 2018 DPTWH % Change target. *Id.* It states that “beyond the wide range of efforts to control workhours...specific plans or timelines exclusively designed to meet [the DPTWH % Change] target are not identified.” *Id.*

The Commission appreciates that the Postal Service’s vast network presents challenges in matching workhours to workload, particularly when faced with sudden or unexpected volume changes. The planned improvement efforts articulated by the Postal Service are encouraging, and it appears likely that these efforts will improve workhour efficiency generally. However, the plans for improving performance raise a legal compliance issue. If the Postal Service does not meet a performance goal, annual performance reports must both explain why the goal was not met and describe plans and schedules for meeting the goal. 39 U.S.C. § 2804(d)(3). Because the Postal Service missed the DPTWH % Change target in FY 2017, the *FY 2017 Report* was required to describe plans and timelines for meeting the FY 2018 DPTWH % Change target.

The Postal Service acknowledges that its plans for reducing workhours are not targeted specifically toward meeting the FY 2018 DPTWH % Change target. Thus, it is unclear how the Postal Service plans to meet the DPTWH % Change target (and, by extension, the Financial Health performance goal) in FY 2018.⁷⁷ The Postal Service also does not identify timelines for meeting the FY 2018 DPTWH % Change target.

The Commission finds that the FY 2017 Report does not comply with 39 U.S.C. § 2804(d)(3) for the Financial Health performance goal. To comply with 39 U.S.C. § 2804(d)(3) next year, if the Postal Service does not meet the FY 2018 DPTWH % Change target, the FY 2018 Report must describe specific plans designed to meet the FY 2019 DPTWH % Change target. The FY 2019 Plan must also include timelines for implementing programs that will help meet this target.

b. Controllable Income (Loss)

In the *FY 2017 Report*, the discussion of the Controllable Income (Loss) improved compared to FY 2016. The *FY 2017 Report* provides a thorough explanation of each component that makes up the Controllable Income (Loss). It includes a helpful table showing revenue and expenses from the IFP and describes each category of revenue and controllable expenses. *See FY 2017 Annual Report* at 21-23. These descriptions explain why the FY 2017 Controllable Income (Loss) target was not met and provide the rationale for setting the FY 2018 target. *See id.* The *FY 2017 Report* also includes a section on non-controllable expenses, which also impact the Postal Service's financial results. *See id.* at 23-24.

The Commission finds that this information improves the transparency and utility of the FY 2017 Report by helping interested persons better understand the components of the Controllable Income (Loss) and how the Postal Service calculates targets and results. The Commission recommends that the Postal Service continue to include this information in future annual performance plans and annual performance reports.

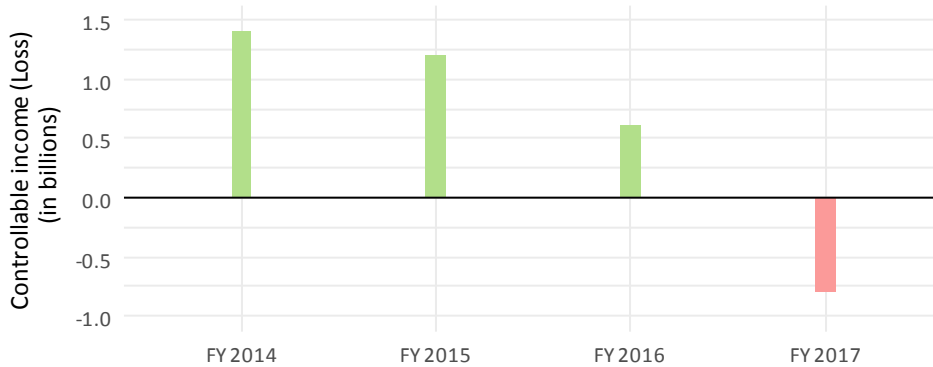
Figure III-6 shows the Controllable Income (Loss) results from FY 2014 through FY 2017. As Figure III-6 shows, results were higher during FYs 2014, 2015, and 2016 when the exigent surcharge on Market Dominant products was in effect. The Postal Service states that the \$0.8 billion loss in FY 2017 was primarily attributable to a shortfall in revenue. *FY 2017 Annual Report* at 22. As the Commission explains in its financial analysis of the Postal Service's FY 2017 financial results, revenue from Market Dominant mail declined 7.7 percent from FY 2016.⁷⁸ Two factors were principally responsible for this decline: (1) price increases based on the consumer price index were not enough to offset revenue loss

⁷⁷ To meet the Financial Health goal in FY 2018, the Postal Service must meet or exceed FY 2018 targets for both the DPTWH % Change and Controllable Income (Loss). *See FY 2016 Analysis* at 5.

⁷⁸ Docket No. ACR2017, Financial Analysis of United States Postal Service Financial Results and 10-K Statement Fiscal Year 2017, April 5, 2018, at 12 (*FY 2017 Financial Analysis*).

from declining volumes; and (2) FY 2017 was the first full fiscal year after the exigent surcharge expired. *Id.* The Commission analyzes the Postal Service’s FY 2017 financial results in detail in the FY 2017 *Financial Analysis*. *See id.*

**Figure III-6
Controllable Income (Loss) Results
FY 2014 through FY 2017**



Source: FY 2017 *Annual Report* at 21.

