



POSTAL REGULATORY COMMISSION

Analysis of the Postal Service's FY 2021 Annual Performance Report and FY 2022 Performance Plan

June 30, 2022

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CHAPTER I: 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 On December 29, 2021, the Postal Service filed its fiscal year (*FY*) 2021 *Annual Report to Congress* in Docket No. ACR2021.² The *FY 2021 Annual Report* contains the Postal Service's FY 2021 annual performance report (*FY 2021 Report*) and FY 2022 annual performance plan (*FY 2022 Plan*).³

The *FY 2021 Report* and *FY 2022 Plan* discuss the Postal Service's performance goals,⁴ which are:

- High-Quality Service—deliver mail and packages on-time
- Excellent Customer Experience—improve Postal Service customer satisfaction with services provided through every primary touchpoint or interaction
- Safe Workplace and Engaged Workforce—promote employee safety in the workplace and increase employee satisfaction and engagement
- Financial Health—achieve financial stability and improve the Postal Service's financial position by generating revenue, controlling expenses, and improving efficiency⁵

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). The *FY 2021 Report* discusses the Postal Service's progress in meeting its performance goals during FY 2021. The *FY 2022 Plan* describes the Postal Service's plans for meeting its performance goals in FY 2022.

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

² See *United States Postal Service Annual Report to Congress*; see also Library Reference USPS-FY21-17, December 29, 2021, folder “FY21.17.Annual.Report” file “FY 2021 Annual Report to Congress.pdf” (*FY 2021 Annual Report*). On May 12, 2022, the Postal Service filed a CHIR response noting some revisions to the *FY 2021 Annual Report*. Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 31, May 12, 2022 (Response to CHIR No. 31).

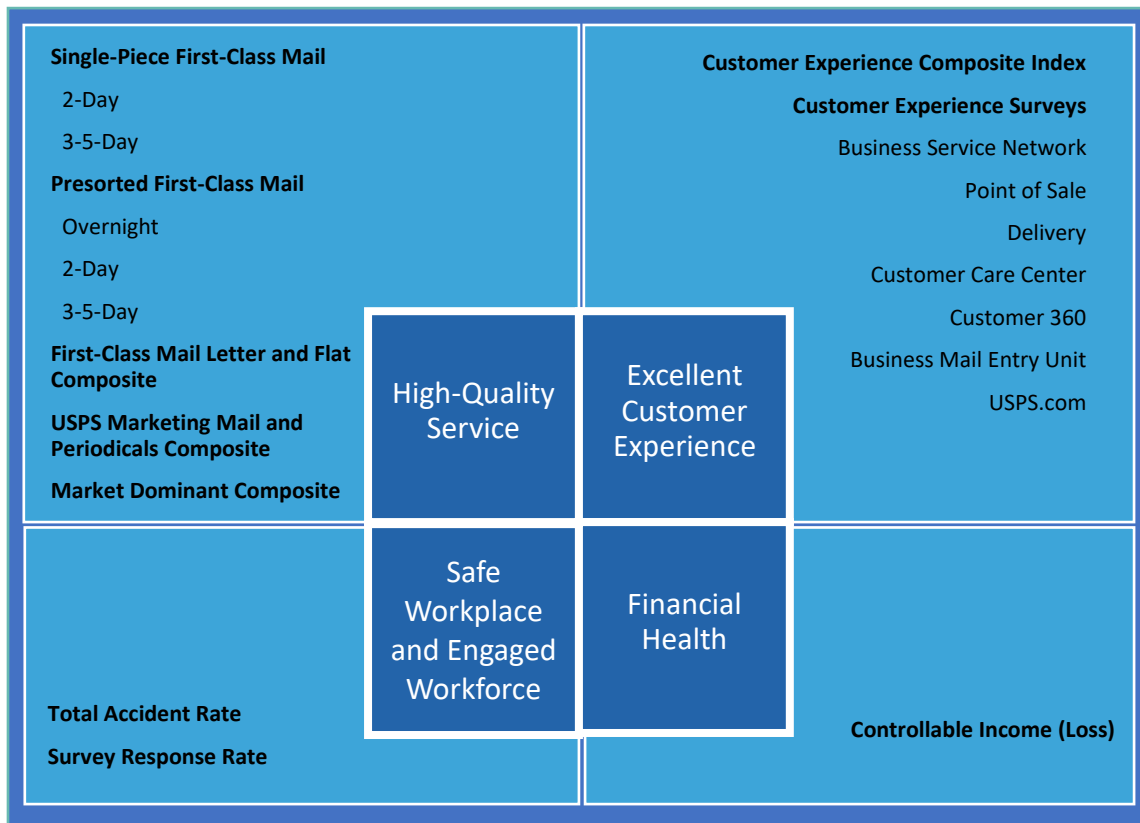
³ *FY 2021 Annual Report* at 32-53. This Analysis cites to pages from the *FY 2021 Annual Report* when referring to the *FY 2021 Report* and *FY 2022 Plan*.

⁴ The Postal Service refers to the performance goals as “corporate performance outcomes.” See *id.* at 32-33.

⁵ See Docket No. ACR2020, Responses of the United States Postal Service to Questions 2-3 of Chairman's Information Request No. 27, April 9, 2021, question 2.b.ii.; Docket No. ACR2020, Motion of the United States Postal Service for Late Acceptance of Responses to Questions 2 and 3 of Chairman's Information Request No. 27, April 9, 2021.

The Postal Service uses performance indicators or metrics to measure outcomes and assess whether it has achieved the performance goals. *See* 39 U.S.C. § 2801(4). For example, the performance indicators for the High-Quality Service performance goal measure the percentage of various categories of mail delivered on-time. Figure I-1 lists the four performance goals and their corresponding performance indicators in FY 2021:

**Figure I-1
FY 2021 Performance Goals and Performance Indicators**



Source: *FY 2021 Annual Report* at 33.

For each performance indicator, the Postal Service sets a target in the annual performance plan and provides the result in the annual performance report for that fiscal year.⁶ Table I-1 lists the four performance goals, their corresponding performance indicators, results from FY 2018 through FY 2021, and targets for FY 2021 and FY 2022.

⁶ *See FY 2021 Annual Report* at 33. Initially, the Postal Service did not set FY 2021 targets for the High-Quality Service performance indicators in the *FY 2022 Plan*. *See* Docket No. ACR2020, *United States Postal Service Annual Report to Congress*; *see also* Library Reference USPS-FY20-17, December 29, 2020, file “FY2020.Annual.Report.USPS.FY20.17.pdf,” at 33 n.6. On May 14, 2021, the Postal Service filed a revised version of the *FY 2020 Annual Report* that included FY 2021 High-Quality Service targets. Docket No. ACR2020, Notice of the United States Postal Service of Supplements to Annual Compliance Report Folders 17 and NP30 – Errata, May 14, 2021; *see* Docket No. ACR2020, Library Reference USPS-FY20-17, December 29, 2020, file “FY2020 Annual Report.USPS.FY20.17.Rev.5.14.2022.pdf,” at 2 (*FY 2020 Annual Report*).

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

Performance Goal	Performance Indicator		FY TARGETS		FY RESULTS			
			2022	2021	2021	2020	2019	2018
High-Quality Service ^{ac}	Single-Piece First-Class Mail	2-Day	90.25%	87.81%	86.44%	91.47%	92.05%	93.78%
		3-5-Day	90.00%	68.64%	63.20%	78.83%	80.88%	82.48%
	Presorted First-Class Mail	Overnight	94.75%	93.99%	93.38%	94.72%	95.46%	96.00%
		2-Day	93.00%	89.20%	88.29%	92.77%	94.10%	94.92%
		3-5-Day	90.50%	84.11%	80.87%	89.89%	91.95%	91.96%
	First-Class Mail Letter and Flat Composite ^d		91.00	84.88	82.69	89.73	91.36	92.07
	USPS Marketing Mail and Periodicals Composite ^d		91.50	86.62	87.12	88.38	88.73	89.26
	Market Dominant Composite ^{bd}		91.25	85.86	85.30	89.00	89.86	89.66
Excellent Customer Experience	Customer Experience Composite Index ^{cd}		72.99	76.90	68.49	72.40	69.04	67.47
	Business Service Network		97.33%	97.20%	97.89%	97.33%	96.68%	95.90%
	Point of Sale		87.46%	90.42%	84.39%	87.46%	87.77%	87.98%
	Delivery ^d		80.94	86.33	70.41	80.94	80.40	80.47
	Customer Care Center ^{cd}		63.02	60.03	61.85	60.03	46.94	39.19
	Customer 360 ^e		40.05%	55.00%	33.34%	40.05%	37.45%	36.73%
	Business Mail Entry Unit		96.72%	96.73%	95.66%	96.72%	96.00%	95.33%
	USPS.com		73.41%	73.41%	67.13%	73.41%	72.94%	57.54%
Safe Workplace and Engaged Workforce	Total Accident Rate		13.45	13.75	13.48	13.09	14.19	15.09
	Survey Response Rate ^f		N/A	51%	25%	33%	38%	42%
	Grand Mean Engagement Score ^f		3.38	N/A	3.36	3.29	3.36	3.34
Financial Health	Deliveries per Total Workhours % Change		N/A	N/A	N/A	0.90%	(0.60)%	(0.50)%
	Controllable Income (Loss) \$ in billions		(\$4.10)	(\$5.60)	(\$2.39)	(\$3.75)	(\$3.42)	(\$1.95) ^g

■ Target Met ■ Target Not Met

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

^a Table I-1 lists targets and results for public performance indicators measuring High-Quality Service for Market Dominant products. The Postal Service filed under seal information for non-public performance indicators measuring High-Quality Service for certain Competitive products. *FY 2021 Annual Report* 33 n.1; see Chapter II, Section B.3., *infra*.

^b The Market Dominant Composite is an additional performance indicator the Postal Service began using in FY 2021 to measure High-Quality Service. See *FY 2020 Annual Report* at 34. Results from FY 2018 through FY 2020 are shown for comparison purposes.

^c Results of the High-Quality Service performance indicators, as well as the Customer Experience Composite Index and Customer Care Center, are not comparable from FY 2018 through FY 2021. See Chapter II, Section B.2.b., *infra*.

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

^e The Customer 360 performance indicator was called Enterprise Customer Care from FY 2017 through FY 2019. See *FY 2020 Annual Report* at 38.

^f In FY 2022, the Postal Service is changing the performance indicator for measuring an engaged workforce from the Survey Response Rate to the Grand Mean Engagement Score. See Chapter III, Section C.1.b., *infra*.

^g Responses of the United States Postal Service to Questions 1-15 of Chairman's Information Request No. 25, March 25, 2022, question 15 (Response to CHIR No. 25).

Source: *FY 2021 Annual Report* at 33; Docket No. ACR2020, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2020 Annual Performance Report and FY 2021 Performance Plan*, June 2, 2021, at 6 (*FY 2020 Analysis*).

B. *FY 2022 Plan and FY 2021 Report*

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

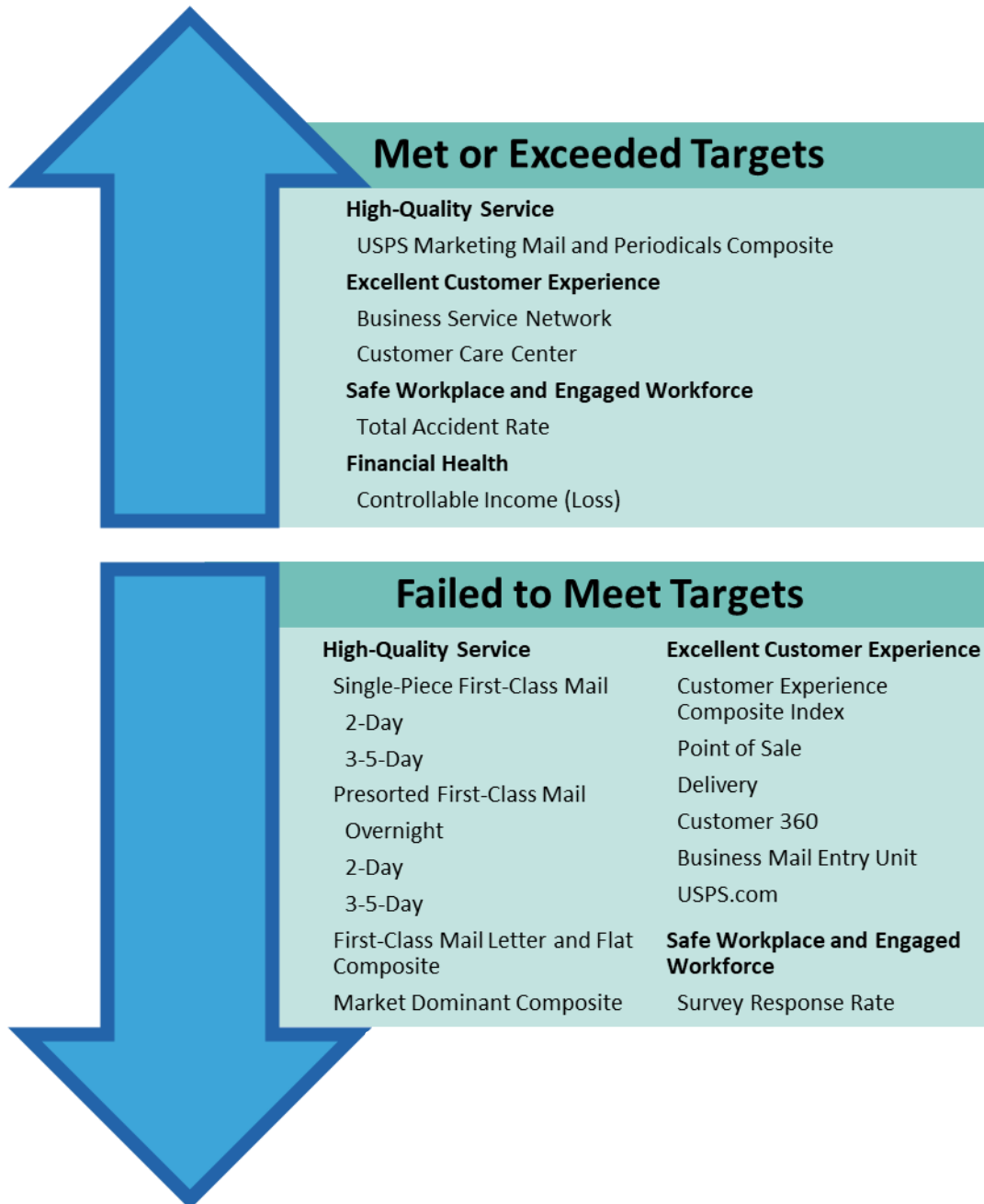
1. Evaluation of Performance Goals

The Commission evaluates whether the Postal Service met each performance goal by comparing targets and results for each performance indicator measuring progress toward that goal. It considers the Postal Service to have met a performance goal if the result of each performance indicator for that performance goal meets or exceeds the target established in the applicable performance plan. *FY 2020 Analysis* at 7. The Commission considers the Postal Service to have partially met a performance goal if the Postal Service meets or exceeds some but not all targets for each performance indicator measuring progress toward that goal. The Commission considers the Postal Service to have not met a performance goal if it missed targets for each performance indicator measuring progress toward that goal.

The Commission compared FY 2021 targets and results for each performance indicator. Table I-1 and Figure I-2 show which performance indicators met or exceeded targets for each performance goal and which ones failed to meet targets. Based on this comparison, the Commission finds that in FY 2021:

- The Postal Service partially met the High-Quality Service performance goal because it missed all but one target for the High-Quality Service performance indicators.
- The Postal Service partially met the Excellent Customer Experience performance goal because it exceeded targets for two performance indicators but missed targets for the other six performance indicators.
- The Postal Service partially met the Safe Workplace and Engaged Workforce because the Postal Service exceeded the FY 2021 Total Accident Rate target but missed the FY 2021 Survey Response Rate target.
- The Postal Service met the Financial Health performance goal because the FY 2021 Controllable Income (Loss) result was better than the target.

Figure I-2
FY 2021 Performance Indicators That
Met, Exceeded, or Failed to Meet Targets



Source: FY 2021 Annual Report at 34, 38, 42-43, 48.

Chapter III discusses the Postal Service’s explanations for why it did not meet, partially met, or met the High-Quality Service, Excellent Customer Experience, Safe Workplace and Engaged Workforce, and Financial Health performance goals, as well as its plans and timelines for achieving each performance goal in FY 2022.

2. Observations and Recommendations

When evaluating whether the Postal Service met its performance goals, the Commission may provide recommendations related to protecting or promoting public policy objectives in Title 39, 39 U.S.C. § 3653(d). In this Analysis, the Commission provides observations and recommendations for each performance goal. These observations and recommendations are discussed in detail in Chapter III and include the following:

High-Quality Service:

- Setting performance indicator targets is a highly fact- and context-specific undertaking that balances the need for inspiring continuous improvement with the importance of being realistic and achievable under the existing operational circumstances. In striking this balance, it is important to avoid setting performance indicator targets that are neither too high as to be wholly unachievable nor too low as to be wholly unreasonable for purposes of evaluating whether a performance goal was achieved.
- Although High-Quality Service performance indicator quarterly results began to improve in Quarter 2 of FY 2021, it remains to be seen whether this represents real year-over-year improvement or simply a return to the pattern of seasonal variation that was typical prior to the outbreak of the COVID-19 pandemic.
- The Commission finds that the measures the Postal Service has undertaken to improve employee availability appear reasonable. The Commission recommends that the Postal Service leverage data from the past 2 years to identify patterns that might enable the Postal Service to better anticipate when and where future employee availability problems are likely to have the largest impact on High-Quality Service.
- The Commission recommends that the Postal Service:
 - Consider implementing some of the best practices identified by the United States Postal Service Office of Inspector General (OIG) to better recruit and retain truck drivers and increase the efficiency of truck usage.
 - Focus its efforts on reducing Critically Late Trips (CLTs) in the Districts with the highest concentrations of them.
 - Restart the Disruptive Events initiative and report on its progress in the *FY 2022 Annual Report to Congress*.
 - Develop methods to quantitatively measure the effectiveness of its service improvement initiatives to improve resource allocation.

Excellent Customer Experience:

- The Commission finds the FY 2022 targets for the Excellent Customer Experience performance indicators are reasonable. To improve transparency, the Commission recommends that the FY 2023 annual performance plan (*FY 2023 Plan*) discuss the rationale for setting the FY 2023 targets.
- The Commission recommends that the Postal Service continue to use the Net Promoter System score to measure and assess customer experience (CX) in FY 2022. The Commission also recommends that the Postal Service measure and assess CX using the Customer Effort Score and consider adding the Customer Effort Score question to the Point of Sale, USPS.com, and other CX surveys.
- The Commission commends the Postal Service for its efforts to keep up with private sector and other federal agencies by engaging with customers on social media and using social media to evaluate CX and obtain other insights. The Postal Service's efforts to respond to customer inquiries on social media in FY 2021 are commendable given the small number of staff available to address customer questions and issues. To alleviate the high workload, the Commission recommends that the Postal Service consider hiring more employees for the Social Business Intelligence and Social Customer Response teams, as well as use automated technologies to address the most common issues.

Safe Workplace and Engaged Workforce:

- The Commission commends the Postal Service for meeting the Total Accident Rate target for the third year in a row. The FY 2022 Total Accident Rate target appears achievable because it is close to the FY 2021 result. The Postal Service's plans for improving workplace safety in FY 2022 are reasonable.
- If the Survey Response Rate continues to decline in FY 2022, the Commission recommends that the Postal Service investigate and address the root causes. The Postal Service should take steps to improve the response rate by, for example, designating a specific time to take the survey and prioritizing changes based on feedback received from the Postal Pulse survey.
- The Commission commends the Postal Service for improving the Grand Mean Engagement Score in FY 2021 despite the COVID-19 pandemic, organizational restructuring, and other factors impacting employee engagement. The FY 2022 target is reasonable considering the range of Grand Mean Engagement Scores during the past few years. The Commission recommends that the Postal Service continue taking steps to improve mean scores for all Postal Pulse survey items, especially for Items 4, 7, 11, and 13.

Financial Health:

- The Commission recommends that the Postal Service revise the existing Controllable Income (Loss) performance indicator in future reports to exclude revenues accumulated from the retirement-based rate authority. This change would ensure that revenues collected using the retirement-based rate authority are excluded from the Controllable Income (Loss) metric.
- The Commission continues to recommend that the Postal Service adopt additional performance indicators for measuring progress towards the Financial Health performance goal. Specifically, the Commission suggests that the Postal Service consider using either total factor productivity or labor productivity as performance indicators.

The Commission's findings, observations, and recommendations contained in this Analysis are listed in Appendix A.

C. Procedural History

Since Docket No. ACR2013, the Commission has evaluated whether the Postal Service met its performance goals in reports separate from the *Annual Compliance Determination* (ACD).⁷ 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 2022 Plan* and *FY 2021 Report* separately from the FY 2021 ACD.⁸

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.⁹ It also sought input on public policy recommendations, strategic initiatives, and other relevant matters. Order No. 6082 at 3.

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

⁸ See *Annual Compliance Determination Report*, Fiscal Year 2021, March 29, 2022 (FY 2021 ACD).

⁹ Notice Requesting Comments on the Postal Service FY 2021 Annual Performance Report and FY 2022 Annual Performance Plan, January 6, 2022, at 2-3 (Order No. 6082).

Several CHIRs were issued seeking clarification of the *FY 2022 Plan* and *FY 2021 Report*.¹⁰

The Postal Service filed responses to all information requests.¹¹ The Public Representative, the Association for Postal Commerce, and the Prison Policy Initiative filed comments,¹² which the Postal Service addressed in reply comments.¹³

The Commission analyzes the *FY 2022 Plan* and *FY 2021 Report* in the following chapters:

- Chapter II analyzes the *FY 2022 Plan* and *FY 2021 Report* for compliance with the legal requirements of 39 U.S.C. §§ 2803 and 2804.
- Chapter III evaluates whether the Postal Service met its four performance goals in FY 2021 and contains related observations and recommendations for each performance goal.
- Chapter IV discusses the Postal Service's strategic initiatives and its new strategic plan for achieving financial sustainability and service excellence during the next 10 years (10-Year Strategic Plan).

¹⁰ Chairman's Information Request No. 4, January 21, 2022 (CHIR No. 4); Chairman's Information Request No. 8, January 28, 2022 (CHIR No. 8); Chairman's Information Request No. 15, February 11, 2022 (CHIR No. 15); Chairman's Information Request No. 21, February 25, 2022 (CHIR No. 21); Chairman's Information Request No. 24, March 9, 2022 (CHIR No. 24); Chairman's Information Request No. 25, March 18, 2022 (CHIR No. 25); Chairman's Information Request No. 26, March 25, 2022 (CHIR No. 26); Chairman's Information Request No. 27, March 29, 2022 (CHIR No. 27); Chairman's Information Request No. 28, April 1, 2022 (CHIR No. 28); Chairman's Information Request No. 29, April 18, 2022 (CHIR No. 29); Chairman's Information Request No. 30, April 25, 2022 (CHIR No. 30); Chairman's Information Request No. 31, May 5, 2022 (CHIR No. 31).

¹¹ Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 4, January 28, 2022 (Response to CHIR No. 4); Responses of the United States Postal Service to Questions 1-19 of Chairman's Information Request No. 8, February 4, 2022 (Response to CHIR No. 8); Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 15, February 18, 2022 (Response to CHIR No. 15); Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 21, March 4, 2022 (Response to CHIR No. 21); Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 24, March 16, 2022 (Response to CHIR No. 24); Response to CHIR No. 25; Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request No. 26, April 1, 2022 (April 1 Response to CHIR No. 26); Revised Responses of the United States Postal Service to Questions 2 and 3 of Chairman's Information Request No. 26—Errata, April 25, 2022 (April 25 Response to CHIR No. 26); Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 27, April 5, 2022 (Response to CHIR No. 27); Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 28, April 8, 2022 (Response to CHIR No. 28); Responses of the United States Postal Service to Questions 1-11 of Chairman's Information Request No. 29, April 25, 2022 (Response to CHIR No. 29); Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 30, May 2, 2022 (Response to CHIR No. 30); Response to CHIR No. 31.

¹² Public Representative Comments on the FY 2021 Performance Report and FY 2022 Performance Plan, March 1, 2022 (PR Comments); Comments of the Association for Postal Commerce on FY 2021 Performance Report and FY 2022 Performance Plan, March 1, 2022 (PostCom Comments); Opening Comments of Prison Policy Initiative, March 1, 2022 (PPI Comments).

¹³ Reply Comments of the United States Postal Service, March 15, 2022 (Postal Service Reply Comments).

CHAPTER II: COMPLIANCE WITH LEGAL REQUIREMENTS

A. Legal Requirements

The *FY 2022 Plan* and *FY 2021 Report* must meet the requirements of 39 U.S.C. §§ 2803 and 2804.¹⁴ Section 2803 establishes requirements for the Postal Service’s annual performance plan, which must cover “each program activity set forth in the Postal Service budget,”¹⁵ and must:

- Establish performance goals that define the performance level to be achieved by a program activity
- Express the performance goals in an objective, quantifiable, and measurable form unless an alternative form is used¹⁶
- Briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources needed to meet the performance goals
- Establish performance indicators to measure or assess each program activity’s relevant outputs, service levels, and outcomes
- Provide a basis for comparing actual program results with established performance goals
- Describe the means to be used to verify and validate measured values

39 U.S.C. § 2803(a). The annual performance plan may aggregate, disaggregate, or consolidate program activities, provided that doing so does not omit or minimize the

¹⁴ 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).

¹⁵ 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 Section B.1., *infra*.

¹⁶ See 39 U.S.C. § 2803(b). The Postal Service may use an alternative form if it determines that it is not feasible to express the performance goals for a particular program activity in an objective, quantifiable, and measurable form. *Id.* The alternative form must either: (1) include separate descriptive statements of a minimally effective program and a successful program, with sufficient precision and in such terms to allow for an accurate, independent determination of whether the program activity’s performance meets the criteria of either descriptive statement; or (2) “state why it is infeasible or impractical to express a performance goal in any form for the program activity.” *Id.* §§ 2803(b)(1), (b)(2).

significance of any program activity constituting a major function or operation. *Id.* § 2803(c).

39 U.S.C. § 2804 sets forth requirements for the Postal Service's annual performance report, which must:

- Evaluate whether the Postal Service has met the performance goals previously established by the annual performance plan for that fiscal year
- “[S]et forth the performance indicators established in the Postal Service performance plan, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year”¹⁷
- Include “actual results for the three preceding fiscal years”
- Evaluate the annual performance plan for the current fiscal year (in this case, the *FY 2022 Plan*) relative to the performance achieved toward those goals in the year covered by the annual performance report (in this case, the *FY 2021 Report*)
- If the Postal Service does not meet a performance goal, explain why the goal was not met and describe plans and schedules for achieving the performance goal¹⁸
- Include summary findings of program evaluations completed during the fiscal year covered by the report

39 U.S.C. § 2804(b)(1), (c), (d).

CHIR Nos. 4 and 15 were issued to help evaluate compliance with 39 U.S.C. §§ 2803 and 2804. The Public Representative asserts that the *FY 2022 Plan* and *FY 2021 Report* complies with sections 2803 and 2804. PR Comments at 6. She states that the Postal Service included all the necessary information to evaluate its performance in FY 2021, as well as the required information on program activities in the Postal Service's FY 2022 budget. *Id.*

¹⁷ *Id.* § 2804(b)(1). If performance goals are specified in an alternative form by descriptive statements of a minimally effective program activity and a successful program activity, the annual performance report must describe results of these program activities in relation to these categories, including whether the performance failed to meet the criteria of either category. *Id.* § 2804(b)(2); *see id.* § 2803(b).

¹⁸ *Id.* § 2804(d)(3)(A) and (B). If the performance goal is impractical or infeasible, the annual performance report must explain why and recommend further action. *Id.* § 2804(d)(3)(C).

B. Commission Analysis

The Postal Service substantially complied with the requirements of 39 U.S.C. §§ 2803 and 2804. The Commission commends the Postal Service for its attention to the Commission's past instructions concerning statutory compliance of the *FY 2022 Plan* and *FY 2021 Report*. The transparency and completeness of the Postal Service's annual performance plan and annual performance report filings have improved over the past few years and thereby facilitate the evaluation of the information provided by the Postal Service.

The *FY 2021 Report* presents one issue regarding strict compliance with 39 U.S.C. § 2804(c) related to the Customer Care Center (CCC) performance indicator. Specifically, the *FY 2021 Report* lacks an indication that CCC results from FY 2018 through FY 2021 are not comparable. Moreover, although the applicable methodology changes to the CCC performance indicator are explained in the FY 2021 Annual Compliance Report (ACR), neither the explanation nor a cross-reference to the explanation appears in the *FY 2021 Report*.

As previously stated, the Commission will only "review information submitted within the annual performance reports and annual performance plans to determine statutory compliance." *FY 2016 Analysis* at 9. The Commission will not consider information appearing in other documents unless they are cross-referenced in the FY 2023 Annual Performance Plan (*FY 2023 Plan*) and the FY 2022 Annual Performance Report (*FY 2022 Report*). The Commission expects that the Postal Service will strictly comply in future filings, and Appendix B includes guidance for FY 2022 compliance with the major requirements of 39 U.S.C. §§ 2803 and 2804.

This issue is discussed in more detail in Section B.2.b., *infra*.

1. FY 2022 Plan

The *FY 2022 Plan* must meet the requirements of 39 U.S.C. § 2803. The Commission evaluates legal compliance based on the following seven elements.

First, the *FY 2022 Plan* must "cover[] each program activity set forth in the Postal Service budget... ." See 39 U.S.C. § 2803(a). The Commission previously found that "Postal Service budget" in section 2803(a) means the Postal Service's operating budget that is part of the Integrated Financial Plan (IFP). See *FY 2016 Analysis* at 13. In the *FY 2020 Analysis*, the Commission stated that to comply with 39 U.S.C. § 2803(a), the *FY 2022 Plan* must "identify all program activities in the FY 2022 IFP and explain how the *FY 2022 Plan* covers each one by relating each program activity to one or more performance goals or indicators." *FY 2020 Analysis* at 18.

In the *FY 2022 Plan*, the Postal Service explains that FY 2022 targets for each performance indicator are aligned with the FY 2022 IFP, which includes the Postal Service’s planned revenue and expenses for FY 2022. *FY 2021 Annual Report* at 32. It notes that each fiscal year, it develops a plan and budget intended to be sufficient to meet targeted financial and nonfinancial performance outcomes. *Id.* It states that it sets all performance indicator targets “to be achievable given the planned expenses in the IFP.” *Id.*

The *FY 2022 Plan* also links program activities to the Controllable Income (Loss) performance indicator, which measures progress toward the Financial Health performance goal. *Id.* at 46. The Postal Service explains that Controllable Income (Loss) projections “are based on planned revenues and expenditures for every program activity included in the Postal Service’s [IFP].” *Id.* The program activities in the FY 2022 IFP¹⁹ are total revenue and controllable expenses, which are divided into several categories: compensation and benefits, Federal Employees Retirement System (FERS) normal cost, Postal Service Retiree Health Benefits Fund (RHBF) normal cost (controllable), transportation, depreciation, supplies and services, and rent, utilities, and other controllable expenses. *FY 2021 Annual Report* at 46. The *FY 2022 Plan* includes information for each program activity in a table listing total revenue and controllable expenses from FY 2018 through FY 2021 and planned revenue and expenses for FY 2022. *See id.* at 47. For these reasons, the *FY 2022 Plan* complies with the Commission’s directive to “identify all program activities in the FY 2022 IFP and explain how the *FY 2022 Plan* covers each one.” *See FY 2020 Analysis* at 18.

Second, the *FY 2022 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 2022 Plan* to set forth the performance goals and establish targets for each performance indicator the Postal Service will use to evaluate performance during FY 2022. *See FY 2016 Analysis* at 10. If no target is set, the Postal Service must explain why.

The *FY 2022 Plan* lists targets for each public performance indicator the Postal Service will use to evaluate performance during FY 2022.²⁰ The Postal Service did not set FY 2022 targets for Large Business Panel and Survey Response Rate because the Postal Service stopped using them as performance indicators. In FY 2019, the Postal Service removed Large Business Panel as a performance indicator to reduce customer segment survey

¹⁹ See United States Postal Service, *Fiscal Year 2022 Integrated Financial Plan*, November 2021 (FY 2022 IFP).

²⁰ See *FY 2021 Annual Report* at 33. The Postal Service also uses several non-public performance indicators for Competitive products to measure progress toward the High-Quality Service performance goal. See Section B.3., *infra*. FY 2022 target(s) are included in a non-public annex filed with the FY 2021 ACR. See *FY 2021 Annual Report* at 33 n.1; Library Reference USPS-FY21-NP30, December 29, 2021, folder “USPS-FY21-NP30,” file “NONPUBLIC Preface USPS-FY21-NP30.pdf,” at 8 (Library Reference USPS-FY21-NP30, Preface).

redundancies because business CX is already measured by other surveys.²¹ In FY 2022, the Postal Service explains that it is using the Grand Mean Engagement Score instead of the Survey Response Rate as a performance indicator for the Safe Workplace and Engaged Workforce performance goal.²²

Third, the *FY 2022 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 2022 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. The *FY 2022 Plan* meets this requirement because each FY 2022 target is expressed in a measurable form, such as a percentage or dollar amount. *See FY 2021 Annual Report* at 33.

Fourth, the *FY 2022 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 2022 Plan* meets this requirement by explaining what resources are necessary to meet each performance goal. For example, to meet the High-Quality Service performance goal in FY 2022, the Postal Service states it will stabilize the career workforce, hire more than 40,000 seasonal delivery and plant personnel, and install new processing equipment to accommodate customer delivery needs. *FY 2021 Annual Report* at 36.

Fifth, the *FY 2022 Plan* must “establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity[.]” *See* 39 U.S.C. § 2803(a)(4). Performance indicators are metrics established by the Postal Service for measuring progress toward each performance goal.²³ The *FY 2022 Plan* meets this requirement because each performance goal has at least one performance indicator that evaluates outputs, service levels, and outcomes. For example, the Safe Workplace and Engaged Workforce performance goal uses two performance indicators to measure workplace safety and employee engagement. *See FY 2021 Annual Report* at 42-45.

Sixth, the *FY 2022 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 2022 Plan* meets this requirement by listing the performance indicators that will provide a basis for

²¹ *See* Docket No. ACR2018, *United States Postal Service Annual Report to Congress*; *see also* Docket No. ACR2018, Library Reference USPS-FY18-17, December 28, 2018, at 21 (*FY 2018 Annual Report*).

²² *FY 2021 Annual Report* at 44. The Grand Mean Engagement Score and Survey Response Rate are discussed in Chapter III, Section C., *infra*.

²³ Specifically, a performance indicator is “a particular value or characteristic used to measure output or outcome[.]” 39 U.S.C. § 2801(4).

comparing FY 2022 results with the targets established in the *FY 2022 Plan*. See *FY 2021 Annual Report* at 33.

Seventh, the *FY 2022 Plan* must “describe the means to be used to verify and validate measured values.” See 39 U.S.C. § 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. *FY 2020 Analysis* at 19. The *FY 2022 Plan* meets this requirement by, for example, explaining that it uses an internal Service Performance Measurement (SPM) system “that measures and reports service performance from the time mail is deposited in a Postal Service facility to when a USPS employee delivers it to a home, business, or PO Box.” See *FY 2021 Annual Report* at 34.

For these reasons, the Commission finds that the FY 2022 Plan complies with all requirements of 39 U.S.C. § 2803(a).

Appendix B contains guidance to assist the Postal Service’s efforts to ensure the *FY 2023 Plan* complies with section 2803(a).

2. FY 2021 Report

The *FY 2021 Report* substantially complies with 39 U.S.C. § 2804. However, the *FY 2021 Report* presents one issue regarding strict compliance. The Commission expects that the *FY 2022 Report* will strictly comply and provides guidance to facilitate the Postal Service’s efforts to comply. This issue is discussed in Section B.2.b., *infra*.

a. Comparable FY 2021 Targets and Results

The annual performance report must “set forth the performance indicators established in the Postal Service performance plan, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year.” 39 U.S.C. § 2804(b)(1). Section 2804(b)(1) requires results expressed in the annual performance report to be comparable with targets set in the annual performance plan for that fiscal year. *FY 2016 Analysis* at 16. Initially, the Postal Service did not set FY 2021 High-Quality Service targets and did not include all the FY 2021 Excellent Customer Experience targets in the *FY 2021 Annual Performance Plan (FY 2021 Plan)*. *FY 2020 Analysis* at 17, 20-23. On May 14, 2021, the Postal Service filed a revised version of the *FY 2020 Annual Report* that included FY 2021 High-Quality Service targets.²⁴ It also provided FY 2021 Excellent Customer Experience targets in a CHIR response. *FY 2020 Analysis* at 22-23. The Commission stated that to comply with 39 U.S.C. § 2804(b)(1), “the *FY 2021 Report* must include the FY 2021 targets for the High-Quality Service performance indicators that were submitted to the

²⁴ See Docket No. ACR2020, Notice of the United States Postal Service of Supplements to Annual Compliance Report Folders 17 and NP30 -- Errata, May 14, 2021.

Commission in a much delayed filing on May 14, 2021, as well as all of the FY 2021 targets for the Excellent Customer Experiences performance indicators” provided in a CHIR response. *Id.* at 24.

The Commission also directed that the *FY 2021 Report* express results for each performance indicator that are comparable to FY 2021 targets set in the *FY 2021 Plan* or provided by the Postal Service. *Id.* The Commission stated, “[i]f a comparable FY 2021 result cannot be provided, the *FY 2021 Report* must explain why and either: (1) explain how to compare results between the current and former methodologies; or (2) explain why making this comparison is not feasible.” It also recommended that the Postal Service maintain the same performance indicators, methodologies, and targets once they are set in the applicable annual performance plan. *Id.*

The *FY 2021 Report* includes the same performance indicators and targets the Postal Service set in the *FY 2021 Plan* and provided in subsequent filings.²⁵ It also compares FY 2021 targets and results for each performance indicator. *See FY 2021 Annual Report* at 33. The Postal Service confirms that the FY 2021 target and result for each performance indicator are comparable.²⁶

The Commission finds that the FY 2021 Report complies with 39 U.S.C. § 2804(b)(1). To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2022 Annual Performance Report (FY 2022 Report) must set forth the same performance indicators and targets as the FY 2022 Plan and compare FY 2022 targets and results for each performance indicator.

Also, the FY 2022 result for each performance indicator must be comparable to the corresponding FY 2022 target set in the FY 2022 Plan. If a comparable FY 2022 result is not provided, the FY 2022 Report must include the following:

1. *Explain why a comparable result cannot be provided; and*
2. *Address the lack of comparability by explaining either of the following:*
 - a. *How to compare results between the current and former methodologies;*
or
 - b. *Why making this comparison is not feasible.*

The Commission recommends that the Postal Service not change performance indicators, methodologies, or targets once they are set for a given fiscal year.

²⁵ Compare *FY 2021 Annual Report* at 33, with *FY 2020 Annual Report* at 33 and Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-6 of Chairman’s Information Request No. 10, February 11, 2021, question 1.

