

POSTAL REGULATORY COMMISSION



REVIEW OF POSTAL SERVICE FY 2013 PERFORMANCE REPORT AND FY 2014 PERFORMANCE PLAN

July 7, 2014

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EXECUTIVE SUMMARY

Each year, the Postal Service must submit to the Commission copies of its most recent Annual Performance Report and Annual Performance Plan. On December 27, 2013, the Postal Service filed its fiscal year (FY) 2013 Annual Performance Report (FY 2013 Report) and FY 2014 Annual Performance Plan (FY 2014 Plan). In this report, the Commission evaluates whether the Postal Service has met the performance goals in the Postal Service's FY 2013 Report and reviews the initiatives and targets established in the FY 2014 Plan.

In the first part of this report, the Commission analyzes the Postal Service's four performance goals, each of which includes performance indicators that define the level of performance to be achieved. The performance goals are: (1) Service; (2) Customer Experience; (3) Financial Results; and (4) Workplace Environment. The Commission also reviews the Postal Service's strategic initiatives, which are intended to clarify the connections between the performance goals and the actions necessary to achieve them. In the second part of this report, the Commission discusses the completeness of the Postal Service's filings related to statutory and regulatory requirements. The Commission's principal findings are as follows:

Service Performance

Overall, the Postal Service partially met the Service performance goal because it met some, but not all, service performance indicator targets. For presort First-Class Mail, all performance indicator targets were met. Single-Piece First-Class Mail performance results were mixed.

While the Postal Service measures service performance for all market dominant products, in FY 2013 only service performance for First-Class Mail was included as performance indicators for the Service performance goal. The Postal Service added a new Standard Mail composite target in its FY 2014 Plan. The Commission finds it encouraging that the Postal Service is now measuring and setting performance targets for other market dominant products.

Customer Experience

The Postal Service did not meet its Customer Experience performance goal in FY 2013. It had set a target of 82.5 and achieved an overall customer experience score of 78.4.

The Customer Experience goal is measured by national surveys of residential and small/medium business customers. While the Postal Service also surveys large business customers, that survey data are not used in assessing performance towards achieving the Customer Experience goal. To ensure that the satisfaction of all Postal Service customers is being addressed, the Postal Service should include a customer experience performance indicator and target measure for large business customer experiences.

In addition, a significant percentage of large business survey respondents do not meet the Postal Service's definition of "large business." The Postal Service should explore this issue to ensure that the survey results reflect the customer experience of the targeted respondents.

Financial Results

The Postal Service partially met its Financial Results performance goal. The FY 2013 Deliveries Per Hour (DPH) result, which the Postal Service uses to measure productivity, did not meet the target. However, the operating loss was less than forecasted.

As in previous reviews of Postal Service Annual Performance Reports and Plans, the Commission finds that the Total Factor Productivity (TFP) index may be a better measure of productivity than DPH because it includes major workload components, such as collecting, processing, transporting, and sequencing of mail for delivery that DPH does not.

Workplace Environment

The Postal Service partially met the Workplace Environment performance goal. In FY 2013, its Occupational Safety and Health Administration's (OSHA) Illness and Injury (I&I) Rate of 5.61 met the performance target, but not the Voice of the Employee (VOE) survey target. The VOE survey score remained constant at 64.7 throughout FY 2011, FY 2012, and FY 2013, which demonstrates that the Postal Service is neither improving nor declining in this area. Additionally, given what appear to be possible delays in the Postal Service's updates to its OSHA I&I Rate information and methodological differences from year to year, the Commission suggests the Postal Service consider adding the Department of Labor's Total Case Rate as a performance indicator for the Workplace Environment performance goal since it is a standard, stable measure tracked for all federal agencies.

Strategic Initiatives

The strategic initiatives facilitate the Commission's review of the performance goals under 39 U.S.C. § 3653(d) and are considered part of the Annual Performance Report and Plan. In future filings, the Postal Service should describe the relationships between the strategic initiatives and performance goals and provide the performance indicators used to measure progress in meeting targets.