The Postal Service states that it designs all performance indicator targets to be achievable given the planned finances in the IFP. FY 2017 *Annual Report* at 13. *The FY 2017 Report* includes a table listing the components of the Controllable Income (Loss). *Id.* at 21. This table, which is shown below in Table III-10, includes planned revenue and expenses for FY 2017 and FY 2018, as well as results from FY 2014 through FY 2017. *Id.*

Table III-10
Integrated Financial Plan
Revenue and Expenses (in Billions)

	FY 2018 IFP Target	FY 2017 Result	FY 2017 IFP Target	FY 2016 Result	FY 2015 Result	FY 2014 Result
First-Class Mail	24.8	25.6	26.0	26.6	27.2	27.6
USPS Marketing Mail	16.2	16.6	17.7	17.6	16.9	16.9
Shipping and Packages	21.4	19.5	19.0	17.3	15.0	13.5
International Mail	2.7	2.7	2.8	2.7	2.7	2.9
Periodicals	1.3	1.4	1.4	1.5	1.5	1.6
Other ^a	3.8	3.9	3.8	3.7	3.5	3.9
Revenue^b	70.2	69.7	70.7	69.4	66.8	66.4
Exigent Surcharge ^c	0.0	0.0	0.0	1.1	2.1	1.4
Total Revenue with Exigent Surcharge	70.2	69.7	70.7	70.5	68.9	67.8
Compensation and benefits ^d	50.7	50.5	50.7	53.2	51.8	50.4
RHBF normal cost ^e	3.5	2.8	2.9	–	–	–
Transportation	7.3	7.2	7.2	7.0	6.6	6.6
Depreciation	1.7	1.7	1.6	1.7	1.8	1.8
Supplies and services	3.0	3.0	3.0	2.8	2.7	2.6
Rent, utilities and other ^f	5.4	5.3	5.2	5.2	4.8	5.0
Controllable Expenses	71.6	70.5	70.6	69.9	67.7	66.4
Controllable Income (Loss)	(1.4)	(0.8)	0.1	0.6	1.2	1.4
RHBF pre-funding	–	–	–	(5.8)	(5.7)	(5.7)
RHBF normal cost actuarial revaluation ^d	–	(0.5)	–	–	–	–
RHBF unfunded liability amortization	(1.2)	(1.0)	(2.9)	–	–	–
FERS unfunded liability amortization	(0.9)	(0.9)	(0.2)	(0.2)	(0.2)	–
CSRS unfunded liability amortization	(1.7)	(1.7)	(1.2)	–	–	–
Workers' comp. fair value and other non-cash adjustments	–	2.2	–	(1.3)	(0.4)	(1.2)
Change in accounting estimate ^h	–	–	–	1.1	–	–
Net Income (Loss)	(5.2)	(2.7)	(4.2)	(5.6)	(5.1)	(5.5)

^a Includes investment and interest income.

^b Excludes a FY 2016 change in accounting estimate of \$1.1 billion due to a reevaluation of prepaid postage and the exigent surcharge in FY 2014, FY 2015, and FY 2016. Includes investment income.

^c The exigent surcharge on Market Dominant products was removed on April 10, 2016. See Docket No. R2013-11, Order on Removal of the Exigent Surcharge and Related Changes to the Mail Classification Schedule, March 29, 2016 (Order No. 3186).

^d Excludes RHBF pre-funding, normal cost, amortization and actuarial revaluation; non-cash adjustments to workers' compensation liabilities; and FERS and CSRS unfunded liabilities amortization, which are excluded from controllable expenses. Includes RHBF premiums (FY 2014–FY 2016) and workers' compensation cash expenses.

^e Total RHBF normal cost in FY 2017 was \$3.3 billion, of which \$2.8 billion was classified as a controllable expense. The remaining \$0.5 billion was classified as an RHBF normal cost actuarial revaluation.

^f Includes interest expense.

^h During FY 2016, the Postal Service revised the technique used to estimate deferred revenue – prepaid postage liability for Forever stamps. As a result of the change, deferred revenue – prepaid postage was decreased by nearly \$1.1 billion. In accordance with GAAP, the change was accounted for as a change in accounting estimate.

Source: FY 2017 Annual Report at 21.

The FY 2018 target for the Controllable Income (Loss) is \$(1.4) billion, which is based on the Postal Service's projections about modest revenue growth, inflationary and contractual cost increases, and an anticipated increase in the controllable portion of the RHBF normal cost. *Id.* at 23. The Postal Service's projections appear reasonable. Contractually required increases in labor costs will drive an increase in the compensation and benefits category,⁷⁹ although the Postal Service plans to mitigate these costs by employing a larger portion of newer, less expensive employees. *FY 2017 Annual Report* at 23. The projected modest revenue growth is driven by a relatively large expected increase in Shipping and Packages revenue due to volume growth and market price increases. *Id.*

In FY 2017, revenues from First-Class Mail and USPS Marketing Mail were less than planned in the FY 2017 IFP. *See id.* at 21-22. Future annual performance reports should describe efforts to mitigate the potential impact of lower-than-expected revenues or higher-than-expected controllable expenses. The Postal Service should identify the steps it will take to reach its targets even when actual revenue and expenses deviate from projections.