²⁶ Response to CHIR No. 4, question 1.a.; Response to CHIR No. 15, question 1.a.

b. Comparable Three-Year Results

The annual performance report must also “include actual results for the three preceding fiscal years” as required by 39 U.S.C. § 2804(c). The Commission previously found that “actual results” under section 2804(c) must be comparable across the three preceding fiscal years. *See FY 2016 Analysis* at 18. In the *FY 2020 Analysis*, the Commission stated that “[t]o comply with 39 U.S.C. § 2804(c) next year, the *FY 2021 Report* must include comparable results for each performance indicator for, at a minimum, FYs 2018, 2019, 2020, and 2021. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology.” *FY 2020 Analysis* at 25. If comparable results cannot be provided, the Commission directed the Postal Service to explain in the *FY 2021 Report* why results are not directly comparable across these fiscal years. *Id.* The Commission also directed the Postal Service to explain in the *FY 2021 Report* either how to compare results between the current and former methodologies or explain why making this comparison is not feasible. *Id.*

The *FY 2021 Report* includes comparable results for FYs 2018, 2019, 2020, and 2021 for the Financial Health and Safe Workplace and Engaged Workforce performance goals, as well as for most Excellent Customer Experience performance indicators. Response to CHIR No. 4, question 2.a. The *FY 2021 Report* does not include comparable results for the High-Quality Service performance indicators and two Excellent Customer Experience performance indicators.²⁷ However, as discussed below, the Postal Service provides the requisite explanations.

High-Quality Service. In FY 2019, the Postal Service began using an internal SPM system to measure progress toward the High-Quality Service performance goal.²⁸ The former external measurement system used a different methodology for calculating service performance results than the current internal SPM system.²⁹ Consequently, FY 2018 results, which were calculated using the former measurement system, are not comparable with results from FY 2019 through FY 2021, which were calculated using the current SPM system.

In the *FY 2020 Analysis*, the Commission stated that for the High-Quality Service performance goal to comply with 39 U.S.C. § 2804(c), “the *FY 2021 Report* must describe

²⁷ Response to CHIR No. 4, question 2.b.; *FY 2021 Annual Report* at 33; *United States Postal Service FY 2021 Annual Compliance Report*, December 29, 2021, at 58 (FY 2021 ACR).

²⁸ *FY 2018 Annual Report* at 19. The Commission approved the use of an internal SPM system in FY 2018. *See* Docket No. PI2015-1, Order Approving Use of Internal Measurement Systems, July 5, 2018 (Order No. 4697); Docket No. PI2015-1, Errata to Order No. 4697, August 21, 2018 (Order No. 4771).

²⁹ Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-7 of Chairman’s Information Request No. 2, January 21, 2021, question 4.b.i. (Docket No. ACR2020 Response to CHIR No. 2).

the methodological differences between the former and current measurement systems and explain why results are not directly comparable across FYs 2018, 2019, 2020, and 2021.” *FY 2020 Analysis* at 26. The Commission also directed that the *FY 2021 Report* “must either explain how to compare results between the current and former measurement systems or explain why making this comparison is not feasible.” *Id.*

In the *FY 2021 Report*, the Postal Service cross-references a CHIR response containing the explanations required to comply with section 2804(c).³⁰ The Postal Service explains that because the former external measurement system was retired at the end of FY 2018, FY 2018 data are not available from this system. Docket No. ACR2020 Response to CHIR No. 2, question 4.b.ii. It refers to three library references that explain the differences between the former external system and new internal SPM system.³¹ Thus, the High-Quality Service performance indicators comply with section 2804(c) because the *FY 2021 Report* includes the explanations the Commission required in the *FY 2020 Analysis*.

Excellent Customer Experience. Two Excellent Customer Experience performance indicators do not have comparable results from FY 2018 through FY 2021: CX Composite Index and CCC. The *FY 2021 Report* cross-references a CHIR response in Docket No. ACR2020 explaining that the FY 2018 CX Composite Index result was based on survey responses from eight surveys, including the Large Business Panel.³² Results from FY 2019 through FY 2021 were based on survey responses from seven surveys that do not include the Large Business Panel survey.³³ These explanations are sufficient to demonstrate compliance with section 2804(c).

In FY 2021, the Postal Service also changed the methodology for calculating the CCC result, which is a composite of overall satisfaction results with the Live Agent and Interactive Voice Response (IVR) system. FY 2021 ACR at 58. From FY 2018 through FY 2020, the Live Agent result was weighted 25 percent, and the IVR system result was weighted 75 percent. *Id.* In FY 2021, the Postal Service states it discontinued weighting the Live Agent and IVR system results and instead consolidated all responses into one overall calculation. *Id.* Although this change affected comparability of results, the Postal Service asserts that the impact was minor because there was only a small difference in the FY 2021 CCC result calculated using the new methodology (61.85) compared to the former methodology

³⁰ *FY 2021 Annual Report* at 33 n.3; see Docket No. ACR2020 Response to CHIR No. 2.

³¹ *Id.* (citing Docket No. ACR2018, Library Reference USPS-FY18-29, December 28, 2018; Docket No. ACR2019, Library Reference USPS-FY19-29, December 27, 2019; Docket No. ACR2020, Library Reference USPS-FY20-29, December 29, 2020).

³² Docket No. ACR2020 Response to CHIR No. 2, question 4.b.i. The CX Composite Index, CCC, and other Excellent Customer Experience performance indicators are discussed in Chapter III, Section B., *infra*.

³³ Docket No. ACR2020 Response to CHIR No. 2, question 4.b.i.; *FY 2021 Annual Report* at 33 n.5.

(60.14). *Id.* It states that the impact on the FY 2021 CX Composite Index result was even smaller given that the result decreased by only 0.34 points using the new methodology. *Id.*

The Commission previously stated that it will only “review information submitted within the annual performance reports and annual performance plans to determine statutory compliance.” *FY 2016 Analysis* at 9. The *FY 2021 Report* lacks any reference to the non-comparability of the CCC results from FY 2018 through FY 2021. Further, the information appearing on page 58 of the FY 2021 ACR was neither included nor cross-referenced in the *FY 2021 Report*.³⁴ Although the *FY 2021 Report* did not strictly comply with section 2804(c), the information appearing on page 58 of the FY 2021 ACR substantially complies with the requirements of section 2804(c). Consistent with its previous statements, the Commission will only consider information submitted within the *FY 2022 Report* to determine compliance with section 2804(c) next year.

The Commission finds that the FY 2021 Report substantially complies with 39 U.S.C. § 2804(c). To comply with 39 U.S.C. § 2804(c) next year, the FY 2022 Report must include comparable results for each performance indicator for FYs 2019, 2020, 2021, and 2022. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. If comparable results from FY 2019 through FY 2022 are not provided for any performance indicator, the FY 2022 Report must include the following:

1. *Identify each performance indicator with non-comparable results from FY 2019 through FY 2022;*
2. *Explain why results are not directly comparable from FY 2019 through FY 2022; and*
3. *Address the lack of comparability by explaining either of the following:*
 - a. *How to compare results from FY 2019 through FY 2022 between the current and former methodologies; or*
 - b. *Why making this comparison is not feasible.*

The FY 2022 Report must include all information necessary to evaluate compliance with 39 U.S.C. § 2804. Inclusion of this information in the FY 2022 Report may be satisfied by either: (1) including the information itself in the text of the FY 2022 Report; or (2) including

³⁴ The Commission acknowledges that the *FY 2021 Report* includes a footnote with a cross-reference to other documents filed in the ACR proceeding pertaining to the High-Quality Service performance indicators. However, the *FY 2021 Report* lacks any reference to the FY 2021 ACR discussion of the non-comparability of the CCC results. See *FY 2021 Report* at 33 n.1 (“The Postal Service is providing nonpublic service performance data for certain competitive products as part of the Nonpublic Annex in the Annual Compliance Report proceeding conducted by the Postal Regulatory Commission (PRC).”)

cross-references identifying the documents containing this information in the text of the FY 2022 Report.

Appendix B contains guidance to assist the Postal Service's efforts to comply with section 2804(c) and other statutory requirements for the *FY 2022 Report*. The requirements apply to each performance indicator used in FY 2022.

c. Goals Not Met

In FY 2021, the Postal Service met the Financial Health performance goal and partially met the High-Quality Service, Excellent Customer Experience, and Safe Workplace and Engaged Workforce goals. *See* Chapter I, Section B.1., *supra*. If a performance goal has not been met, the annual performance report 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). The *FY 2021 Report* explains why it did not meet the High-Quality Service, Excellent Customer Experience, and Safe Workplace and Engaged Workforce performance goals. *FY 2021 Annual Report* at 34-35, 38-39, 44. It also describes plans and schedules for meeting FY 2022 targets for each public performance indicator that did not meet its FY 2021 target. *See id.* at 35-36, 40, 44-45. The Postal Service provides more detailed explanations, plans, and schedules in the FY 2021 ACR. FY 2021 ACR at 61-72.

The Commission finds that the FY 2021 Report complies with 39 U.S.C. § 2804(d)(3) for each public performance indicator because it explains why performance goals were not met and describes plans and schedules for meeting the goals in FY 2022. To comply with 39 U.S.C. § 2804(d)(3) next year, for each FY 2022 target that is not met, the FY 2022 Report must both explain why and describe plans and schedules for meeting FY 2023 targets.

d. Other Annual Performance Report Requirements

The *FY 2021 Report* meets other requirements of 39 U.S.C. § 2804. First, the annual performance report must review the Postal Service's success in achieving its performance goals by stating whether the Postal Service met targets for each performance indicator in FY 2021. 39 U.S.C. § 2804(d)(1). The *FY 2021 Report* provides this information in tables that compare targets and results and state whether the target was met. *See FY 2021 Annual Report* at 33-34, 38, 42-44, 48. These tables enhance the *FY 2021 Report* by allowing the reader to easily evaluate whether the Postal Service met targets.

Second, the annual performance report must "evaluate the performance plan for the current fiscal year relative to the performance achieved towards the performance goals in the fiscal year covered by the report[.]" 39 U.S.C. § 2804(d)(2). Section 2804(d)(2) requires the *FY 2021 Report* to evaluate the *FY 2022 Plan* relative to the performance achieved toward the performance goals during FY 2021. This provision requires the *FY 2021 Report* to compare FY 2022 targets with FY 2021 results for each performance indicator the Postal

Service will use during FY 2022. *See FY 2016 Analysis* at 15. The *FY 2021 Report* provides this information in a master table listing FY 2021 and FY 2022 targets, as well as results from FY 2018 through FY 2021. *See FY 2021 Annual Report* at 33.

Third, the annual performance report must “include the summary findings of those program evaluations completed during the fiscal year covered by the report.” 39 U.S.C. § 2804(d)(4). “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). Section 2804(d)(4) requires the *FY 2021 Report* to include summary findings of program evaluations completed during FY 2021 that evaluate how programs helped the Postal Service meet targets in FY 2021. *See FY 2017 Analysis* at 16. The *FY 2021 Report* meets this requirement by, for example, including summary findings of a program evaluation describing how the Postal Service met the FY 2021 target for the Total Accident Rate performance indicator. *See FY 2021 Annual Report* at 42. The *FY 2021 Report* states that the Postal Service targeted poor performance, developed strategies for reducing accidents, and conducted nearly 2.7 million workplace and driver observations. *Id.*

The Commission finds that the FY 2021 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).

3. Non-Public Performance Indicators

The annual performance plan may include a non-public annex covering program activities or parts of program activities relating to the avoidance of interference with criminal prosecution or matters otherwise exempt from public disclosure under 39 U.S.C. § 410(c). 39 U.S.C. § 2803(d). In FY 2021, the Postal Service measured progress toward the High-Quality Service performance goal using two non-public performance indicators for Competitive products. *FY 2020 Analysis* at 31. To comply with 39 U.S.C. §§ 2803 and 2804 in FY 2021, the *FY 2020 Analysis* directed the Postal Service to file under seal with the FY 2021 ACR: “(1) FY 2021 and FY 2022 targets; (2) comparable FY 2021 targets and results; and (3) comparable results from FYs 2018 through 2021” for each non-public performance indicator. *Id.* at 32. The Commission further stated that “[i]f the Postal Service does not meet one or both of the FY 2021 targets, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2022 target(s).” *Id.* The Commission stated that the “FY 2021 ACR should continue to identify the library reference that contains this information.” *Id.*

The *FY 2022 Plan* and *FY 2021 Report* identify that the Postal Service is providing non-public service performance data for certain Competitive products as part of the non-public annex of the ACR. *FY 2021 Annual Report* at 33 n.1. The Postal Service filed information on non-public performance indicators in the preface to Library Reference USPS-FY21-NP30

and identified this library reference in the FY 2021 ACR.³⁵ The Postal Service confirms that for each non-public performance indicator, the *FY 2021 Report* contains comparable FY 2021 targets and results, as well as comparable results from FY 2018 through FY 2021. Response to CHIR No. 4, questions 3.a., d. For each non-public performance indicator that did not meet the FY 2021 target, the Postal Service provides an explanation. Library Reference USPS-FY21-NP30, Preface at 8-9. The Postal Service set FY 2022 target(s) for the Competitive products' non-public performance indicator(s) the Postal Service will use in FY 2022. *Id.* at 8.

The Commission finds that Library Reference USPS-FY21-NP30 complies with the Commission's directive to file under seal with the FY 2021 ACR: (1) FY 2021 and FY 2022 targets; (2) comparable FY 2021 targets and results; and (3) comparable results from FY 2018 through FY 2021 for each non-public performance indicator. The FY 2022 Plan complies with 39 U.S.C. § 2803 by setting measurable FY 2022 target(s) for each non-public performance indicator the Postal Service will use in FY 2022. See Section B.1., supra. The FY 2021 Report complies with 39 U.S.C. § 2804(b)(1) and 2804(c) because it provides comparable FY 2021 targets and results as well as comparable results from the past 3 fiscal years. See Sections B.2.a., b., supra. The FY 2021 Report also complies with 39 U.S.C. § 2804(d)(3) because the Postal Service explains why it did not meet FY 2021 targets.

To ensure that the FY 2023 Plan and FY 2022 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Commission recommends that the FY 2022 Report explain where the non-public service performance information can be found, such as in a footnote in the master table of targets and results. For the new Competitive products' non-public performance indicator(s), the Postal Service must file under seal with the FY 2022 ACR: (1) FY 2022 and FY 2023 targets; (2) comparable FY 2022 targets and results; and (3) comparable results from FY 2019 through FY 2022. If the Postal Service does not meet the FY 2022 target(s), the Postal Service must explain why and describe the plans and schedules for meeting the FY 2023 target(s). The FY 2022 ACR should continue to identify the library reference that contains this information.

4. FY 2022 Performance Indicator Changes

The Commission previously recommended that the Postal Service describe any performance indicator or methodology changes in the *Annual Report to Congress* and analyze the impact of methodology changes on results. See *FY 2016 Analysis* at 18. The Commission also recommended that the Postal Service provide the rationale for making these changes. *FY 2020 Analysis* at 33.

³⁵ Library Reference USPS-FY21-NP30, Preface at 7-9; FY 2021 ACR at 4 n.4.

As previously discussed, in FY 2021 the Postal Service changed the methodology for calculating the CCC performance indicator result, which also affected the CX Composite Index. *See* Section B.2.b., *supra*. Also, in FY 2022, the Postal Service is changing the performance indicator for measuring workforce engagement from the Survey Response Rate to the Grand Mean Engagement Score.³⁶

The Postal Service adopted the Commission's recommendation to limit the number of changes to performance indicators and methodologies for calculating targets and results. *See FY 2020 Analysis* at 33. Describing and explaining the rationale for these changes provides greater transparency into the Postal Service's process for changing performance indicators and methodologies.

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

³⁶ *FY 2021 Annual Report* at 44-45. These metrics are discussed in Chapter III, Section C., *infra*.

CHAPTER III: EVALUATION OF PERFORMANCE GOALS

In this chapter, the Commission discusses each performance goal individually. It evaluates whether the Postal Service met the performance goals in FY 2021 as required by 39 U.S.C. § 3653(d). The Commission also makes related observations and recommendations for each performance goal.

A. High-Quality Service

1. Background

In FY 2021, the Postal Service measured service performance using internal SPM, which provides data from the time a mailpiece is first scanned (either at the collection point by the carrier or during the first processing operation on mail processing equipment) to the time when the carrier scans the mailpiece at the delivery point. *See FY 2021 Annual Report* at 34. 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 Service performance goal.³⁷ To evaluate progress toward the High-Quality Service performance goal in FY 2021, the Postal Service used eight public performance indicators measuring service performance for Market Dominant products:

- Single-Piece First-Class Mail, 2-Day
- Single-Piece First-Class Mail, 3-5-Day
- Presorted First-Class Mail, Overnight
- Presorted First-Class Mail, 2-Day

³⁷ The Postal Service also reports service performance on all Market Dominant products in the ACR. 39 U.S.C. § 3652(a)(2)(B)(i). Service performance measurement reporting in the ACR is independent of service performance measurement reporting in annual performance plans and annual performance reports under 39 U.S.C. §§ 2803 and 2804. The reporting of these service performance measurements in the *FY 2021 Annual Report* does not meet the same class- or group-specific granular reporting criteria as the service performance measurements required in the Commission's rules for purposes of the ACR. *See* 39 C.F.R. §§ 3055.20 through 3055.24. For instance, the Single-Piece First-Class Mail and the Presorted First-Class Mail performance indicators in the *FY 2021 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).

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

The Single-Piece First-Class Mail performance indicators measure the performance of Single-Piece First-Class Mail letters, postcards, and flats throughout the fiscal year. *FY 2021 Annual Report* at 34. Results are expressed as the estimated percentage of Single-Piece First-Class Mail by service standard (2-Day and 3-5-Day) delivered on-time. *Id.*

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

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

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

The Market Dominant Composite is a new performance indicator used for the first time in FY 2021. It is a composite indicator measuring the percentage of First-Class Mail, USPS Marketing Mail, Periodicals, and Bound Printed Matter letters and flats, as well as USPS Marketing Mail, Media Mail/Library Mail, and Bound Printed Matter parcels, that were delivered within their applicable service standards during the fiscal year. *Id.*; Response to CHIR No. 28, question 1, Excel file “ChIR No.28 Response.Attachment.xlsx.” Approximately 97 percent of the volume in this composite indicator consists of First-Class Mail and USPS Marketing Mail letters and flats; the remainder is made up of Periodicals and Bound Printed Matter flats and USPS Marketing Mail, Media Mail/Library Mail, and Bound Printed Matter parcels. Response to CHIR No. 28, question 1, Excel file “ChIR No.28 Response.Attachment.xlsx.”

In FY 2021, the Postal Service also used one non-public performance indicator to measure service performance for Competitive products. *See* Chapter II, Section B.3., *supra*. The

Postal Service announced, at the time of filing the *FY 2020 Annual Report*, that in FY 2021 it would begin using this new performance indicator as its sole performance indicator for Competitive products.³⁸ The new performance indicator aggregates Competitive products' data at a higher level compared to the non-public performance indicators used previously. The Postal Service filed results from FY 2017 through FY 2021 for this non-public performance indicator, as well as for the legacy performance indicators for Competitive products, in a library reference. Library Reference USPS-FY21-NP30, Preface at 8. The Postal Service states that it will continue to use this non-public performance indicator to measure service performance for Competitive products in FY 2022. *Id.*

In FY 2021, the Postal Service met only one of its targets for the public Market Dominant performance indicators—the Marketing Mail and Periodicals Composite. *FY 2021 Annual Report* at 34. Additionally, the Postal Service also failed to meet its FY 2021 target for the non-public Competitive products performance indicator.³⁹

The Postal Service explains that four main variables negatively affected service performance in FY 2021: poor peak season performance, employee absenteeism, reduced supplier capacity, and weather and natural disaster disruptions. *FY 2021 Annual Report* at 35. Explanations for missing FY 2021 targets are discussed in more detail below. See Section A.3.b., *infra*.

Despite failing to achieve most of its targets, the Postal Service highlights as positive its performance with respect to Election Mail in FY 2021 associated with the calendar year (CY) 2020 primary and general election cycle. *Id.* The Postal Service stated that “extraordinary measures to ensure Election Mail [was] prioritized and delivered on-time [were] instituted[,]” including “expedited handling of all election mail irrespective of mail class or postage paid, extra deliveries when needed and special pickups to deliver blank ballots to voters or completed ballots to boards of elections.” *FY 2020 Annual Report* at 36. The Postal Service states that “[t]hroughout the enterprise, ballots were prioritized in processing operations and regular sweeps were conducted in facilities to ensure ballots were quickly moving through the system.” *FY 2021 Annual Report* at 35. In addition, the Postal Service states that:

The organization added extra transportation, staff, and overtime to support these efforts. Letter carriers checked all mailboxes on their route, regardless of inbound or outbound mail, for ballots. Mail was collected and processed on the Sunday before the election, and mail at risk of being delivered late was prioritized and routed to the express network at no extra charge. These extraordinary efforts

³⁸ Docket No. ACR2020, Library Reference USPS-FY20-NP30, December 29, 2020, file “NONPUBLIC Preface USPS-FY20-NP30.pdf,” at 4; see also Docket No. ACR2020, Library Reference USPS-FY20-NP30, May 14, 2021, file “NONPUBLIC Preface USPS-FY20-NP30.Rev.5.14.2021,” at 4.

³⁹ Compare Docket No. ACR2020, Library Reference USPS-FY20-NP30, file “NONPUBLIC Preface USPS-FY20-NP30.pdf,” at 4, and Docket No. ACR2020, Library Reference USPS-FY20-NP30, file “NONPUBLIC Preface USPS-FY20-NP30.Rev.5.14.2021,” at 4, with Library Reference USPS-FY21-NP30, Preface at 8.

resulted in a successful election mail performance and reinforced the Postal Service's commitment to providing high-quality service.

Id.

Multiple preliminary injunctions were issued by federal courts against the Postal Service in September and October 2020. On September 21, 2020, the United States District Court for the Southern District of New York issued a preliminary injunction requiring the Postal Service to develop a guidance memorandum concerning its treatment of Election Mail.⁴⁰ Following the issuance of a preliminary injunction, on September 21, 2020, the Postal Service management disseminated written clarification to address confusion about overtime, hiring, retail hours, collection boxes, late and extra trips, mail processing, and Election Mail. On September 25, 2020, Postal Service management disseminated another written memorandum across the nation clarifying its operational instructions concerning its treatment of Election Mail and describing the additional resources that the Postal Service would dedicate to delivery of Election Mail beginning on October 1, 2020.⁴¹

⁴⁰ On September 17, 2020, the first nationwide preliminary injunction was issued requiring the Postal Service to discontinue implementation or enforcement of the changes to the late and extra trips policy announced in July 2020. See *Washington v. Trump*, 487 F. Supp. 3d 976, 984-85, order clarified, No. 1:20-CV-03127-SAB, 2020 WL 6588502 (E.D. Wash. Oct. 20, 2020), and appeal dismissed, No. 20-36047, 2021 WL 824476 (9th Cir. Jan. 26, 2021). Several other federal courts also issued similar preliminary injunctions on related claims in late September through October 2020. See *Jones v. United States Postal Serv.*, 488 F. Supp. 3d 103, 141-43 (S.D.N.Y. 2020), order clarified, No. 20 Civ. 6516 (VM), 2020 WL 6554904 (S.D.N.Y. Sept. 29, 2020); *New York v. Trump*, 490 F. Supp. 3d 225, 231, 245 (D.D.C. 2020), order clarified, No. 20-CV-2340(EGS), 2020 WL 6572675 (D.D.C. Oct. 22, 2020), appeal dismissed, No. 20-5352, 2021 WL 672390 (D.C. Cir. Feb. 10, 2021), and appeal dismissed, No. 20-5352, 2021 WL 672390 (D.C. Cir. Feb. 10, 2021), and opinion clarified, No. 20-CV-2340(EGS), 2021 WL 7908123 (D.D.C. Apr. 3, 2021), and opinion clarified sub nom. *New York v. Biden*, No. CV 20-2340(EGS), 2021 WL 7908124 (D.D.C. Aug. 23, 2021); *Commonwealth of Penn. v. DeJoy*, 490 F. Supp. 3d 833, 844, 891-92 (E.D. Pa. 2020), order clarified, No. CV 20-4096, 2020 WL 6580462 (E.D. Pa. Oct. 9, 2020); *Vote Forward v. DeJoy*, 490 F. Supp. 3d 110, 115, 131-32 (D.D.C. 2020), appeal dismissed sub nom. *Forward v. DeJoy*, No. 20-5353, 2021 WL 672395 (D.C. Cir. Feb. 10, 2021); *Nat'l Ass'n for Advancement of Colored People v. United States Postal Serv.*, 496 F. Supp. 3d 1, 5 (D.D.C. 2020), enforcement granted, No. 20-CV-2295 (EGS), 2020 WL 6441317 (D.D.C. Oct. 27, 2020), and appeal dismissed, No. 20-5375, 2021 WL 672392 (D.C. Cir. Feb. 10, 2021). The Postal Service initially appealed these cases; however, the courts granted the Postal Service's unopposed voluntary motions to dismiss its appeals. See, e.g., *Nat'l Ass'n for Advancement of Colored People v. United States Postal Serv.*, 2021 WL 672392, at *1 (D.C. Cir. Feb. 10, 2021). Subsequently, several of the cases in the district courts have been settled and voluntarily dismissed. See *Washington v. Trump*, No. 1:20-CV-03127-SAB, Order Closing File, ECF Document #131, at 2 (E.D. Wash. Feb. 17, 2021); *Jones v. United States Postal Serv.*, No. 20 Civ. 6516 (VM), Stipulation and Order of Settlement and Dismissal, ECF Document #124, at 1-3 (S.D.N.Y. May 13, 2021); *Commonwealth of Penn. v. DeJoy*, Civ. A. No. 20-4096, Order, ECF #192, at 1 (E.D. Pa. May 17, 2022); *Vote Forward v. DeJoy*, Civ. A. No. 20-2405 (EGS), Notice of Voluntary Dismissal Pursuant to Federal Rule of Civil Procedure 41, ECF Document #184, at 1 (D.D.C. May 24, 2021); *National Ass'n for Advancement of Colored People v. United States Postal Serv.*, No. 20-CV-2295(EGS), Minute Order, (D.D.C. Dec. 20, 2021). The Postal Service maintains that it committed no wrongdoing and has agreed to engage in specific outreach and communication related to future elections. See *generally National Ass'n for Advancement of Colored People v. United States Postal Serv.*, No. 20-CV-2295(EGS), Stipulation of Settlement and Proposed Order, ECF #170 (D.D.C. Dec. 17, 2021) (adopted by subsequent Minute Order); *Commonwealth of Penn. v. DeJoy*, Civ. A. No. 20-4096, Ex. A Settlement Agreement, ECF #190-1 (E.D. Pa. May 17, 2022) (adopted by subsequent Order). The preliminary injunction granted in *New York v. Trump*, has been further clarified sub nom. *New York v. Biden* to reflect that the Postal Service is not prohibited "from declining approval for extra network trips pursuant to the following principles: (1) where an extra trip would not be service responsive, and (2) where not using an extra trip would delay a volume of mail that is no greater than 15% of the truck's total capacity." *New York v. Biden*, No. 20-CV-2340(EGS), 2021 WL 7908124, at *5 (D.D.C. Aug. 23, 2021).

⁴¹ United States Department of Justice, September 25, 2020 Letter, *Jones v. United States Postal Serv.*, No. 20 Civ. 6516 (VM), ECF Document #58 (describing that the Postal Service issued the memoranda on September 21, 2020 and September 25, 2020); Memorandum from the United States Postal Service, Chief Retail and Delivery and Chief Logistics and Processing Operations to Officers, PCES [Postal Career Executive Service], and Pay Band Managers, Clarifying Operational Instructions, September 21, 2020, ECF Document #58-4; Memorandum from United States Postal Service, Chief Retail and Delivery and Chief Logistics and Processing Operations to Officers, PCES [Postal Career Executive Service], and Pay Band Managers, Additional Resources for Election Mail Beginning October 1, September 25, 2020, ECF Document #58-5.

The Postal Service asserts that service performance for Election Mail was strong. The Postal Service delivered more than 135 million ballots;⁴² combined exceeding 4.6 billion pieces—a 114 percent increase over the CY 2016 election cycle. *FY 2021 Annual Report* at 22, 35. The Postal Service reports that 97.9 percent of ballots were delivered from voters to election officials within 3 days, and 99.89 percent were delivered within 7 days. *Id.* at 35. On average, ballots were delivered to voters in 2.1 days and were returned from voters to election officials in 1.6 days. *Id.* at 22.

The Commission commends the Postal Service for the additional resources devoted—such as extra transportation and overtime—and heightened measures undertaken to deliver Election Mail and Political Mail during the CY 2020 election cycle.⁴³ These efforts were undertaken notwithstanding the adverse effects of the COVID-19 pandemic, in furtherance of the vital role the Postal Service plays in the American democratic process.

To improve High-Quality Service in FY 2022, the Postal Service reports that it plans to continue implementing its 10-Year Strategic Plan.⁴⁴ To that end, the Postal Service intends to establish site-specific operating plans, complete the installation of new package sorting machines, and complete its processing network redesign, which will expand surface transfer centers (STCs). *FY 2021 Annual Report* at 36. The Postal Service states that it proactively planned for the FY 2022 peak season, including hiring full-time and seasonal personnel, expanding the Postal Service’s facility footprint, and installing new processing equipment. *Id.* The Postal Service reports that at the beginning of FY 2022, it implemented service standard changes for First-Class Mail and Periodicals which the Postal Service asserts will “increase delivery reliability, consistency, and efficiency for customers.” *Id.* These changes increased service standards by up to two additional days for First-Class Mail and Periodicals mailpieces travelling longer distances.⁴⁵ Prior to implementation, the Postal Service estimated that approximately 38.5 percent of First-Class Mail volume and approximately 7 percent of Periodicals volume would be affected by the changes. *Id.* The Postal Service also states that for FY 2022 it has reconstituted the Election Mail Committee to oversee, review, and monitor the Postal Service’s preparations for the CY 2022 primary and general elections. *FY 2021 Annual Report* at 36. The Postal Service is increasing

⁴² The Commission uses the term “Election Mail” to refer to any item mailed to or from authorized election officials that enables citizens to participate in the voting process, such as balloting materials, voter registration cards, absentee applications, and polling place notifications, and uses the term “Political Mail” to refer to any item mailed for campaign purposes by a registered political candidate, campaign committee or committee of a political party, political action committee, or organization engaging in issue advocacy or voter mobilization. See United States Postal Service, *Postal Bulletin* No. 22539, February 13, 2020, at 4, available at <https://about.usps.com/postal-bulletin/2020/pb22539/pb22539.pdf>.

⁴³ See FY 2020 ACD at 134-39; FY 2021 ACD at 119-20; see also United States Postal Service, Office of Inspector General, Report No. 20-318-R21, *Service Performance of Election and Political Mail During the November 2020 General Election*, March 25, 2021, available at <https://www.usps.oig/sites/default/files/document-library-files/2021/20-318-R21.pdf>.

⁴⁴ *FY 2021 Annual Report* at 36; see United States Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*, March 23, 2021, available at https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf (10-Year Strategic Plan).

⁴⁵ See generally Docket No. N2021-1, Advisory Opinion on Service Changes Associated with First-Class Mail and Periodicals, July 20, 2021, at 1-2 (Docket No. N2021-1 Advisory Opinion).

interim targets for all High-Quality Service performance indicators in FY 2022. *Id.* at 35-36. The Postal Service's plans are discussed in detail in Section A.3.c., *infra*.

2. Comments

The Public Representative observes that “the Postal Service failed to meet all its targets...except for the Marketing Mail and Periodicals Composite[,]” and “[f]or the fourth year in a row, the Postal Service’s performance declined in every category.” PR Comments at 4. She notes that “[a]s in previous years, the highest gap between actual service and the applicable target is observed for the Three-to-Five-Day delivery standard for Single-Piece First-Class Mail.” *Id.* She takes the position that “[b]ecause the Postal Service missed nearly all of its...targets...in FY 2021...[it] did not meet its Deliver High-Quality Service performance goal.” *Id.*

PostCom comments that “the Postal Service failed to meet service standards for most of its market dominant products during FY 2021 despite waiting until well into FY 2021 to create service targets.” PostCom Comments at 2. PostCom asserts that the one performance indicator that the Postal Service did achieve its target for—the Marketing Mail and Periodicals Composite—is “an amalgam of different products with markedly different customers, service standards, and uses[,]” the purpose of which “appears to be to obscure how truly poor service performance on Periodicals...has been.” *Id.*

PostCom maintains that service performance is worse than the reported High-Quality Service performance indicator scores suggest and is obscured by the fact that: (1) the performance indicators are highly aggregated; (2) compliance with service standards is only measured from the time a mailpiece has an acceptance scan, thus not reflecting any delays in unloading; and (3) mailpieces are excluded from measurement for various reasons, including getting lost in the network. *Id.* at 3-5. PostCom also asserts that “[l]ate in FY 2020, the Postal Service implemented structural changes in its field operations that will further reduce the amount and specificity of service reporting information.” *Id.* at 5. PostCom states that given the greater availability of performance data now compared to when the PAEA was enacted, “the Commission’s continued reliance on quarterly data that is highly aggregated and edited by the Postal Service is a disservice to the mailers.” *Id.* at 5, 6. Furthermore, PostCom states that “[t]he current classification schedule, largely unchanged in [50] years, does not provide a usable framework...” for evaluating service performance, because mail classes and products contain disparate types of mailers who use the mail differently and have different needs and expectations; thus “[r]eporting at a class level obscures differences in performance and hinders a meaningful evaluation of service results.” *Id.* at 5-6. For these reasons, PostCom expresses the opinion that “the ACR process has not been effective in driving improved service performance[,]” and “[a] new approach is needed.” *Id.* at 4. PostCom asserts that “[t]o help increase the proportion of mail that is measured, the Postal Service should make available piece-level data for pieces that are excluded from measurement.” *Id.*

PostCom notes that none of the High-Quality Service performance indicator on-time targets for FY 2022 are set at or above 95 percent, despite 95 percent on-time delivery being the stated long-term goal of the Postal Service's 10-Year Strategic Plan. *Id.* at 6. PostCom asserts that "[t]he Commission must demonstrate some willingness to hold the Postal Service accountable for providing the level of service that customers pay for." *Id.* While PostCom states that it finds the FY 2022 targets more realistic than targets in previous years, PostCom nevertheless asserts that the FY 2022 targets "still reflect an apparent effort to craft a pleasing narrative rather than achieve improved performance." *Id.* at 6-7.

PostCom notes that FY 2022 performance indicator scores will be based on reduced service standards for First-Class Mail and Periodicals due to the service standard revisions implemented at the beginning of FY 2022, and it states that, as a result, comparisons with prior years "will present a distorted picture of service performance changes." *Id.* at 2. PostCom asserts that "[w]hile the Commission might lack the authority necessary to prohibit degradation of service standards, the Commission must require that the Postal Service report on service performance for [M]arket [D]ominant products relative to the standards in place [prior to FY 2022]." *Id.*

In its reply comments, the Postal Service argues that in evaluating High-Quality Service results for FY 2021 two overarching considerations must be taken into account: (1) service performance in FY 2021 was undeniably impacted by the effects of the COVID-19 pandemic, and service performance improved over the course of the fiscal year as the Postal Service worked to overcome those negative effects; and (2) during FY 2021 the Postal Service published its 10-Year Strategic Plan, which "sets forth a comprehensive and balanced set of initiatives to address the Postal Service's long-standing financial, service, and operational challenges." Postal Service Reply Comments at 1-2.

With respect to PostCom's criticisms of the Postal Service's composite performance indicators, the Postal Service disputes that the purpose of the composites is to obscure results. *Id.* at 4. The Postal Service maintains that composites constitute only an additional metric on top of the disaggregated service performance reporting that the Postal Service provides pursuant to 39 C.F.R. part 3055. *Id.* at 4-5. With respect to PostCom's comments concerning the desirability of more granular levels of service performance reporting, the Postal Service responds that there are sound reasons for the class groupings that currently exist, including the "need[] to ensure that...measurement and reporting remain statistically accurate, reliable, and representative...." *Id.* at 5. With respect to PostCom's comment that quarterly service performance data are filed weeks after the end of each quarter and are highly edited, the Postal Service responds that PostCom offers no reason to question the veracity or completeness of the quarterly data. *Id.* at 7. The Postal Service maintains that it provides all of the data required by the Commission; the timing of the quarterly data reporting is consistent with the Commission's rules, which provide for a 40-day period following the end of the quarter; and that the 40-day period is necessary to

provide the Postal Service with sufficient time to gather the relevant data and ensure that they are final and accurate. *Id.*

The Postal Service disputes the assertion that service performance measurement does not account for delays in unloading, asserting that business rules do account for such delays. *Id.* at 5-6. With respect to PostCom's comments concerning the effects of structural changes in field operations on service performance reporting, the Postal Service responds that for FY 2021, the Postal Service continued to report results using the legacy operational structure. *Id.* at 3-4. The Postal Service maintains that even if that were not the case, changes to its geographic operational structure do not alter the substance of the performance reported, and "[i]t makes little sense to evaluate performance and develop improvements using data reflecting outdated operations." *Id.* at 4. The Postal Service responds to PostCom's comment that the Postal Service should provide piece-level data on mail not in measurement by stating that it already reports quarterly on the amount of mail in measurement, and "mailers already have access to piece-level scan data for mail... even if not in measurement [] through the Postal Service's Informed Visibility-Mail Tracking [and] Reporting tool." *Id.* at 6-7. The Postal Service argues that given the extensive data collection and reporting that the Postal Service already performs, additional reporting is unnecessary and would be counterproductive. *Id.*

With respect to PostCom's comments concerning FY 2022 performance indicator targets, the Postal Service responds that, pursuant to its 10-Year Strategic Plan, it intends to transition to 95 percent on-time targets over several years as it implements the necessary infrastructure and network changes. *Id.* at 3.

Finally, the Postal Service argues that any requests for the Commission to require the Postal Service to take specific actions are beyond the scope of 39 U.S.C. § 3653(d). *Id.* at 12.

In Section A.3., *infra*, the Commission addresses issues raised by commenters that are relevant to the Commission carrying out its duty under 39 U.S.C. § 3653(d). The Commission finds that many of the issues raised by PostCom in its comments fall outside the scope of the Commission's review of the Postal Service's FY 2021 Annual Report. Section 2803 requires the Postal Service to prepare annual performance plans for each upcoming fiscal year that, *inter alia*, "establish performance goals...." and "establish performance indicators...." 39 U.S.C. § 2803(a)(1), (4). Section 2804 requires the Postal Service to prepare annual performance reports reviewing performance for prior fiscal years. 39 U.S.C. § 2804(a)-(b). These reports must, *inter alia*, "set forth the performance indicators established in the...performance plan, along with the actual...performance achieved compared with the performance goals expressed in the plan...." 39 U.S.C. § 2804(b)(1). The reports must "include actual results for the three preceding fiscal years." 39 U.S.C. § 2804(c). The reports must "explain and describe, where a performance goal has not been met...why the goal was not met[.]" and they must provide "plans and schedules for achieving the established performance goal[.]" 39 U.S.C. § 2804(d)(3)(A)-(B). Each year the Commission is required to "evaluate...whether the Postal Service has

met the goals established under sections 2803 and 2804, and may provide recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in [Title 39].” 39 U.S.C. § 3653(d).

For purposes of sections 2803 and 2804, then, the PAEA directs the Postal Service to establish performance goals and performance indicators (and, by extension, performance indicator targets) as part of its annual plan, and to review its performance in achieving its performance goals as part of its annual report. The PAEA directs the Commission to evaluate whether the Postal Service met the performance goals that the Postal Service established in its performance plan and make recommendations to the Postal Service related to the protection or promotion of public policy objectives. This is a different posture than the one the Commission occupies under 39 U.S.C. § 3653(b)-(c), where the Commission is directed as part of its ACD to “determin[e]...whether any service standards in effect...were not met[,]” and where the Commission is empowered to take remedial action in the case of a finding of noncompliance.