The Commission also suggests that for performance goals not completely achieved, the Postal Service consider using specific strategic initiative performance measures from its internal management program activity performance measurement system to identify which strategic initiative performance did not meet program activity target goals.

Compliance with Filing Requirements

The Commission finds that the FY 2013 Report satisfies the applicable statutory and regulatory filing requirements for each performance goal. The FY 2014 Plan meets most of the applicable statutory and regulatory requirements.

The Commission's evaluation of the Postal Service's progress towards meeting performance goals is hampered by the manner in which the Postal Service prepares its Annual Performance Report and Plan. Strategic initiatives are included in the FY 2013 Comprehensive Statement on Postal Operations (FY 2013 Comprehensive Statement) rather than in the Postal Service's Annual Performance Report and Plan. In addition, performance measures should be specific for each program activity, and strategic initiatives would benefit from consistency year to year.

INTRODUCTION

The Postal Accountability and Enhancement Act of 2006 (PAEA) requires the Commission to review the performance goals established in the Postal Service's FY 2013 Report and FY 2014 Plan.¹ The Commission must evaluate whether the Postal Service has met the performance goals established in the FY 2013 Report, and evaluate the FY 2014 Plan.² It may also provide recommendations to the Postal Service related to protecting or promoting public policy objectives in title 39. *Id.*

In past years, the Commission's analyses of Annual Performance Reports and Plans have been included in its Annual Compliance Determination (ACD).³ The Commission has determined that its obligations under 39 U.S.C. § 3653(d) are distinguishable from its ACD obligations under 39 U.S.C. § 3653(b), and, therefore, beginning with FY 2013, it will issue a separate report on the Postal Service's Annual Performance Reports and Plans.⁴ Bifurcating the reports allows the Commission to provide a more in-depth analysis of the Postal Service's FY 2013 Report and FY 2014 Plan than in previous years.

In formulating its review, the Commission invited comments on whether the Postal Service's FY 2013 Report and FY 2014 Plan filings are consistent with applicable statutory and regulatory provisions. *Id.* at 2. The Public Representative submitted comments on these filings.⁵ The Postal Service submitted reply comments to the Public Representative's comments.⁶

This report is organized into two parts. The first part analyzes the Postal Service's performance and whether it has met the goals established under 39 U.S.C. §§ 2803 and 2804. The second part discusses compliance of the Postal Service's filing with statutory and regulatory requirements.

¹ In the FY 2013 Annual Compliance Report, the Postal Service filed as a Library Reference its United States Postal Service 2013 Annual Report to Congress (FY 2013 Annual Report to Congress), which contains the FY 2013 Report and FY 2014 Plan. Docket No. ACR2013, United States Postal Service FY 2013 Annual Compliance Report, December 27, 2013 (FY 2013 ACR), Library Reference USPS-FY13-17.

² 39 U.S.C. § 3653(d).

³ See, e.g., Docket No. ACR2012, Annual Compliance Determination Report, Fiscal Year 2012, March 28, 2013, at 43-46 (FY 2012 ACD).

⁴ Docket No. ACR2013, Order No. 1972, Notice Regarding the Postal Service's FY 2013 Performance Report and FY 2014 Performance Plan, January 17, 2014.

⁵ Docket No. ACR2013, Public Representative Initial Comments on FY 2013 Performance Report and FY 2014 Performance Plan, March 10, 2014 (PR Comments).

⁶ Docket No. ACR2013, Reply Comments of the United States Postal Service on FY 2013 Performance Report and FY 2014 Performance Plan, March 20, 2014 (Postal Service Reply Comments).

LEGAL REQUIREMENTS

Annually, the Postal Service must submit copies of its most recent Annual Performance Report and Plan to the Commission.⁷ Annual Performance Reports and Plans must meet the requirements set forth in 39 U.S.C. §§ 2803 and 2804.⁸

Section 2803 requires that the Postal Service's Annual Performance Plans cover "each program activity set forth in the Postal Service budget, which shall be included in the comprehensive statement...."⁹ They must also:

- (1) establish performance goals to define the level of performance to be achieved by a program activity;
- (2) express each goal in an objective, quantifiable, and measurable form;
- (3) describe the operational processes, skills and technology, and other resources required to meet the performance goals;
- (4) establish performance indicators to measure or assess the relevant outputs, service levels, and outcomes of each program activity;
- (5) provide a basis to compare actual program results with the established performance goals; and
- (6) describe the means to be used to verify and validate measured values.¹⁰

Section 2804 requires each Annual Performance Report to:

- (1) review the success of achieving performance goals;
- (2) evaluate the Annual Performance Plan relative to the performance achieved towards the performance goals;
- (3) include summary findings of those program evaluations; and

⁷ 39 U.S.C. § 3652(g).