⁷⁹ *See FY 2017 Financial Analysis* at 19.

CHAPTER 4: STRATEGIC INITIATIVES

A. Background

In FY 2017, the Postal Service issued its Five-Year Strategic Plan for FYs 2017 to 2021.⁸⁰ The Postal Service explains that its vision for these fiscal years is to continue to “deliver valued products and services that help people connect, businesses grow, and communities thrive in the digital economy.” Strategic Plan at 6. To realize this vision, the Postal Service established four strategic goals:

- Deliver a World-Class Customer Experience
- Equip, Empower, and Engage Employees
- Innovate Faster to Deliver Value
- Invest in Our Future Platforms

Id.

To achieve these strategic goals, the Postal Service states that it “implemented a portfolio of strategic initiatives and a rigorous portfolio management process.” *FY 2017 Annual Report* at 27. The Postal Service asserts that its process of managing its portfolio of strategic initiatives “is based on well-established methods to apply strategic and financial rigor to decision-making and to navigate significant organizational changes.” *Id.*

In FY 2017, the Postal Service implemented a portfolio of 15 strategic initiatives to achieve its strategic goals. *Id.* at 28. The *FY 2017 Report* lists FY 2017 and FY 2018 strategic initiatives and explains how they changed between FY 2017 and FY 2018. *Id.*

Table IV-1 compares FY 2017 and FY 2018 strategic initiatives and links each one to a strategic goal. The “Change from FY 2017” column identifies how the strategic initiative changed between FY 2017 and FY 2018:

- Continued — Strategic initiative continued into FY 2018 with minimal changes from FY 2017.
- Moved — Strategic initiative was closed and its activities were incorporated into the relevant business unit’s normal operations.

⁸⁰ See Future Ready: United States Postal Service Five-Year Strategic Plan, Fiscal Years 2017 to 2021 (available at: <http://about.usps.com/strategic-planning/five-year-strategic-plan-2017-2021.pdf>) (Strategic Plan).

- Refined — Strategic initiative was modified to achieve greater alignment with organizational goals and the current business environment.
- Combined — Strategic initiative was combined with one or more similar strategic initiatives to more accurately reflect the current business environment and provide greater alignment organizationally.

As shown in Table IV-1, the Postal Service moved four strategic initiatives, continued four strategic initiatives, and refined one strategic initiative. The Postal Service also combined six FY 2017 strategic initiatives into three strategic initiatives for FY 2018. The Postal Service will implement eight strategic initiatives in FY 2018.

**Table IV-1
Comparison of FY 2017 and FY 2018 Strategic Initiatives**

Strategic Goal	FY 2017 Strategic Initiatives	Change from FY 2017	FY 2018 Strategic Initiatives
Deliver a World-Class Customer Experience	Build a World-Class Customer Experience	Combined	Build a World-Class Customer Experience
	Create a World-Class Social Media Platform		
	Build a World-Class International Platform	Continued	Build a World-Class International Platform
Equip, Empower, and Engage Employees	Build a Culture of Engagement	Refined	Build a World-Class Employee Experience
	Deliver a Safe Workplace	Moved	
Innovate Faster to Deliver Value	Accelerate Innovation to Maximize Business Value	Continued	Accelerate Innovation to Maximize Business Value
	Develop an Innovation Framework	Moved	
	Accelerate Innovation to Maximize Customer Value	Combined	Accelerate Innovation to Create Customer Value and Maximize Revenue and Profit
	Implement Informed Delivery		
Invest in Our Future Platforms	Optimize Network Platform	Continued	Optimize Network Platform
	Optimize Delivery Platform	Combined	Delivery Structure Rationalization
	Optimize Retail and Customer Service Platform		
	Build a World-Class Package Platform	Continued	Build a World-Class Package Platform
	Build a Bench of Effective Leaders	Moved	
	Effectively Leverage Complement	Moved	

Source: FY 2017 Annual Report at 27-28.

Last year, the Postal Service clarified that the strategic goals differ from the four performance goals discussed in annual performance plans and annual performance reports.⁸¹ Besides illustrating the change between FY 2017 and FY 2018 strategic initiatives, the *FY 2017 Report* also explains how each strategic initiative relates to the four performance goals. Tables IV-2 and IV-3 list the FY 2017 and FY 2018 strategic initiatives and show how each one relates to the performance goals.