Pursuant to 39 U.S.C. § 3652(a)(2)(B), (d), and (e), the Commission has promulgated service performance reporting requirements at 39 C.F.R. part 3055.⁴⁶ Many of PostCom’s comments—particularly those concerning the granularity and frequency of required service performance reporting and the reporting of mailpieces excluded from service performance measurement—appear to seek changes to these reporting requirements. The instant proceeding is not the proper venue for such a request, as its scope is limited to evaluating whether the Postal Service met the performance goals established in the Postal Service’s annual plan for FY 2021. The Commission is currently considering revisions to update these reporting requirements in a rulemaking docket.⁴⁷ In addition, any interested party, including PostCom, may file a petition to “initiate proceedings...to improve the quality, accuracy, or completeness of Postal Service data required by the Commission...whenever it shall appear that...the quality of service data has become significantly inaccurate or can be significantly improved....” See 39 U.S.C. § 3652(e)(2)(B); 39 C.F.R. § 3050.11. The Commission invites any interested party, including PostCom, to submit such a petition if they believe that changes to periodic reporting requirements are warranted. Likewise, the proper venue for proposing changes to the current service performance measurement systems and/or methodologies, including issues pertaining to how time is calculated for purposes of service performance measurement, would be a rulemaking proceeding. Any interested party, including PostCom, may file such a petition. 39 U.S.C. § 3652(e)(2)(B); 39 C.F.R. § 3050.11. The proper venue for comments pertaining to the effectiveness of the ACR process is in response to the ACR itself.⁴⁸

⁴⁶ See Docket No. RM2009-11, Order Establishing Final Rules Concerning Periodic Reporting of Service Performance Measurements and Customer Satisfaction, May 25, 2010 (Order No. 465).

⁴⁷ See Docket No. RM2022-7, Advance Notice of Proposed Rulemaking to Revise Periodic Reporting of Service Performance, April 26, 2022 (Order No. 6160).

⁴⁸ See, e.g., Docket No. ACR2021, Notice of Postal Service’s Filing of Annual Compliance Report and Request for Public Comments, January 3, 2022 (Order No. 6079).

PostCom asserts that “the amount of specificity” of service performance reporting will be “further reduce[d]” by structural changes in the Postal Service’s operations implemented in FY 2020. PostCom Comments at 5. The changes PostCom refers to involve the restructuring of the Postal Service’s field operations and headquarters into three core business units: (1) Retail and Delivery Operations; (2) Logistics and Processing Operations; and (3) Commerce and Business Solutions. *See* FY 2020 ACD at 140-41. As the Commission has explained, 39 C.F.R. part 3055 subpart B requires the Postal Service to provide service performance data at the legacy Postal Administrative Area (Area) and District levels; if the Postal Service wishes to have those regulations revised to reflect its new organizational structure, then it must file a petition requesting either to change the rule(s) and/or for reporting exception(s).⁴⁹ The Postal Service has indicated that it understands this, and that it will submit a petition at a future time.⁵⁰ If and when the Postal Service does file such a petition, PostCom, along with the rest of the public, will have the opportunity to comment on the Postal Service’s proposed revisions to the reporting requirements. Until such time, service performance reporting should be unaffected by the Postal Service’s structural changes.

In order to promote greater transparency and accountability with respect to the Postal Service’s service performance, the Commission has been in the process of developing an online dashboard with visual data and interactive tools to allow the public to view national-level service performance results for many of the Postal Service’s Market Dominant mail products (and product levels).⁵¹ The United States Postal Service Office of Inspector General (OIG) also has an online dashboard with national-, division-, and district-level service performance results.⁵² Moreover, the Postal Service Reform Act of 2022 (PSRA), which was enacted on April 6, 2022, requires the Postal Service to “develop and maintain a publicly available Website with an interactive web-tool that provides performance information for market-dominant products that is updated on a weekly basis.”⁵³ This dashboard is required to include, among other things, “performance information for different geographic areas[.]” “performance information for different time periods, including annual, quarterly, monthly, and weekly segments[.]” and “comparisons of service performance information for market-dominant products to performance information for previous time periods to facilitate identification of performance trends[.]” *Id.*, § 3692(c)(2)(B)-(D).

⁴⁹ *See* Order Granting Extension of Time and Providing Additional Instruction Regarding Future Reports, March 8, 2021 (Order No. 5844).

⁵⁰ *See* Responses of the United States Postal Service to Questions 1-29 of Chairman’s Information Request No. 1, January 18, 2022, question 26 (Response to CHIR No. 1).

⁵¹ *See* Docket No. PI2022-2, Notice and Order Providing an Opportunity to Comment on the Service Performance Dashboard, February 10, 2022 (Order No. 6104). The beta version of the Commission’s online dashboard can be accessed at <https://www.prc.gov/dash-deploy>.

⁵² The OIG dashboard can be accessed at <https://www.uspsoig.gov/service-performance>.

⁵³ *See* Postal Service Reform Act of 2022 § 3692(c)(1), Pub. L. 117-108, 136 Stat. 1127, 1145 (April 6, 2022).

Under the PSRA, the Postal Service is required each fiscal year, within 60 days of the beginning of the fiscal year, to provide the Commission with service performance targets for the upcoming fiscal year. *Id.*, § 3692(a)(1). Within 90 days of the Commission’s first receipt of service performance targets under § 3692(a)(1), the Commission is required to provide the Postal Service with requirements for the Postal Service’s service performance dashboard with respect to the dashboard’s organizational structure, geographic coverage, granularity, and temporal coverage, as well as recommendations for any corresponding modifications to the Postal Service’s service performance measurement systems that the Commission finds to be necessary. *Id.*, § 3692(b). The Postal Service is required to release the dashboard within 60 days after receiving requirements and recommendations from the Commission. *Id.*, § 3692(c)(8). The Commission has initiated a docket to consider, *inter alia*, what specific data should be required for the Postal Service’s service performance dashboard, and what, if any, modifications to the Postal Service’s measurement systems should be recommended. *See* Order No. 6160.

3. Commission Analysis

In FY 2021, the Postal Service achieved only one of its targets for the public performance indicators related to Market Dominant products that measure progress toward the High-Quality Service performance goal. *FY 2021 Annual Report* at 34. It also missed its target for the sole non-public performance indicator related to Competitive products.⁵⁴

The Commission finds that the High-Quality Service performance goal was partially met in FY 2021, with the Postal Service meeting only a single performance indicator.

Below, the Commission provides observations and recommendations related to the Postal Service’s explanations for its failure to meet the High-Quality Service performance goal in FY 2021—notably, the continuing COVID-19 pandemic and related network disruptions. The Commission also provides discussion and recommendations concerning the Postal Service’s plans to meet the High-Quality Service performance goal in FY 2022.

a. Observations on Results and Targets

As an initial matter, the Commission notes that the Postal Service reduced targets in FY 2021 for all of the High-Quality Service performance indicators. Prior to FY 2021, on-time targets were historically set in the mid-90s for all performance indicators. In FY 2021, they were reduced by anywhere from 2.81 to 26.61 percentage points, as shown in Table III-1.

⁵⁴ Compare Docket No. ACR2020, Library Reference USPS-FY20-NP30, file “NONPUBLIC Preface USPS-FY20-NP30.pdf,” at 4, and Docket No. ACR2020, Library Reference USPS-FY20-NP30, file “NONPUBLIC Preface USPS-FY20-NP30.Rev.5.14.2021,” at 4, with Library Reference USPS-FY21-NP30, Preface at 8. The Commission notes that the Postal Service would have met its FY 2021 targets under the legacy non-public performance indicators for Competitive products that the Postal Service relied on prior to FY 2021. *See* Library Reference USPS-FY21-NP30, file “NONPUBLIC Preface USPS-FY21-NP30.pdf,” at 7-8.

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

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

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

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

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

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

The Postal Service explained the change in targets by stating that, historically, it has been unable to meet service targets for most Market Dominant products, and “regulators have requested [that] the Postal Service establish realistic targets instead of what were determined to be aspirational.” Response to CHIR No. 1, question 24.a. According to the Postal Service, its FY 2021 targets were based on historical data and “an operational performance improvement factor predicated on known network and operational changes.” *Id.* question 24.b. The Postal Service explained that when the FY 2021 targets were established they were expected to be only single-year targets to take into account the exceptional circumstances surrounding the COVID-19 pandemic.⁵⁵ The Postal Service asserted that “[t]his was done with an expectation targets would be adjusted upward for FY 2022 with the continued implementation of the 10-Year Strategic Plan, which will ultimately provide an opportunity for the Postal Service to achieve excellence by meeting or exceeding 95 percent on-time delivery.” Response to CHIR No. 6, question 15.a.

⁵⁵ Responses of the United States Postal Service to Questions 1-15 of Chairman’s Information Request No. 6, February 1, 2022, question 15.a. (Response to CHIR No. 6).

The Postal Service will be changing all of its performance indicator targets once again in FY 2022. *FY 2021 Annual Report* at 35-36. The Postal Service describes the FY 2022 targets as “ambitious” inasmuch as they “greatly exceed[] the FY 2021 actuals....” *Id.* at 36. The Postal Service contends that the new targets “reflect the organizational strategic vision from the [10-Year Strategic Plan] and will position the Postal Service to achieve 95 percent on-time service performance...once the plan is fully implemented.” *Id.*

It is true, as the Postal Service asserts, that the Commission has in the past recommended that the Postal Service “strive to develop targets that balance the need to inspire continuous improvement with the importance of being realistic and achievable[,]” and which “take into account operational realities....” *See, e.g., FY 2019 Analysis* at 30. This finding has typically been made in the context of arguments by the Postal Service that it was unable to achieve performance indicator targets due to network disruptions caused by natural disasters and/or industrial accidents, with the Commission emphasizing that “it is important that targets not be set so high that they leave the Postal Service with little margin for error.” *See id.* at 28-29. Striking the correct balance between aspiration and realism in setting targets is a highly fact- and context-specific undertaking based on existing operational realities.

However, while it is important that targets not be so aspirational as to be unachievable, it is equally important that they serve to inspire improvement, and that they are not set so low as to be unreasonable for purposes of evaluating whether the High-Quality Service performance goal was achieved. For a typical fiscal year, a target of 68.64, as the Postal Service set for the Single-Piece First-Class Mail 3-5-Day performance indicator, approaches the lower bound of what is reasonable. *FY 2021 Annual Report* at 34. Nevertheless, the Commission accepts the Postal Service’s explanation that FY 2021 was a highly aberrant year in which the Postal Service’s operations were significantly impacted by the COVID-19 pandemic and other exceptional circumstances. The Commission is satisfied that the targets for FY 2022 have been increased and have been set closer to their historic levels.

Due to the implementation of the internal SPM system in FY 2019, the FY 2019 results for the public performance indicators were not comparable to prior years, which limited the Commission’s ability to analyze changes in High-Quality Service in FY 2019 and FY 2020. *FY 2020 Analysis* at 41. FY 2021 was the third year that High-Quality Service performance indicator results were measured using internal SPM, so comparable High-Quality Service performance indicator results now exist for 3 years—FY 2019, FY 2020, and FY 2021.

Table III-2 compares FY 2021 performance indicator results with FY 2021 targets and shows the percentage point performance gap between the target and the result. It also displays the results from FY 2020 and FY 2019.

Table III-2
Public High-Quality Service Performance Indicators
Comparison of FY 2021 Targets and Results and FY 2019-FY 2020 Results (%)

High-Quality Service Performance Indicator		FY 2021			FY 2020	FY 2019
		Target	Result	Percentage Point Performance Gap	Result	Result
Single-Piece First-Class Mail	2-Day	87.81	86.44	-1.37	91.47	92.05
	3-5-Day	68.64	63.20	-5.44	78.83	80.88
Presorted First-Class Mail	Overnight	93.99	93.38	-0.61	94.72	95.46
	2-Day	89.20	88.29	-0.91	92.77	94.10
	3-5-Day	84.11	80.87	-3.24	89.89	91.95
First-Class Mail Letter and Flat Composite		84.88	82.69	-2.19	89.73	91.36
USPS Marketing Mail and Periodicals Composite		86.62	87.12	+0.50	88.38	88.73
Market Dominant Composite ^a		85.86	85.30	-0.56	89.00	89.86

■ Target Met ■ Target Not Met

^a The Postal Service did not begin using the Market Dominant Composite as a performance indicator until FY 2021. The Postal Service provided FY 2020 and FY 2019 results for comparison purposes only. *FY 2021 Annual Report* at 33 n.4.
Source: *FY 2021 Annual Report* at 33-34.

As Table III-2 shows, only one of the FY 2021 performance indicator targets was met. As has often been the case in the past, the shorter service standard categories came closer to their targets than the longer service standard categories. Within First-Class Mail, the Presorted categories generally outperformed their Single-Piece analogs. For both First-Class Mail and USPS Marketing Mail and their respective composite performance indicators, High-Quality Service results declined from FY 2019 to FY 2021. Only the USPS Marketing Mail and Periodicals Composite performance indicator achieved its target in FY 2021. However, as discussed above, the targets for these indicators were lowered considerably for FY 2021. In fact, all the performance indicators in FY 2020 would have met their targets if FY 2020 targets had been set at FY 2021 levels. Targets have been increased for each performance indicator for FY 2022 to move them incrementally closer to the 95 percent on-time level, which is the Postal Service’s stated long-term goal in its 10-Year Strategic Plan. *See 10-Year Strategic Plan* at 27.

In recent years, the Commission has looked to quarterly service performance and/or performance indicator results to attempt to trace the impact of the COVID-19 pandemic and other factors on the Postal Service’s operations.⁵⁶ Historically, results during the second half of a given fiscal year (Quarters 3 and 4) have tended to outperform the first half of the fiscal year (Quarters 1 and 2), largely due to seasonal trends. *See, e.g., FY 2019 ACD* at 105. However, beginning in FY 2020 that historic pattern was disrupted.

⁵⁶ *See FY 2020 Analysis* at 36-37; *see also FY 2021 ACD* at 145; *FY 2020 ACD* at 164-65.

Tables III-3 to III-5 show results for each High-Quality Service performance indicator disaggregated by quarter for FY 2019, FY 2020, and FY 2021.

Table III-3
Public High-Quality Service Performance Indicators FY 2019 by Quarter (%)

High-Quality Service Performance Indicators		FY 2019 Targets	FY 2019 Results			
			Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	96.50	89.53	91.55	93.90	93.97
	3-5-Day	95.25	72.11	79.67	86.55	87.78
Presorted First-Class Mail	Overnight	96.80	94.68	94.80	96.30	96.20
	2-Day	96.50	92.79	93.30	95.25	95.27
	3-5-Day	95.25	89.90	90.43	93.61	94.10
First-Class Mail Letter and Flat Composite		96.00	88.47	90.33	93.38	93.76
USPS Marketing Mail and Periodicals Composite		91.80	84.57	88.21	90.93	91.79
Market Dominant Composite ^a		N/A	N/A	N/A	N/A	N/A

^a The Postal Service did not begin using the Market Dominant Composite as a performance indicator until FY 2021. No targets or quarterly results exist for this performance indicator for FY 2019.

Source: *FY 2019 Annual Report* at 20, 21; Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-17 of Chairman’s Information Request No. 24, March 18, 2021, question 5 (Docket No. ACR2020 Response to CHIR No. 24.)

Table III-4
Public High-Quality Service Performance Indicators FY 2020 by Quarter (%)

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

^a The Postal Service did not begin using the Market Dominant Composite as a performance indicator until FY 2021. The Postal Service provided FY 2020 quarterly results for comparison purposes only. *FY 2020 Annual Report* at 33 n.5; Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-24 of Chairman’s Information Request No. 22, March 9, 2021, questions 23 (Docket No. ACR2020 Response to CHIR No. 22). Source: *FY 2020 Annual Report* at 33, 35; Docket No. ACR2020 Response to CHIR No. 22, question 23.

Table III-5
Public High-Quality Service Performance Indicators FY 2021 by Quarter (%)

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

Source: *FY 2021 Annual Report* at 33, 34; Response to CHIR No. 8, question 3.

In FY 2020, contrary to the normal pattern of seasonal variation, performance indicator scores began declining in Quarters 3 and 4, before ultimately reaching a nadir in Quarter 1 of FY 2021. As the Commission has found previously, the timing of the service performance declines in late FY 2020 generally correspond with the onset of the COVID-19 pandemic and tend to corroborate the Postal Service’s assertions that the

COVID-19 pandemic significantly affected the Postal Service's operations.⁵⁷ Beginning in FY 2021 Quarter 2, performance indicator results began to improve, and that pattern continued through the end of FY 2021. It remains to be seen, however, whether this represents real year-over-year improvement or simply a return to the typical pattern of seasonal variation.

In the *FY 2020 Analysis*, the Commission recommended that the Postal Service discuss how combining different Market Dominant products with potentially different service performance results affected the FY 2021 result of the Market Dominant Composite performance indicator, including by indicating which products' performance were primarily reflected in the results. *FY 2020 Analysis* at 52-53. The Commission also recommended that the Postal Service consider creating composites based strictly on product shape or class, "as these may retain the benefits of simplification and focus sought by the Postal Service while ensuring that incongruous products are not being compared." *Id.*

In response to an information request, the Postal Service explained that a product that represents more volume has a greater impact on the Market Dominant Composite score than a product with lower volume. Response to CHIR No. 8, question 10.a. The Postal Service stated that the highest-volume category represented in the Market Dominant Composite is USPS Marketing Mail. *Id.* The Postal Service stated that it "has considered creating composites based strictly on product shape but has concluded that because the category of shape includes items with varying service standards, a composite score for that grouping would be less meaningful." *Id.* question 10.c. Therefore, the Postal Service "has decided to use more aggregated composites, including the Marketing Mail and Periodicals Composite and the Market Dominant Composite[.]" *Id.* These "are desirable in lieu of purely class[] based composites, as previous experience has shown them to enable the Postal Service to concentrate its focus, streamline reporting, and avoid overemphasizing some indicators at the expense of others." *Id.*

The Commission continues to have concerns about the use of highly-aggregated composites as performance indicators that incorporate disparate mail classes, shapes, and products. Whatever merits such composites might have in terms of "concentrating focus" and "streamlining reporting," it is equally true, as the Commission has observed previously, that such composites inherently obfuscate results for lower-volume components within the composite while simultaneously over-emphasizing the performance of components with greater volumes. *See, e.g., FY 2020 Analysis* at 52. Such composites are also subject to being affected by changes in weights arising from changes in the mail mix. As a result, such composites do not provide significant insight into the full extent to which High-Quality Service is being achieved, which is the relevant inquiry with

⁵⁷ *See* FY 2021 ACD at 160; FY 2020 ACD at 165; *FY 2020 Analysis* at 36-37. It should be noted, however, that the Postal Service acknowledged that COVID-19-related operational disruptions were not the *sole* cause of service declines over this period, which were also attributable, at least in part, to Postal Service operational initiatives. *See generally* FY 2020 ACD at 99-150.

respect to the High-Quality Service performance goal. The Postal Service argues that “the category of shape includes items with varying service standards...[,]” which would render “a composite score for that grouping...less meaningful[,]”⁵⁸ but that is equally true, if not more so, with respect to the USPS Marketing Mail and Periodicals and Market Dominant Composites. Thus, the Postal Service’s own argument weighs in favor of more granular composites, not more aggregated ones.

The Commission continues to recommend that the Postal Service consider developing more granular composites based on significant class, shape, and product-level differences between mailpieces in terms of service standards and how they are processed and delivered. If the Postal Service intends to continue using highly-aggregated composites as performance indicators, then the Commission recommends that the Postal Service also develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly-aggregated composites. Finally, the Commission also continues to recommend that the Postal Service include with each Annual Report supporting workpapers containing the inputs for, and the calculation of, the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the ACR filing.

The implementation of the service standard changes for First-Class Mail and Periodicals at the beginning of FY 2022 and for First-Class Package Services during FY 2022 Quarter 3⁵⁹ may affect the meaningfulness of comparing High-Quality Service performance indicator results for FY 2022 to prior fiscal years. The Commission notes that reports prepared pursuant to 39 U.S.C. § 2804 must “include actual results for the three preceding fiscal years[,]” and the Commission has previously found that such actual results must be comparable across all three preceding fiscal years. 39 U.S.C. § 2804(c); *FY 2015 Analysis* at 17-18. A lack of comparability with respect to performance indicator results makes them less valuable to both the Postal Service and the Commission in terms of diagnosing progress in addressing service performance issues.

In the FY 2022 Annual Report, the Postal Service should address whether service standard changes implemented in FY 2022 impacted the comparability of performance indicator results. If comparability has been affected, the Postal Service should propose a way for the Commission to compare FY 2022 High-Quality Service performance indicator results to results from prior fiscal years. If the Postal Service asserts that comparability is unaffected, the Postal Service should fully explain the rationale and supporting basis for this assertion.

⁵⁸ Response to CHIR No. 8, question 10.c.

⁵⁹ See United States Postal Service, *U.S. Postal Service Implements New First-Class Package Service Standards and Updates Priority Mail Service Standards*, April 18, 2022, available at <https://about.usps.com/newsroom/national-releases/2022/0418-usps-implements-new-first-class-package-service-standards.htm> (announcing implementation date of May 1, 2022). Additionally, the Postal Service announced that it may implement its planned changes to service standards for two additional Competitive products, Retail Ground (RG) and Parcel Select Ground (PSG), on or after June 19, 2022. See Docket No. N2022-1, United States Postal Service’s Request for an Advisory Opinion on Changes in the Nature of Postal Services, March 21, 2022, at 5.

b. Explanations for Missing Targets in FY 2021

As a general matter, the Commission notes that although the Postal Service discusses four reasons for the failure to meet High-Quality Service targets, the Postal Service has reported that it is unable to quantify the individual effect of any of these causes on service performance results. *See, e.g.*, FY 2021 ACD at 111, 113, 117; Response to CHIR No. 1, question 19.b.iii. Furthermore, the Postal Service has reported that it cannot say with any specificity what the impact of any given initiative to correct these issues has been. *See, e.g.*, FY 2021 ACD at 148, 163, 172, 183. Moreover, comparisons across fiscal years' data in an effort to isolate the effects of individual causes of service performance declines is made difficult by the fact that the causes identified by the Postal Service, as well as the Postal Service's various improvement initiatives, have all been occurring at the same time, and as a result there has been a lack of *ceteris paribus*—"all other things being equal"—conditions.

(1) Poor Peak Season Performance

The Postal Service states that the FY 2021 peak season "was significantly more challenging than anticipated." *FY 2021 Annual Report* at 35. The Postal Service explains that while it plans each fiscal year for the level of increased mail and package volume expected during peak season, the Postal Service received a record level of package volume between November 2020 and January 2021. *Id.* This increase in demand for package delivery was a result of the public, in response to the COVID-19 pandemic, substantially increasing its reliance on e-commerce and mail ordering.⁶⁰ A backlog arose because of package volumes being inducted into the Postal Service's network faster than they could be processed, and this resulted in gridlock due to a lack of space to stage the backlogged volumes. *See* Response to CHIR No. 1, question 17.a. This lack of space also led to other disruptions, such as crowded staging areas and longer wait times for drop shipments. *Id.* The Postal Service reports that "[m]any facilities were unable to maintain First-In-First-Out (FIFO) order, leading to increased cycle time and, by extension, diminished service performance." *Id.*

The Postal Service states that "[t]he unprecedented surge in package volume affected the entire delivery industry...[.]" with the Postal Service's limited resources being further strained due to "many other delivery companies instituting volume capacity controls for their customers, resulting in a substantial diversion of their package volume to the Postal Service and creating gridlock and backlogs throughout the network." *FY 2021 Annual Report* at 35. The Postal Service stated that it does not have sufficient information to quantify the number of packages offloaded by private delivery companies. Response to CHIR No. 1, question 27.

⁶⁰ *See* Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-21 of Commission Information Request No. 1, January 15, 2021, question 3.a. (Docket No. ACR2020 Response to CIR No. 1); Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-26 of Chairman's Information Request No. 3, January 22, 2021, question 22.a. (Docket No. ACR2020 Response to CHIR No. 3).

To mitigate the effects of processing backlogs and accommodate larger package volumes, the Postal Service reports that it hired additional employees to improve timely processing and dispatch; acquired long-term and peak season annexes to create additional space and allow for more efficient management of mail volumes; and added more package/bundle processing machines, which allowed the Postal Service to process more packages at a time and at a faster rate.⁶¹ According to the Postal Service, these changes occurred in the second half of FY 2021, leading to improved service performance in fiscal Quarters 3 and 4. Response to CHIR No. 1, question 18.a.-b.

Additionally, for FY 2021, the traditional Quarter 1 peak season volume continued into Quarter 2.⁶² In response to an information request concerning the Postal Service's use of seasonal employment, the Postal Service explained that seasonal employment is governed by various collective bargaining agreements with labor unions, and the period of seasonal employment typically does not extend into Quarter 2. Response to CHIR No. 8, question 13.b.i. Depending on the function involved, seasonal employment typically begins anywhere from early October to early December and lasts through December 31. *Id.* question 13.b.ii. The Postal Service asserts that any effort to extend seasonal employment into Quarter 2 to address residual mail delays from peak season would require a specific agreement or memorandum of understanding between the Postal Service and relevant labor unions. *Id.* question 13.b.iii.

The Commission considers that during the FY 2021 peak season, which spanned November 2020 through January 2021, the Postal Service experienced a number of challenges above and beyond the typical holiday peak season due to the extreme strain that the COVID-19 pandemic placed on the entire shipping industry. The Commission expects that the Postal Service's addition of space and processing machines, which occurred in FY 2021 Quarters 3 and 4, will put the Postal Service in a better position to respond to peak volumes. In addition to continuing efforts to align labor more efficiently with expected volume in Quarter 1, the Commission recommends that the Postal Service's peak planning operations consider whether additional flexibility is needed to align labor with expected volume beyond Quarter 1 in order to meet the applicable service standards.

⁶¹ Response to CHIR No. 1, question 18.a.; Responses of the United States Postal Service to Questions 1-36 of Chairman's Information Request No. 2, January 25, 2022, question 26.a. (Response to CHIR No. 2).

⁶² See, e.g., *FY 2021 Annual Report* at 38-39 (noting the record package volume received by the Postal Service from November 2020 through January 2021, which spans FY 2021 Quarters 1 and 2); Lydia O'Neal, *Logistics Hiring Surge Outlasts Holiday Busy Season*, Wall Street Journal, (February 4, 2021), available at <https://www.wsj.com/articles/logistics-hiring-surge-outlasts-holiday-busy-season-11643997477>. Similarly, there have been publicly reported concerns of residual mail delays from peak season continuing into FY 2022 Quarter 2 after the Postal Service has ceased using most seasonal employees. See, e.g., Justin Wm. Moyer, *Frustration builds in D.C. region over mail delays*, The Washington Post (January 11, 2022), available at <https://www.washingtonpost.com/dc-md-va/2022/01/11/dc-mail-delays-snow-covid/>; Rachel Schneider, *USPS says mail delivery issues due to "unforeseen circumstances"*, WDBJ7 (January 21, 2022), available at <https://www.wdbj7.com/2022/01/21/neighbors-hardy-dealing-with-mail-delivery-dilemma/>; Katharine Huntley, *Inconsistent mail deliveries have some USPS customers frustrated*, WCAX3 (January 19, 2022), available at <https://www.wcax.com/2022/01/19/inconsistent-mail-deliveries-have-some-usps-customers-frustrated/>; *Postal service: COVID-19 pandemic causing delays in delivery of some mail, packages*, KTBS3 (January 18, 2022), available at https://www.ktbs.com/postal-service-covid-19-pandemic-causing-delays-in-delivery-of-some-mail-packages/video_af6d6ad0-119a-5b5c-876d-233a3bda19f5.html.

(2) Employee Absenteeism

The Postal Service states that high levels of employee absenteeism due to the COVID-19 pandemic negatively affected its ability to staff its operations appropriately during FY 2021. *FY 2021 Annual Report* at 35. Specifically, the Postal Service explains that significant COVID-19-related employee absenteeism occurred in “hot spots”—specific geographic areas or facilities—which led to problems processing, transporting, and delivering mail volumes not only in those areas or facilities, but also in downstream operations.⁶³ This is because if one geographic area or facility has insufficient employee availability to clear the mail, mail destined for downstream areas and/or facilities will be delayed. Response to CHIR No. 11, question 16.a.

The Postal Service has previously explained that monthly employee availability of less than 70 percent can be “empirically [] most effective [in] distinguishing particularly-challenged Districts.”⁶⁴ The Postal Service reported that of the current 50 Districts, 13 Processing Divisions, 13 Logistics Divisions, and Headquarters units in the Postal Service’s organizational structure, 22 had at least one month during FY 2021 in which employee availability fell below 70 percent. Response to CHIR No. 8, question 4. In its FY 2021 ACD, the Commission found that challenges with respect to employee availability were greater for mail processing than for delivery services or customer service. FY 2021 ACD at 110. The Postal Service reports that the average length of COVID-19 pandemic related leave in FY 2021 was slightly more than 2 weeks (87.6 hours). Response to CHIR No. 8, question 2.

In order to mitigate the effects of employee absenteeism, the Postal Service reports that it worked with relevant labor unions to increase the number of career employees through a scheduled conversion process and hired additional employees to backfill the non-career positions.⁶⁵ The Postal Service states that by the end of FY 2021, its total career workforce had increased by over 25,000 employees compared to FY 2020. Response to CHIR No. 1, question 13.c. The Postal Service asserts that this larger workforce resulted in increased service performance, which the Postal Service believes will be sustained in FY 2022. *Id.* question 13.c-f. The Postal Service states that it plans to continue to monitor employee availability and staffing levels through employee availability metrics and employee-on-rolls data and will adjust staffing as needed to ensure adequate employee availability in FY 2022. *Id.* question 13.e., g.

The Commission has found that employee availability, on average, increased from FY 2019 to FY 2020, and decreased from FY 2020 to FY 2021. FY 2021 ACD at 109. Service performance results, meanwhile, generally declined in both FY 2020 and FY 2021. *Id.*

⁶³ See Response to CHIR No. 1, question 13.a.; Responses of the United States Postal Service to Questions 1-21 of Chairman’s Information Request No. 11, February 11, 2022, question 16.a. (Response to CHIR No. 11).

⁶⁴ Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-16 of Chairman’s Information Request No. 11, February 11, 2021, question 13.b.

⁶⁵ Response to CHIR No. 1, question 13.c.; Library Reference USPS-FY21-29, December 29, 2021, file “Preface USPS-FY21-29,” at 4.

at 141, 171, 182. At first glance, this might suggest a weak correlation between employee availability and service performance declines, but as the Commission has noted elsewhere, for a network industry such as the Postal Service, the question can be one not of employee availability on average, but at specific points and specific times. *See id.* at 111. Low employee availability in specific geographic areas or for specific job functions can have substantial downstream effects on other geographic areas and/or job functions due to the interconnectedness of the Postal Service's processing network. *Id.*

The Commission finds that the measures the Postal Service has undertaken to improve employee availability appear reasonable. Given that further COVID-19 surges remain unpredictable, the Commission recommends that the Postal Service leverage data from the past 2 years to identify any patterns that might enable the Postal Service to better anticipate when and where future employee availability problems are likely to have the largest impact on service performance.

(3) Reduced Supplier Capacity

The Postal Service states that in FY 2021, the COVID-19 pandemic continued to negatively impact air and surface transportation contractors on whom the Postal Service relies for transportation of mail between processing phases. *FY 2021 Annual Report* at 35. Reductions in commercial air lift resulted from airlines reducing the number of flights, changing schedules, and using smaller airplanes with less capacity for mail and package cargo space. *Id.*; Response to CHIR No. 1, question 15.a. The Postal Service reports that it attempted to mitigate these impacts by shifting mail from the air to the surface transportation network. *Id.* question 16.a. The Postal Service explains that it used "as need" and "rapid response" surface transportation contracts to move additional mail volume or volume that needed to be offloaded, but these efforts were minimally effective due to high demand for transportation services throughout the industry, as well as the fact that mail transportation schedules are planned in advance to meet existing service standards, and as a result the ability to dynamically transfer mail from air to surface transportation to achieve service standards is limited.⁶⁶

The Postal Service tracks surface trips that arrive more than 4 hours late, referred to as Critically Late Trips (CLTs).⁶⁷ In the FY 2021 ACD, the Commission found that the number of nationwide First-Class Mail CLTs associated with Highway Contract Routes (HCRs) increased from 8,995 in FY 2020 to 30,070 in FY 2021—a more than three-fold increase. *FY 2021 ACD* at 114. Of the CLTs in FY 2021, 52.9 percent were attributable to contractors, a distribution comparable to that observed in FY 2020. *Id.* at 116. In order to attempt to mitigate CLTs attributable to contractors, the Postal Service reports that it now tracks and evaluates CLTs based on whether they were attributable to the contractor, the Postal Service, or to outside factors. *See* Response to CHIR No. 1, question 28. The Postal Service,

⁶⁶ *FY 2021 Annual Report* at 35; Response to CHIR No. 1, question 16.a.; *FY 2021 ACR* at 50.

⁶⁷ Docket No. ACR2015, Responses of the United States Postal Service to Questions 1-20 of Chairman's Information Request No. 22, November 15, 2016, question 12.b.i. (Docket No. ACR2015, Response to CHIR No. 22).

also in FY 2021, conducted training sessions with relevant management on the topic of developing and implementing supplier performance improvement plans and removing contracted suppliers from surface routes whose performance is unsatisfactory, and the Postal Service created a dashboard to track omitted and late service by contractors.⁶⁸

The OIG has documented the significant challenges the Postal Service faces in recruiting and retaining truck drivers as a result of the current nationwide truck driver shortage.⁶⁹ There are both service and cost implications to this: on the one hand, the lack of available drivers results in mail not being transported in time to be delivered within the applicable service standards; on the other hand, it drives up the costs of recruitment and contract procurement, as well as overtime pay for existing drivers. OIG Report No. RISC-WP-22-002 at 1-2.

The Postal Service has been attempting to improve recruitment with respect to the truck drivers that it directly employs. *Id.* Current efforts include marketing available positions and training existing drivers of smaller trucks to operate tractor-trailers. *Id.* Industry sources relayed to the OIG that beyond offering higher wages, dedicated routes and the ability to go home at night are, for many drivers, attractive aspects to working for the Postal Service compared to other industry positions. *Id.* at 1. These sources also relayed that companies have been targeting recruitment efforts to attract younger drivers, as well as women drivers, who have not traditionally been a significant percentage of the truck driver labor force.⁷⁰ Furthermore, industry sources described how focusing on the driver experience is a powerful way to improve driver recruitment and retention. OIG Report No. RISC-WP-22-002 at 1.

The Postal Service has also been working to expand its base of contracted suppliers, which decreased by approximately a third from FY 2018 through FY 2021. *Id.* at 2. The OIG has identified best practices to attract new carriers, which include regularly communicating with carriers, including providing transparency around performance metrics, and utilizing awards and incentive programs for high performers. *Id.*

Finally, the Postal Service has been working to improve truck utilization as fuller trucks can result in fewer trips and enable the Postal Service to get the most productivity out of the drivers available. *Id.* Industry experts described to the OIG technologies that can better coordinate loads and unloads and optimize driver time, such as apps and geofencing to better align facility operations with truck arrival times. *Id.*

⁶⁸ Library Reference USPS-FY21-29, file "Preface USPS-FY21-29," at 4; Response to CHIR No. 1, question 16.e; Response to CHIR No. 1, question 29; Response to CHIR No. 11, question 15.

⁶⁹ See United States Postal Service, Office of Inspector General, Report No. RISC-WP-22-002, *The Truck Driver Shortage: Implications for the Postal Service*, March 7, 2022, available at <https://www.uspsig.gov/sites/default/files/document-library-files/2022/RISC-WP-22-002.pdf> (OIG Report No. RISC-WP-22-002).

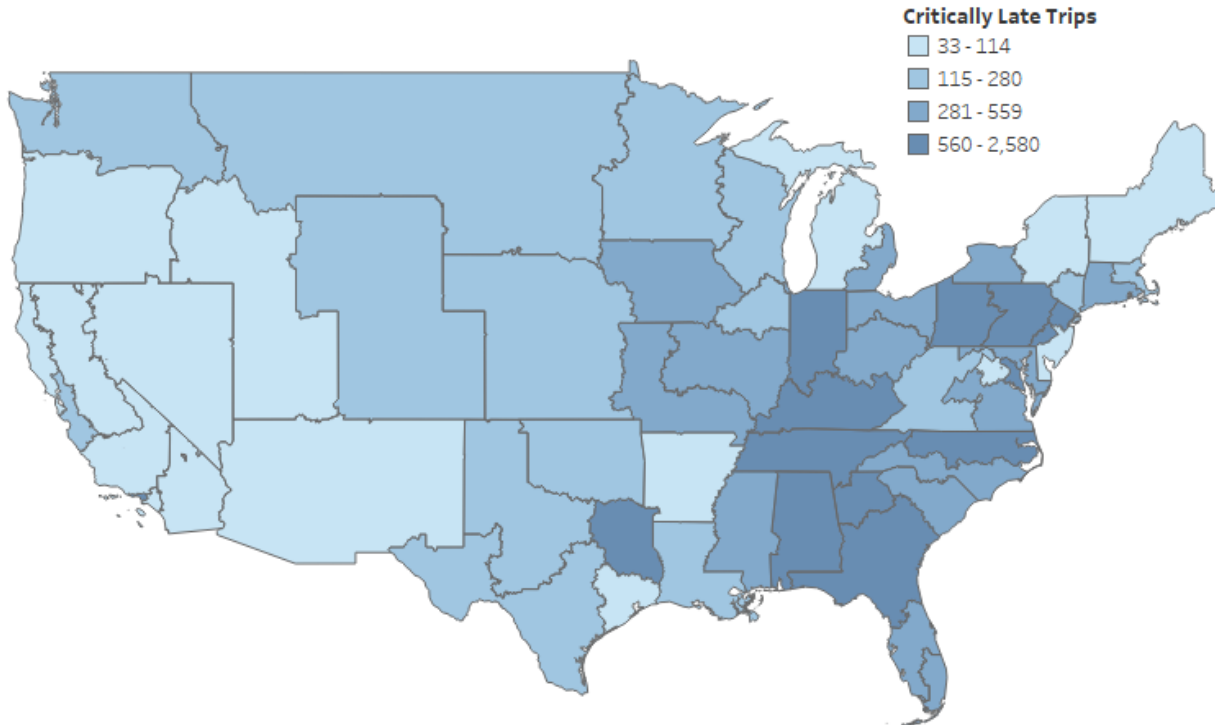
⁷⁰ *Id.* at 1. A high-profile retailer has reportedly utilized similar tactics to augment its internal trucking resources. See Sarah Nassauer, *Walmart Dangles \$110,000 Starting Pay to Lure Truck Drivers*, Wall Street Journal, April 7, 2022, available at <https://www.wsj.com/articles/walmart-raises-pay-to-attract-truck-drivers-11649336400>.

The Commission recommends that the Postal Service consider implementing some of the best practices identified by the OIG to better recruit and retain truck drivers and increase the efficiency of truck usage.