Table IV-2
FY 2017 Strategic Initiatives and Related Performance Goals

FY 2017 Strategic Initiatives	High-Quality Service	Excellent Customer Experiences	Safe Workplace and Engaged Workforce	Financial Health
Build a World-Class Customer Experience	•	•	•	
Create a World-Class Social Media Platform		•	•	•
Build a World-Class International Platform		•		•
Build a Culture of Engagement	•	•	•	•
Deliver a Safe Workplace	•	•	•	•
Accelerate Innovation to Maximize Business Value	•	•	•	•
Develop an Innovation Framework	•	•	•	•
Accelerate Innovation to Maximize Customer Value				•
Implement Informed Delivery	•	•	•	•
Optimize Network Platform				•
Optimize Delivery Platform	•	•		•
Optimize Retail and Customer Service Platform		•	•	•
Build a World-Class Package Platform	•	•		•
Build a Bench of Effective Leaders	•	•	•	•
Effectively Leverage Complement			•	•

Source: FY 2017 Annual Report at 28.

⁸¹ Docket No. ACR2016, Response of the United States Postal Service to Question 1 of Chairman’s Information Request No. 25, March 10, 2017.

Table IV-3
FY 2018 Strategic Initiatives and Related Performance Goals

FY 2018 Strategic Initiatives	High-Quality Service	Excellent Customer Experiences	Safe Workplace and Engaged Workforce	Financial Health
Build a World-Class Customer Experience	•	•	•	
Build a World-Class International Platform	•	•		•
Build a World-Class Employee Experience			•	•
Accelerate Innovation to Maximize Business Value	•	•	•	•
Accelerate Innovation to create Customer Value and Maximize Revenue and profit	•	•	•	•
Optimize Network Platform	•			•
Delivery Structure Rationalization	•	•	•	•
Build a World-Class Package Platform	•	•		•

Source: FY 2017 Annual Report at 28.

The Postal Service explains that “[e]ach strategic initiative has a unique set of measures to track performance.” *FY 2017 Annual Report* at 27. It states that “[t]he portfolio of [strategic] initiatives is dynamic and changes as priorities and resources change, and as programs are completed or adjusted based on external events.” *Id.* In a filing under seal, the Postal Service briefly described each FY 2017 and FY 2018 strategic initiative and provided the performance measures the Postal Service used or will use to track performance in FY 2017 and FY 2018.⁸² The Postal Service also included FY 2017 and FY 2018 targets and results. *Id.*

B. Comments

The Public Representative comments that the *FY 2017 Report* contains a brief discussion of the Postal Service’s strategic initiatives. PR Comments at 8. She states that there is a table that compares FY 2017 and FY 2018 strategic initiatives and links each one to the strategic goals and performance goals. *Id.* She asserts that this table is an improvement over the table provided in the *FY 2016 Report* because the *FY 2017 Report* includes strategic initiatives for FY 2018 as the Commission recommended. *Id.* at 8-9.

In its reply comments, the Postal Service states that it appreciates the Public Representative’s acknowledgment that the *FY 2017 Report* improved compared to last year.

⁸² February 6 Response to CHIR No. 9, question 15; see Library Reference USPS–FY17–NP39, February 6, 2018.

Postal Service Reply Comments at 8-9. It asserts that the strategic initiatives “are not a critical component of the Performance Report and Performance Plan.” *Id.* at 9.

C. Commission Analysis

The Postal Service adopted two key Commission recommendations on strategic initiatives. First, the Postal Service included information on strategic initiatives in the *FY 2017 Report* and linked them to the performance goals. The Postal Service’s *Annual Report to Congress* consists of three documents: the annual report, the annual performance report and annual performance plan, and the comprehensive statement on postal operations. *See FY 2017 Annual Report* at 2. Since FY 2013, the Postal Service has included strategic initiatives in the comprehensive statement on postal operations rather than in annual performance reports and annual performance plans.⁸³ In past analyses of annual performance reports and annual performance plans, the Commission recommended that the Postal Service discuss strategic initiatives in annual performance reports and annual performance plans instead of in the comprehensive statement on postal operations. *See, e.g., FY 2016 Analysis* at 81. The Postal Service adopted the Commission’s recommendation by including information on strategic initiatives in the *FY 2017 Report* rather than in the FY 2017 comprehensive statement on postal operations. *See FY 2017 Annual Report* at 27-28.

Second, for each strategic initiative, the Postal Service included a unique performance measure that only measures performance for that strategic initiative. In past years, several strategic initiatives were tracked using the same performance measure. For example, the Postal Service used the same performance measure to track seven strategic initiatives in FY 2016.⁸⁴ In its *FY 2016 Analysis*, the Commission recommended that the Postal Service use performance measures that link to only one strategic initiative. *Id.* at 81. The Commission explained that having unique performance measures for each strategic initiative would allow the Postal Service to make targeted changes when results indicate that a strategic initiative is not generating expected benefits. *Id.*

The Postal Service adopted this recommendation. For each strategic initiative for FY 2017 and FY 2018, the Postal Service identifies under seal several performance measures that only measure performance for that strategic initiative. *See* n. 82, *supra*. These performance measures are uniquely linked to the strategic initiative they support, with no overlap with performance measures of other strategic initiatives. These performance measures are also tailored specifically to the strategic initiative they support.

The Commission finds that the discussion of strategic initiatives and related performance measures improved compared to past years.

⁸³ *See FY 2016 Annual Report* at 71; *FY 2015 Annual Report* at 65; *United States Postal Service FY 2014 Annual Report to Congress* at 73; *see* Library Reference USPS–FY14–17, December 29, 2014; *United States Postal Service FY 2013 Annual Report to Congress* at 67; *see* Library Reference USPS–FY13–17, December 29, 2013.

⁸⁴ *See FY 2016 Analysis* at 78. These performance measures were called “cross-portfolio performance indicators.” *Id.*

The Commission observes that strategic initiatives have evolved over time into programs that are less related to the performance goals and more related to the strategic goals. The Postal Service introduced strategic initiatives in FY 2010 to respond to the Commission's request that the Postal Service provide more information on the performance of individual programs and how the programs relate to the performance goals.⁸⁵ Since then, strategic initiatives appear to have evolved into programs that are designed to support the Postal Service's strategic goals rather than the performance goals.⁸⁶ For example, the Postal Service states that the purpose of the strategic initiatives is to achieve the strategic goals. *FY 2017 Annual Report* at 27. Also, the performance measures, targets, and results for strategic initiatives are distinct metrics that differ from the performance goals and performance indicators and appear to function independently as projects.

The Postal Service filed performance measures, targets, and results for strategic initiatives under seal. It states that "[t]he portfolio of initiatives is dynamic and changes as priorities and resources change, and as programs are completed or adjusted based on external events." *FY 2017 Annual Report* at 27. These factors make it difficult to analyze the strategic initiatives and make observations and recommendations "related to the protection or promotion of public policy objectives" in title 39 as required by 39 U.S.C. § 3653(d).

The Commission appreciates that the Postal Service included information on strategic initiatives in the *FY 2017 Report* as the Commission recommended. The Commission's analysis under 39 U.S.C. § 3653(d) requires it to evaluate the Postal Service's performance goals rather than its strategic goals.

The Commission recommends that the Postal Service evaluate the current connection between strategic initiatives and performance goals. If strategic initiatives continue to support the performance goals, the Commission recommends that the Postal Service continue including strategic initiatives in annual performance reports. In that case, the FY 2018 Report should explain how strategic initiatives relate to the Postal Service's performance goals and performance indicators. The FY 2018 Report should also include a table similar to the one in the FY 2017 Report showing changes between FY 2018 and FY 2019 strategic initiatives and linking each one to the performance goals. See FY 2017 Annual Report at 28. The Postal Service should also briefly describe each strategic initiative without revealing non-public information.

If the Postal Service determines that there is minimal connection between strategic initiatives and performance goals, the Commission recommends that the Postal Service replace the

⁸⁵ *Foundation for the Future: 2010 Comprehensive Statement on Postal Operations* at 51 (FY 2010 Comprehensive Statement); see Docket No. ACR2010, Library Reference USPS–FY10–17, December 29, 2010.

⁸⁶ In its *FY 2014 Analysis*, the Commission describes how strategic initiatives have evolved since the Postal Service first introduced them in FY 2010. *FY 2014 Analysis* at 51.

discussion of strategic initiatives in the FY 2018 Report with a description of individual programs supporting the performance goals. The FY 2018 Report should explain how these individual programs will help achieve the performance goals and how the Postal Service evaluates the performance or effectiveness of these programs.

For example, in Chapter 3, the Commission directs the *FY 2019 Plan* to include timelines for implementing programs that will help meet the DPTWH % Change target. *See* Chapter 3, section D.3.a.(2), *supra*. The Postal Service could explain how these programs will help meet the target and how the Postal Service will evaluate the effectiveness of these programs.

Appendix: Commission Findings and Recommendations

Chapter 2 - Compliance with 39 U.S.C. §§ 2803 and 2804:

- *The Commission finds that the FY 2018 Plan and FY 2017 Report have improved significantly compared to past years. The Commission recommends the Postal Service retain these changes in future annual performance plans and annual performance reports. Chapter 2 at 8.*
- *The Commission finds that the FY 2018 Plan complies with 39 U.S.C. § 2803(a) by “covering each program activity set forth in the Postal Service budget... .” To comply with 39 U.S.C. § 2803(a) next year, the FY 2019 Plan must again identify all program activities in the FY 2019 IFP and explain how the FY 2019 Plan covers each one by relating each program activity to one or more performance goals or indicators.⁸⁷*Id.* at 10.*
- *The Commission finds that the FY 2018 Plan complies with 39 U.S.C. § 2803(a)(1) because the FY 2018 Plan sets targets for each performance indicator the Postal Service will use in FY 2018 or explains why a target is not set. In future annual performance plans, if the Postal Service does not set a target for a performance indicator, it should continue to provide a reasoned explanation for not setting a target. *Id.* at 11.*
- *The Commission finds that the FY 2018 Plan complies with 39 U.S.C. § 2803. *Id.* at 12.*
- *The Commission finds that the FY 2017 Report complies with 39 U.S.C. § 2804(b)(1). To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2018 Report must set forth the same performance indicators and targets in the FY 2018 Plan and compare FY 2018 results with FY 2018 targets for each performance indicator. The FY 2018 Report must express results for each performance indicator that are comparable to the targets the Postal Service set in the FY 2018 Plan. *Id.* at 13.*

⁸⁷ Alternatively, the Postal Service could identify all program activities in the applicable congressional budget submission, explain how the FY 2019 Plan covers each one, and provide a crosswalk relating the program activities between the FY 2019 IFP and congressional budget submission.