The Commission recognizes that the Postal Service has limited options in dealing with transportation failures caused by suppliers. It is valuable that the Postal Service is focusing on closely monitoring supplier performance and pursuing remedies against suppliers that fail to perform adequately. The Commission notes, however, that 34.8 percent of CLTs in FY 2021 were attributable not to contractors, but to processing failures by the Postal Service. FY 2021 ACD at 116, Table V-1. The Postal Service has stated that it has attempted to remediate these CLTs by hiring more employees, acquiring more space, installing more package-sorting machines, and creating more STCs. *Id.* at 116. Because CLTs attributable to the Postal Service's own processing failures are within the Postal Service's direct control, the likelihood of reducing this type of CLT is arguably greater than the likelihood of reducing CLTs caused by contractors.

The Commission notes that, as depicted in Figure III-1, the number of CLTs associated with First-Class Mail varied widely by District in FY 2021.

Figure III-1
First-Class Mail Percentage of Critically Late Trips, By District, FY 2021



Source: Library Reference USPS-FY21-29, Excel file "FY21 FCM Q3 CLT.xlsx."

The colors on the map represent different quartiles of data with each color grouping (*i.e.*, each quartile) containing approximately 25 percent of the 67 districts when broken down by the number of CLTs. As reflected in Figure III-1, the district with the lowest number of CLTs in FY 2021 was Sierra-Coastal (in Southern California), with 33 CLTs, while the district with the highest number of CLTs was Northern New Jersey, with 2,580 CLTs. The fact that CLTs are disproportionately concentrated in certain districts represents an opportunity for the Postal Service to achieve substantial reductions in overall CLTs by focusing its efforts on those districts with the highest number of CLTs.

The Commission recommends that the Postal Service focus its efforts on reducing CLTs in the Districts with the highest concentrations of them.

(4) Weather and Natural Disasters

The Postal Service states that it experienced significant challenges in FY 2021 due to natural disasters and weather events. *FY 2021 Annual Report* at 35. The Postal Service states that "[i]n some cases, these events impacted postal suppliers and led to reduced on-time service performance." *Id.* The Postal Service provided the top 10 natural disaster and/or weather events from FY 2021 that had the most significant negative impact on High-Quality Service results, which are presented in Figure III-2.

Figure III-2
Postal Service Identification of the Top 10 Most Impactful Natural Disasters and Weather Events of FY 2021



Source: Response to CHIR No. 25, question 1.

The Commission recognizes that while the occurrence of adverse weather events and/or natural disasters can generally be foreseen, the timing, location, and/or severity of such events cannot very effectively be predicted. The effects of such events can be minimized, but not entirely prevented. In the *FY 2020 Plan*, the Postal Service stated its intention to launch a new “Disruptive Events” initiative to enable the Postal Service to more accurately quantify impacts from, and diagnose service failures caused by, unforeseen events outside of management control, such as weather-related emergencies and natural disasters. *FY 2019 Annual Report* at 23. In Docket No. ACR2020, the Postal Service asserted that “[t]he Disruptive Events initiative was suspended due to resource constraints and competing priorities.”⁷¹ The Postal Service reported that the Disruptive Events initiative remained suspended as of the end of FY 2021, again due to resource constraints and competing priorities. Response to CHIR No. 8, questions 7.a., 7.d. As stated in the *FY 2020 Analysis*, the Commission recognizes that the existence of the COVID-19 pandemic forced the Postal Service to make difficult decisions regarding the allocation of its resources and attention. See *FY 2020 Analysis* at 49. Nevertheless, the Disruptive Events initiative—with

⁷¹ Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-11 of Chairman’s Information Request No. 15, February 18, 2021, question 11.a.

its purpose of accurately quantifying the effects of network disruptions and diagnosing corresponding service failures—would have presumably proven useful in responding to the COVID-19 pandemic and developing appropriate targets that account for foreseeable annual disruptions outside of the Postal Service’s control. *Id.*

The Commission again recommends that the Postal Service restart the Disruptive Events initiative and report on its progress in the FY 2022 Report. If it does not restart the initiative, then the Postal Service should explain why it has not done so in the FY 2022 Report.

- c. Plans for Improving High-Quality Service in FY 2022
 - (1) Continued Implementation of 10-Year Strategic Plan

The Postal Service reports that in FY 2022 it will continue implementing elements of its 10-Year Strategic Plan. *FY 2021 Annual Report* at 36. These efforts generally involve reviews to optimize processing operations, planning for the peak season, and financial outlays for additional employees, equipment, and facilities.

First, the Postal Service states that Postal leadership will conduct a review of processing locations and establish site-specific operating plans. *Id.* This represents a continuation of work that was begun in FY 2021 by the Headquarters In-Plant Support Letter and Flat, Planning and Implementation Group, which worked with sites in FY 2021 to develop and test site-specific operating plans for letters and flats. Response to CHIR No. 8, question 9.a. The Postal Service explains that “[w]ith site-specific operating plans, facilities can optimize processing windows and right-size staffing based on processing capability, critical entry times, and transportation schedules[,]” which is “expected to have a positive impact on High-Quality Service by setting achievable goals that align with the clearance and dispatch times needed to meet service expectations.” *Id.* at question 18.

Second, the Postal Service reported that it would proactively plan for the FY 2022 peak season, “based on the challenges faced [during FY 2021 peak season] and in accordance with the [the 10-Year Strategic Plan].” *FY 2021 Annual Report* at 36. The Postal Service reported that its plans included “hiring over 40,000 seasonal delivery and plant personnel, expanding its facility footprint by leasing 7.5 million additional square feet in more than 40 multi-year annexes, and installing new processing equipment to accommodate the delivery needs of customers.” *Id.*

The Postal Service stated that in order to further support peak operations it was continuing to work with relevant labor unions to increase the number of career employees through a scheduled conversion process. *Id.* The Postal Service explained that there are multiple benefits associated with stabilization of the career workforce which should translate into improvements in High-Quality Service, including: (1) enabling the Postal Service to have highly-trained, skilled workers in frontline operations, which should result in improved efficiencies in those operations; (2) reducing the turnover rate, as career employees have a lower turnover rate compared to non-career employees; and (3)

providing the necessary complement to properly staff and schedule operations to perform at expected productivity rates and adherence to operating plans. Response to CHIR No. 8, question 14. The Postal Service stated that it would also continue to hire seasonal employees and provide training to prepare them for their peak season duties. *Id.*

In response to an information request, the Postal Service reported that it successfully executed the foregoing plans during the FY 2022 peak season and that “[c]ollectively, these changes positively impacted service performance by providing necessary resources, space, and capacity to handle FY 2022 peak season volume.” *Id.* at question 13.a.

Third, the Postal Service reports that it will continue to invest in its network as part of the \$40 billion in planned capital investments outlined in the 10-Year Strategic Plan. *FY 2021 Annual Report* at 36. The Postal Service states that it will continue installations of new package sorting machines. *Id.*; Response to CHIR No. 2, question 27.a. The Postal Service states that these investments will increase processing capacity by more than 4.5 million additional packages daily. *FY 2021 Annual Report* at 36. The Postal Service asserts that the installation of additional package sorting machines will have a positive effect on High-Quality Service by allowing the Postal Service to further address capacity shortfalls in certain facilities, allowing those facilities to process package volumes in a service-responsive operating window with reduced delays. Response to CHIR No. 8, question 15.

Fourth, the Postal Service reports that during the first Quarter of FY 2022 it completed its processing network redesign, which expanded the STC network to add several hundred thousand additional square feet. *FY 2021 Annual Report* at 36; Response to CHIR No. 8, question 16. The Postal Service states that the multi-year processing network redesign forms a “core component” of the 10-Year Strategic Plan and is “essential to sustain high-quality service performance.” *FY 2021 Annual Report* at 36. The Postal Service further states that the processing network redesign “will permit continued operations as facilities are modernized and optimized to meet customer needs for the future.” *Id.* The Postal Service reports that STC facility space was increased 265 percent—from 594,700 to 2,170,950 square feet—while dock doors for transportation increased 54 percent—from 204 to 315. Response to CHIR No. 8, question 16. The Postal Service expects this, in conjunction with the expansion of Package Support Annexes, to allow for better management of FIFO order. *Id.* question 11. The Postal Service asserts that this should be expected to improve service results. *Id.*

Fifth, the Postal Service reports that at the beginning of FY 2022, as part of the Postal Service’s 10-Year Strategic Plan, it implemented the new service standards for First-Class Mail and Periodicals. *FY 2021 Annual Report* at 36. The Postal Service asserts that these changes “are a necessary step towards achieving 95 percent on-time service performance[,]” and will “increase delivery reliability, consistency, and efficiency for customers[,]” thereby positively impacting service performance results. *FY 2021 Annual Report* at 36; Response to CHIR No. 8, question 17.a.-b. At the same time, however, the Postal Service maintains that most First-Class Mail and Periodicals will be unaffected by

the service standard changes, which apply primarily to long-distance mail. *FY 2021 Annual Report* at 36. The Postal Service asserts that with the implementation of these service standard changes, it can “design its ground transportation network to deliver more First-Class Mail, benefitting customers.” *Id.*

In the *FY 2020 Analysis*, the Commission recommended that the Postal Service develop metrics to measure and evaluate whether and how the organizational restructuring undertaken pursuant to the Postal Service’s 10-Year Strategic Plan improved service performance, accountability, and communications. *FY 2020 Analysis* at 50. The Postal Service explained that it did not develop new metrics but did leverage its existing National Performance Assessment (NPA) process “to measure organizational service performance through a variety of factors measuring processing, transportation, delivery and customer service performance.” Response to CHIR No. 8, question 8. The Postal Service provided the NPA indicators for FY 2022. *Id.* The Postal Service asserts that “[c]oming out of the administrative restructuring, the anticipated results were that service performance would improve as there was increased emphasis on line-of-sight accountability and streamlined decision making.” *Id.*

The Commission has analyzed the changes to service standards and service performance improvement initiatives associated with the Postal Service’s 10-Year Strategic Plan in prior dockets.⁷² In general, assessing the efficacy of the Postal Service’s planned improvement initiatives has been complicated due to the Postal Service’s reported inability to quantify the expected impact of any of these efforts on service performance results. *See* FY 2021 ACD at 145-148, 171-172, 178, 182-183, 188. Changing service standards further exacerbates this problem because it makes it even more difficult to discern whether, in fact, quality improvements have occurred.

The Commission recommends that the Postal Service develop methods to quantitatively measure the effectiveness of its service improvement initiatives so as not to spend resources needlessly or ineffectively.

While it may be premature to assess the results of any of the Postal Service’s individual improvement initiatives, the Postal Service’s recently issued First-Year Progress Report would seem to indicate substantial service performance improvement during the FY 2022 peak season.⁷³ Specifically, the Postal Service reports a 10.4 percent improvement for all First-Class Mail compared to the FY 2021 peak season, a 7.7 percent improvement for all USPS Marketing Mail, and an 11.1 percent improvement for all Periodicals. Postal Service Delivering for America at 5. The Postal Service also reports “strong double-digit

⁷² *See* Docket No. N2021-1 Advisory Opinion; Docket No. N2021-2, Advisory Opinion on the Service Standard Changes Associated with First-Class Package Service, September 29, 2021; FY 2021 ACD at 145-148, 171-172, 178, 182-183, 188.

⁷³ *See* United States Postal Service, *Delivering for America: First Year Progress Report*, April 7, 2022, at 5, available at <https://about.usps.com/what/strategic-plans/delivering-for-america/assets/usps-dfa-one-year-report.pdf> (discussing improvements observed from October through December 2021, which correspond with FY 2022 Quarter 1) (Postal Service Delivering for America).

performance improvement with First-Class Package Service and Priority Mail delivery.” *Id.* The Postal Service states that:

These service improvements have been, in part, the result of strategic diversification of volume travelling across the air network among additional air carriers and more reliable surface transportation providers, which is further enabled by the new service standards for First-Class Mail [] and Periodicals that went into effect October 1, 2021.

Id. As noted in the Docket No. N2021-1 Advisory Opinion, expanding the service standard window should make it easier for the Postal Service to meet service performance targets for a portion of First-Class Mail and Periodicals Mail. *See* Docket No. N2021-1 Advisory Opinion. The Commission will continue to monitor this issue closely to see if this improvement is sustained.

(2) CY 2022 Election Mail Performance

The Postal Service states that in August 2021 the Board of Governors reconstituted the Election Mail Committee to oversee, review, and monitor the Postal Service’s preparations for the CY 2022 primary and general elections and make recommendations to the Board on election-related issues. *FY 2021 Annual Report* at 23, 36. The Postal Service asserts that “[t]he existence of the Committee...is a manifestation of the high-level organizational commitment to delivering Election Mail in a timely fashion.” Response to CHIR No. 8, question 19.a. The Postal Service explains that while to date it has not identified any specific projections regarding Election Mail volumes for the CY 2022 election cycle, “the Postal Service’s network is fluid and can adjust to increases in Election Mail volume to ensure timely delivery.” *Id.* question 19.b. The Postal Service states that “[o]perationally, the Postal Service can scale, process, and deliver Election Mail volume increases as it would during peak season.” *Id.* question 19.c. The Postal Service states that it will “continue to take steps to prioritize monitoring and timely delivery of Election Mail consistent with [the Postal Service’s] longstanding practices and efforts from the 2020 election cycle.” *Id.*

With respect to any potential impact of the ongoing COVID-19 pandemic on Election Mail volumes, the Postal Service states that it will “continue to adapt and support states as they evaluate dynamic COVID-19 impacts and adjust how they will conduct their elections.” *Id.* question 19.b. The Postal Service states that it will follow its existing Continuity of Operations (COOP) Plan, which includes contingencies for COVID-19, including new variants, and other established COVID-19 protocols. *Id.* question 19.d. The Postal Service maintains that the newly-implemented service standard changes for First-Class Mail and Periodicals in FY 2022 should have little effect on Election Mail volumes, because the service standard changes only impact mail traveling long distances, and “[t]he vast majority of Election Mail, particularly completed ballots returned by voters, travel between where they originate and destinate in three hours or less....” *Id.* question 19.e. The Postal Service anticipates that approximately 3.84 percent of return ballots could

experience a slight downward change in service standards during the CY 2022 election cycle. *Id.*

As a recent report by the OIG detailed, the vote-by-mail process, which is decentralized and widely varied because it is administered state-by-state, poses a number of challenges in terms of the Postal Service's ability to ensure that ballots are delivered to election officials by election day.⁷⁴ These challenges include the fact that states, ballot printers, and local jurisdictions do not always follow best practices when designing and mailing ballots, such as using ballot-specific Intelligent Mail Barcode (IMbs) or designing ballot envelopes with optimal physical characteristics for efficient processing. OIG Report No. RISC-WP-21-004 at 1.

Another challenge is the significant variation in state laws with respect to when voters can request ballots and when completed ballots must be received, with many states' laws failing to allow sufficient time for ballots to travel to and from voters through the mail, particularly when election officials send outgoing ballots as USPS Marketing Mail, which features longer service standards than First-Class Mail. *Id.* This difficulty is further compounded by the fact that the ballots—and the envelope vendors who often send the outgoing ballots to voters—can be located far from the election jurisdictions where the ballots will be cast, causing the outgoing ballots to have to travel further through the Postal Service's network than if they were mailed locally. *Id.* at 2.

A third challenge is that some states require return ballots to bear a postmark as proof that they were mailed before the ballot return deadline, although many ballots are not the type of mail that would ordinarily be postmarked during postal processing. *Id.*

In order to address these challenges, the Postal Service commits extra resources and implements what it terms "extraordinary measures" during election cycles, which include creating networks of Election Mail Coordinators and Mailpiece Design Analysts to work with local election officials, prioritizing ballots in processing operations regardless of mail class, altering ordinary postmarking procedures so that all return ballots receive a postmark, conducting daily sweeps of facilities for ballots, dispatching additional transportation and special trips for ballots, bypassing the processing network by transporting local inbound ballots directly from the receiving Post Offices to local election offices, processing mail on the Sunday before election day, and transporting ballots via the express network. *Id.* at 1, 15-16. As stated in Section III.A.1., *supra*, these efforts were largely successful during the FY 2020 election cycle.

The OIG recommended that the Postal Service leverage its partnerships with state and local election officials to work towards creating a separate, simplified mail product

⁷⁴ See United States Postal Service, Office of Inspector General, Report No. RISC-WP-21-004, *Vote by Mail and the Postal Service: A Primer*, June 1, 2021, available at <https://www.uspsaig.gov/document/vote-mail-and-postal-service-primer#:~:text=In%20the%202020%20general%20election,the%20Postal%20Service%20and%20others> (OIG Report No. RISC-WP-21-004).

exclusively for Election Mail that would support uniform mail processing, including mandatory mailpiece tracking and proper mailpiece design. OIG Report No. RISC-WP-21-004 at 17. The OIG further recommended that the Postal Service continue to educate state and local election officials on mailing deadlines for requesting and receipt of ballots that account for the Postal Service's time to process, transport, and deliver mail. *Id.*

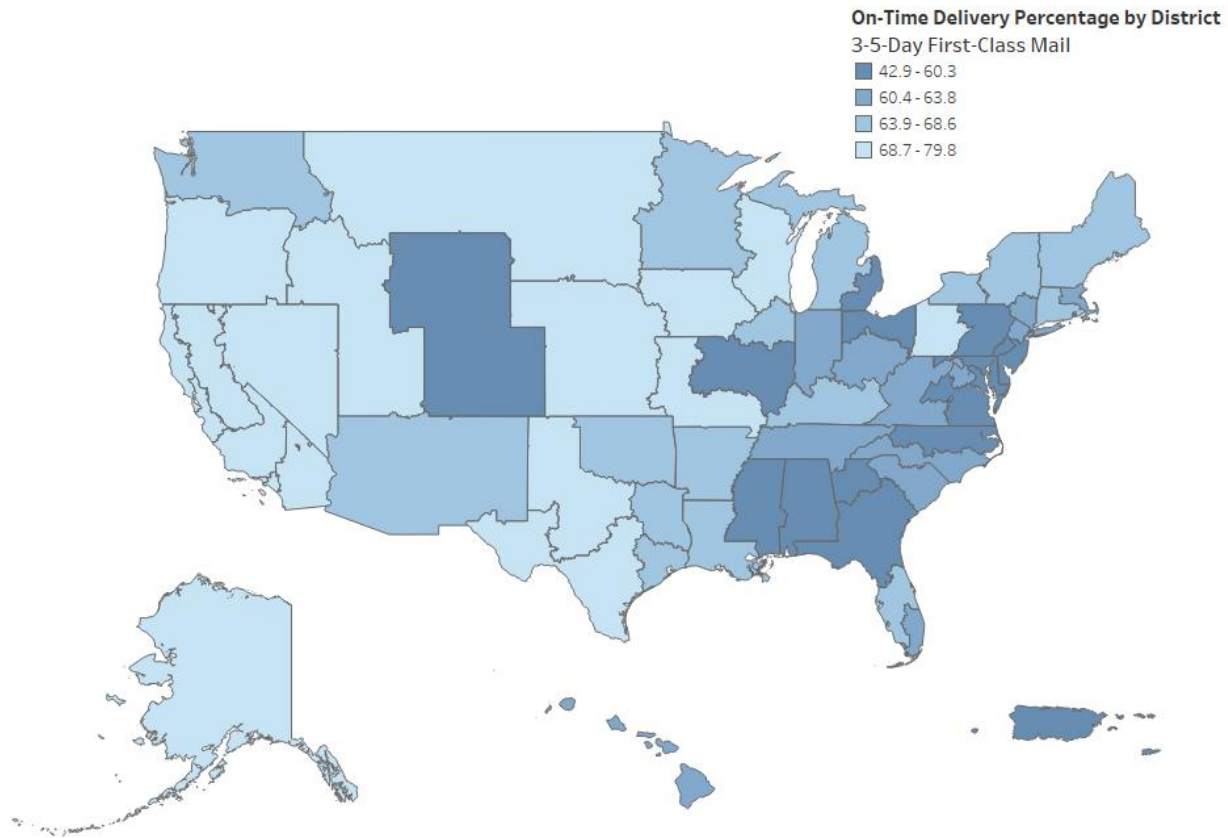
The Commission concurs with these OIG recommendations. Although the Postal Service lacks direct control over individual states' election procedures, implementing the foregoing strategies to the extent possible should make the vote-by-mail process run more smoothly and help ensure that ballots are delivered within the deadlines established by states.

(3) Service Performance by District and/or Area

Beginning in FY 2019, the Commission recommended that the Postal Service examine the fact that service performance across the Postal Service's Districts varies relative to geography. *See FY 2019 Analysis at 35-37; FY 2020 Analysis at 57-59.* The Postal Service reports that it focused service performance improvement efforts on low-performing organizational units in FY 2021 and will continue to do so. Response to CHIR No. 8, question 12. The Postal Service states that Processing Operations Division Support provides daily service performance scores at the Division and plant level and ranks the lowest performers. *Id.* Moreover, Division Support provides daily service Grid analysis for low-performing plants, which is utilized to identify root causes of processing failures and implement action plans. *Id.* The Postal Service states that several Divisions also convene regular service meetings to discuss reasons for service performance issues and strategies for improvement at low-performing plants. *Id.*

Variance in service performance by Districts is illustrated in Figure III-3, which presents FY 2021 on-time service performance results for Single-Piece First-Class Mail Letters and Postcards with a 3-5-Day service standard.

Figure III-3
On-Time Service Performance, By District, 3-5-Day Single-Piece Letters/Postcards, FY 2021



Source: United States Postal Service, FY 2021 Quarter 4 Service Performance Measurement Data, November 10, 2021, ZIP folder "QuartPerf_FY21_Q4.zip," ZIP folder "FY21 Q4 SPM Reports," ZIP folder "First-Class Mail.zip," Excel file "SPFC LC 214 Scores Report.xlsx."

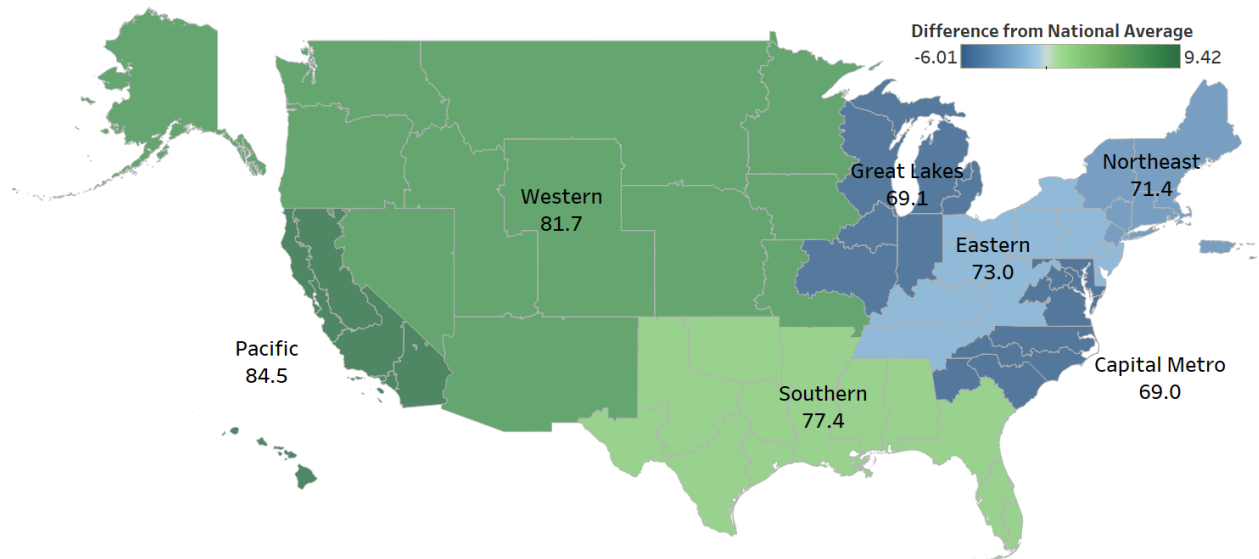
The data reflected in this map illustrate the percentage of mailpieces that were delivered within the expected service performance window, measured at the District level. The Single-Piece First-Class Mail 3-5-Day service performance target for FY 2021 was 68.64 percent. FY 2021 ACD at 141, Table V-4. The colors on the map represent different quartiles of data, with each color grouping containing 25 percent of the Districts. The darker colors indicate a lower percentage of mailpieces meeting the service standard. Interval break points are based on the distribution of the data points. Because volume data show origin/destination combined results in which each mailpiece is counted once according to its origin and once according to its destination, it is difficult to determine which processing phase was most responsible for the mail failing to meet its service performance target.⁷⁵ Nevertheless, Figure III-3 continues to clearly demonstrate that

⁷⁵ Volume data are a component of service performance reporting. See United States Postal Service, FY 2021 Quarter 4 Service Performance Measurement Data, November 10, 2021, ZIP folder "QuartPerf_FY21_Q4.zip," ZIP folder "FY21 Q4 SPM Reports," ZIP folder "First-Class Mail.zip," Excel file "SPFC LC 214 Scores Report.xlsx," tab "SPFC LC Narrative." Volume data are provided by the Commission on its website at <https://www.prc.gov/dockets/quarterly-performance>.

discrepancies in service performance results exist at the District level, with a gap of 36.9 percentage points separating the lowest and highest performing Districts.

A similar level of variation in service performance can also be seen with respect to specific products. For example, Figure III-4 depicts service performance for Outside County Periodicals by Area for FY 2021.

Figure III-4
On-Time Service Performance, By Area, Outside County Periodicals, FY 2021



Source: United States Postal Service, FY 2021 Quarter 4 Service Performance Measurement Data, ZIP folder "FY21 Q4 SPM Reports.zip," ZIP folder "Periodicals.zip," Excel file "Periodicals 214 Scores Report.xlsx," tab "PER YTD."

Figure III-4 demonstrates that significant product-discrepancies in service performance between Areas for this particular product.

The Commission continues to recommend that the Postal Service explore ways to better balance service performance scores across the nation. It is likely that significant gains in national scores could be made by focusing efforts on low-performing Areas and/or Districts. Thus, the Commission recommends the Postal Service study the reasons for service performance issues in the lowest performing Areas/Districts. For example, the Postal Service should require Area/Districts with low service performance scores to identify root cause(s) of low scores specific to that District and create action plans for improving service performance that specifically address the root cause(s) identified. The Postal Service should also require Areas/Districts with low service performance scores demonstrate the efficacy of action plans for improving service performance using quantitative metrics of operational improvement.

B. Excellent Customer Experience

1. Background

a. Customer Experience Surveys

The Postal Service measures customer experience (CX) by conducting surveys of residential, small/medium business, and large business customers.⁷⁶ In FY 2021, the Postal Service measured CX using the following eight surveys:

- Business Service Network (BSN)
- Point of Sale (POS)
- Delivery
- Customer Care Center (CCC)
- Customer 360 (C360)
- Business Mail Entry Unit (BMEU)⁷⁷
- USPS.com
- Large Business Panel

The Postal Service provides copies of these surveys in the FY 2021 ACR.⁷⁸ Each survey measures a customer touchpoint or interaction between the customer and the Postal Service. Each of the eight surveys is summarized below.

The BSN provides nationwide support to qualified business customers related to service issues, information, and requests. *FY 2021 Annual Report* at 38. The BSN survey measures business customers' satisfaction with the overall experience provided by the BSN. *Id.* Customers who initiate a service request within the BSN receive an email invitation to take the BSN survey online within 30 days. Library Reference USPS-FY21-38, Preface at 3. The BSN survey consists of 14 evaluation questions and 4 open-ended customer supplied responses. *Id.* These questions ask business customers about their satisfaction with their

⁷⁶ Residential customers live in United States households that receive mail delivery. Small/medium business customers have fewer than 250 employees at one location. Large business customers have 500 or more employees. Library Reference USPS-FY21-38, December 29, 2021, folder USPS-FY21-38, file "USPS-FY21-38 Preface.pdf," at 3, 5 (Library Reference USPS-FY21-38, Preface).

⁷⁷ The Postal Service refers to the BMEU survey as both "Bulk Mail Entry Unit" and "Business Mail Entry Unit." See *FY 2021 Annual Report* at 38; Library Reference USPS-FY21-38, Preface at 2. The survey name is "Business Mail Entry Unit." Library Reference USPS-FY21-38, folders "USPS-FY21-38," file "CX_Surveys_FY21.docx," at 9 (Surveys).

⁷⁸ See Surveys. 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.

overall experience with the BSN and interaction with the BSN representative. *See Surveys at 9.*

The POS survey measures customers' overall satisfaction with their experience at retail locations that use POS equipment.⁷⁹ After completing a retail transaction, customers receive a receipt inviting them to take the POS survey via website, telephone number, or Quick Response Code within 30 days. Library Reference USPS-FY21-38, Preface at 3. The POS survey is conducted through a web-based survey platform and consists of 12 evaluation questions and 2 open-ended customer supplied responses. *Id.* These questions ask retail customers to evaluate their visit to the retail location, their interaction with the sales associate, and their wait time in line.⁸⁰

The Delivery survey measures the level of satisfaction of residential and small/medium business customers with sending and receiving mail and packages.⁸¹ There are different Delivery surveys for residential and small/medium business customers. Randomly selected residential and small/medium business customers are mailed a letter inviting them to take the survey on a weekly basis either by phone or online. Library Reference USPS-FY21-38, Preface at 3. Residential customers are asked 19 evaluation questions and 2 open-ended customer supplied responses. *Id.* Small/medium business customers are asked 20 evaluation questions and 2 open-ended customer supplied responses. *Id.* These questions ask customers to evaluate their experience receiving mail and packages as well as sending domestic and international products. *See Surveys at 26-32.*

The CCC survey measures customer satisfaction with calls made to the CCC, which handles customer calls to the Postal Service's toll-free customer service line.⁸² Customers who call the CCC may use the Interactive Voice Response (IVR) system or speak to a live agent. Library Reference USPS-FY21-38, Preface at 4. There are two different CCC surveys that measure customers' overall satisfaction with either the IVR system (IVR system survey) or the live agent (Live Agent survey). *Id.* For the IVR system survey, customers who call the toll-free number and only interact with the IVR system are asked at the beginning of the call if they would like to complete a survey after the call. *Id.* For the Live Agent survey, customers who call the toll-free number and speak with a live agent receive phone invitations to take the survey. *Id.* The CCC surveys ask about customers' overall experience provided by the IVR system or the live agent. *See Surveys at 80-81.*

⁷⁹ *FY 2021 Annual Report at 38; Library Reference USPS-FY21-38, Preface at 3.*

⁸⁰ *See Surveys at 2-8. The Commission discussed wait time in line in the FY 2021 ACD. See FY 2021 ACD at 214-17.*

⁸¹ *FY 2021 Annual Report at 38; see Surveys at 22-37. The Delivery survey also measures residential and small/medium business customer satisfaction with Market Dominant products, which the Commission discussed in the FY 2021 ACD. See FY 2021 ACD at 219-27.*

⁸² *FY 2021 Annual Report at 38; Library Reference USPS-FY21-38, Preface at 4.*

The C360 survey measures satisfaction with issue resolution for customers who open a service ticket through a CCC live agent, via USPS.com, or at a local Post Office.⁸³ The C360 survey is sent to customers who provide an email address after their cases have been closed. Library Reference USPS-FY21-38, Preface at 4. Customers who only provide a phone number receive a call from the IVR system. *Id.* The C360 survey consists of 13 evaluation questions and 2 open-ended customer supplied responses. *Id.* These questions ask customers whether their case was resolved successfully and how satisfied they were with the quality of service received in response to their issue. *See* Surveys at 38-48.

The BMEU is the area of a postal facility where business mailers present bulk, presorted, and permit mail for acceptance.⁸⁴ The BMEU survey measures business customers' overall satisfaction with their experience at the BMEU.⁸⁵ After business customers produce and finalize a postage statement at the BMEU, they receive an email inviting them to take the web-based survey, which consists of nine evaluation questions and three open-ended customer supplied responses. Library Reference USPS-FY21-38, Preface at 2-3. These questions ask about business mailers' overall satisfaction with their experience at the BMEU, as well as their experience with acceptance employees at the BMEU. *See* Surveys at 71-79.

The USPS.com survey measures the level of satisfaction for customers who visit the Postal Service's website.⁸⁶ The survey is offered to a random sample of 2 percent of customers who access the website through a desktop computer or tablet and click through 3 or more web pages. Library Reference USPS-FY21-38, Preface at 4. The survey is also offered to a random sample of 5 percent of customers who access the website through a mobile device. *Id.* The survey consists of four evaluation questions and one open-ended customer supplied response. *Id.*; *see* Surveys at 82. These questions ask about customer satisfaction with the overall experience provided by the website and whether customers accomplished what they wanted to on the website. *See* Surveys at 82.

The Large Business Panel survey is a relational panel survey that measures customer satisfaction of large business customers, which are those with 500 or more employees.⁸⁷ A third-party vendor manages customers that sign up to participate in the panel. Library Reference USPS-FY21-38, Preface at 5. In FY 2021, the Large Business Panel survey was conducted monthly to account for seasonal variation in customer satisfaction with Market

⁸³ *FY 2021 Annual Report* at 38; Library Reference USPS-FY21-38, Preface at 4. The C360 survey was previously called the Enterprise Customer Care survey. *FY 2020 Annual Report* 37.

⁸⁴ "Business Mail Entry Unit," United States Postal Service, *Glossary of Postal Terms (Publication 32)*, July 2013, available at https://about.usps.com/publications/pub32/pub32_terms.htm.

⁸⁵ *FY 2021 Annual Report* at 38; Library Reference USPS-FY21-38, Preface at 2.

⁸⁶ *FY 2021 Annual Report* at 38; Library Reference USPS-FY21-38, Preface at 4.

⁸⁷ Library Reference USPS-FY21-38, December 29, 2021, Preface at 5; *see* Surveys at 49-70.

Dominant products.⁸⁸ The survey consists of 21 evaluation questions and 2 open-ended customer supplied responses. Library Reference USPS-FY21-38, Preface at 5. These questions ask large business customers about their overall satisfaction with their recent experience with the Postal Service, as well as their usage of and satisfaction with domestic and international mail products. *See* Surveys at 49-70.

b. Performance Indicators

In FY 2021, the Postal Service used eight performance indicators or metrics to track progress toward the Excellent Customer Experience performance goal. Seven of those performance indicators correspond directly to one of the CX surveys described above.⁸⁹ Results of these seven CX survey performance indicators are calculated as the percentage of customers who responded “Very Satisfied” or “Mostly Satisfied” on a six-point scale to a question about overall satisfaction on the particular survey.⁹⁰ The overall satisfaction question for each of the seven CX surveys is shown in Table III-6.

⁸⁸ Library Reference USPS-FY21-38, Preface at 5. The Commission discusses large business customer satisfaction with Market Dominant products in the FY 2021 ACD. *See* FY 2021 ACD at 229-35.

⁸⁹ *FY 2021 Annual Report* at 38. The Large Business Panel survey is the exception. The Postal Service introduced the Large Business Panel as a performance indicator in FY 2018 but discontinued this performance indicator in FY 2019. *See FY 2018 Analysis* at 45. In FY 2019, the Postal Service explained that it discontinued using the Large Business Panel performance indicator because business CX was already measured by the BSN and BMEU surveys. *FY 2018 Annual Report* at 21. The Postal Service has continued to administer the Large Business Panel survey since FY 2019.

⁹⁰ FY 2021 ACR at 57; Response to CHIR No. 15, question 2.a.

Table III-6
Customer Experience Surveys
FY 2021 Overall Satisfaction Questions

Customer Experience Surveys	Overall Satisfaction Questions
Business Service Network	How satisfied are you with the overall experience provided by the Business Service Network?
Point of Sale	Thinking about this visit to the Post Office, overall, how satisfied were you?
Delivery	Thinking about your overall experience with receiving mail and/or packages delivered by the Postal Service recently, how satisfied are you?
Customer Care Center	Live Agent survey: Please tell us how satisfied you were with the overall experience provided by the Customer Care Center. Interactive Voice Response survey: Please tell us how satisfied you were with the overall experience provided by the Postal Service automated system.
Customer 360	Overall, how satisfied are you with the quality of service you received in response to the issue?
Business Mail Entry Unit	Overall, how satisfied were you with your experience at the Business Mail Entry Unit?
USPS.com	How satisfied are you with the overall experience provided by the USPS.com website?

Source: Library Reference USPS-FY21-38, Preface at 3-5.

The Postal Service uses the result of each of the seven CX survey performance indicators to calculate the CX Composite Index, which is the eighth performance indicator tracking progress toward the Excellent Customer Experience performance goal. *FY 2021 Annual Report* at 38. The CX Composite Index is a weighted composite based on results of the CX survey performance indicators. *Id.* While each survey measures CX based on specific touchpoints or interactions with the Postal Service, the CX Composite Index measures overall CX across the most frequently used customer-facing channels. Methodologies for calculating results for the Excellent Customer Experience performance indicators are discussed in Section B.3.a., *infra*.

In FY 2021, results of the CX Composite Index, POS, Delivery, C360, USPS.com, and BMEU performance indicators did not meet their respective targets. *FY 2021 Annual Report* at 38. The Postal Service explains that the CX Composite Index result did not meet its target because results of the POS, Delivery, C360, USPS.com, and BMEU performance indicators missed their respective FY 2021 targets. *Id.* Explanations for not meeting FY 2021 targets are shown in Figure III-6. *See* Section B.3.b., *infra*.

To improve progress toward the Excellent Customer Experience performance goal in FY 2022, the Postal Service states that it will improve the way employees engage with customers, measure CX in a timely manner, and provide consistent customer service across all touchpoints. *FY 2021 Annual Report* at 40. It notes it “will empower its workforce to prevent undesirable CXs by providing actionable data to help them resolve customer pain points and improve customers’ experiences.” *Id.* Plans for meeting FY 2022 targets are shown in Figure III-6. *See* Section B.3.b., *infra*.

2. Comments

The Public Representative observes that results of two performance indicators improved compared to FY 2020 and met their respective FY 2021 targets. PR Comments at 5. She states that results for the other performance indicators not only missed FY 2021 targets, but also declined compared to FY 2020. *Id.* She concludes that because the CX Composite Index missed the FY 2021 target, the Postal Service did not meet the Excellent Customer Experience performance goal in FY 2021. *Id.*

The Prison Policy Initiative (PPI) comments that the Delivery survey excludes people without ready access to a phone or Internet service because the survey requires participants to respond either by phone or online. PPI Comments at 2. It notes that incarcerated people and other groups—including low-income households, residents in rural areas, and senior citizens—disproportionately rely on First-Class Mail, and incarcerated people are unable to access the Internet or call toll-free telephone numbers. *Id.* PPI observes that some people living in group quarters, such as incarcerated people and nursing home residents, may not have access to the phone or Internet. *Id.* at 3. It “encourages the Commission to require that any future CX surveys that target individual customers include group-quarters residents in the sample.” *Id.* at 4.

In its reply comments, the Postal Service responds that although it delivers mail and packages to prisons, the prisons’ mailroom is responsible for the final delivery of letter and packages to incarcerated individuals. Postal Service Reply Comments at 12. It asserts that incarcerated customers’ satisfaction with delivery appears to depend on an external body that is responsible for delivering mail and packages directly to incarcerated individuals. *Id.* Thus, it concludes that changing the Delivery survey respondent pool is not necessary. *Id.*

3. Commission Analysis

The Postal Service exceeded FY 2021 targets for the BSN and CCC performance indicators but missed FY 2021 targets for the other Excellent Customer Experience performance indicators (CX Composite Index, POS, Delivery, C360, USPS.com, and BMEU). *FY 2021 Annual Report* at 38.