- *The Commission finds that the FY 2017 Report “include[s] actual results for the three preceding fiscal years” and thus complies with 39 U.S.C. § 2804(c) for the High-Quality Service, Excellent Customer Experiences, and Safe Workplace and Engaged Workforce performance goals. Id. at 14.*
- *The FY 2017 Report does not comply with 39 U.S.C. § 2804(c) for the Financial Health performance goal. To comply with 39 U.S.C. § 2804(c) next year, the FY 2018 Report must include comparable DPTWH % Change results calculated and expressed using the same methodology for, at a minimum, FYs 2015, 2016, 2017, and 2018. Id. at 15.*
- *To comply with 39 U.S.C. § 2804(c) next year, the FY 2018 Report must include comparable FY 2018 results for new performance indicators. For all other performance indicators, annual performance reports must include comparable results from the past three fiscal years as required by 39 U.S.C. § 2804(c). Specifically, the Postal Service must provide comparable results if it replaces a performance indicator or changes the methodology for calculating results of an existing performance indicator. To comply with 39 U.S.C. § 2804(c) next year, the FY 2018 Report must include comparable results for each performance indicator for, at a minimum, FYs 2015, 2016, 2017, and 2018. Id.*
- *To be comparable, results for each fiscal year must be calculated and expressed using the same performance indicator or methodology. If comparable results cannot be provided, the FY 2018 Report must explain why results are not directly comparable across these fiscal years. In that case, the FY 2018 Report must either explain how to compare results between the old and new methodologies or explain why making this comparison is not feasible. Id.*
- *The Commission finds that the FY 2017 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4). Id. at 16.*
- *The Commission finds that the FY 2017 Report complies with 39 U.S.C. § 2804(d)(3) for the High-Quality Service and Excellent Customer Experiences performance goals. Id.*
- *The Commission finds that the FY 2017 Report does not comply with 39 U.S.C. § 2804(d)(3) for the Safe Workplace and Engaged Workforce and Financial Health performance goals. The Commission reiterates that “plans and schedules” for meeting performance goals under 39 U.S.C. § 2804(d)(3)(B) must be designed to meet applicable performance indicator targets. These plans and schedules must also include specific timelines if they fall outside of the fiscal year covered by the annual performance plan. See FY 2015 Analysis at 15. If the Postal Service does not meet*

FY 2018 target(s), the FY 2018 Report must describe specific plans for improving performance that are designed to meet FY 2019 target(s). These plans must also include timelines for implementing programs that will help meet FY 2019 target(s). Id. at 17.

- *Because the Postal Service provided FY 2018 targets, the Commission finds that the FY 2018 Plan complies with 39 U.S.C. § 2803(a)(1), which requires annual performance plans to set targets for each performance indicator. Id.*
- *The Commission finds that the FY 2017 Report complies with 39 U.S.C. § 2804(b)(1), (c), and (d)(3) with respect to the non-public performance indicators. Id. at 18.*
- *To ensure that the FY 2019 Plan and FY 2018 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Postal Service must file under seal with the FY 2018 ACR: (1) FY 2018 and FY 2019 targets; and (2) comparable results from FY 2015 through FY 2018 for each non-public performance indicator. If the Postal Service does not meet a FY 2018 target, the Postal Service must explain why and describe the plans and schedules for meeting FY 2019 targets. Id.*
- *The Commission reiterates its recommendation that the Postal Service not change performance indicators, targets, or methodologies once they are established in the annual performance plan. See FY 2016 Analysis at 18. To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service limit the number of performance indicator or methodology changes made. The Postal Service should implement a performance indicator or methodology change for three consecutive fiscal years before revising it unless the change is clearly not beneficial or effective. Id. at 19.*
- *If the Postal Service decides to add a new performance indicator or change the methodology for an existing performance indicator, the Commission recommends that the Postal Service provide the rationale for these changes in future annual performance plans and annual performance reports. Id.*

Chapter 3 – Evaluation of Performance Goals:

- *The Commission finds that the Postal Service either did not meet or only partially met its performance goals in FY 2017. Chapter 3 at 20.*
- *The Commission finds the Postal Service’s explanation of why it partially met the Excellent Customer Experiences goal an improvement over past years. If the Postal Service partially meets or does not meet the Excellent Customer Experiences goal in*

FY 2018, the Commission recommends that the Postal Service provide a similar explanation by identifying each performance indicator that did not meet its FY 2018 target and providing a reason based on the underlying customer survey. Id. at 22.

High-Quality Service:

- *The Commission finds that the Postal Service partially met the High-Quality Service performance goal in FY 2017. The Commission finds that the discussion of the High-Quality Service performance goal in the FY 2017 Report and FY 2018 Plan improved compared to past years. The Commission recommends that the Postal Service continue to provide these types of explanations in future annual performance plans and annual performance reports. Id. at 27.*
- *As discussed in Chapter 2, to comply with 39 U.S.C. § 2804(c) next year, the FY 2018 Report must include comparable results for each performance indicator for, at a minimum, FYs 2015, 2016, 2017, and 2018. To be comparable, results for each fiscal year must be calculated and expressed using the same performance indicator or methodology. For the Single-Piece First-Class Mail (2-Day and 3-5-Day) performance indicators, the FY 2018 Report must express results for FYs 2015, 2016, 2017, and 2018 using data for letters, postcards, and flats only and excluding parcels. If comparable results cannot be provided, the FY 2018 Report must explain why results are not directly comparable across these fiscal years. In that case, the FY 2018 Report must either explain how to compare results between the old and new methodologies or explain why making this comparison is not feasible. Id.*
- *Given that the FY 2017 result for the Single-Piece First-Class Mail (3-5-Day) performance indicator is substantially further from the target than any other performance indicator and that the Postal Service sets the target each year, the Commission recommends that the Postal Service revisit this performance indicator target in the FY 2019 Plan if the Postal Service does not meet the FY 2018 target. Id. at 30.*
- *In the FY 2018 Report, the Commission recommends that the Postal Service provide the volumes of First-Class Mail letters and flats used to measure the FCLF Composite performance indicator. The Postal Service should provide the volumes of USPS Marketing Mail letters, USPS Marketing Mail flats, and Periodicals mailpieces used to measure the Marketing Mail and Periodicals Composite performance indicator. The Commission also recommends utilizing at least one performance indicator that reflects solely the performance of flats. Id. at 32.*

- *The Commission finds that the Postal Service's plans for improving performance demonstrate initiatives that should support continued service improvement. The Commission recommends that the FY 2018 Report provide a similar level of detail for plans and schedules to improve performance if the Postal Service does not meet the High-Quality Service performance goal in FY 2018. Id. at 34.*

Excellent Customer Experiences:

- *The Commission finds that the Postal Service partially met the Excellent Customer Experiences performance goal in FY 2017. The Commission finds that the discussion of the Excellent Customer Experiences performance goal in the FY 2018 Plan and FY 2017 Report improved compared to past years. The Commission recommends that the Postal Service retain these changes in future annual performance plans and annual performance reports. Id. at 39.*
- *To ensure meaningful and accurate comparisons across fiscal years, the FY 2018 Report must include comparable results for each performance indicator, including Delivery, or provide an explanation as described in more detail in Chapter 3. Id. at 40.*
- *The Commission finds that the Large Business performance indicator will help the Postal Service track the effectiveness of programs designed to accomplish improvements in large business customer satisfaction. Id. at 41.*
- *The Commission finds that adding both the Large Business and BMEU performance indicators is an improvement because both additions should provide a more complete view of business customer experiences. Id. at 42.*
- *Because millions of customers interact with the Postal Service through its website, the Commission finds that adding the USPS.com performance indicator is an improvement because it ensures that the Postal Service consider digital customer experiences when measuring customer satisfaction. Id.*
- *If the Postal Service decides to add a new performance indicator or change the methodology for an existing performance indicator, the Commission recommends that the Postal Service provide the rationale for these changes in future annual performance plans and annual performance reports. Id. at 44.*
- *The Commission recommends the Postal Service add a Business Composite performance indicator consisting of the Large Business, BMEU, BSN, and Delivery (Small/Medium Business) components. Id.*

- *The Commission finds that the FY 2018 CCC performance indicator methodology change is an improvement because it evaluates customer satisfaction with both live agents and the IVR system, which resolves most of the CCC calls. Id. at 45.*
- *The Commission finds that the FY 2018 eCC performance indicator methodology change is an improvement compared to FY 2017. Id. at 46.*
- *To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2018 Report must set forth the same Excellent Customer Experiences performance indicators and targets as in the FY 2018 Plan and compare FY 2018 results with FY 2018 targets for each performance indicator. FY 2018 results must be comparable to the targets set in the FY 2018 Plan. Specifically, the FY 2018 Report must provide comparable FY 2018 results for the new performance indicators (Large Business, USPS.com, and BMEU). The FY 2018 Report must also express comparable FY 2018 results for the CI Composite Score, Delivery, CCC, and eCC performance indicators using the new methodologies. Id.*
- *For all other Excellent Customer Experiences performance indicators, the FY 2018 Report must include comparable results for each performance indicator for, at a minimum, FYs 2015, 2016, 2017, and 2018 to comply with 39 U.S.C. § 2804(c) next year. Because the Postal Service changed the methodology for calculating results of the CI Composite Score, Delivery, CCC, and eCC performance indicators, the FY 2018 Report must express results for FYs 2015, 2016, 2017, and 2018 using the same methodology. If comparable results cannot be provided, the FY 2018 Report must explain why results are not directly comparable across these fiscal years. In that case, the FY 2018 Report must either explain how to compare results between the old and new methodologies or explain why making this comparison is not feasible. Id. at 47.*
- *To provide comparable results in the FY 2018 Report, the Commission recommends that the Postal Service take a similar approach by calculating the Delivery performance indicator results for FYs 2015, 2016, 2017 and 2018 using the new (FY 2018) methodology. Id.*