The Commission finds that the Postal Service partially met the Excellent Customer Experience performance goal in FY 2021 because it missed six targets and met or exceeded two targets.

PPI asserts that future CX surveys that target individual customers should include in the respondent pool group-quarter residents and other customers who lack phone or Internet access. PPI Comments at 2-4. The Commission observes that the Delivery survey is mailed to a random sample of residential and small/medium business customers. Library Reference USPS-FY21-38, Preface at 3. The Postal Service could provide an address to allow customers to complete and return the survey by mail.

The Commission recommends that the Postal Service provide Delivery survey customers the option of completing the survey by mail.

In the sections below, the Commission describes and compares methodologies for calculating performance indicator results, as well as analyzes FY 2021 targets and results. The Commission also compares the Postal Service's measurement of CX to metrics used in the private sector and other organizations, including the Net Promoter System (NPS) score, the Customer Effort Score (CES), and social media.

a. Performance Indicator Methodologies

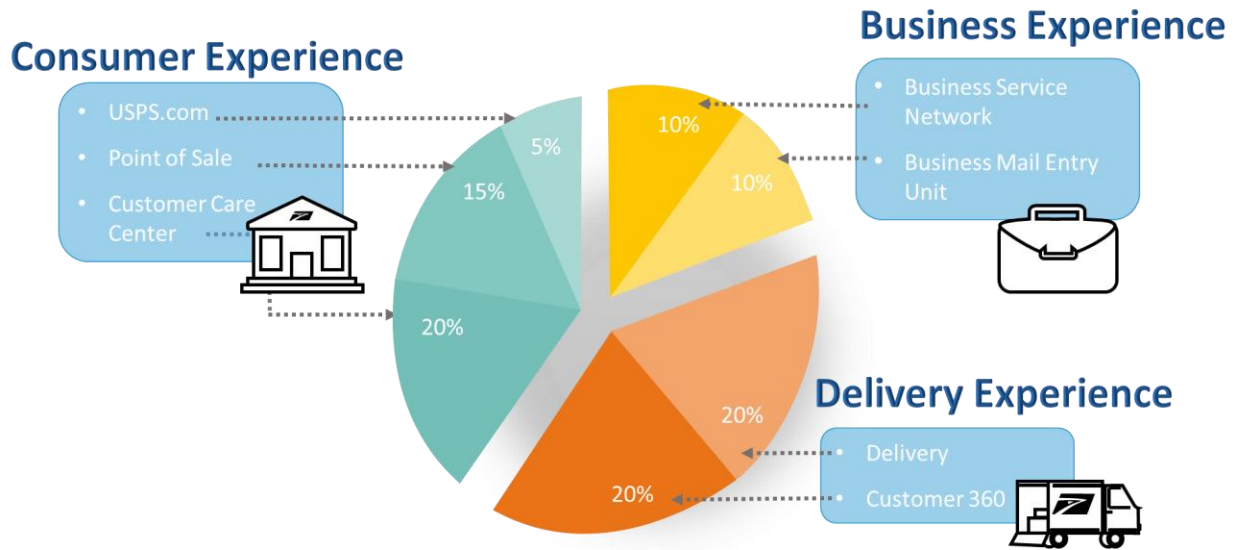
This section describes and compares the methodologies for calculating results of the CX Composite Index and the seven CX survey performance indicators⁹¹ from FY 2018 through FY 2021.

(1) Customer Experience Composite Index

The CX Composite Index is a performance indicator that "provides a comprehensive view of the customer's experience across the most frequently used customer-facing channels." *FY 2021 Annual Report* at 38. The result is a weighted composite based on results of the CX survey performance indicators. *Id.* Figure III-5 shows how each performance indicator was weighted to calculate the FY 2021 CX Composite Index result. As Figure III-5 shows, the performance indicators are grouped into three core areas: Consumer, Business, and Delivery experience.

⁹¹ The CX Survey performance indicators are the BSN, POS, Delivery, CCC, C360, USPS.com, and BMEU.

**Figure III-5
Customer Experience Composite Index
Weights of Performance Indicators in FY 2021**



Source: FY 2021 Annual Report at 38.

The Postal Service calculated the FY 2021 CX Composite Index result of 68.49 in three steps. First, the Postal Service determined the FY 2021 result for each CX survey performance indicator.⁹² Second, the Postal Service multiplied the result of each CX survey performance indicator by its respective weight listed in Figure III-5. Third, the Postal Service added the weighted results together to arrive at the FY 2021 CX Composite Index result of 68.49. Table III-7 illustrates the steps for calculating the FY 2021 CX Composite Index result.

⁹² See FY 2021 Annual Report at 38; Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-8 of Chairman’s Information Request No. 18, March 3, 2020, question 3. FY 2021 results for the CX survey performance indicators were calculated as the percentage of customers who responded “Very Satisfied” or “Mostly Satisfied” on a six-point scale to the overall satisfaction question for the corresponding CX survey shown in Table III-6. See Section B.1.b., *supra*.

Table III-7
Customer Experience Composite Index
Steps for Calculating the FY 2021 Result

Customer Experience Survey Performance Indicator ^a	FY 2021 Result		Weight (Percent)		Weighted Result ^b
Business Service Network	97.89	x	10	=	9.79
Point of Sale	84.39	x	15	=	12.66
Delivery	70.41	x	20	=	14.08
Customer Care Center	61.85	x	20	=	12.37
Customer 360	33.34	x	20	=	6.67
Business Mail Entry Unit	95.66	x	10	=	9.57
USPS.com	67.13	x	5	=	3.36
FY 2021 Customer Experience Composite Index Score					68.49 ^c

^a Targets for each of these performance indicators are listed in Table III-10, *infra*.

^b Results are rounded to the nearest hundredth.

^c The CX Composite Index score differs slightly from the sum of the weighted results (68.50) due to rounding.

Source: *FY 2021 Annual Report* at 38.

Table III-8 compares the weights used to calculate CX Composite Index results from FY 2018 through FY 2021.

Table III-8
Customer Experience Composite Index
Weights of Each Customer Experience Survey Performance Indicator
FY 2018-FY 2021

Customer Experience Survey Performance Indicator	Weight of Customer Experience Composite Index			
	FY 2018	FY 2019	FY 2020	FY 2021
Business Service Network	10%	10%	10%	10%
Point of Sale	10%	15%	15%	15%
Delivery	20%	20%	20%	20%
Customer Care Center	20%	20%	20%	20%
Customer 360 ^a	15%	20%	20%	20%
Business Mail Entry Unit	10%	10%	10%	10%
USPS.com	5%	5%	5%	5%
Large Business Panel	10%	Not Included	Not Included	Not Included

^a The C360 survey was called the Enterprise Customer Care survey from FY 2017 through FY 2019.

Source: *FY 2021 Annual Report* at 38; *FY 2020 Analysis* at 67.

Table III-8 shows that the Postal Service calculated the CX Composite Index result using the same methodology from FY 2019 through FY 2021 but used a different methodology in FY 2018. The FY 2018 result was calculated based on results of eight CX surveys, including the Large Business Panel. Response to CHIR No. 4, question 2.b.i. In FY 2019, the Postal Service discontinued using the Large Business Panel performance indicator, and results from FY 2019 through FY 2021 were based on results from the seven remaining CX surveys.⁹³ Results of the CX Composite Index from FY 2018 through FY 2021 are shown in Table I-1. *See* Chapter I, Section A., *supra*.

The FY 2022 CX Composite Index target is 72.99, which is 3.91 points lower than the FY 2021 target (76.90). *FY 2021 Annual Report* at 33. The Postal Service previously explained that it sets the CX Composite Index target based on the targets set for each CX survey performance indicator.⁹⁴ For the CX survey performance indicators that missed their respective target in FY 2021, FY 2022 targets are set at or below FY 2021 targets. *See* Section B.3.b., *infra*. As a result, the FY 2022 CX Composite Index target decreased compared to FY 2021. The Postal Service's method for setting targets is consistent with the Commission's past recommendation that the Postal Service consider the prior year's result when setting the subsequent year's target. *See FY 2019 Analysis* at 42-43.

(2) Customer Experience Survey Performance Indicators

Table III-9 shows the methodologies for calculating results of each CX survey performance indicator from FY 2018 through FY 2021.

⁹³ *Id.* question 2.b.ii; *FY 2018 Annual Report* at 21. CX Composite Index results from FY 2018 through FY 2021 are not comparable. Comparability issues are discussed in Chapter II, Section B.2.b., *supra*.

⁹⁴ *See* Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 5, January 28, 2020, question 7.a.

**Table III-9
Customer Experience Survey
Performance Indicator Methodologies
FY 2018-FY 2021**

Customer Experience Survey Performance Indicator	FY 2018	FY 2019	FY 2020	FY 2021
Business Service Network	Overall customer satisfaction with the Business Service Network			
Point of Sale	Overall customer satisfaction with the retail experience at the Post Office			
Delivery	Composite of overall customer satisfaction with the delivery of mail and packages ^a			
Customer Care Center	Composite of satisfaction with the overall experience provided by the Live Agent (25 percent) and Interactive Voice Response (IVR) system (75 percent)			Composite of satisfaction with the overall experience provided by the Live Agent and IVR system (unweighted)
Customer 360	Overall satisfaction with the quality of service received in response to issue compared to the same period last year			
Business Mail Entry Unit (BMEU)	Overall customer satisfaction with the BMEU experience			
USPS.com	Overall customer satisfaction with the experience provided by the USPS.com website			

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

Source: FY 2021 ACR at 60; Library Reference USPS-FY21-38, folders "USPS-FY21-38" Excel file

"CX_Composite_ALL_SURVEYS_ProgramOverview_FY21.xlsx;" FY 2020 Analysis at 69.

Table III-9 shows that from FY 2018 through FY 2021, the Postal Service used the same methodologies to calculate results for each CX survey performance indicator except for the CCC. From FY 2018 through FY 2020, the CCC performance indicator weighted the Live Agent survey result 25 percent and the IVR system survey result 75 percent. FY 2021 ACR at 58. In FY 2021, the Postal Service states it discontinued weighting the Live Agent and IVR system results and instead consolidated all responses into one overall calculation. *Id.* It explains that "[t]his decision was based on FY 2020 data which showed an approximately 45/55 percent split in response counts for Live Agent and IVR." *Id.* Although this change affected the comparability of results, the Postal Service asserts that the impact was minor because there was only a small difference in the FY 2021 CCC result calculated using the new methodology (61.85) compared to the former methodology (60.14). *Id.* It states that the impact on the FY 2021 CX Composite Index result was even smaller given that the result decreased by only 0.34 points using the new methodology. Comparability issues are discussed in Chapter II, Section B.2.b., *supra*.

b. Analysis of Targets and Results

Table III-10 compares FY 2021 targets and results for each Excellent Customer Experience performance indicator and shows the percentage point gaps between targets and results. As Table III-10 shows, in FY 2021 the Postal Service met only two targets and missed six targets.

Table III-10
Excellent Customer Experience Performance Indicators
Comparison of FY 2021 Targets and Results

Performance Indicator	FY 2021 Target	FY 2021 Result	Performance Gap
Customer Experience Composite Index ^a	76.90	68.49	-8.41
Business Service Network	97.20%	97.89%	N/A
Point of Sale	90.42%	84.39%	-6.03
Delivery ^a	86.33	70.41	-15.92
Customer Care Center ^a	60.03	61.85	N/A
Customer 360	55.00%	33.34%	-21.66
Business Mail Entry Unit	96.73%	95.66%	-1.07
USPS.com	73.41%	67.13%	-6.28

■ Target Met
 ■ Target Not Met

^a Targets and results for these performance indicators are not presented as percentages because they are calculated by weighting and aggregating various survey results.
Source: *FY 2021 Annual Report* at 38.

Table III-10 shows that FY 2021 results vary significantly from 33.34 percent (C360) to 97.89 percent (BSN). The FY 2021 BMEU result of 95.66 percent fell slightly short of the target (96.73 percent). The CX Composite Index, Delivery, and C360 performance indicators experienced the largest performance gaps, with the C360 result missing the target by 21.66 percentage points. The reasons given by the Postal Service for missing FY 2021 targets and the Postal Service’s plans for meeting FY 2022 targets are listed in Figure III-6.

**Figure III-6
Postal Service Reasons for Missing FY 2021 Targets and
Plans for Meeting FY 2022 Targets**



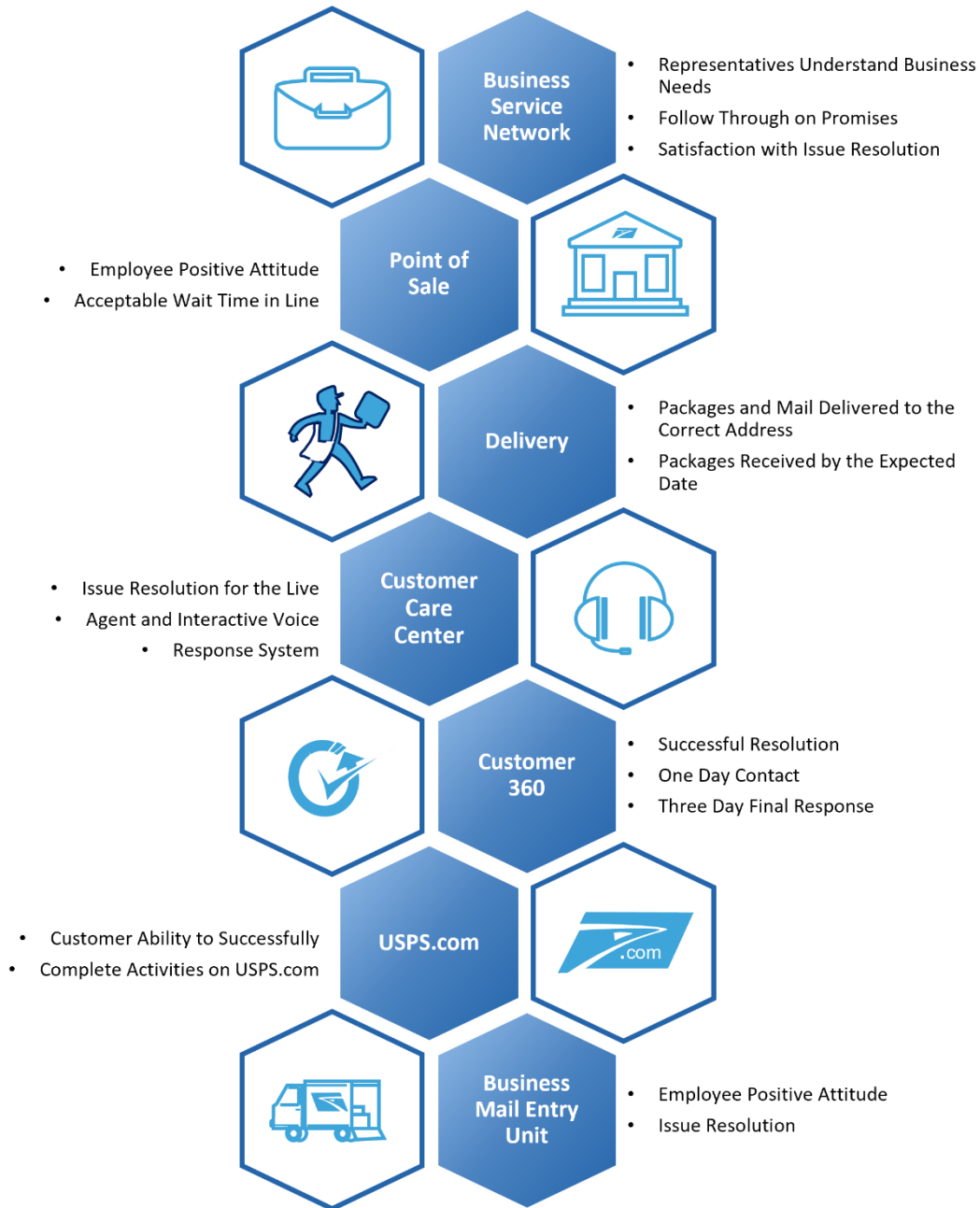
^a The NP pilot replaced existing Centralized Box Units with NP Boxes, which have larger compartments to accommodate bigger packages. *FY 2021 Annual Report* at 39. The Smart Locker pilot allows customers to securely retrieve packages at 10 postal locations in Northern Virginia 24/7 through a computer-based parcel locker. *Id.*; Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-13 of Chairman’s Information Request No. 25, March 26, 2021, question 9.b.

Source: *FY 2021 Annual Report* at 38-40; FY 2021 ACR at 61-71.

The Commission is concerned about results of the Delivery and C360 performance indicators, which missed their respective targets by more than 15 points. These performance indicators also had the largest declines compared to FY 2020.⁹⁵ The C360 performance indicator also had the lowest result of 33.34 percent, which is approximately 28 points less than the second lowest result (61.85). Targeting the key drivers for overall satisfaction represents an opportunity for the Postal Service to improve Delivery and CCC performance indicator results. Figure III-7 lists the key drivers for overall satisfaction for each performance indicator:

⁹⁵ The Delivery performance indicator result declined from 80.94 in FY 2020 to 70.41 in FY 2021. The C360 performance indicator result declined from 40.05 in FY 2020 to 33.34 in FY 2021. Results from FY 2018 through FY 2021 for each Excellent Customer Experience performance indicator are shown in Chapter I, Table I-1, *supra*.

Figure III-7
Excellent Customer Experience Performance Indicators
Key Drivers for Overall Satisfaction



Source: FY 2021 ACR at 61-71.

The Commission recommends that the Postal Service strive to improve Delivery and C360 performance indicator results in FY 2022 by targeting key drivers of overall satisfaction.

The Postal Service set FY 2022 targets for each Excellent Customer Experience performance indicator, which are shown in Table III-11, along with FY 2021 targets and results.

**Table III-11
Excellent Customer Experience Performance Indicators
FY 2022 Targets and FY 2021 Targets and Results**

Performance Indicators	FY 2022 Targets	FY 2021 Targets	FY 2021 Results
Customer Experience Composite Index ^a	72.99	76.90	68.49
Business Service Network	97.33%	97.20%	97.89%
Point of Sale	87.46%	90.42%	84.39%
Delivery ^a	80.94	86.33	70.41
Customer Care Center ^a	63.02	60.03	61.85
Customer 360	40.05%	55.00%	33.34%
Business Mail Entry Unit	96.72%	96.73%	95.66%
USPS.com	73.41%	73.41%	67.13%

■ Target Met ■ Target Not Met

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

Source: FY 2021 Annual Report at 38, 40.

The Commission previously recommended that the Postal Service consider the prior year’s result when setting the subsequent year’s target. *FY 2019 Analysis* at 42-43. The Postal Service adopted this recommendation when setting FY 2022 targets. For the two performance indicators that exceeded their FY 2021 target (BSN and CCC), the FY 2022 targets are slightly higher than the FY 2021 targets. For the performance indicators that missed targets, FY 2022 targets are set at or below FY 2021 targets. FY 2022 targets appear achievable, although the Delivery performance indicator result would need to increase by more than 10 points in FY 2022 to meet its target.

The Commission finds the FY 2022 targets for the Excellent Customer Experience performance indicators are reasonable. To improve transparency, the FY 2023 Plan should discuss the rationale for setting the FY 2023 targets.

- c. Net Promoter System Score
 - (1) Background

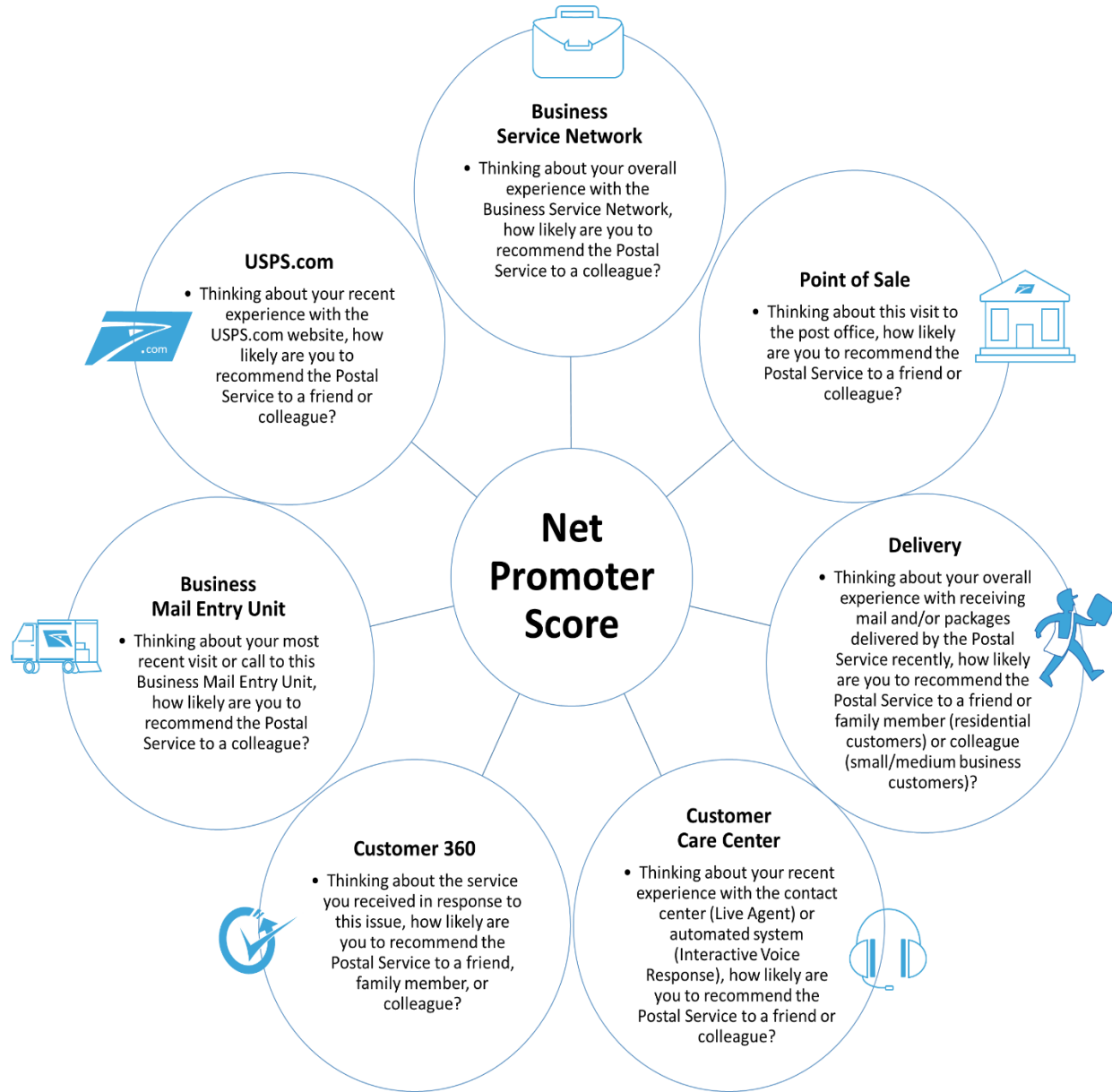
As previously discussed, the Postal Service evaluates progress toward the Excellent Customer Experience performance goal based on CX surveys measuring overall satisfaction. See Section B.1., *supra*. The Postal Service also measures CX using the NPS score, which is a metric that is widely used in the private sector to measure CX more

broadly.⁹⁶ It allows a company to evaluate the totality of customer interactions with the company and values the long-term relationship between the customer and company. OIG Report No. RARC-WP-17-010 at 7. For example, a customer may be unhappy with a misdelivered package, but may continue to patronize the Postal Service because of a long history of dependable service and competitive prices. *Id.* Because of its widespread adoption, the NPS allows organizations to benchmark themselves against competitors or similar companies. *Id.* Using the NPS metric allows the Postal Service to evaluate its long-term relationship with customers and benchmark itself against other companies providing similar products or services. *Id.*

The NPS question asks customers how likely they are to recommend a company to a friend on a scale of 0 to 10. *Id.* The Postal Service includes the NPS question on each of the CX surveys by asking customers how likely they are to recommend the Postal Service to a friend or colleague. The FY 2021 NPS question for each of the CX surveys is shown in Figure III-8.

⁹⁶ United States Postal Service, Office of Inspector General, Report No. RARC-WP-17-010, *Postal Customer Satisfaction: A Primer of Four Surveys*, August 28, 2017, at 7, available at <https://www.uspsaig.gov/sites/default/files/document-library-files/2017/RARC-WP-17-010.pdf> (OIG Report No. RARC-WP-17-010).

Figure III-8
FY 2021 Net Promoter Score Questions



Source: Surveys at 6, 17, 31, 45, 77, 80-82.

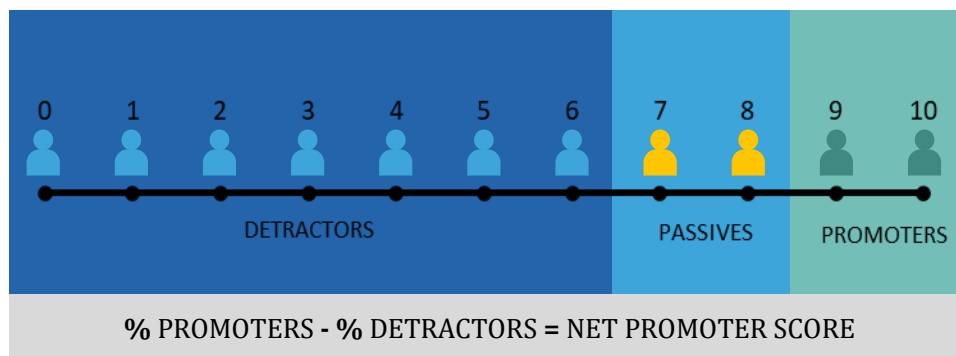
(2) Methodology and Results

The NPS question asks customers to rate how likely they are to recommend a company to a friend on a scale of 0 (Not at All Likely) to 10 (Extremely Likely). OIG Report No. RARC-WP-17-010 at 7. The objective of the NPS score is to gauge how consistently a firm turns customers into advocates by tracking and analyzing three customer segments:

- Promoters are so pleased with their experience that they recommend the company to others
- Detractors are disappointed with their experience and harm the company's growth and reputation
- Passives feel they got what they paid for but nothing more and are not loyal assets with lasting value⁹⁷

Promoters respond to the NPS question with a score of 9 or 10; Detractors respond with a score of 0 to 6; and Passives respond with a score of 7 or 8. The NPS score is calculated by subtracting the percentage of Detractors from the percentage of Promoters. Figure III-9 shows the NPS scale, customer segments, and formula for calculating the NPS score.

Figure III-9
Net Promoter System Score
Scale, Customer Segments, and Formula



Source: Ian Luck, *How to Calculate Net Promoter Score (NPS) - Easy NPS Calculation Formula*, CustomerGauge (April 21, 2022), available at <https://customergauge.com/blog/how-to-calculate-the-net-promoter-score>.

⁹⁷ *Id.*; See Fred Reichheld, Darci Darnell, and Maureen Burns, *Net Promoter 3.0*, Harvard Business Review (November-December 2021), available at <https://hbr.org/2021/11/net-promoter-3-0/>.

Table III-12 shows FY 2021 NPS scores and the percentages of Promoters and Detractors for each CX survey.

Table III-12
FY 2021 Net Promoter System Score Results
Promoters and Detractors

Customer Experience Survey	Percentage of Promoters (9-10) ^a	Percentage of Detractors (0-6) ^a	FY 2021 Net Promoter Scores ^b
Business Service Network	89.1	2.9	86.2
Point of Sale	78.3	13.0	65.3
Delivery	55.5	26.2	29.3
Customer Care Center	49.3	39.2	10.0
Customer 360	25.9	64.1	-38.3
Business Mail Entry Unit	90.6	4.0	86.6
USPS.com	51.6	31.6	20.0
Large Business Panel	66.2	9.9	56.3

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

^b Some FY 2021 NPS scores do not equal the percentage of Promoters minus the percentage of Detractors due to rounding.
Source: Response to CHIR No. 25, question 2, Excel file "cx_q_resp_counts_fy21_corrected.xlsx."

Table III-12 shows that in FY 2021, the BSN and BMEU surveys, which measure business CX, had the highest NPS scores (approximately 86) and lowest percentage of Detractors (2.9 and 4.0 percent, respectively). However, the NPS score for the Large Business Panel survey was approximately 30 points lower (56.3), and the percentage of Detractors was slightly higher (9.9) compared to the BSN and BMEU surveys. These results show that most business customers would recommend the Postal Service to a colleague, but large business customers may be less enthusiastic compared to small/medium business customers.

The POS survey had the third highest NPS score of 65.3. NPS scores for the Delivery, CCC, and USPS.com surveys were lower, ranging from 29.3 (Delivery) to 10.0 (CCC). Each of the CX surveys had a higher percentage of Promoters than Detractors except for the C360 survey, which measures satisfaction with issue resolution for customers who file service requests with the Postal Service through a CCC live agent or USPS.com. *See* Section B.1.a., *supra*. Thus, the C360 NPS score was the only one expressed as a negative number (-38.3). The C360 survey also had the highest percentage of Detractors (64.1), which was almost two-thirds of C360 survey respondents. Only 25.9 percent of C360 survey respondents were Promoters that were highly likely or extremely likely to recommend the Postal Service to a friend, family, or colleague.

The Commission recommends that the Postal Service continue to use the NPS score to measure and assess CX in FY 2022. The Commission also recommends the Postal Service focus

its efforts on improving the C360 NPS score to have a higher percentage of Promoters than Detractors.

d. Customer Effort Score

The CES “is a retention or loyalty indicator that measures how easy it is to conduct a transaction.” OIG Report No. RARC-WP-17-010 at 7. The CES “[p]rovides actionable data about how much effort goes into a single transaction in [a] company.”⁹⁸ The theory behind the CES is that customers who easily accomplish their tasks are less likely to patronize other service providers. OIG Report No. RARC-WP-17-010 at 7. The CES is applicable across postal touchpoints such as mailing packages, purchasing stamps, or resolving delivery issues. *Id.* The CES question asks customers how easy it was to complete a retail transaction. *Id.* It is most effective when added to transactional surveys that evaluate a customer’s experience with a specific transaction or interaction with the company. *See* NPS vs CES vs CSAT.

The Postal Service states that it does not use the CES to measure CX, and it has not considered including this information into the CX Composite Index score. April 1 Response to CHIR No. 26, question 1.b. It explains that the CX Composite Index consists of individual surveys that collectively measure overall customer satisfaction and that CES scores are typically used in conjunction with the NPS score. *Id.* However, as previously discussed, the Postal Service currently uses the NPS score to measure and assess CX. *See* Section B.3.c., *supra*. Using the overall satisfaction metric along with the NPS score and CES may be beneficial because these metrics are complementary. *See* NPS vs. CES vs. CSAT. Overall satisfaction seeks to measure customer satisfaction, while the NPS score and the CES provide wider data on customer loyalty. *Id.* The metrics work in layers:

- The NPS score provides an overview of how customers feel towards a company, and if there are larger issues
- Overall satisfaction evaluates how satisfied customers are with specific interactions or processes
- The CES measures how easy it is for customers to conduct transactions or interact with a company⁹⁹

Adding the CES question to the CX surveys could help the Postal Service better understand how customers perceive the ease of navigating the postal system. OIG Report No. RARC-WP-17-010 at 7. Like the NPS, the CES allows the Postal Service to benchmark its performance against similar companies and federal agencies because of its widespread adoption. *Id.* For example, using the CES could help the Postal Service understand how

⁹⁸ See Ian Luck, *NPS vs CES vs CSAT: Which Customer Experience Metric to Use?*, CustomerGauge (May 4, 2022), available at <https://customergauge.com/blog/utilizing-multiple-customer-experience-metrics-nps-csat-and-ces> (NPS vs CES vs CSAT).

⁹⁹ *See id.*

easy it was for their customers to complete a retail transaction compared to other shipping companies. *Id.*

Because the CES question is most effective when added to transactional surveys, the Postal Service should consider adding the CES question to the POS and USPS.com surveys. As previously discussed, the POS survey samples retail customers who conduct transactions at Postal Service locations with retail equipment. Similarly, the USPS.com survey samples customers who conduct transactions on the USPS.com website. *See* Section B.1.a., *supra*. The POS survey could ask customers how easy it was to conduct their transaction at the Post Office or retail facility. The USPS.com survey already asks customers whether they were able to accomplish what they wanted to on the website. *See* Surveys at 82. The Postal Service could follow up by adding the CES question to ask customers how easy it was to accomplish what they wanted on the website.

The Commission recommends that the Postal Service measure and assess CX using the CES and consider adding the CES question to the POS, USPS.com, and other CX surveys.

e. Social Media

Customers are increasingly using the Postal Service’s social media platforms to contact the Postal Service.¹⁰⁰ For example, customers may use social media to comment on a particular retail experience or seek Postal Service responses to questions, complaints, or other requests for information. *Id.* The Postal Service operates multiple social media platforms on Facebook, Twitter, Instagram, LinkedIn, and Pinterest. April 1 Response to CHIR No. 26, question 4. It explains that these channels support its customer service mission through direct customer service or informing the public about postal products and services through organic messaging. *Id.* It states, “[f]ollowing industry best practices, the Postal Service will continue to support these channels with informational content and direct customer service.” *Id.* However, the Postal Service notes it does not plan to expand its current social media platform outreach in FY 2022. *Id.*

The Postal Service uses social media mainly to conduct social listening and respond to customer inquiries, which are each described below.

(1) Social Listening

Social listening allows companies to track conversations and mentions related to a specific topic on social media platforms and analyze them for insights into actions the company can take to improve CX.¹⁰¹ Social listening is the process of understanding the online conversation about a company’s brand, products, and services. *Id.* The Postal Service Social Business Intelligence (SBI) team “uses social listening to obtain an idea of the

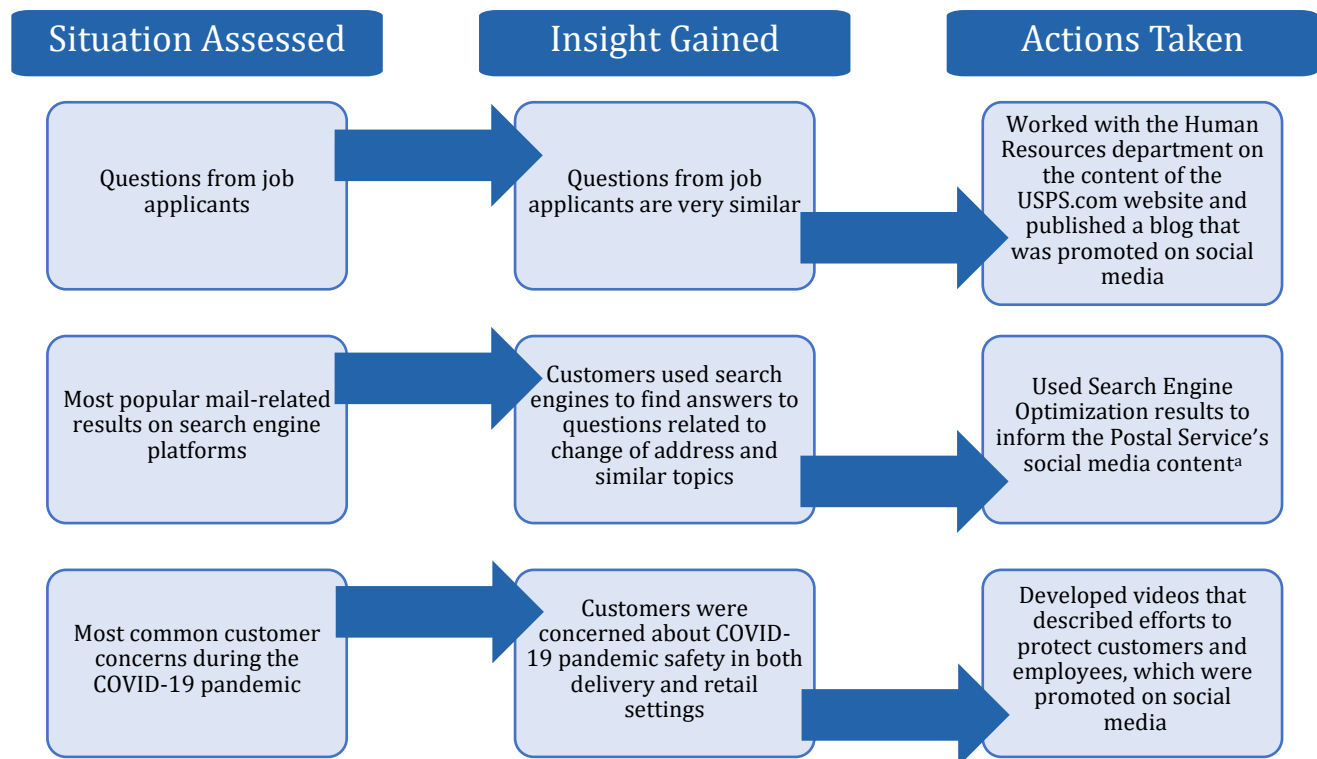
¹⁰⁰ United States Postal Service, Office of Inspector General, Report No. MS-AR-17-006, *Social Media Customer Inquiries*, May 8, 2017, at 5, available at <https://www.uspsaig.gov/sites/default/files/document-library-files/2017/MS-AR-17-006.pdf> (OIG Report No. MS-AR-17-006).

¹⁰¹ *See* Harr Gough, *Social listening: What it is and why it matters*, Qualtricssm (May 4, 2022), available at <https://www.qualtrics.com/blog/social-listening/>.

overall conversation about the Postal Service on traditional and social media.” April 25 Response to CHIR No. 26, question 2.b. The SBI team reviews the following platforms: Twitter, Facebook, Instagram, news, web, forums, blogs, radio, TV, Reddit, and reviews. *Id.* question 2.a. The SBI team has four career employees and five contractor support roles. Response to CHIR No. 29, question 2.a. The Postal Service states it does not plan to expand staff on the SBI team “because the current team is adequate for the team’s mission.” *Id.* question 2.b. It notes that “[i]f necessary, the SBI team may increase or decrease staffing [levels] in the future through contractor support roles.” *Id.*

The SBI team uses social listening to obtain insights about the Postal Service’s products and services, as well as for situational assessment such as natural disasters. *Id.* question 3.a. Figure III-10 provides examples of situations assessed and insights gained through social listening, as well as the Postal Service’s actions taken in response to these insights.

Figure III-10
Social Listening
Examples of Situations Assessed, Insights Gained,
and Postal Service Actions Taken in Response



^a For example, when “change of address” was a trending search term, the Postal Service posted information about change of address on its social media channels.

Source: Response to CHIR No. 29, questions 3.a., b.

The Postal Service's use of social listening is consistent with other agency best practices for improving services using feedback from social media. In a recent report, the Partnership for Public Service analyzed the social media presence of federal agencies that have a high volume of direct contact with the public.¹⁰² This report found that some agencies address customer concerns using feedback from social media. *Id.* at 10. For example, if a customer tweets at the Internal Revenue Service (IRS) that a form has the wrong phone number, the system alerts team members to investigate and resolve the issue. *Id.* The Postal Service took similar action based on insights gained from social listening by, for example, informing customers about the COVID-19 pandemic safety measures in both delivery and retail settings.

The Commission finds that the Postal Service is effectively using social listening to provide important information to the public and improve services using feedback from social media. The Commission recommends that the Postal Service continue to use social listening to monitor social media platforms in FY 2022 and future years.

(2) Responding to Customer Inquiries

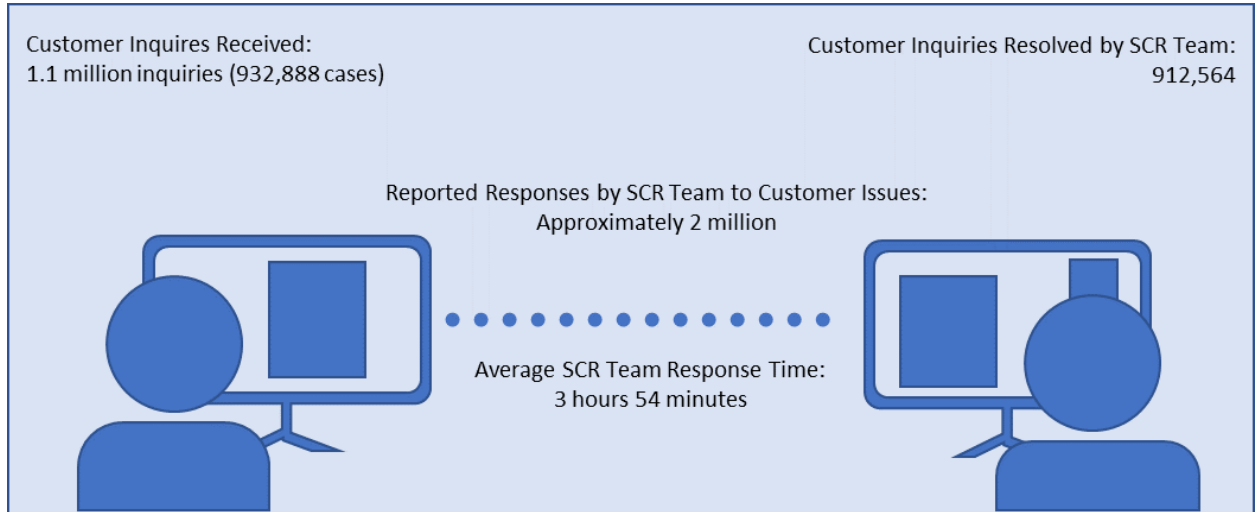
The Postal Service responds to customer inquiries and concerns primarily on two social media platforms: Twitter and Facebook. April 25 Response to CHIR No. 26, question 3.a. Customers may contact the Postal Service via its corporate @USPS Facebook page, as well as @USPS or @USPSHelp on Twitter. *Id.* The Social Customer Response (SCR) team reviews and responds to customer concerns on the Postal Service's corporate Twitter and Facebook accounts 6 days per week. *Id.* question 2.b. In FY 2021, the SCR team received approximately 21,150 posts per week, amounting to about 3,010 posts per day. *Id.* These numbers represent approximately 17,940 conversations/cases per week amounting to about 2,560 cases per day.¹⁰³

When a customer messages the Postal Service on either Twitter or Facebook, the message is answered by a member of the SCR team. April 25 Response to CHIR No. 26, question 3.b. The team member then investigates the customer's issue until it is resolved. *Id.* The process can take anywhere from a few hours or several days depending on the severity of the issue, as well as the availability and ability of the investigating area, district, processing facility, or local Post Office. Figure III-11 shows the reported number of inquiries the SCR team received, responded to, and resolved, as well as the average length of time for responding to customer inquiries.

¹⁰² Partnership for Public Service, *Government for the People: Profiles on the customer experience* (October 2019), at 5, available at <https://ourpublicservice.org/wp-content/uploads/2019/10/Government-for-the-People.pdf> (Government for the People).

¹⁰³ *Id.* The Postal Service explains that customers who request assistance post a message on Twitter or Facebook. Response to CHIR No. 29, question 5. Each message is considered a single post. *Id.* Customer interaction with the SCR team consists of several posts. *Id.* This interaction is considered a single conversation or case. *Id.*

Figure III-11
Social Customer Response Team
FY 2021 Reported Inquiries and Responses



Source: April 25 Response to CHIR No. 26, question 3.c.

The Postal Service states that many customers message @USPSHelp on Twitter for help with issues such as package management. Response to CHIR No. 29, question 6.b. The SCR team would respond by using the Product Tracking and Reporting system to provide these customers with updated package location data. *Id.* Other customers express concerns about their mail delivery or lack of mail delivery due to events such as fires. *Id.* The SCR team would respond by asking customers for their information and provide a liaison to their local Post Office management team, along with the contact information for further consultation and communication. *Id.* The Postal Service describes some best practices it has put in place to help respond to customer situations and address issues on social media, which are shown in Figure III-12:

Figure III-12
**Postal Service Best Practices for Responding
to Inquiries and Issues on Social Media**



^a This allows the Postal Service to receive customer information that it will not share publicly.

^b The LPO management team handles the actual delivery or items for a specific five-digit ZIP Code.

Source: Response to CHIR No. 29, question 10.

(3) Evaluating Customer Experience using Social Media

Social media comments are a valuable source of customer feedback for federal agencies because they may yield different insights from surveys and other customer research. Government for the People at 9. Analyzing social media may help organizations such as the Postal Service understand how customers view their services and identify areas for improvement. *Id.* The SCR team monitors and evaluates CX on Facebook and Twitter through individual audits by the supervisor, who regularly reviews interactions of the SCR team members with customers. April 25 Response to CHIR No. 26, question 2.c. The Postal Service also sends a customer satisfaction survey to every Twitter customer with a question, concern, or inquiry that was closed or resolved. Response to CHIR No. 29, question 6.a. The survey asks the customer, “How satisfied are you with the level of customer service provided by our Social Customer Response Associate” on a scale of 1 to 5, with 1 being very dissatisfied, and 5 being very satisfied. *Id.*

The Postal Service explains that because of Facebook’s internal algorithms, it is unable to administer customer satisfaction surveys to customers who message the Postal Service via Facebook. Response to CHIR No. 29, question 7.b. It states that the SCR supervisors and team leads work with SCR team members “to ensure the Postal Service is providing the best customer interaction possible when addressing customer concerns on its @USPS Facebook page.” *Id.*

The Commission commends the Postal Service for its efforts to keep up with private sector and other federal agencies by engaging with customers on social media and using social media to evaluate CX and obtain other insights. The Postal Service’s efforts to respond to customer inquiries on social media in FY 2021 are commendable given the small number of staff available to address customer questions and issues. To alleviate the high workload, the Commission recommends that the Postal Service consider hiring more employees for the SBI and SCR teams, as well as use automated technologies to address the most common issues.

C. Safe Workplace and Engaged Workforce

1. Background

In FY 2021, the Postal Service used two performance indicators to evaluate progress toward the Safe Workplace and Engaged Workforce performance goal. The Total Accident Rate measures progress toward improving employee safety. The Survey Response Rate measures the employee participation rate for the Postal Pulse survey. Each metric is described below.

a. Total Accident Rate

In FY 2021, the Postal Service continued to use the Total Accident Rate as a performance indicator to measure progress toward improving employee safety. *FY 2021 Annual Report* at 42. The Total Accident Rate is calculated by multiplying the total number of accidents during the year by 200,000, which is the average number of annual workhours per employee (2,000) multiplied by 100 to standardize accident rates. *Id.* This number is then divided by the annual number of exposure hours. *Id.* The Total Accident Rate formula is:

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

Id.

The Total Accident Rate result yields an annual accident frequency per 100 employees. A lower result is a better outcome. The Total Accident Rate uses the same formula as the Occupational Safety and Health Administration 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.¹⁰⁴

The FY 2021 Total Accident Rate result was 13.48, which was better than the FY 2021 target of 13.75. *FY 2021 Annual Report* at 42. The Postal Service reports that between FY 2020 and FY 2021, the total number of non-recordable accidents increased by 11.17

¹⁰⁴ *Id.* The Total Accident Rate also includes accidents that result in only property damage, as well as all motor vehicle accidents. 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., 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 Accident 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.*

percent, and the number of motor vehicle accidents increased by 5.90 percent.¹⁰⁵ However, the number of recordable accidents, which is used to calculate the OSHA I&I Rate, decreased by 7.01 percent. *FY 2021 Annual Report* at 43.

The Postal Service states it was able to meet the FY 2021 Total Accident Rate target for three main reasons. First, it continued the Safety Intervention and Recognition program that tracks District-level performance monthly. *Id.* at 42. Second, it conducted nearly 2.7 million workplace and driver observations using the Informed Mobile Safety Observation Tool that “tracked compliance with required observations and provided insight into the most common unsafe behaviors observed.” *Id.* Third, the Postal Service realigned the Safety Injury Compensation and Medical Services functions into one Occupational Safety and Health team, which allowed the Postal Service to provide more data analysis tools and refine existing tools. *Id.* Programs that helped the Postal Service improve employee safety in FY 2021 are discussed in more detail below. *See* Section C.3.a., *infra*.

The FY 2022 Total Accident Rate target is 13.45, which is lower and therefore more difficult to meet than the FY 2021 target of 13.75. *See FY 2021 Annual Report* at 43. The Postal Service explains that it will meet this target by continuing proactive safety and prevention efforts designed to address the most frequent workplace hazards, such as dog bites; extreme weather events; distracted driving; and slip, trip, and fall injuries. *Id.* It states it will equip local leaders with the tools and awareness training necessary to maintain a culture of safety, which includes introducing the Safety and Health Management Tool that will be available in FY 2022. *Id.* It notes it has also designed an Occupational Safety and Health Scorecard that combines accident data with injury compensation data to help field leadership track the costs and impacts of each accident and document efforts to return injured employees to a suitable workplace environment as soon as possible. Plans for meeting the FY 2022 target are discussed in more detail below. *See* Section C.3.a., *infra*.

b. Survey Response Rate

Each year, the Postal Service administers the Postal Pulse survey to all employees to measure the level of engagement at the Postal Service. *FY 2021 Annual Report* at 43. The Postal Pulse survey was developed by Gallup, Inc., which contracts with the Postal Service to measure employee engagement.¹⁰⁶ Figure III-13 is a copy of the FY 2021 Postal Pulse survey.

¹⁰⁵ *Id.* at 43. “Recordable” accidents are those that result in medical treatment (beyond first aid), days away from work, restrictions or transfer to another job, death, or loss of consciousness. Recordable accidents must be reported to OSHA. *See FY 2016 Analysis* at 50 n.66.

¹⁰⁶ *See* Gallup, Inc., *Gallup Q12 and Employee Engagement FAQs: Frequently Asked Questions About Employee Engagement and the Engagement Survey*, at 1-2, available at <https://liteblue.usps.gov/emp-engagement/pdf/Employee-Engagement-FAQs.pdf> (Gallup FAQ).

Figure III-13
FY 2021 Postal Pulse Survey

THE POSTAL PULSE

SURVEY INSTRUCTIONS

Please carefully follow the steps below when completing this survey.

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

EXAMPLE

RIGHT	WRONG
WAY	WAY
↓	↓
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

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

START HERE	<p>Begin the survey by answering the following question regarding your level or satisfaction with the Postal Service as a place to work.</p> <p>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? -----</p>	<p>Extremely Dissatisfied</p> <p>1 2 3 4 5</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>	<p>Extremely Satisfied</p> <p>1 2 3 4 5</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>Don't Know</p> <p><input type="checkbox"/></p>
	<p>On a five-point scale, where 5 means strongly agree and 1 means strongly disagree, please rate your level of agreements with the following items.</p>		
	<p>1. I know what is expected of me at work. -----</p> <p>2. I have the materials and equipment I need to do my work right -----</p> <p>3. At work, I have the opportunity to do what I do best every day -----</p> <p>4. In the last seven days, I have received recognition or praise for doing good work -----</p> <p>5. My supervisor, or someone at work, seems to care about me as a person -----</p> <p>6. There is someone at work who encourages my development -----</p> <p>7. At work, my opinions seem to count.-----</p> <p>8. The mission of purpose of my company make me feel my job is important -----</p> <p>9. My fellow employees are committed to doing quality work -----</p> <p>10. I have a best friend at work -----</p> <p>11. In the last six months, someone at work has talked to me about my progress -----</p> <p>12. This last year, I have had opportunities at work to learn and grow -----</p> <p>13. My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs. -----</p>	<p>Strongly Disagree</p> <p>1 2 3 4 5</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>	<p>Strongly Agree</p> <p>1 2 3 4 5</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>Don't Know/ Does Not Apply</p> <p><input type="checkbox"/></p>
	<p>Please describe any positive changes you've seen on your work team. <i>Please see the enclosed FAQs for information on how comments are reported.</i></p> <div style="border: 1px solid black; height: 60px; width: 100%;"></div>		
<p>THANK YOU for your participation!</p> <p>Please mail your completed survey to Gallup no later than Friday, June 11, 2021, Using the postage-paid business reply envelope provided.</p>			

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Source: Response to CHIR No. 25, question 9, file "fy2021 usps postal pulse survey.pdf."

As shown in Figure III-13, the Postal Pulse survey asks participants to rate their level of agreement with 14 statements concerning their work environment 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. Item 0 asks employees to rate their level of satisfaction with the Postal Service as a place to work. Items 1 through 12 are the foundational elements of employee engagement that measure the core elements needed to attract, focus, and retain the most talented employees. Gallup FAQ at 2. Engaged employees are “involved in, enthusiastic about and committed to their work and contribute to their organization in a positive manner.”¹⁰⁷ Item 13 was added to the Postal Pulse survey in FY 2020 to ask employees to rate their level of agreement with the statement, “My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs.” *FY 2020 Annual Report* at 43. The Postal Pulse survey also includes a comment box allowing employees to provide direct feedback regarding positive changes seen on their work team.

In FY 2021, the Postal Service evaluated progress toward the Safe Workplace and Engaged Workforce performance using the Survey Response Rate as a performance indicator. The Survey Response Rate “identifies the level of participation of all potential respondents during each survey administration.” *FY 2021 Annual Report* at 43. To measure overall engagement levels of survey participants, the Postal Service uses the Grand Mean Engagement Score, which is calculated based on results of the Postal Pulse survey. *Id.* In FY 2021, the Grand Mean Engagement Score was not a performance indicator for the Safe Workplace and Engaged Workforce performance goal, which means that no target was set.¹⁰⁸

The FY 2021 Survey Response Rate result was 25 percent, which was lower than both the FY 2021 target of 51 percent and the FY 2020 result of 33 percent. *FY 2021 Annual Report* at 43. The Postal Service identifies three root causes that contributed to not achieving the FY 2021 target: an ambitious target, the COVID-19 pandemic, and the organizational restructuring. *Id.* at 44. These root causes are discussed below. *See* Section C.3.b.(1), *infra*.

In FY 2022, the Postal Service is changing the performance indicator for measuring an engaged workforce from the Survey Response Rate to the Grand Mean Engagement Score. The Grand Mean Engagement Score is derived from the average scores of Items 1-12 and is expressed as a number between 1 and 5. The Postal Service explains that it made this change because “[a]nalysis of postal data has shown that grand mean engagement scores correlate significantly with a variety of key performance metrics, such as improved

¹⁰⁷ 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>.

¹⁰⁸ The Postal Service previously explained that setting a target for the Grand Mean Engagement Score “does not incent managers to encourage honest survey feedback.” *FY 2017 Annual Report* at 20 n.3. The Grand Mean Engagement Score is discussed in Section C.3.b.(2), *infra*.

productivity, improved customer satisfaction, and reduced leave usage, accidents, and injuries.” *FY 2021 Annual Report* at 44.

The FY 2022 target for the Grand Mean Engagement Score is 3.38. *Id.* To meet this target, the Postal Service states it has multiple initiatives underway to improve engagement that include stabilizing the pre-career workforce, training frontline supervisors, enhancing technical and leadership training programs, and reinforcing managerial performance accountability. *Id.* at 45. Plans for improving employee engagement are discussed below. *See* Section C.3.b., *infra*.

2. Comments

The Public Representative concludes that the Postal Service partially met the Safe Workplace and Engaged Workforce performance goal in FY 2021 because it met the target for only one of the two performance indicators used to evaluate progress. PR Comments at 5. PostCom acknowledges that the Postal Service set more realistic targets compared to previous years, but “planned relative improvements vary widely.” PostCom Comments at 6-7. However, it asserts that “the chosen targets still reflect an apparent effort to craft a pleasing narrative rather than achieve improved performance.” *Id.* at 7. Regarding the Survey Response Rate, PostCom states the Postal Service set the FY 2021 target “arbitrarily to just exceed more than 50 percent.” *Id.* PostCom recognizes that the Grand Mean Engagement Score may be a useful indicator but asserts that replacing the Survey Response Rate performance indicator “seems to be an effort to quell bad news.” *Id.* It urges the Postal Service to retain the Survey Response Rate as a performance indicator for the Safe Workplace and Engaged Workforce performance goal and make efforts to improve the response rate. *Id.*

In its reply comments, the Postal Service responds that given the size of its organization, an employee survey response rate between 5 and 30 percent is “typical.” Postal Service Reply Comments at 8. It asserts that the FY 2021 Survey Response Rate of 25 percent is “considered sufficiently representative of its employee population.” *Id.* It reiterates that the Grand Mean Engagement Score correlates significantly with several key performance metrics, such as improved productivity, improved customer satisfaction, and reduced leave usage, accidents, and injuries. *Id.* The Postal Service maintains that changing the performance indicator does not detract from its emphasis on increasing the Survey Response Rate. *Id.*

3. Commission Analysis

In FY 2021, the Postal Service exceeded the Total Accident Rate target but missed the Survey Response Rate target. *See FY 2021 Annual Report* at 33.

The Commission finds that the Postal Service partially met the Safe Workplace and Engaged Workforce performance goal in FY 2021.

In the sections below, the Commission examines issues related to workplace safety and an engaged workforce. The Commission makes observations and recommendations for improving performance in future years.

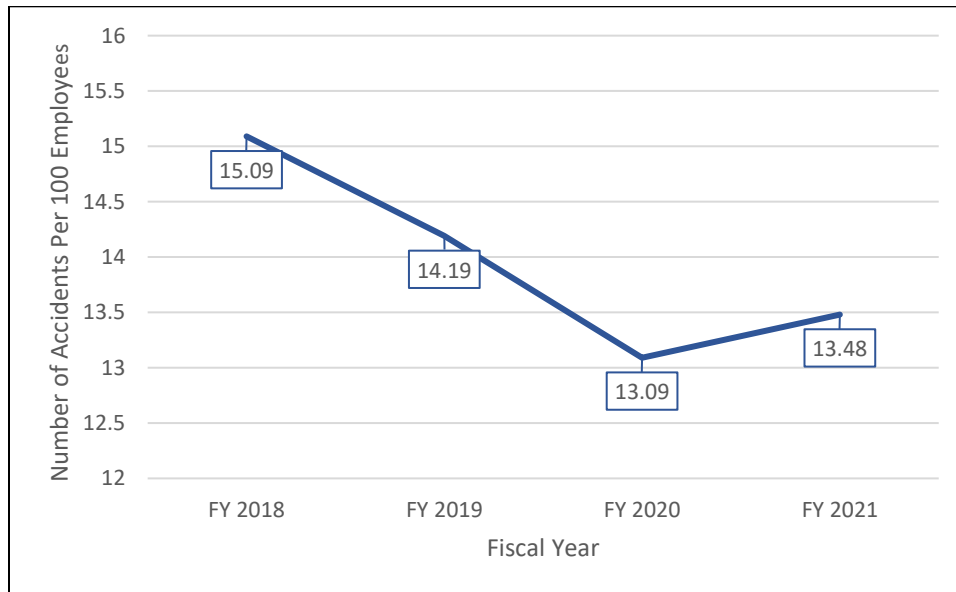
a. Safe Workplace

With regard to workplace safety, the Commission discusses the Total Accident Rate performance indicator and explores issues related to motor vehicle accidents.

(1) Total Accident Rate

The Total Accident Rate measures workplace safety, and the result is the annual accident frequency per 100 employees. A lower result is a better outcome. Figure III-14 shows Total Accident Rate results from FY 2018 through FY 2021.

**Figure III-14
Total Accident Rate Results
FY 2018-FY 2021**



Source: *FY 2021 Annual Report* at 33. The Total Accident Rate results provided in CHIR responses differ from the numbers reported in the *Annual Report to Congress* because these numbers are obtained from a dynamic database that reflect coding changes or additional claims submitted after the end of the fiscal year. *Id.* at 43 n.2.

FY 2021 was the third year the Postal Service met the Total Accident Rate target. As Figure III-14 shows, the Total Accident Rate decreased from FY 2018 through FY 2020 and increased slightly in FY 2021. The Postal Service uses several data analysis tools to improve employee safety and reduce the total number of accidents, which include:

- Safety and Health Management Tool (SHMT) – tracks accidents, hazards, results of inspections, accident investigations, root cause analysis, and action plans designed to prevent recurrences
- Injury Compensation Performance Analysis System – tracks workers’ compensation data supplied to and by the U.S. Department of Labor, Office of Workers’ Compensation Programs
- Enterprise Data Warehouse – tracks accident data from prior years and supplies exposure hour information used in calculating the Total Accident Rate
- National Performance Assessment (NPA) - detailed scorecard that tracks organizational performance for the Total Accident Rate NPA target¹⁰⁹

The Postal Service combines all data from these tools related to accidents, workers’ compensation, and employee availability into a single Occupational Safety and Health Scorecard, which allows it to visualize the complete impact of an accident and/or injury. *Id.* question 6.b. This scorecard “allows field leadership to track the costs and impacts of each accident and documents efforts to return injured workers to suitable employment as early as possible.” *FY 2021 Annual Report* at 43. Data on total accident reduction, disability compensation reduction, and returning employees to work are “drillable down to the facility level and can be exported or enlarged as needed for more detailed discussions regarding performance.” Response to CHIR No. 25, question 8.b. The Occupational Safety and Health Scorecard color codes each metric to identify those locations that are meeting targets and those that are not. *Id.*

The Postal Service explains that it met the FY 2021 Total Accident Rate target by “continuing the Safety Intervention and Recognition program that tracked [D]istrict-level performance each month.” *FY 2021 Annual Report* at 42. This program targets for intervention those Districts and Divisions that have high accident rates or show a trend toward an increasing Total Accident Rate.¹¹⁰ The District or Division must create an action plan that identifies the root cause(s) of accidents and implements activities to minimize hazards related to these accidents. *FY 2020 Annual Report* at 41. The Headquarters Occupational Safety and Health team monitors improvement on a weekly basis to determine if escalation is necessary. Response to CHIR No. 25, question 4.b. Procedures for District or Division intervention are described in the Response to CHIR No. 25, question 4.b.

¹⁰⁹ Response to CHIR No. 25, question 6.a.

¹¹⁰ *FY 2020 Annual Report* at 41. Specifically, intervention applies when any of the following occur: (1) any District exceeds a Total Accident Rate of 6; (2) any Division exceeds a Total Accident Rate of 11; or (3) any District or Division shows a 3 percent or greater increase in the number of injured employees receiving workers’ compensation disability compensation payments compared to the same period last year. Response to CHIR No. 25, question 4.b.

The FY 2022 Total Accident Rate target is 13.45, which is lower and therefore a more difficult target to meet compared to the FY 2021 target of 13.75. *See FY 2021 Annual Report* at 33. To help meet the FY 2022 target, the Postal Service introduced the SHMT, which was available for field use on October 1, 2021. *Id.* at 43. It states this tool will help staff identify where process failures and errors have occurred to help prevent future accidents. Response to CHIR No. 25, question 7.b. Specifically, the SHMT allows users to identify and eliminate hazards, record accidents, document inspection findings, track action plans, and perform root cause analysis. *Id.*

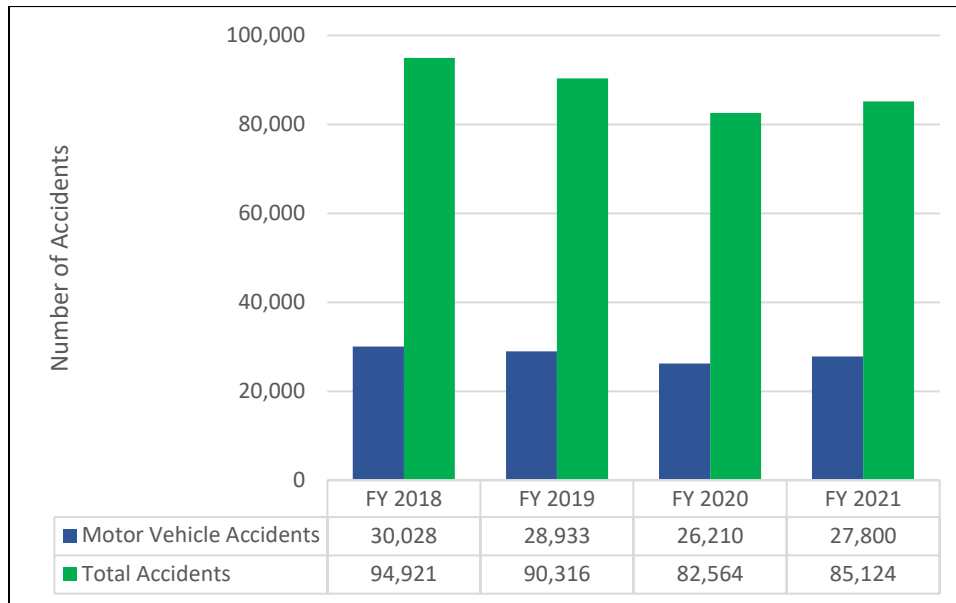
The SHMT offers a user-friendly incident management application that is Artificial Intelligence-enabled and mobile-ready, which allows field personnel to take photos, add investigative notes, and evaluate events leading up to an accident while at the accident location. *Id.* It allows supervisors to fully investigate any accident and analyze root causes leading to the accident, such as lack of training, an unrecognized hazard, or a situation that may be addressed through engineering controls. *Id.* Based on this information, management addresses each root cause to prevent recurrences of the same type of accident and follows up on corrective actions “to avoid future incidents and perform consistent investigations to build prevention knowledge.” *Id.*

The Commission commends the Postal Service for meeting the Total Accident Rate target for the third year in a row. The Safety Intervention and Recognition program appears to have been effective in promoting a safe workplace in FY 2021. The FY 2022 Total Accident Rate target appears achievable because it is close to the FY 2021 result. The Postal Service’s plans for using the SHMT and Occupational Safety and Health Scorecard in FY 2022 are reasonable steps toward improving the Total Accident Rate result and employee safety. The Commission recommends that the FY 2022 Report explain how the Postal Service used the SHMT to improve workplace safety and address root causes leading to accidents and injuries.

(2) Motor Vehicle Accidents

The Total Accident Rate includes motor vehicle accidents. Figure III-15 shows the number of motor vehicle accidents and the total number of accidents from FY 2018 through FY 2021.

Figure III-15
Total Accidents and Motor Vehicle Accidents
FY 2018-FY 2021



Source: Response to CHIR No. 25, question 3. The total number of accidents and number of motor vehicle accidents provided in CHIR responses differ from the numbers reported in the *Annual Report to Congress* because these numbers are obtained from a dynamic database that reflect coding changes or additional claims submitted after the end of the fiscal year. See *FY 2021 Annual Report* at 43 n.2.

As Figure III-15 shows, motor vehicle accidents represented approximately 32.7 percent of the total number of accidents in FY 2021. The number of motor vehicle accidents decreased each year from FY 2018 through FY 2020 but increased slightly from 26,210 in FY 2020 to 27,800 in FY 2021 (an increase of 6.1 percent). The Postal Service states that in FY 2021, it conducted nearly 2.7 million workplace and driver observations using the Informed Mobile Safety Observation Tool, which tracks compliance with required observations and provides insight into the most common unsafe behaviors observed. *FY 2021 Annual Report* at 42. This tool allowed field personnel “to implement safety awareness campaigns and engage employees to correct those unsafe behaviors before they resulted in accident or injury.” *Id.*

In the 10-Year Strategic Plan, the Postal Service states it will modernize its vehicle fleet by investing in 50,000 to 165,000 Next Generation Delivery Vehicles (NGDVs) during the next 10 years. 10-Year Strategic Plan at 32. NGDVs are right-hand drive vehicles for mail and package delivery.¹¹¹ The Postal Service states that NGDVs will improve workplace safety

¹¹¹ United States Postal Service, Office of Inspector General, Report No. 21-215-R22, *Next Generation Delivery Vehicles – Contract Clauses*, January 12, 2022, at 1, available at <https://www.uspsig.gov/sites/default/files/document-library-files/2022/21-215-R22.pdf>.

for carriers significantly because they have safety features such as an anti-lock braking system, air bags, and full climate controls, including air conditioning to aid in heat illness prevention. Response to CHIR No. 26, question 6. It notes that NGDVs are designed to allow carriers to stand and walk within the cargo area and will optimize the driver's position to perform mail delivery in the most efficient and ergonomic manner. *Id.*

The Postal Service explains that NGDVs will reduce motor vehicle accidents because they are equipped with modern safety features such as backup and 360-degree cameras, an automatic electronic parking brake, front/rear bumper sensors, and daytime running lights. *Id.* To help with crash avoidance, NGDVs also include automatic front/rear braking, blind spot warning, and a front collision warning system. *Id.* The Postal Service anticipates that it will begin using NGDVs for delivery in late 2023 (FY 2024). *Id.*

The Commission finds that the Informed Mobile Safety Observation Tool appeared effective in promoting motor vehicle accident safety in FY 2021 and recommends that the Postal Service continue to use this tool in FY 2022. The Commission commends the Postal Service for modernizing its vehicle fleet with NGDVs to help improve carrier safety and ergonomics. The Commission recommends that the FY 2022 Report discuss how the Informed Mobility Safety Observation Tool and other systems and platforms affected the number of motor vehicle accidents in FY 2022.

b. Engaged Workforce

In FY 2021, the Postal Service tracked progress toward the Safe Workplace and Engaged Workforce performance goal using the Survey Response Rate as one of the performance indicators. The Postal Service also measured employee engagement using the Grand Mean Engagement Score. Each of these metrics is explored below.

(1) Survey Response Rate

FY 2021 result. The Survey Response Rate “identifies the level of participation of all potential respondents during each survey administration.” *FY 2021 Annual Report* at 43. In the *FY 2021 Report*, the Postal Service adopted the Commission's recommendation by explaining how the Postal Pulse survey was administered and how the Survey Response Rate was calculated. *See FY 2020 Analysis* at 99. The Postal Service explains that it administered the Postal Pulse survey from May 11, 2021 to June 11, 2021. *FY 2021 Annual Report* at 43. It states that non-bargaining employees were sent the survey link by email and received a reminder each subsequent week until they responded, or the survey period ended. *Id.*

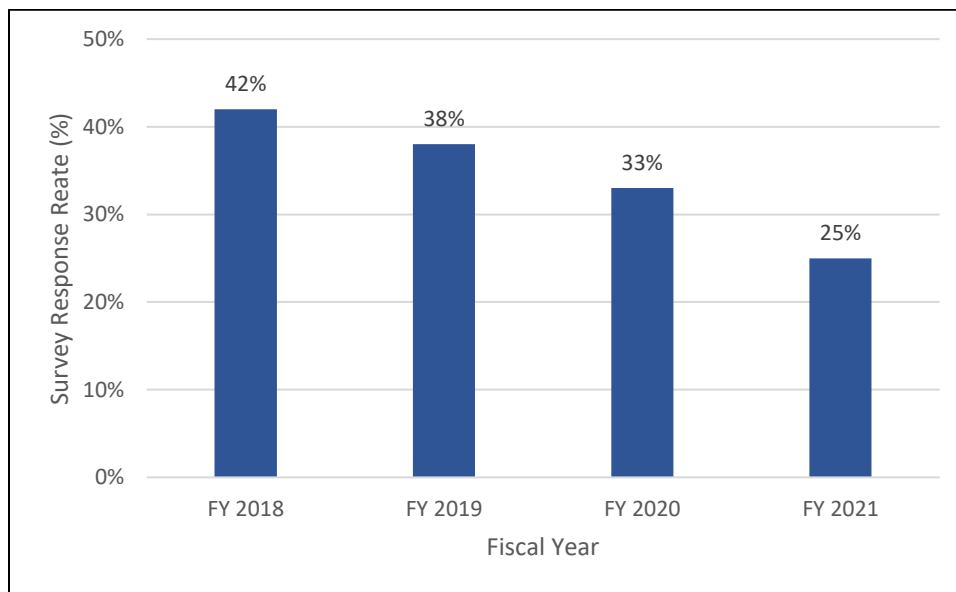
For bargaining employees, the Postal Pulse survey was administered using three methods: a paper survey distributed at the work unit, a paper survey mailed to the employee's home address, and via email, if available. *Id.* at 43-44. Employees could also access the survey through LiteBlue, the Postal Service's external Internet platform, and were encouraged to complete the survey through other communication channels, including email and official

internal postal employee communications. *Id.* at 44. The Postal Service invited all employees to respond to the survey on-the-clock. *Id.*

The Survey Response Rate result was calculated by dividing the total number of employees who responded to at least 1 item for Items 1-12 by the total number of employees who received the survey. *Id.*; Response to CHIR No. 25, question 10. In FY 2021, surveys were distributed to 587,472 employees, and 148,396 responded to at least one item for Items 1-12. Response to CHIR No. 25, question 10. This calculation results in a Survey Response Rate of 25 percent. *Id.*

Figure III-16 shows the Survey Response Rate results from FY 2018 through FY 2021. In FY 2021, the Survey Response Rate result was 25 percent, which is 8 percentage points less than the FY 2020 result.

Figure III-16
Postal Pulse Survey Response Rate
Results from FY 2018-FY 2021



Source: *FY 2021 Annual Report* at 33.

Figure III-16 shows that the Survey Response Rate result has declined each year from FY 2018 through FY 2021, falling from a relative high of 42 percent in FY 2018 to 25 percent in FY 2021. The FY 2021 result did not meet the FY 2021 target of 51 percent. See *FY 2021 Annual Report* at 43. In the *FY 2021 Report*, the Postal Service identifies three root causes that contributed to not achieving the FY 2021 target. First, it asserts the target of 51 percent was not realistic. *Id.* at 44. It notes that during the past four survey administrations, the Survey Response Rate result “has been steadily declining, with year-to-year changes ranging from 3-5 percent.” *Id.* It asserts that given this declining trend, it

was not realistic to expect a 1-year increase of 18 percent to reach the 51 percent target. Response to CHIR No. 31, question 1.b.

Second, the Postal Service attributes the low Survey Response Rate to the COVID-19 pandemic. *FY 2021 Annual Report* at 44. It states that Gallup, the survey administrator, verified that employee surveys in general for most of Gallup's clients had reduced response rates during the pandemic. *Id.* The Postal Service acknowledges that the Survey Response Rate could rebound as people return to work but asserts that "the likelihood of it increasing to greater than pre-pandemic levels was unlikely." *Id.* Third, the Postal Service states that it administered the survey 3 days after announcing the organizational restructuring. *Id.* It asserts that "[o]rganizational changes often cause increased employee anxiety, which can lead to reduced engagement." *Id.*

In FY 2022, the Postal Service is changing the performance indicator for measuring an engaged workforce from the Survey Response Rate to the Grand Mean Engagement Score. *Id.* PostCom asserts that this change "seems to be an effort to quelch bad news" and that the target reflects "an apparent effort to craft a pleasing narrative rather than achieve improved performance." PostCom Comments at 7. The Postal Service responds that changing the performance indicator does not detract from its emphasis on increasing the Survey Response Rate. Postal Service Reply Comments at 8.

The Postal Service has the authority to choose its own performance indicators. The Grand Mean Engagement Score appears to better reflect employee engagement compared to the Survey Response Rate because it is calculated based on scores from the Postal Pulse survey. However, the Survey Response Rate remains an important metric for measuring employee engagement. The Postal Service asserts that given the size of its organization, "an employee survey response rate between 5 percent-30 percent is typical" and that the Survey Response Rate of 25 percent is "considered sufficiently representative of its employee population." Postal Service Reply Comments at 8. It states that it does not have access to employee survey response rates of similarly sized organizations with more than 580,000 employees, many of which are bargaining unit employees. Response to CHIR No. 25, question 11.b.

The FY 2021 Survey Response Rate of 25 percent is consistent with the 2021 response rates for the Federal Employee Viewpoint Survey (FEVS), which is administered to all federal employees.¹¹² The 2021 response rate for very large agencies (those with more than 75,000 employees) was 29 percent, which declined from 41 percent in FY 2020. *Id.* Response rates governmentwide declined for all agency sizes between FY 2020 and FY 2021. *Id.*

¹¹² See Office of Personnel Management, *Federal Employee Viewpoint Survey Results 2021*, at 4, available at <https://www.opm.gov/fevs/reports/governmentwide-reports/governmentwide-management-report/governmentwide-report/2021/2021-governmentwide-management-report.pdf> (Federal Employee Viewpoint, 2021).

The Commission acknowledges that the FY 2021 Survey Response Rate could have been affected by the Postal Service's organizational restructuring announcement as well as circumstances outside of the Postal Service's control, such as the COVID-19 pandemic's toll on everyday life extending for longer than was initially expected.¹¹³ However, the Commission is concerned that since FY 2018, the Survey Response Rate has declined between 4-8 percentage points each year, with a larger decline during each subsequent year. To obtain an accurate picture of employee engagement, the Postal Service should strive to improve employee survey response rates.

The FY 2021 Report improved compared to past years because it explains how the Postal Pulse survey was administered and how the Survey Response Rate was calculated. The Commission recommends that the Postal Service continue to include this information in future annual performance reports. If the Survey Response Rate continues to decline in FY 2022, the Commission recommends that the Postal Service investigate and address the root causes. The Postal Service should take steps to improve the response rate by, for example, designating a specific time to take the survey and prioritizing changes based on feedback received from the Postal Pulse survey.

(2) Grand Mean Engagement Score

The Postal Service measures overall employee engagement using the Grand Mean Engagement Score. *FY 2021 Annual Report* at 43. To calculate the Grand Mean Engagement Score, the Postal Service first calculates the average (mean) score for each item using the 5-point survey scale, with 5 being the highest score and 1 being the lowest. Response to CHIR No. 25, question 12. Next, the mean scores for Items 1 through 12 are averaged to calculate the Grand Mean Engagement Score. *Id.* Table III-13 shows results for the Grand Mean Engagement Score, as well as the mean score for each item on the Postal Pulse survey, from FY 2018 through FY 2021.

¹¹³ See *FY 2021 Annual Report* at 44; see also *Federal Employee Viewpoint*, 2021 at 14.

**Table III-13
Postal Pulse Survey
Grand Mean Engagement Scores and Mean Scores
FY 2018-FY 2021**

Postal Pulse Survey Items	FY 2018	FY 2019	FY 2020	FY 2021
	Item-Specific Mean Score^a			
Q0. How satisfied are you with the Postal Service as a place to work?	3.59	3.60	3.48	3.52
Grand Mean Engagement Score	3.34	3.36	3.29	3.36
Q1. I know what is expected of me at work.	4.28	4.30	4.26	4.29
Q2. I have the materials and equipment I need to do my work right.	3.58	3.61	3.54	3.60
Q3. At work, I have the opportunity to do what I do best every day.	3.77	3.80	3.74	3.81
Q4. In the last seven days, I have received recognition or praise for doing good work.	2.86	2.88	2.83	2.91
Q5. My supervisor, or someone at work, seems to care about me as a person.	3.46	3.48	3.41	3.48
Q6. There is someone at work who encourages my development.	3.08	3.12	3.01	3.12
Q7. At work, my opinions seem to count.	2.92	2.94	2.85	2.95
Q8. The mission or purpose of my company makes me feel my job is important.	3.60	3.61	3.60	3.62
Q9. My fellow employees are committed to doing quality work.	3.42	3.42	3.43	3.42
Q10. I have a best friend at work.	3.07	3.08	3.04	3.10
Q11. In the last six months, someone at work has talked to me about my progress.	2.85	2.87	2.73	2.83
Q12. This last year, I have had opportunities at work to learn and grow.	3.14	3.17	3.04	3.14
Q13. My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs.	N/A	N/A	2.73	2.83

N/A – Item 13 was not asked on the Postal Pulse survey for that fiscal year.