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 2017. Id. at 52.*
- *To comply with 39 U.S.C. § 2804(d)(3) next year, if the Postal Service misses one or more FY 2018 targets for the Safe Workplace and Engaged Workforce performance*

goal, the FY 2018 Report must explain why this goal was not met and describe the Postal Service's plans and schedules for achieving the goal in future years. Id.

- *The Commission reiterates its recommendation that the Postal Service use a workplace safety performance indicator for which results are final and not revised after the end of the fiscal year. Id. at 54.*
- *The Commission reiterates its recommendation that the Postal Service establish another workplace safety performance indicator measuring the number of motor vehicle accidents or motor vehicle accident rate. Id. at 55.*
- *The Commission recommends that the Postal Service continue using mirror stations and hot spot boards to help prevent accidents. Id. at 57.*
- *The Commission finds that the Postal Service's discussion of employee engagement in the FY 2017 Report and FY 2018 Plan improved compared to past years. Id. at 58.*
- *The Commission finds that the Postal Service's explanation clarifies how the Postal Pulse survey was administered and how the Postal Service calculates the Survey Response Rate results. The Commission recommends that the Postal Service include this information in future annual performance reports. Id. at 59.*
- *If the Postal Service does not meet the FY 2018 Survey Response Rate target, the Commission recommends that the Postal Service set a more realistic and achievable target in the FY 2019 Plan. Id. at 60.*

Financial Health:

- *The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2017. Id. at 65.*
- *The Commission finds that changes to the discussion of the DPTWH % Change improve the transparency and utility of the FY 2017 Report by helping interested persons better understand this performance indicator and how the Postal Service calculates results. Id.*
- *The Commission finds that using full instead of partial year Sunday delivery stops is an improvement to the methodology for calculating the DPTWH % Change results. The Commission recommends that the Postal Service continue to use full year Sunday delivery stops when calculating the DPTWH % Change results. Id. at 66.*

- *To ensure comparability of results, the FY 2018 Report must calculate and express the DPTWH % Change results using the same methodology (including full year Sunday delivery data) for, at a minimum, FYs 2015, 2016, 2017, and 2018. If comparable results cannot be provided, the FY 2018 Report must explain why results are not directly comparable across these fiscal years. In that case, the FY 2018 Report must either explain how to compare results between the former and new methodologies or explain why making this comparison is not feasible. Id. at 67.*
- *If the FY 2018 DPTWH % Change target is not met in FY 2018, the Commission recommends that the Postal Service set a more realistic and achievable target in the FY 2019 Plan. Id.*
- *The Commission finds that the FY 2017 Report does not comply with 39 U.S.C. § 2804(d)(3) for the Financial Health performance goal. To comply with 39 U.S.C. § 2804(d)(3) next year, if the Postal Service does not meet the FY 2018 DPTWH % Change target, the FY 2018 Report must describe specific plans designed to meet the FY 2019 DPTWH % Change target. The FY 2019 Plan must also include timelines for implementing programs that will help meet this target. Id. at 69.*
- *The Commission finds that information on the Controllable Income (Loss) performance indicator improves the transparency and utility of the FY 2017 Report by helping interested persons better understand the components of the Controllable Income (Loss) and how the Postal Service calculates targets and results. The Commission recommends that the Postal Service continue to include this information in future annual performance plans and annual performance reports. Id.*

Strategic Initiatives:

- *The Commission finds that the discussion of strategic initiatives and related performance measures improved compared to past years. Chapter 4 at 77.*
- *The Commission recommends that the Postal Service evaluate the current connection between strategic initiatives and performance goals. If strategic initiatives continue to support the performance goals, the Commission recommends that the Postal Service continue including strategic initiatives in annual performance reports. In that case, the FY 2018 Report should explain how strategic initiatives relate to the Postal Service's performance goals and performance indicators. The FY 2018 Report should also include a table similar to the one in the FY 2017 Report showing changes between FY 2018 and FY 2019 strategic initiatives and linking each one to the performance*

goals. See FY 2017 Annual Report at 28. The Postal Service should also briefly describe each strategic initiative without revealing non-public information. Id. at 78.

- *If the Postal Service determines that there is minimal connection between strategic initiatives and performance goals, the Commission recommends that the Postal Service replace the discussion of strategic initiatives in the FY 2018 Report with a description of individual programs supporting the performance goals. The FY 2018 Report should explain how these individual programs will help achieve the performance goals and how the Postal Service evaluates the performance or effectiveness of these programs. Id. at 78-79.*