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

Source: *FY 2021 Annual Report* at 33; Response to CHIR No. 25, question 13; Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 23, March 11, 2021, question 7.d.; Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-12 of Chairman's Information Request No. 21, March 19, 2020, question 4.a.; Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 10, February 14, 2019, question 4.a.

Table III-13 shows that the Grand Mean Engagement Score increased from 3.29 in FY 2020 to 3.36 in FY 2021. *FY 2021 Annual Report* at 44. The mean score for each item also increased slightly between FY 2020 and FY 2021 except for Item 9, which decreased slightly. The mean score for Item 1 regarding employee expectations continues to be the highest and was also the only item to have a mean score of more than four points. This

indicates that employees have clarity about what is expected of them at work. High mean scores for Items 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 jobs are important, and have the resources and opportunity to do their work right and perform their best every day.

Items 4, 7, 11, and 13 concerning employee recognition or praise, the importance of employee opinions, and discussions with supervisors about progress and workplace needs continued to have the lowest mean scores in FY 2021. These items were also the only ones with mean scores below three points from FY 2018 through FY 2021. These elements of employee engagement are important because “[i]ndividuals who receive recognition and praise increase their individual productivity, boost engagement among their colleagues, are more likely to stay with their organization, and receive higher loyalty and satisfaction scores from customers.”¹¹⁴ Employees who feel involved in making decisions typically have a greater sense of responsibility or ownership of the process, which can lead to better results. Engagement Elements at 114. Also, regular feedback is important so that employees can better understand how their contributions make a difference to the organization. *Id.* at 122.

Item 13 asks employees whether their immediate supervisor has recently spent one-on-one time with them to discuss their workplace needs. The Postal Service added this item to the Postal Pulse survey in FY 2019 to measure the effectiveness of the Next Level Connection process, which consists of “a one-on-one conversation between supervisors and employees designed to assess and address employee engagement needs[.]” *FY 2020 Annual Report* at 43. In the *FY 2021 Report*, the Postal Service states that “Gallup analysis of the survey results showed that supportive conversations with supervisors result in higher engagement scores.” *FY 2021 Annual Report* at 44. In FY 2021, the Postal Service reports that more than 1,400 Next Level Connection conversations occurred and were documented in the Postal Service’s internal human resources platform. *Id.* These conversations may have helped improve mean scores for Items 11 and 13 regarding employee interaction with supervisors about their progress and workplace needs.

FY 2022 target. For FY 2022, the Postal Service set the Grand Mean Engagement Score target to 3.38. *Id.* The Postal Service explains that Grand Mean Engagement Scores have increased by 0.01 each year from FY 2016 through FY 2019. *Id.* at 44-45. The Postal Service asserts that the FY 2022 target, which is slightly higher than the FY 2021 result, is “aggressive, yet realistic.” *Id.* at 45.

To meet this target, the Postal Service states there are multiple ongoing initiatives for improving employee engagement, such as stabilizing the pre-career workforce, training frontline supervisors, enhancing technical and leadership training programs, and reinforcing managerial performance and accountability. *Id.* A key component of the

¹¹⁴ United States Postal Service, *Creating an Engaging Workplace at USPS: The 12 Elements of Engagement*, at 108, available at <https://liteblue.usps.gov/emp-engagement/pdf/Engagement-Resource-Guide.pdf> (Engagement Elements).

10-Year Strategic Plan is to improve retention among the pre-career workforce. *Id.*; 10-Year Strategic Plan at 37. The Postal Service explains it will focus on improving the job experience during the first 90 days to help employees feel more engaged and supported from the start. *FY 2021 Annual Report* at 45. It states that several initiatives are designed to better equip supervisors to feel more engaged and confident and improve the processes for hiring and training supervisors. *Id.* It notes that it is also reviewing and identifying opportunities to improve functional and technical training and leadership programs to help ensure both employees and leaders have the knowledge and skills necessary to succeed. *Id.*

The Commission commends the Postal Service for improving the Grand Mean Engagement Score in FY 2021 despite the COVID-19 pandemic, organizational restructuring, and other factors impacting employee engagement. The FY 2022 target is reasonable considering the range of Grand Mean Engagement Scores during the past few years. The Commission recommends that the Postal Service continue taking steps to improve mean scores for all survey items, especially for Items 4, 7, 11, and 13. The Commission also recommends that the Postal Service continue the Next Level Connection conversations and discuss the impact of these conversations on the FY 2022 Grand Mean Engagement Score.

D. Financial Health

1. Background

In FY 2021, the Postal Service used one performance indicator to measure progress toward the Financial Health performance goal: Controllable Income (Loss). *See FY 2021 Annual Report* at 46. The results for the Controllable Income (Loss) performance indicator are calculated as the Postal Service's total revenue minus controllable expenses. *Id.* at 46. Revenue includes funds received from the sale of postage, mailing and shipping services, passports, Post Office Box rentals, gains from the sale and lease of property, and interest and investment income. *Id.* at 48.

Controllable expenses consist of compensation and benefits; the Federal Employees Retirement System (FERS) and Postal Service Retiree Health Benefits (RHB) normal costs; transportation; depreciation; supplies and services; and rent, utilities, and other controllable expenses. *Id.* at 46. Controllable expenses exclude non-controllable expenses, which are expenses that the Postal Service contends do not reflect its operational decisions and are subject to large fluctuations that are outside of the Postal Service's control. *Id.* According to the Postal Service, non-controllable expenses include:

- Revaluations of the RHB normal cost by the Office of Personnel Management (OPM)
- Amortization of the Postal Service's unfunded RHB liabilities
- Amortization of the Postal Service's unfunded liabilities for its participation in FERS and the Civil Service Retirement System (CSRS)
- Non-cash expenses related to changes in liability for participating in the federal workers' compensation program

Id.

Consistent with historical practice, the Commission published a separate financial analysis of the Postal Service's FY 2021 financial results and 10-K statement.¹¹⁵ That analysis provides a detailed evaluation of the Postal Service's financial status by examining volume, revenue, and cost trends, as well as the Postal Service's sustainability, liquidity, activity, and financial solvency.

In FY 2021, the Postal Service met its target for Controllable Income (Loss). *FY 2021 Annual Report* at 33, 47. The Postal Service's total controllable loss for FY 2021 of \$2.4

¹¹⁵ Postal Regulatory Commission, *Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2021*, May 18, 2022 (*FY 2021 Financial Analysis*).

billion¹¹⁶ was better than its target loss of \$5.6 billion. *Id.* at 48. The Postal Service explains that FY 2021 revenue was greater than planned largely due to better-than-expected mail volumes and a continued surge in package volumes. *Id.* However, controllable expenses were also \$3.0 billion more than the *FY 2021 Plan*, due generally to salary and benefits, transportation, and supply and service expenses that were higher than planned. *Id.* at 47, 49.

In the *FY 2022 Plan*, the target for Controllable Income (Loss) is a \$4.1 billion loss, a difference of \$1.7 billion from the FY 2021 loss of \$2.4 billion. *Id.* at 47. Plans for meeting the FY 2022 Controllable Income (Loss) target are discussed in more detail below. *See* Section III.D.3.a.(1), *infra*.

2. Comments

The Public Representative finds that the Postal Service achieved its target for the Controllable Income (Loss) performance indicator. PR Comments at 6. In her view, the Postal Service met the Financial Health performance goal for FY 2021. *Id.*

PostCom comments that the *FY 2021 Annual Report* does not provide the information necessary to accurately assess, and in some respects presents a misleading picture of, the Postal Service's financial health. PostCom Comments at 8. PostCom contends that the *FY 2021 Annual Report* "obscures the Postal Service's financial condition by selectively presenting revenues and costs and ignoring sources of funding." *Id.* at 11. PostCom asserts that the *FY 2021 Annual Report* reflects increased operating costs related to the COVID-19 pandemic, but fails to account for \$10 billion in appropriated funds intended to defray such costs that the Postal Service received in FY 2021 as a result of the CARES Act.¹¹⁷

PostCom submits that "[t]he Commission should develop better metrics to evaluate [the Postal Service's] [f]inancial [h]ealth." *Id.* at 8. PostCom notes that the Postal Service reports increased cash holdings and decreased debt at the end of FY 2021 relative to FY 2020. *Id.* (citing *FY 2021 Annual Report* at 24). PostCom states that "[t]hese are not the results of a desperately struggling organization." *Id.* PostCom also notes that the Postal Service has reported elsewhere that its average daily liquidity balance in FY 2021 was \$20.7 billion, and PostCom questions whether the Postal Service needs such liquidity.¹¹⁸ PostCom asserts that the *FY 2021 Annual Report* and the *FY 2022 Plan* "do not answer these questions[,] [a]nd the Commission has not provided the Postal Service with the guidance necessary for it to answer these questions in its reports." *Id.* Therefore, PostCom

¹¹⁶ *FY 2021 Annual Report* at 33, 47. The Postal Service generally describes its Controllable Income (Loss) result throughout the *FY 2021 Annual Report* as a \$2.4 billion loss. *See, e.g., id.* at 47. However, in its table describing its FY 2021-FY 2022 Targets and FY 2018-FY 2021 Actuals for Corporate-Wide Performance Outcomes, it lists its total Controllable Income (Loss) as a \$2.39 billion loss. *Id.* at 33. The Postal Service notes that numbers in the *FY 2021 Annual Report* may be rounded for additive purposes. *Id.* at 47, Table "Revenue and Expenses," n.1.

¹¹⁷ *Id.* at 11-12. *See* Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. 116-636 § 6001(b) (March 27, 2020), *as amended by* Pub. L. 116-260, Division N, Title VIII, § 801, 134 Stat. 1182, 2119 (December 27, 2020).

¹¹⁸ *Id.* at 9 (citing United States Postal Service, *FY 2021 Report on Form 10-K*, May 18, 2022, at 45 (Postal Service FY 2021 Form 10-K)).

argues, “[t]he Commission must develop methods to fairly evaluate the Postal Service’s financial condition and determine what levels of liquidity are appropriate.” *Id.* PostCom suggests that one possible approach to conducting such an evaluation might be to compare the Postal Service’s financial metrics to those of private sector entities or to posts in other countries. *Id.*

Relatedly, PostCom also argues that the Commission “should...reassess whether the Postal Service’s cumulative net losses have any meaningful impact on the Postal Service’s ability to provide service or invest in its network, especially when the Postal Service has cash and borrowing authority available to it.” *Id.* at 10. According to PostCom,

The primary driver of the [Postal Service’s] net losses are [RHB-related] payments [which] the Postal Service did not make to the U.S. Treasury. The Postal Service has suffered no consequences for failing to make these payments, and there is no indication that the Federal government has any intention to collect.¹¹⁹

Similarly, PostCom states that the \$10 billion in CARES Act funding,

[H]ighlights the unique position of the Postal Service as a government entity...[.]” because “[i]t is simply not realistic to think that...Congress would simply allow [the Postal Service] to shut down its operations...[;]” hence “the fear that the Postal Service will one day run out of money should not be a primary factor driving the Commission’s decision making.

Id. at 13.

PostCom notes that the Postal Service’s planned controllable loss for FY 2022—\$4.1 billion—“would be higher than any controllable loss the Postal Service has experienced since at least FY 2018.” *Id.* at 14. PostCom asserts that the Postal Service “provides no detailed explanation for this projection[.]” which, PostCom posits, is at odds with the Postal Service’s 10-Year Strategic Plan, from which “the Postal Service will hopefully be starting to realize benefits...by the end of FY 2022.” *Id.* PostCom further posits that this projection is at odds with the recently enacted Postal Service Reform Act which, among other things, cancelled the Postal Service’s remaining liability with respect to prefunding RHB benefits.¹²⁰ PostCom states that in the past, the Postal Service’s financial projections have been “overly-pessimistic,” particularly for FY 2021, and it argues that “the Commission should not allow overstated fears about the viability of the Postal Service as

¹¹⁹ *Id.* See Docket No. RM2017-3, Order on the Findings and Determination of the 39 U.S.C. § 3622 Review, December 1, 2017, at 37-41 (Order No. 4257) (providing background with respect to the RHB payment default referred to by PostCom); Docket No. RM2017-3, Revised Notice of Proposed Rulemaking, December 5, 2019, at 81-82 (Order No. 5337) (same).

¹²⁰ *Id.* See Postal Service Reform Act of 2022, Pub. L. 117-108, 136 Stat. 1127 (April 6, 2022).

an enterprise to distract it from its core mission of safeguarding the interests of users of the Postal Service.” *Id.* at 13-15.

The Postal Service replies that to the extent its cash holdings, as reported in the *FY 2021 Annual Report*, appear favorable, it is only “because [the Postal Service] has defaulted on...RHB and pension payments, and because of the one-time infusion of \$10 billion due to the CARES Act.” Postal Service Reply Comments at 8-9. The Postal Service maintains that “liquidity is but one factor in assessing the Postal Service’s overall financial condition[,]” and “the Postal Service has continued to incur net losses even as its cash position has improved...and continues to have liabilities that far exceed its assets.” *Id.* at 9. The Postal Service observes that it acknowledged receipt of the CARES Act funding on page 46 of the *FY 2021 Annual Report*, as well as in the Postal Service FY 2021 Form 10-K. *Id.* at 9 n.27 (citing Postal Service FY 2021 Form 10-K at 64).

With respect to PostCom’s assertion that the Commission should reassess whether the Postal Service’s cumulative losses have any meaningful impact on its ability to operate, the Postal Service states that it “has an obligation to be self-sufficient, and this includes making statutorily-mandated payments to pay for retirement obligations.” *Id.* at 10. The Postal Service maintains that “[t]here is no legal basis to conclude that [such] obligations can simply be ignored[,]” and the Postal Service states that while the PSRA “reduce[d] annuitant premiums, officially cancel[led] certain retiree health benefit payments, and extend[ed] the RHB Funds’ ability to pay such premiums...[,] the Postal Service [] remain[s] subject to ‘top-up’ payments, and more generally [is] required to pay annuitant premiums when the [RHBF] assets are eventually extinguished.” *Id.* The Postal Service states that the PSRA also did not alter the Postal Service’s pension liabilities. *Id.*

With respect to PostCom’s assertions concerning the Postal Service’s financial projections, the Postal Service states that the year-over-year improvement in controllable income in FY 2021 was an anomaly, largely due to the COVID-19 pandemic induced increases in package volumes. *Id.* at 10-11. The Postal Service states that “[a]lready in Quarter 3 of FY 2021, package volumes began to decline; and they have moreover remained below their FY 2021 peak in FY 2022, and controllable loss is accordingly projected to resume its trend of increasing year over year....” *Id.* at 11. Thus, according to the Postal Service, “what PostCom perceives as a long-term trend toward financial sustainability is in large part illusory.” *Id.*

3. Commission Analysis

a. Controllable Income (Loss)

In FY 2021, the Postal Service met the target for Controllable Income (Loss). The \$2.4 billion loss for FY 2021 was better than the projected loss of \$5.6 billion.

The Commission finds that the Postal Service met the Financial Health performance goal in FY 2021.

Below, the Commission analyzes the Controllable Income (Loss) performance indicator in more detail.

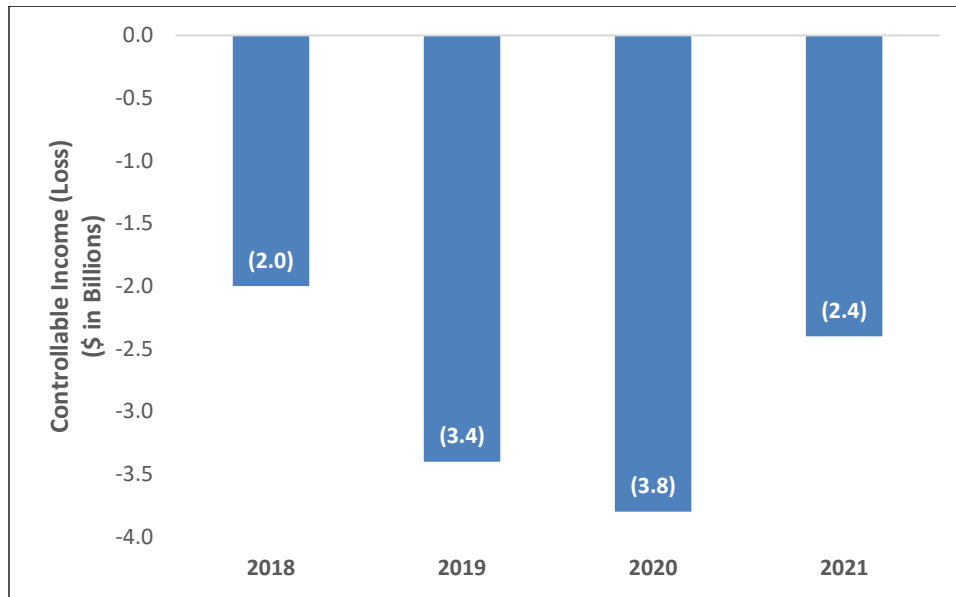
(1) Postal Service Report

As in past years, the *FY 2021 Annual Report* provides an explanation of each component that makes up the Controllable Income (Loss) performance indicator. The *FY 2021 Annual Report* includes a table showing revenue and expenses from the IFP and describes each category of revenue and controllable expenses. See *FY 2021 Annual Report* at 47. The Postal Service explains how the FY 2021 Controllable Income (Loss) target was met and provides a rationale for the FY 2022 target. *Id.* at 46-50. Additionally, it includes a section on non-controllable expenses, which also impact the Postal Service's financial results. See *id.* at 46. This information improves the transparency and utility of the *FY 2021 Annual Report* by helping interested persons better understand the components of Controllable Income (Loss) and how the Postal Service calculates targets and results.

The Commission recommends that the Postal Service continue to include similar information on Controllable Income (Loss) in future annual performance plans and annual performance reports.

In FY 2021, the Controllable Income (Loss) result was a \$2.4 billion loss, which was \$3.2 billion better than the FY 2021 target controllable loss of \$5.6 billion. *Id.* at 48. Figure III-17 shows the Controllable Income (Loss) results from FY 2018 through FY 2021.

Figure III-17
Controllable Income (Loss) Results
FY 2018-FY 2021



Source: *FY 2021 Annual Report* at 47. Results are rounded to the nearest tenth.

As explained above, the *FY 2021 Annual Report* includes a table listing the components of Controllable Income (Loss), which is adapted as Table III-14.

Table III-14
Integrated Financial Plan
Revenue and Expenses (\$ in Billions)
Results and Targets, FY 2018-FY 2022

	FY 2018 Result	FY 2019 Result	FY 2020 Result	FY 2021 Target	FY 2021 Result	FY 2022 Target
Revenue						
First-Class Mail	25.0	24.4	23.8	22.8	23.3	24.2
USPS Marketing Mail	16.5	16.4	13.9	12.0	14.6	15.2
Shipping and Packages	21.5	22.8	28.5	29.2	32.0	30.6
International Mail	2.6	2.5	2.4	2.2	2.2	2.2
Periodicals	1.3	1.2	1.0	0.9	1.0	1.0
Other ^a	3.9	4.0	3.6	3.8	4.0	4.3
Total Revenue	70.8	71.3	73.2	70.9	77.1	77.5
Controllable Expenses						
Salaries and benefits ^b	47.9	48.9	50.0	49.5	51.4	52.2
FERS normal cost	3.5	3.5	3.8	4.1	4.1	4.4
RHB normal cost ^c	3.5	4.0	4.0	3.9	3.9	4.3
Transportation	7.9	8.2	8.8	8.7	9.7	9.6
Depreciation	1.7	1.7	1.7	1.7	1.7	1.7
Supplies and services	3.0	2.8	3.1	3.1	2.9	3.2
Rent, utilities and other ^d	5.3	5.6	5.6	5.5	5.8	6.2
Total Controllable Expenses	72.8	74.7	77.0	76.5	79.5	81.6
Controllable Income (Loss)	(2.0)	(3.4)	(3.8)	(5.6)	(2.4)	(4.1)
Non-Controllable Expenses						
RHB normal cost actuarial revaluation	(0.1)	0.2	0.1	—	(0.3)	—
RHBF unfunded liability amortization	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(1.0)
FERS unfunded liability amortization	(1.0)	(1.1)	(1.3)	(1.4)	(1.4)	(1.4)
CSRS unfunded liability amortization	(1.4)	(1.6)	(1.8)	(1.8)	(1.9)	(1.9)
Workers' compensation fair value and other non-cash adjustments	1.4	(2.1)	(1.6)	—	2.0	—
Total Non-Controllable Expenses	(1.9)	(5.4)	(5.4)	(4.1)	(2.5)	(4.3)
Net Income (Loss)	(3.9)	(8.8)	(9.2)	(9.7)	(4.9)	(8.4)

Note: The sum of columns may not equal total due to rounding. *FY 2021 Annual Report* at 47 n.1.

^a Other income includes investment and interest income, gain or loss on sale of and income from the outlease of property. *FY 2021 Annual Report* at 47 n.2.

^b Salaries and benefits include workers' compensation cash benefits. *FY 2021 Annual Report* at 49.

^c The RHB normal cost for FY 2021, which is considered a controllable expense, was \$3.9 billion. However, due to a non-controllable actuarial revaluation by OPM, this amount was increased by \$0.3 billion, which is shown as a non-controllable expense. *FY 2021 Annual Report* at 49.

^d Rent, utilities, and other includes interest expense. *FY 2021 Annual Report* at 49.

Source: *FY 2021 Annual Report* at 47; Response to CHIR No. 31, question 1.

Total revenue in FY 2021 was \$77.1 billion, which was \$6.2 billion more than planned. *FY 2021 Annual Report* at 47. The Postal Service attributes this to “better-than-expected mail volumes and a continued surge in package volumes.” *Id.* at 48. According to the Postal Service, “[t]he COVID-19 pandemic continued to impact the Postal Service’s financial health in FY 2021[,]” leading to “significant increases in customer demand for package delivery services....” *Id.* at 46. Revenue for First-Class Mail (primarily consisting of Single-Piece and Presorted letters and postcards) was \$23.3 billion, which was \$0.5 billion above the *FY 2021 Plan*, “mainly due to higher-than-expected volume recovery from the pandemic loss.” *Id.* at 48. Revenue for USPS Marketing Mail (which consists of mail weighing less than 16 ounces and not required to use First-Class Mail) was \$14.6 billion, \$2.6 billion above the *FY 2021 Plan*, also due to “higher-than-expected volume recovery from the pandemic loss.” *Id.*

Shipping and Packages consist largely of Competitive services that can be priced to reflect current market conditions, such as Priority Mail and Parcel Select. *Id.* Revenue from Shipping and Packages was \$32.0 billion, \$2.8 billion more than the planned amount, “due to the continued surge in volumes resulting from the pandemic.” *Id.* Smaller revenue sources included International Mail (\$2.2 billion), Periodicals (\$1.0 billion), and other revenue sources (\$4.0 billion). *Id.*; Response to CHIR No. 31.

In FY 2021, total expenses, including interest expense, were \$82.0 billion. *Id.* at 48. Salaries and benefits expenses—which include salaries, employee health benefits expenses, and workers’ compensation cash outlays—totaled \$51.4 billion, which was \$1.9 billion more than the *FY 2021 Plan*, due to “an increase in work hours resulting from the continued surge in package volumes, especially during peak season.” *Id.* at 49.

Transportation expenses totaled \$9.7 billion, which was \$1.0 billion above the *FY 2021 Plan*; according to the Postal Service, this was “primarily because of the increased need for transportation due to volume above plan and inflationary pressures in the trucking industry due to supply imbalances.” *Id.*

The RHB normal cost totaled \$4.2 billion, which was \$0.3 billion above the *FY 2021 Plan*. *Id.* However, this was due to an actuarial re-valuation by OPM that the Postal Service considers non-controllable; the controllable portion of the RHB normal cost was \$3.9 billion, which was equal to the *FY 2021 Plan*. *Id.* The FERS normal cost totaled \$4.1 billion, which was in line with the *FY 2021 Plan*. *Id.* Other, less significant, expense categories included depreciation (which totaled \$1.7 billion, in line with the *FY 2021 Plan*), supplies and services (which totaled \$2.9 billion, \$0.2 billion below the *FY 2021 Plan*, “largely due to less-than-forecasted use of service contracts”), and rent, utilities, and other expenses (which totaled \$5.8 billion, \$0.3 billion more than the *FY 2021 Plan*, “primarily due to higher-than-anticipated vehicle costs and labor resolutions”). *Id.*

With total revenue of \$77.1 billion and total expenses of \$82.0 billion, the Postal Service incurred a net loss of \$4.9 billion, which was \$4.8 billion less than the net loss projected in

the *FY 2021 Plan*. *Id.* at 47. The Postal Service asserts that “[t]he lower-than-anticipated net loss was primarily due to higher revenue than projected and \$2.0 billion of non-cash adjustments to workers’ compensation liability, partially offset by higher controllable expenses than projected.” *Id.* at 48.

The Postal Service only considers \$2.4 billion of the \$4.9 billion net loss to have been controllable. *Id.* at 47, 48. It describes the major factors affecting its controllable loss as:

[O]verall customer demand; the mix of postal services and contribution associated with those services; the Postal Service’s ability to manage its cost structure in line with the shifting volume mix; an increasing number of delivery points; increased leave, transportation and supplies and services costs associated with the COVID-19 pandemic; and legacy costs for retirement and retiree health benefits.

Id. at 48.

The Controllable Income (Loss) target for FY 2022 is a \$4.1 billion loss, which anticipates “a projected \$0.4 billion increase in revenue and a \$2.1 billion increase in controllable expenses compared to FY 2021.” *Id.* at 49.

The Postal Service states that it expects revenue in FY 2022 to increase by \$1.8 billion compared to FY 2021. *Id.* The Postal Service explains that in August 2021, it implemented price increases on its Market Dominant products that included the above-consumer price index (CPI) sources of rate authority approved by the Commission in Order No. 5763.¹²¹ According to the Postal Service, these “increased prices are expected to offset the loss of revenue as a result of the effect of mail volume decline due to continued electronic diversion.” *FY 2021 Annual Report* at 49. International revenue is expected to remain flat, while “other revenue” is expected to increase by \$0.3 billion. *Id.* at 48-49.

The Postal Service anticipates that Shipping and Packages revenue will decrease by \$1.4 billion “because of a slowdown in e-commerce growth and attenuation of package volume growth due to the pandemic.” *Id.* at 49. The Postal Service explains that “[c]onsumers are expected to increase in-store shopping and the use of pickup services instead of online shopping[,] and “competitors are increasing their efforts to capture sources of revenue.” *Id.*

In terms of controllable expenses, the Postal Service reports that salaries and benefits expenses are planned to increase by \$0.8 billion in FY 2022 “due to wage increases from contractual general increases and high cost-of-living adjustments (COLA) based on

¹²¹ *Id.* See Docket No. RM2017-3, Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products, November 30, 2020 (Order No. 5763).

increased inflation.” *Id.* 49-50. The Postal Service explains that “[t]he cost-of-living payment issued in August 2021 (the full impact of which will be reflected in FY 2022) was equivalent to approximately \$1,935 per year for most full-time employees[,]” which “is nearly equal to the impact of COLA payments for the three previous years combined.” *Id.* at 50. Furthermore, “[s]alary and benefit expenses are expected to increase despite a planned reduction in work hours.” *Id.*

The Postal Service reports that the FERS normal cost expense in FY 2022 is expected to increase by \$0.3 billion over FY 2021, “in line with the increased employer compensation rate required by OPM.” *Id.* The controllable portion of the RHB normal cost expense is expected to increase by \$0.4 billion, “in line with OPM’s most recent request for payment.” *Id.*

Transportation expenses are estimated to decrease by \$0.1 billion, “largely due to lower air transportation costs resulting from a decrease in package volumes, a shift of assigned transportation from air to surface, and increased usage of lower-cost commercial carriers.” *Id.* However, “[a]n increase in surface transportation rates is expected to limit this reduction.” *Id.*

Depreciation expenses are expected to remain flat, while supplies and services expenses are expected to increase by \$0.3 billion. *Id.* Rent, utilities, and other expenses are expected to increase by \$0.4 billion “due to increased expenses to support modernization investments, as well as inflationary pressures including fuel.” *Id.* Furthermore, “[r]ent is also expected to increase due to an increased investment in annexes for processing packages.” *Id.*

The Postal Service explained that the acquisition and deployment of the new fleet of NGDVs, which is currently underway, is not expected to improve the Postal Service’s financial health in FY 2022 or FY 2023. Response to CHIR No. 27, question 1; see 10-Year Strategic Plan at 32-33. Nevertheless, the Postal Service “expects fuel and maintenance expense reductions throughout the expected 20-year service life [of the NGDVs] when compared to the projected costs for 50,000 of the current purpose-built delivery fleet remaining operational for the same time period.” Response to CHIR No. 27, question 1.

(2) PostCom Comments

In its comments, PostCom raises multiple issues with the *FY 2021 Annual Report* and *FY 2022 Plan*. As an initial matter, the Commission reiterates that the scope of its review of reports and plans under 39 U.S.C. §§ 2803 and 2804 is limited to evaluating whether the Postal Service met the performance goals that the Postal Service established for itself and providing “recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in [Title 39].” 39 U.S.C. § 3653(d).

PostCom first argues that the *FY 2021 Report* “does not provide the information necessary to accurately assess the ‘Financial Health’ of the Postal Service[,]” because “[a]lthough the

FY 2021 Report provides basic information on the Postal Service's finances, including a high-level discussion of its controllable income and non-controllable expenses...some of the information presented provides a potentially misleading picture of the Postal Service's FY 2021 performance." PostCom Comments at 8. PostCom argues that the *FY 2021 Annual Report* obscures the Postal Service's financial condition by selectively presenting costs and revenues or other sources of funding, such as the \$10 billion in appropriated funds the Postal Service received in FY 2021 pursuant to the CARES Act. *Id.* at 11-12. PostCom argues that the Postal Service "cites 'supplies and services costs associated with the COVID-19 pandemic' as one of the 'major factors' impacting its controllable loss[.]" and "claims that '[i]ncreased use of employee leave and expenditures on personal protective equipment have also contributed to increased expenses[.]'" but "does not account for [the CARES Act funding][.]" which was "specifically targeted to these pandemic-related costs[.]" when discussing its financial performance. *Id.* at 11 (citing *FY 2021 Annual Report* at 46, 48). PostCom asserts that properly accounting for the \$10 billion in CARES Act funding "turns the \$4.9 billion [reported net loss for FY 2021] into a \$5.1 billion profit." *Id.* at 12.

The Postal Service responds that it acknowledged receipt of the CARES Act funding on page 46 of the *FY 2021 Annual Report*, where the Postal Service stated that "[e]mergency legislation, including a \$10 billion grant from the [CARES] Act, has helped ensure sufficient liquidity to maintain operations." *FY 2021 Annual Report* at 46; Postal Service Reply Comments at 9 n.27. The Postal Service further explained that:

In 2021, \$8.7 billion of the CARES Act funding was spent on compensation and benefits, and \$1.3 billion was spent on transportation expenses. These expenses are included in the FY 2021 totals for the "Compensation and benefits" expense line in the table on page 24, the "Salaries and benefits" expense line in the table on page 47, and the "Transportation" expense line in the tables on pages 24 and 47. Further, the \$10 billion from the CARES Act is reflected in the "Cash and cash equivalents" line and "Total net deficiency" line of the table on page 24.

Response to CHIR No. 24, question 2.

The Commission finds the Postal Service's explanation as to how it accounted for the CARES Act funding in the *FY 2021 Annual Report* to be sufficient, and the Commission finds that the *FY 2021 Annual Report* meets the requirements of 39 U.S.C. § 2804. The financial information contained in the *FY 2021 Annual Report* is consistent with the more detailed financial reporting that the Postal Service provided in its Postal Service FY 2021 Form 10-K. See Postal Service FY 2021 Form 10-K at 4, 45, 64.

PostCom next argues that "[t]he Commission should develop better metrics to evaluate [f]inancial [h]ealth[.]" because the Postal Service's reported cash holdings, reduced debt level, and average daily liquidity balance all serve to undermine claims that the Postal Service needs additional revenue. PostCom Comments at 8-10. Moreover, "[t]he

Commission should also reassess whether the Postal Service’s cumulative net losses have any meaningful impact on the Postal Service’s ability to provide service or invest in its network[,]” given that the “primary driver of the [Postal Service’s] net losses...”—the RHB prefunding payments required by the Postal Accountability and Enhancement Act, which the Postal Service largely defaulted on—are obligations for which “the Postal Service has suffered no consequences...,” and which were cancelled in the recently enacted PSRA.¹²²

The Postal Service replies that to the extent its cash holdings appear favorable, it is only because the Postal Service was forced to default on statutorily-required RHB and pension payments, and because of the one-time infusion of \$10 billion in funding from the CARES Act. Postal Service Reply Comments at 8-9. The Postal Service states that despite its liquidity, it has continued to incur net losses and its liabilities continue to exceed its assets. *Id.* at 9. The Postal Service maintains that net losses resulting from statutory obligations cannot simply be ignored, and the Postal Service argues that while the PSRA reduced some of the Postal Service’s legal obligations, particularly with respect to the RHBF, the PSRA did not alter the Postal Service’s pension liabilities. *Id.* at 10.

These arguments by PostCom are beyond the scope of the Commission’s review of the Postal Service’s *FY 2021 Annual Report* and *FY 2022 Plan*. Pursuant to 39 U.S.C. § 2803, the Postal Service is directed to establish performance indicators for purposes of evaluating achievement with the Postal Service’s performance goals. 39 U.S.C. § 2803(a)(4). The Postal Service has established Controllable Income (Loss) as the performance indicator for the Financial Health performance goal, and the Postal Service set a target for the Controllable Income (Loss) performance indicator for FY 2021. *See FY 2020 Annual Report* at 49. The purpose of the instant docket is for the Commission to evaluate whether the Postal Service met its Financial Health performance goal for FY 2021 and to “provide recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in [Title 39].” 39 U.S.C. § 3653(d). This does not involve a re-assessment of the financial metrics and analyses that the Commission uses in other contexts when evaluating the Postal Service’s financial position.¹²³ Furthermore, as the Postal Service argues, it cannot simply ignore its legal obligations in its financial reporting, and neither can the Commission. The recently enacted PSRA reduces some of the Postal Service’s legal obligations beginning in FY 2022, most significantly by removing the \$57 billion liability for past due RHB obligations and eliminating annual payments for RHB normal costs and RHB amortization. *See PSRA* § 102, 136 Stat. 1127, 1138-1140. The Commission will, in future dockets and reports, update its analyses of the Postal Service’s financial position in light of these changes. The Commission finds the Postal Service’s representations with respect to its finances in the *FY 2021 Annual Report* and *FY 2022 Plan* meet the requirements of 39 U.S.C. §§ 2803 and 2804.

¹²² *Id.*; *see* Postal Accountability and Enhancement Act (PAEA), Pub. L. 104-435 § 803, 120 Stat. 3198, 3251 (2006).

¹²³ *See generally* Postal Regulatory Commission, Financial Analysis of the United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2021, May 18, 2022; *see also* Order No. 4257 at 146-248.

Finally, PostCom argues that “[t]he FY 2022 Plan fails to meaningfully describe how Postal Service initiatives and secular trends will affect the Postal Service’s Financial Health in the upcoming year.” PostCom Comments at 8. PostCom implies that there is reason to suspect that the Postal Service’s projected net loss for FY 2022 is exaggerated. *Id.* at 13-15.

PostCom asserts that the Postal Service’s financial projections “have been overly pessimistic,” particularly FY 2021, for which the Postal Service’s projected controllable loss was \$3.2 billion worse than the controllable loss that actually occurred. *Id.* at 13-14. PostCom also notes differences between the Postal Service’s cash balance projections for FY 2021 in the *FY 2021 Plan* compared to the Postal Service’s 10-Year Strategic Plan. *Id.* at 14. PostCom questions the assumptions underlying the Postal Service’s projected controllable loss for FY 2022, particularly in light of the Postal Service’s 10-Year Strategic Plan, as well as the recently enacted PSRA. *Id.* at 14. PostCom argues that the *FY 2022 Plan* “does not provide enough detail to truly assess the basis for the Postal Service’s projections—including how much of its capital it plans to spend, what efficiency improvements it expects to make, and whether or not...costs will rise in line with inflation (and if not, why not).” *Id.* at 14-15.

The Postal Service replies that the year-over-year improvement in controllable income in FY 2021 was an anomaly, largely due to pandemic-induced increases in package volumes. Postal Service Reply Comments at 10-11. The Postal Service states that “[a]lready in Quarter 3 of FY 2021, package volumes began to decline; and they have moreover remained below their FY 2021 peak in FY 2022, and controllable loss is accordingly projected to resume its trend of increasing year over year....” *Id.* at 11.

The Commission finds that the *FY 2022 Plan* meets the requirements of 39 U.S.C. § 2803. The financial information contained in the *FY 2022 Plan* is consistent with the more detailed financial projections that the Postal Service provided in its FY 2022 IFP. In the FY 2022 IFP, the Postal Service explains in detail the assumptions on which its FY 2022 projections were based at the time they were made.¹²⁴ The FY 2022 IFP also explains the reasons for divergences from the projections in the Postal Service’s 10-Year Strategic Plan, and it provides alternative projections embracing such scenarios as the enactment of RHB reform in the PSRA. FY 2022 IFP at 9-10.

(3) Continuing Appropriateness of Controllable Income (Loss) as a Performance Indicator

CHIR No. 24 inquired as to the continued appropriateness of the use of Controllable Income (Loss) as a performance indicator. CHIR No. 24, question 1.

Controllable Income (Loss) is a non-Generally Accepted Accounting Principle (GAAP) accounting measure that excludes certain expenses the Postal Service considers “not reflective of short-term operational decisions and...subject to large fluctuations outside the organization’s control.” *FY 2021 Annual Report* at 46. These expenses include:

¹²⁴ *FY 2021 Annual Report* at 49 (citing FY 2022 IFP); FY 2022 IFP at 2. The FY 2022 IFP was filed in November 2021.

revaluations of the RHB normal cost; the amortization of the Postal Service's unfunded RHB liabilities; the amortization of unfunded liabilities for the Postal Service's participation in the FERS and CSRS; and non-cash expenses related to changes in the liability for participation in the Federal workers' compensation program. *Id.*

In Order No. 5763, issued in FY 2020, the Commission authorized the Postal Service to begin using various discrete forms of above-CPI rate authority intended to remedy what the Commission found to be specific deficiencies in the postal ratemaking system. *See* Order No. 5763. One of the specific forms of above-CPI rate authority that the Commission authorized was retirement-based rate authority. *Id.* at 100-131. This rate authority was designed to provide the Postal Service with revenue to address statutorily mandated amortization payments for retirement costs, which the Commission determined were beyond the Postal Service's control. *Id.* In the first rate adjustment proceeding following implementation of the rule changes promulgated in Order No. 5763, the Postal Service made use of the full amount of retirement-based rate authority available to it.¹²⁵ Thus, CHIR No. 24 inquired as to the Postal Service's basis for continuing to classify the amortization of the Postal Service's unfunded RHB liabilities and the amortization of unfunded liabilities for participation in FERS and CSRS as non-controllable expenses.

In addition to retirement-based rate authority, Order No. 5763 also provided the Postal Service with other discrete forms of above-CPI rate authority, including density-based rate authority and rate authority for non-compensatory products and mail classes. CHIR No. 24, question 1.b. (citing Order No. 5763 at 72-99, 181-97). In Docket No. R2021-2, the Postal Service made use of the full amount of rate authority available to it under these mechanisms.¹²⁶ Given these changes in the Postal Service's revenue position, CHIR No. 24 asked whether the Postal Service had given any consideration to using a standard GAAP measure such as net income (loss) as a performance indicator for the Financial Health performance goal, rather than Controllable Income (Loss). CHIR No. 24, question 1.b.

The Postal Service states that it classifies RHB, FERS, and CSRS amortization expenses as non-controllable because they are subject to large variations which are outside management's control, at least in the short-term. Response to CHIR No. 24, question 1.a. The Postal Service asserts that its performance is most effectively measured using those revenues and expenses over which postal management has a greater degree of influence. *Id.* The Postal Service argues that the retirement-based rate authority does not make RHB, FERS, and CSRS amortization expenses or their impacts on the Postal Service's net income more predictable, since the amount of authority granted in any given year is independent of the amortization expenses themselves. *Id.* Moreover, the Postal Service asserts that the retirement-based rate authority does not generate sufficient revenue to completely offset amortization expenses, because it affects only revenue generated from Market Dominant

¹²⁵ *See* Docket No. ACR2020, Determination of Available Market Dominant Rate Authority, April 6, 2021, at 4-6 (Order No. 5861); Docket No. R2021-2, United States Postal Service Notice of Market Dominant Price Change, May 28, 2021, at 3 (Docket No. R2021-2 Notice).

¹²⁶ *Id.* at n.4 (citing Order No. 5861 at 2-4, 6); Docket No. R2021-2 Notice at 3.

products, and because it is subject to a gradual phase in. *Id.* Therefore, the Postal Service states that it intends to continue classifying RHB, FERS, and CSRS amortization expenses as non-controllable. *Id.*

The Postal Service adds that it intends to continue using Controllable Income (Loss) as a performance indicator, rather than net income (loss). *Id.* question 1.b. The Postal Service maintains that Controllable Income (Loss) remains more relevant than net income (loss) because non-controllable expenses are subject to large swings over which postal management has virtually no influence. *Id.* By way of example, the Postal Service explains that “the non-cash change in workers’ compensation liability has varied from -2.2 billion to +2.2 billion in the last five years alone, due to changes in [the] discount rate, inflation and actuarial assumptions over which management has no control.” *Id.* The Postal Service argues that the additional rate authority granted in Order No. 5763 “has no impact on the unpredictability of [] non-controllable expenses[,]” and “has no impact on the predictability of income within a given year, since the authority granted in any year is unrelated to the amortization expenses in that same year.” *Id.* Thus, the Postal Service contends that “there is no reason why the provision of density-based and retirement-based rate authority would impact the decision to use [C]ontrollable [I]ncome ([L]oss) as a performance indicator instead of net income (loss).” *Id.*

The Commission notes that shortly after the Postal Service filed its response to CHIR No. 24, the PSRA was enacted, which made a number of significant changes with respect to the Postal Service’s retirement obligations. *See* PSRA § 102, 136 Stat. 1127, 1138-1140. Specifically, it removed the \$57 billion liability for past due RHB obligations and eliminated annual payments for RHB normal costs and RHB amortization. *See id.* This removed two major sources of non-controllable expenses—revaluations of the RHB normal cost by OPM and the amortization of unfunded RHB liabilities. With respect to the amortization of the Postal Service’s unfunded FERS and CSRS liabilities, it may be true, as the Postal Service asserts, that the retirement-based rate authority does not generate sufficient revenue to completely offset amortization liabilities, but it does generate sufficient revenue to offset a significant portion of them.

The enactment of the PSRA, in conjunction with the retirement-based rate authority adopted by the Commission in Order No. 5763, have resulted in a substantial reduction in the Postal Service’s non-controllable expenses since the beginning of FY 2021. The PSRA eliminated payments for both RHB amortization and RHB normal costs, while Order No. 5763 authorized the Postal Service to collect revenue for FERS and CSRS amortization payments. The Commission recommends that the Postal Service revise the existing Controllable Income (Loss) performance indicator in future reports to exclude revenues accumulated from the retirement-based rate authority. This change would ensure that revenues collected using the retirement-based rate authority are excluded from the Controllable Income (Loss) metric.

b. Other Performance Measures

Although not used as performance indicators, the Postal Service also includes in the *FY 2021 Annual Report* results for Total Factory Productivity (TFP) and labor productivity. *FY 2021 Annual Report* at 51. As the Postal Service explains, TFP measures how efficiently the Postal Service uses its resources, based on the ratio of work completed to resources used. *Id.* “Work completed” includes three primary components: the number of delivery points; mail volume weighted by product type; and miscellaneous output (such as other services the Postal Service provides, including passport services). *Id.* An increase in TFP indicates that the ratio of work completed to resources used is increasing, *i.e.*, that the Postal Service as an organization is operating more efficiently, whereas a decrease in TFP indicates the opposite. *Id.*

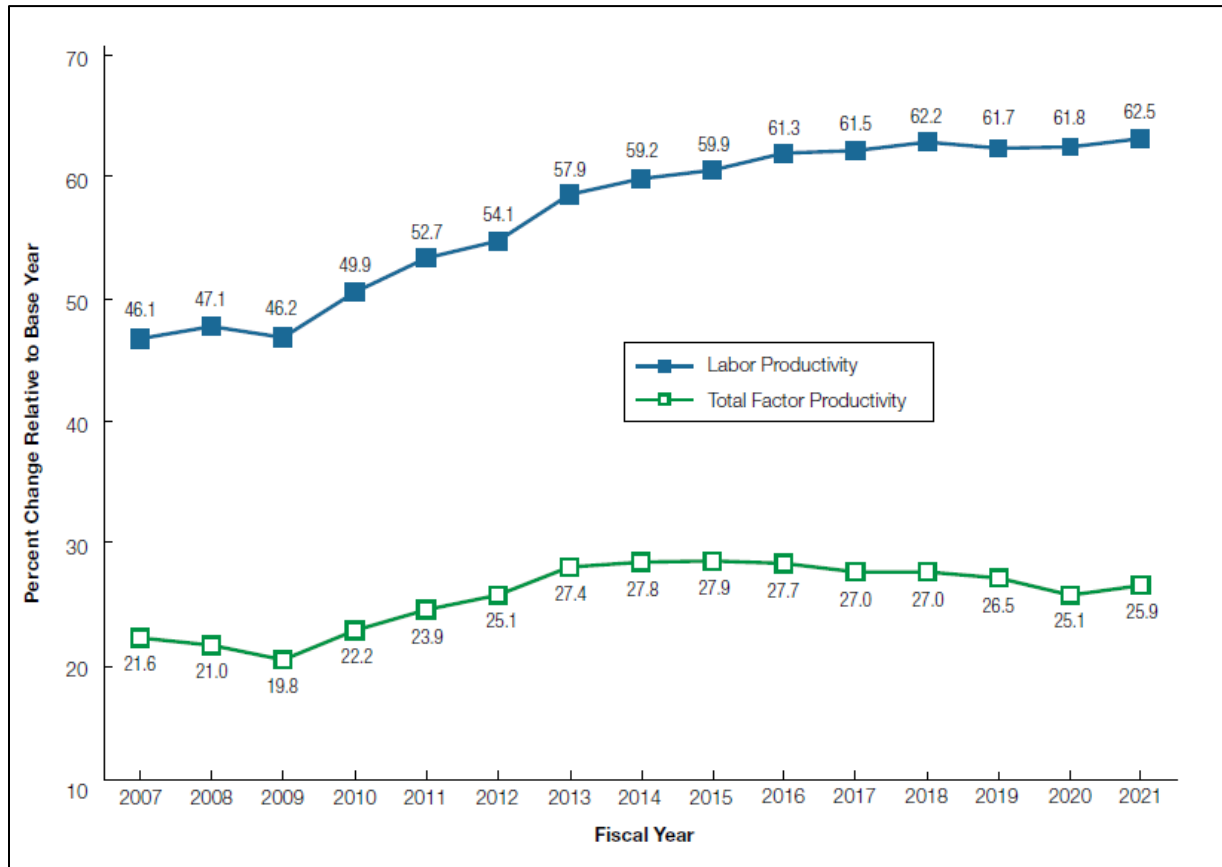
Similarly, labor productivity measures the efficiency of labor in producing a unit of workload per unit of labor. *Id.* An increase in labor productivity indicates that more workload is being handled per unit of labor, *i.e.*, that labor is more efficient, whereas a decrease in labor productivity indicates the opposite. *Id.*

The Postal Service states that TFP increased significantly between FY 2009 and FY 2015 but began declining in FY 2016. *Id.* The Postal Service reports that TFP for FY 2021 was a 0.7 percent improvement relative to FY 2020. *See id.* The Postal Service states that “[t]he increase can largely be attributed to an increase in labor productivity from a more cost-effective workforce and additional volume.” *Id.* Furthermore, “there were cost savings captured in supplies and services when compared to the initial stage of the COVID-19 pandemic in FY 2020.” *Id.* In addition, the Postal Service also states that “an organizational restructure occurred in FY 2021 to improve operational efficiencies across the nation.” *Id.*

The Postal Service reports that labor productivity for FY 2021 increased 0.5 percent relative to FY 2020, “marking the eleventh time in the last twelve years that labor productivity has been positive.” *See id.* For both TFP and labor productivity, the Postal Service cautions that “resource usage is based on constant-dollar amounts of labor, capital, and materials used.” *Id.* Therefore, “[b]ecause some productivity improvements take years for the effects to be realized, it is more informative to consider changes in TFP and labor productivity over a period of years, rather than year to year.” *Id.*

Figure III-18 reflects the change in TFP and labor productivity from FY 2007 through FY 2021.

Figure III-18
Total Factor Productivity and Labor Productivity Results
FY 2007-FY 2021



Source: *FY 2021 Annual Report* at 51.

The Commission appreciates the Postal Service providing this information, as the Commission has recommended in the past. *See, e.g., FY 2020 Analysis* at 119. Even though these two measures are not performance indicators, they provide additional transparency into productivity trends.

The Commission recommends that future annual performance reports continue to include information on both the TFP index and other productivity measures.

c. Need for an Additional Performance Indicator

FY 2021 was the first fiscal year for which the Postal Service used only one performance indicator—Controllable Income (Loss)—to measure progress towards its Financial Health goal. Prior to FY 2021, the Postal Service always relied on two performance indicators: one a measure of income (or loss) and the other a measure of productivity. The performance indicator used to measure productivity was historically based on the number of annual deliveries completed per employee workhour, and was, in its final iteration, referred to as Deliveries per Total Workhours (DPTWH) % Change.¹²⁷

In the *FY 2021 Plan*, the Postal Service reported that it would cease using DPTWH % Change as a performance indicator. *FY 2020 Annual Report* at 52. The Postal Service stated that DPTWH % Change was “too vulnerable to the changing mail mix, erosion of delivery coverage[,] and delivery point expansion[,]” and that “[w]ork hours associated with packages are higher than letters and flats and fewer pieces per delivery makes this metric unachievable and an inaccurate measure of overall organizational efficiency.”¹²⁸

The Commission noted that in past analyses it had identified issues with using DPTWH % Change as a performance indicator and had recommended that the Postal Service use TFP instead to measure productivity improvements. *FY 2020 Analysis* at 118. Specifically, the Commission has observed that the resource inputs used to estimate workload were not as refined or comprehensive as those used for the TFP index, and eliminating workhours appeared to make the DPTWH % Change result less comprehensive. *Id.* (citing *FY 2016 Analysis* at 73). The Commission has also noted that it was unclear whether the workload adjustment was accurate or complete. *Id.* (citing *FY 2016 Analysis* at 73).

Nevertheless, the Commission noted that it was also concerned that the Postal Service would not replace DPTWH % Change with another performance indicator in FY 2021. *Id.* The Postal Service stated that its Executive Leadership Team and Board of Governors would approve FY 2022 performance indicators and targets in November of FY 2021 and

¹²⁷ *See FY 2013 Analysis* at 23; *FY 2014 Analysis* at 40; *FY 2015 Analysis* at 57; *FY 2016 Analysis* at 67; *FY 2017 Analysis* at 63; *FY 2018 Analysis* at 68; *FY 2019 Analysis* at 78; *FY 2020 Analysis* at 108.

¹²⁸ Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-5 of Chairman’s Information Request No. 8, February 5, 2021, question 3.a. (Docket No. ACR2020 Response to CHIR No. 8).

would be asked to consider the utility of efficiency metrics.¹²⁹ However, the *FY 2022 Plan* does not contain such a metric.

The Commission continues to be concerned that, as the Commission explained in the *FY 2020 Analysis*, Controllable Income (Loss) alone does not provide a complete and balanced picture of the Postal Service's progress toward the Financial Health performance goal. *See FY 2020 Analysis* at 118. Controllable Income (Loss) captures only one aspect of financial health, which should also be evaluated using other important metrics such as ones that measure operational efficiency or financial ratios based on the Postal Service's financial statements. Establishing a more comprehensive set of performance indicators would provide more insight into the Postal Service's progress towards achieving the Financial Health performance goal.

The Commission continues to recommend that the Postal Service adopt additional performance indicators for measuring progress towards the Financial Health performance goal. Specifically, the Commission advises that the Postal Service consider using either TFP or labor productivity as performance indicators.

¹²⁹ Docket No. ACR2020 Response to CHIR No. 8, question 3.d.

CHAPTER IV: STRATEGIC INITIATIVES

A. Background

39 U.S.C. § 2802 requires the Postal Service to prepare a strategic plan that contains strategic goals, which are general, outcome-related goals and objectives for its major functions and operations. *See* 39 U.S.C. § 2802(a)(2). On March 23, 2021, the Postal Service issued the *Delivering for America Plan*, a new strategic plan to achieve financial sustainability and service excellence during the next 10 years. *See* 10-Year Strategic Plan. It states that the 10-Year Strategic Plan seeks to achieve the four performance goals:

- **High-Quality Service** by delivering at least 95 percent of all mail and packages on-time, at all times during the fiscal year
- **Excellent Customer Experience** by improving customer satisfaction with services provided through every primary touchpoint measured by the CX surveys¹³⁰
- **Safe Workplace and Engaged Workforce** by creating a safe workplace and increasing employee engagement
- **Financial Health** by achieving a break-even (net income > \$0) cumulative net income over the next 10 years¹³¹

To help achieve these goals, the Postal Service states that it “has implemented a portfolio of strategic initiatives and a rigorous portfolio management process...based on well-established methods to apply strategic and financial rigor to decision making and to navigate significant organizational changes.” *FY 2021 Annual Report* at 52. 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 FY 2021, the Postal Service implemented a portfolio of 12 strategic initiatives, which are shown in Figure IV-1. This figure also describes each of these strategic initiatives and shows how they align to the performance goals.

¹³⁰ The CX surveys are discussed in Chapter III. *See* Chapter III, Section B.1.a., *supra*.

¹³¹ *FY 2021 Annual Report* at 32; Docket No. ACR2020, Responses of the United States Postal Service to Questions 2-3 of Chairman’s Information Request No. 27, April 9, 2021, question 2.b.ii. The Postal Service states that the strategic goals are the same as the four performance goals, which the Postal Service refers to as “corporate performance outcomes.” Response to CHIR No. 21, question 1.a.

Figure IV-1
FY 2021 Strategic Initiatives and Corresponding Performance Goals



Excellent Customer Experience



Financial Health



High-Quality Service



Safe Workplace and Engaged Workforce

Strengthen the value of mail and sustain public service mission, including 6-Day delivery, by:

- increasing the value of mail to senders by using new data-driven tools and promoting digital integration, and
- developing new programs, resources, and offerings that benefit businesses of all sizes, including enhancing Informed Delivery and Informed Visibility and mail promotions and incentives.

Implement service standards that achieve service excellence 95% of the time by:

- modifying service standards for letter- and flat-shaped First-Class Mail and
- modifying service standards for First-Class Package Service.

Innovate and launch USPS Connect by:

- supporting a new product offering, USPS Connect, which is a diverse suite of scalable and customizable solutions for businesses to reach their customers, including Local, Regional, National, and Returns offerings.

Optimize transportation to become more efficient and predictable by:

- redesigning the surface transportation network,
- reducing reliance on air transportation for certain classes of mail, and
- deploying a state-of-the-art platform for end-to-end execution of a unified logistics operation.

Modernize delivery vehicle fleet, and with Congressional support, implement electric fleet by 2035 by:

- upgrading the fleet, including the purchase and deployment of the Next Generation Delivery Vehicles, and
- leveraging new technology to improve safety and comfort and increase delivery efficiency by providing more space for mail and packages.

Implement best-in-class processing operations by:

- modernizing the Postal Service's operating plans, and
- investing in the logistics and processing network, including processing equipment investments, technology upgrades, and facility footprint realignment.



Excellent Customer Experience



Financial Health



High-Quality Service



Safe Workplace and Engaged Workforce



Implement best in-class delivery operations to enhance delivery operations by:

- driving operational precision,
- optimizing delivery units,
- modernizing route structures,
- investing in employees, technology, and systems, and
- deploying sortation equipment to delivery units.



Modernize retail Post Offices by:

- transforming retail locations into a destination center for local business providing expert shipping and mailing solutions, including the alignment of retail locations to meet evolving customer needs, and
- expanding partnerships with government partners to provide additional services to include passport services and fingerprint/biometric capture.



Stabilize and empower workforce to hire, develop, and retain capable and diverse employees by:

- reducing non-career employee turnover by half,
- expanding career planning programs,
- elevating front-line leadership capabilities,
- establishing an Executive Diversity Council, and
- enhancing employee safety and wellbeing.



Align organizational structure to support effectiveness by:

- designing a high-performing organization with greater line of sight from strategy to business outcomes focusing on Retail and Delivery, Logistics and Processing, and Commerce and Business,
- accepting and delivering mail more efficiently,
- processing mail and packages more efficiently, and
- utilizing infrastructure to enable growth.



Implement a more rational pricing approach, including a judicious implementation of new and existing pricing authorities, by:

- applying new Commission rules on Market Dominant pricing above CPI, and
- reviewing all Competitive postal products and services for opportunities to drive higher revenue based on needs.



Support legislative and administrative actions by:

- creating a legislative and administrative framework that aligns with the Postal Service's needs,
- requesting the integration of Medicare with Postal Service health plans,
- requesting the elimination of pre-funding obligations stemming from the PAEA, and
- correcting the unfair allocation of Civil Service Retirement System benefits for legacy Post Office Department employees.

Source: *FY 2021 Annual Report* at 53; Response to CHIR No. 21, question 2.a.; see 10-Year Strategic Plan at 22-39.

The Postal Service explains that “[e]ach strategic initiative has a specific set of measures to track performance aligned to optimize [both] short-term performance and build long-term capabilities.” *FY 2021 Annual Report* at 52. To evaluate its performance in implementing each strategic initiative, the Postal Service states it “continuously measures its variance against the critical milestones to achieve its intended corporate performance outcomes/goals, measures, and annual targets.” Response to CHIR No. 21, question 2.b. The performance measures for the strategic initiatives are the same as the performance indicators for each performance goal. *See id.*

In FY 2022, the Postal Service “refined the supporting initiatives to adapt to changing conditions in the market, feedback from customers and the PRC, input from employees, and lessons learned from FY 2021 progress.” *FY 2021 Annual Report* at 52. It will use the same portfolio of strategic initiatives in FY 2022. *Id.* at 53. For FY 2022, the Postal Service will use the same set of performance indicators and targets to assess both its corporate performance outcomes/goals and its performance in implementing each strategic initiative. *See* Response to CHIR No. 21, question 2.b.

B. Commission Analysis

None of the commenters discussed the strategic initiatives or the 10-Year Strategic Plan. In the *FY 2020 Analysis*, the Commission made the following recommendations regarding the strategic initiatives:

- Explain how the strategic initiatives relate to the performance goals and performance indicators
- Identify each strategic initiative the Postal Service used in FY 2021
- Describe the Postal Service’s progress toward completing each strategic initiative during FY 2021, and identify performance measures and results, if applicable
- Describe each strategic initiative the Postal Service will use in FY 2022, and provide performance measures and targets
- Explain how the strategic initiatives changed between FY 2021 and FY 2022¹³²

The Postal Service adopted these recommendations. In the *FY 2021 Annual Report*, the Postal Service identifies each strategic initiative used in FY 2021 and aligns them with one or more performance goals. *See FY 2021 Annual Report* at 53. The Postal Service states that each strategic initiative was refined to adapt to changing market conditions, feedback from customers and the Commission, input from employees, and lessons learned from FY 2021

¹³² *FY 2020 Analysis* at 136-37.

progress. *Id.* at 52. Because the strategic initiatives correspond with the performance goals, the *FY 2021 Annual Report* contains explanations of how the strategic initiatives changed between FY 2021 and FY 2022.

The Postal Service describes each strategic initiative and identifies performance measures and FY 2022 targets. Response to CHIR No. 21, question 2. Because the performance measures used to assess the strategic initiatives are the same as the performance indicators used to assess corporate performance outcomes/goals, the *FY 2021 Annual Report* contains descriptions of the Postal Service's progress toward completing each strategic initiative during FY 2021.

The Postal Service included descriptions of each strategic initiative in the *FY 2020 Annual Report*, but not the *FY 2021 Annual Report*. See *FY 2020 Annual Report* at 57. Providing these descriptions in the *Annual Report* instead of a CHIR response promotes transparency by allowing interested persons to learn what strategic initiatives are without referring to a separate CHIR response. The *FY 2022 Annual Report* could also be improved by describing in more detail how each strategic initiative was refined.

In the FY 2022 Annual Report, the Commission recommends that the Postal Service:

- *Identify and describe each strategic initiative the Postal Service used in FY 2022*
- *Explain how the strategic initiatives relate to the performance goals and performance indicators*
- *Describe the Postal Service's progress toward completing each strategic initiative during FY 2022, and identify performance measures and results, if applicable*
- *Describe each strategic initiative the Postal Service will use in FY 2023, and provide performance measures and targets*
- *Explain in detail how the strategic initiatives changed between FY 2022 and FY 2023*

Appendix A: Commission Findings and Recommendations

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

- *The Commission finds that the FY 2022 Plan complies with all requirements of 39 U.S.C. § 2803(a).*
- *The Commission finds that the FY 2021 Report complies with 39 U.S.C. § 2804(b)(1). To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2022 Annual Performance Report (FY 2022 Report) must set forth the same performance indicators and targets as the FY 2022 Plan and compare FY 2022 targets and results for each performance indicator.*
- *The FY 2022 result for each performance indicator must be comparable to the corresponding FY 2022 target set in the FY 2022 Plan. If a comparable FY 2022 result is not provided, the FY 2022 Report must include the following:*
 1. *Explain why a comparable result cannot be provided; and*
 2. *Address the lack of comparability by explaining either of the following:*
 - a. *How to compare results between the current and former methodologies; or*
 - b. *Why making this comparison is not feasible.*
- *The Commission recommends that the Postal Service not change performance indicators, methodologies, or targets once they are set for a given fiscal year.*
- *The Commission finds that the FY 2021 Report substantially complies with 39 U.S.C. § 2804(c). To comply with 39 U.S.C. § 2804(c) next year, the FY 2022 Report must include comparable results for each performance indicator for FYs 2019, 2020, 2021, and 2022. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. If comparable results from FY 2019 through FY 2022 are not provided for any performance indicator, the FY 2022 Report must include the following:*
 1. *Identify each performance indicator with non-comparable results from FY 2019 through FY 2022;*
 2. *Explain why results are not directly comparable from FY 2019 through FY 2022; and*

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

- a. *How to compare results from FY 2019 through FY 2022 between the current and former methodologies; or*
 - b. *Why making this comparison is not feasible.*
- *The FY 2022 Report must include all information necessary to evaluate compliance with 39 U.S.C. § 2804. Inclusion of this information in the FY 2022 Report may be satisfied by either: (1) including the information itself in the text of the FY 2022 Report; or (2) including cross-references identifying the documents containing this information in the text of the FY 2022 Report.*
 - *The Commission finds that the FY 2021 Report complies with 39 U.S.C. § 2804(d)(3) for each public performance indicator because it explains why performance goals were not met and describes plans and schedules for meeting the goals in FY 2022. To comply with 39 U.S.C. § 2804(d)(3) next year, for each FY 2022 target that is not met, the FY 2022 Report must both explain why and describe plans and schedules for meeting FY 2023 targets.*
 - *The Commission finds that the FY 2021 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).*
 - *The Commission finds that Library Reference USPS-FY21-NP30 complies with the Commission's directive to file under seal with the FY 2021 ACR: (1) FY 2021 and FY 2022 targets; (2) comparable FY 2021 targets and results; and (3) comparable results from FY 2018 through FY 2021 for each non-public performance indicator. The FY 2022 Plan complies with 39 U.S.C. § 2803 by setting measurable FY 2022 target(s) for each non-public performance indicator the Postal Service will use in FY 2022. See Section B.1., supra. The FY 2021 Report complies with 39 U.S.C. § 2804(b)(1) and 2804(c) because it provides comparable FY 2021 targets and results as well as comparable results from the past 3 fiscal years. See Sections B.2.a., b., supra. The FY 2021 Report also complies with 39 U.S.C. § 2804(d)(3) because the Postal Service explains why it did not meet FY 2021 targets.*
 - *To ensure that the FY 2023 Plan and FY 2022 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Commission recommends that the FY 2022 Report explain where the non-public service performance information can be found, such as in a footnote in the master table of targets and results. For the new Competitive products' non-public performance indicator(s), the Postal Service must file under seal with the FY 2022 ACR: (1) FY 2022 and FY 2023 targets; (2) comparable FY 2022 targets and results; and (3) comparable results from FY 2019 through FY 2022. If the Postal Service does not meet the FY 2022 target(s), the Postal Service must explain why and describe the plans and schedules for meeting the FY 2023 target(s). The FY 2022 ACR should continue to identify the library reference that contains this information.*
 - *To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service continue to limit the number of changes to performance*

indicators and methodologies for calculating targets and results. If the Postal Service plans to add or change any performance indicators or methodologies, the Commission recommends that the Annual Report to Congress describe these changes, provide the rationale for making them, and analyze the impact of these changes on results. To help ensure compliance with 39 U.S.C. § 2804(c), the Commission recommends that the Postal Service employ a performance indicator or methodology change for at least 3 consecutive fiscal years before revising it unless the change is clearly not beneficial or effective.

Chapter III – Evaluation of Performance Goals:

High-Quality Service:

- *The Commission commends the Postal Service for the additional resources devoted—such as extra transportation and overtime—and heightened measures undertaken to deliver Election Mail and Political Mail during the CY 2020 election cycle.¹ These efforts were undertaken notwithstanding the adverse effects of the COVID-19 pandemic, in furtherance of the vital role the Postal Service plays in the American democratic process.*
- *The Commission finds that the High-Quality Service performance goal was partially met in FY 2021, with the Postal Service meeting only a single performance indicator.*
- *The Commission continues to recommend that the Postal Service consider developing more granular composites based on significant class, shape, and product-level differences between mailpieces in terms of service standards and how they are processed and delivered. If the Postal Service intends to continue using highly-aggregated composites as performance indicators, then the Commission recommends that the Postal Service also develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly-aggregated composites. Finally, the Commission also continues to recommend that the Postal Service include with each Annual Report supporting workpapers containing the inputs for, and the calculation of, the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the ACR filing.*
- *In the FY 2022 Annual Report, the Postal Service should address whether service standard changes implemented in FY 2022 impacted the comparability of performance indicator results. If comparability has been affected, the Postal Service should propose a way for the Commission to compare FY 2022 High-Quality Service performance indicator results to results from prior fiscal years. If the Postal Service asserts that comparability is unaffected, the Postal Service should fully explain the rationale and supporting basis for this assertion.*

¹ See FY 2020 ACD at 134-39; FY 2021 ACD at 119-20; see also United States Postal Service, Office of Inspector General, Report No. 20-318-R21, *Service Performance of Election and Political Mail During the November 2020 General Election*, March 25, 2021, available at <https://www.uspsoidg.gov/sites/default/files/document-library-files/2021/20-318-R21.pdf>.

- *The Commission considers that during the FY 2021 peak season, which spanned November 2020 through January 2021, the Postal Service experienced a number of challenges above and beyond the typical holiday peak season due to the extreme strain that the COVID-19 pandemic placed on the entire shipping industry. The Commission expects that the Postal Service's addition of space and processing machines, which occurred in FY 2021 Quarters 3 and 4, will put the Postal Service in a better position to respond to peak volumes. In addition to continuing efforts to align labor more efficiently with expected volume in Quarter 1, the Commission recommends that the Postal Service's peak planning operations consider whether additional flexibility is needed to align labor with expected volume beyond Quarter 1 in order to meet the applicable service standards.*
- *The Commission finds that the measures the Postal Service has undertaken to improve employee availability appear reasonable. Given that further COVID-19 surges remain unpredictable, the Commission recommends that the Postal Service leverage data from the past 2 years to identify any patterns that might enable the Postal Service to better anticipate when and where future employee availability problems are likely to have the largest impact on service performance.*
- *The Commission recommends that the Postal Service consider implementing some of the best practices identified by the OIG to better recruit and retain truck drivers and increase the efficiency of truck usage.*
- *The Commission recommends that the Postal Service focus its efforts on reducing CLTs in the Districts with the highest concentrations of them.*
- *The Commission again recommends that the Postal Service restart the Disruptive Events initiative and report on its progress in the FY 2022 Report. If it does not restart the initiative, then the Postal Service should explain why it has not done so in the FY 2022 Report.*
- *The Commission recommends that the Postal Service develop methods to quantitatively measure the effectiveness of its service improvement initiatives so as not to spend resources needlessly or ineffectively.*
- *The Commission concurs with these OIG recommendations. Although the Postal Service lacks direct control over individual states' election procedures, implementing the foregoing strategies to the extent possible should make the vote-by-mail process run more smoothly and help ensure that ballots are delivered within the deadlines established by states.*
- *The Commission continues to recommend that the Postal Service explore ways to better balance service performance scores across the nation. It is likely that significant gains in national scores could be made by focusing efforts on low-performing Areas and/or Districts. Thus, the Commission recommends the Postal Service study the reasons for service performance issues in the lowest performing Areas/Districts. For example, the Postal Service should require Area/Districts with low service*

performance scores to identify root cause(s) of low scores specific to that District and create action plans for improving service performance that specifically address the root cause(s) identified. The Postal Service should also require Areas/Districts with low service performance scores demonstrate the efficacy of action plans for improving service performance using quantitative metrics of operational improvement.

Excellent Customer Experience:

- *The Commission finds that the Postal Service partially met the Excellent Customer Experience performance goal in FY 2021 because it missed six targets and met or exceeded two targets.*
- *The Commission recommends that the Postal Service provide Delivery survey customers the option of completing the survey by mail.*
- *The Commission recommends that the Postal Service strive to improve Delivery and C360 performance indicator results in FY 2022 by targeting key drivers of overall satisfaction.*
- *The Commission finds the FY 2022 targets for the Excellent Customer Experience performance indicators are reasonable. To improve transparency, the FY 2023 Plan should discuss the rationale for setting the FY 2023 targets.*
- *The Commission recommends that the Postal Service continue to use the NPS score to measure and assess CX in FY 2022. The Commission also recommends the Postal Service focus its efforts on improving the C360 NPS score to have a higher percentage of Promoters than Detractors.*
- *The Commission recommends that the Postal Service measure and assess CX using the CES and consider adding the CES question to the POS, USPS.com, and other CX surveys.*
- *The Commission finds that the Postal Service is effectively using social listening to provide important information to the public and improve services using feedback from social media. The Commission recommends that the Postal Service continue to use social listening to monitor social media platforms in FY 2022 and future years.*
- *The Commission commends the Postal Service for its efforts to keep up with private sector and other federal agencies by engaging with customers on social media and using social media to evaluate CX and obtain other insights. The Postal Service's efforts to respond to customer inquiries on social media in FY 2021 are commendable given the small number of staff available to address customer questions and issues. To alleviate the high workload, the Commission recommends that the Postal Service consider hiring more employees for the SBI and SCR teams, as well as use automated technologies to address the most common issues.*

Safe Workplace and Engaged Workforce:

- *The Commission finds that the Postal Service partially met the Safe Workplace and Engaged Workforce performance goal in FY 2021.*
- *The Commission commends the Postal Service for meeting the Total Accident Rate target for the third year in a row. The Safety Intervention and Recognition program appears to have been effective in promoting a safe workplace in FY 2021. The FY 2022 Total Accident Rate target appears achievable because it is close to the FY 2021 result. The Postal Service's plans for using the SHMT and Occupational Safety and Health Scorecard in FY 2022 are reasonable steps toward improving the Total Accident Rate result and employee safety. The Commission recommends that the FY 2022 Report explain how the Postal Service used the SHMT to improve workplace safety and address root causes leading to accidents and injuries.*
- *The Commission finds that the Informed Mobile Safety Observation Tool appeared effective in promoting motor vehicle accident safety in FY 2021 and recommends that the Postal Service continue to use this tool in FY 2022. The Commission commends the Postal Service for modernizing its vehicle fleet with NGDVs to help improve carrier safety and ergonomics. The Commission recommends that the FY 2022 Report discuss how the Informed Mobility Safety Observation Tool and other systems and platforms affected the number of motor vehicle accidents in FY 2022.*
- *The FY 2021 Report improved compared to past years because it explains how the Postal Pulse survey was administered and how the Survey Response Rate was calculated. The Commission recommends that the Postal Service continue to include this information in future annual performance reports. If the Survey Response Rate continues to decline in FY 2022, the Commission recommends that the Postal Service investigate and address the root causes. The Postal Service should take steps to improve the response rate by, for example, designating a specific time to take the survey and prioritizing changes based on feedback received from the Postal Pulse survey.*
- *The Commission commends the Postal Service for improving the Grand Mean Engagement Score in FY 2021 despite the COVID-19 pandemic, organizational restructuring, and other factors impacting employee engagement. The FY 2022 target is reasonable considering the range of Grand Mean Engagement Scores during the past few years. The Commission recommends that the Postal Service continue taking steps to improve mean scores for all survey items, especially for Items 4, 7, 11, and 13. The Commission also recommends that the Postal Service continue the Next Level Connection conversations and discuss the impact of these conversations on the FY 2022 Grand Mean Engagement Score.*

Financial Health:

- *The Commission finds that the Postal Service met the Financial Health performance goal in FY 2021.*
- *The Commission recommends that the Postal Service continue to include similar information on Controllable Income (Loss) in future annual performance plans and annual performance reports.*
- *The enactment of the PSRA, in conjunction with the retirement-based rate authority adopted by the Commission in Order No. 5763, have resulted in a substantial reduction in the Postal Service's non-controllable expenses since the beginning of FY 2021. The PSRA eliminated payments for both RHB amortization and RHB normal costs, while Order No. 5763 authorized the Postal Service to collect revenue for FERS and CSRS amortization payments. The Commission recommends that the Postal Service revise the existing Controllable Income (Loss) performance indicator in future reports to exclude revenues accumulated from the retirement-based rate authority. This change would ensure that revenues collected using the retirement-based rate authority are excluded from the Controllable Income (Loss) metric.*
- *The Commission recommends that future annual performance reports continue to include information on both the TFP index and other productivity measures.*
- *The Commission continues to recommend that the Postal Service adopt additional performance indicators for measuring progress towards the Financial Health performance goal. Specifically, the Commission advises that the Postal Service consider using either TFP or labor productivity as performance indicators.*

Chapter IV - Strategic Initiatives:

In the FY 2022 Annual Report, the Commission recommends that the Postal Service:

- *Identify and describe each strategic initiative the Postal Service used in FY 2022*
- *Explain how the strategic initiatives relate to the performance goals and performance indicators*
- *Describe the Postal Service's progress toward completing each strategic initiative during FY 2022, and identify performance measures and results, if applicable*
- *Describe each strategic initiative the Postal Service will use in FY 2023, and provide performance measures and targets*
- *Explain in detail how the strategic initiatives changed between FY 2022 and FY 2023*

Appendix B - Figure 1
FY 2023 Plan Checklist for Compliance
with Major Requirements of 39 U.S.C. § 2803(a)

Checklist Items:
Does the *FY 2023 Plan*

Title 39 Section:
2803(a)

- Identify all program activities in the FY 2023 IFP?
- Link each program activity to at least one performance goal or performance indicator?

2803(a)(1)

- Identify FY 2023 targets for each performance indicator that the Postal Service will use to evaluate performance during FY 2023?
- If applicable, explain why a FY 2023 target was not set for a performance indicator?

2803(a)(2)

Identify FY 2023 targets that are **either** of the following:

- Objective, quantifiable, and measurable,

OR

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

2803(a)(3)

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

2803(a)(4)

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

2803(a)(5)

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

2803(a)(6)

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

Note: The statutory requirements apply to both public and non-public performance indicators. The *FY 2023 Plan* and *FY 2022 Report* must include all information necessary to evaluate compliance with 39 U.S.C. §§ 2803 and 2804, which may be satisfied by either: (1) including the information itself in the text of the *FY 2023 Plan* or *FY 2022 Report*; or (2) including cross-references identifying the documents containing this information in the text of the *FY 2023 Plan* or *FY 2022 Report*. Further information appears in Chapter II, Sections 2.B.1 and B.3., *supra*.

Appendix B - Figure 2
FY 2022 Report Checklist for Compliance
with Major Requirements of 39 U.S.C. § 2804

Checklist Items: Does the FY 2022 Report

Title 39 Section:

2804(b)(1)

Set forth the FY 2022 result for each performance indicator that is comparable to the corresponding FY 2022 target set in the *FY 2022 Plan*?

If a comparable FY 2022 result is not provided, does the *FY 2022 Report*:

Explain why a comparable result cannot be provided, **AND** Address the lack of comparability by explaining **either** of the following:

- How to compare results between the current and former methodologies,

OR

Why making this comparison is not feasible?

2804(c)

For each performance indicator, provide results across FYs 2019-2022 that are comparable (calculated and expressed using the same methodology for each fiscal year)?

If comparable results across FYs 2019-2022 are not provided, does the *FY 2022 Report*:

Identify each performance indicator with non-comparable results across FYs 2019-2022?

Explain why results are not directly comparable across FYs 2019-2022, **AND** Address the lack of comparability by explaining **either** of the following:

How to compare results across FYs 2019-2022 between the current and former methodologies,

OR

Why making this comparison is not feasible?

2804(d)(3)

For each FY 2022 target that is not met, does the *FY 2022 Report* **both**:

Explain why,

AND

Describe plans and schedules for meeting FY 2023 targets?

Note: The statutory requirements apply to both public and non-public performance indicators. The *FY 2023 Plan* and *FY 2022 Report* must include all information necessary to evaluate compliance with 39 U.S.C. §§ 2803 and 2804, which may be satisfied by either: (1) including the information itself in the text of the *FY 2023 Plan* or *FY 2022 Report*; or (2) including cross-references identifying the documents containing this information in the text of the *FY 2023 Plan* or *FY 2022 Report*. Further information appears in Chapter II, Sections B.2. and B.3., *supra*.