⁸ Chapter 28 of title 39, which includes sections 2803 and 2804, was added by the Government Performance and Results Act of 1993, Pub. L. No. 103-62, 107 Stat. 285 (1993).

⁹ 39 U.S.C. § 2803(a). The Comprehensive Statement is submitted to Congress annually and must include information on compliance with 39 U.S.C. § 101, postal operations generally, total expenditures and obligations incurred for the most recent fiscal year, and other matters. *Id.* § 2401(e).

¹⁰ *Id.* § 2803(a). The Postal Service may express performance goals for a particular program activity in an alternative form if the Postal Service determines that expressing those goals in an objective and quantifiable manner is not feasible. The alternative form must: (1) describe "minimally effective" and "successful" programs; and (2) state why expressing a performance goal in any form for the program activity is infeasible or impractical. *Id.* § 2803(b).

- (4) describe reasons for those performance goals not fully achieved, as well as plans and schedules for fully achieving the goal. If the performance goal is impractical or infeasible, the Postal Service must explain why that is the case and recommend a course of action.¹¹

The Commission must then evaluate the Postal Service's submissions to determine whether the Postal Service has met the goals established under 39 U.S.C. §§ 2803 and 2804. It may also provide recommendations related to the protection or promotion of public policy objectives set out in this title.¹²

¹¹ *Id.* § 2804(d).

¹² *Id.* § 3653(d).

FY 2013 ANNUAL PERFORMANCE REPORT AND FY 2014 ANNUAL PERFORMANCE PLAN

Table 1 shows each Postal Service performance goal in its FY 2013 Report and FY 2014 Plan and whether each performance goal was met, the reasons the goal was partially met, or not met, and the plans and schedules for meeting the goal in the future.

TABLE 1
FY 2013 PROGRESS TOWARDS PERFORMANCE GOALS

<i>Performance Goal</i>	<i>Goal Met</i>	<i>Reason</i>	<i>Plans and Schedules</i>
Service (% on-time)	Partially	Changes to network; realignment/reduction of workhours; service standard changes; plant consolidations	Improve efficiency, reduce cycle time, and eliminate waste; conduct monthly Area service review
Customer Experience	No	Lower percentage of customers responding Very Satisfied or Mostly Satisfied to question regarding recent contact with the Postal Service; repeat customer complaints	Weekly messaging to inform and engage employees; provide diagnostic reports; review current complaint handling processes
Financial Results	Partially	Significantly higher volume in FY 2013 than planned; less centralization of business deliveries; hiring/training of new non-career employees	Reduce workhours; maintain high service quality
Workplace Environment	Partially	Overall decline in morale among federal employees	Implement internship/mentoring programs and innovative training strategies

Source: FY 2013 Annual Report to Congress at 40, 42; Docket No. ACR2013, Responses of the United States Postal Service to Questions 1, 5-6, 8-11 of Chairman’s Information Request No. 15, March 31, 2014, question 10(c) (Postal Service Response to CHIR No. 15); Docket No. ACR2013, Responses of the United States Postal Service to Questions 1-8 of Chairman’s Information Request No. 12, March 14, 2014, questions 6(a), 7(a), 7(b) (Postal Service Response to CHIR No. 12).

The FY 2013 Report provides results against the FY 2013 Plan targets and serves as a baseline for establishing the FY 2014 Plan targets.¹³

The FY 2014 Plan contains four performance goals:¹⁴

- Service (% on-time);
- Customer Experience;
- Financial Results; and
- Workplace Environment.

The Postal Service uses twenty-one performance indicators to measure progress toward its performance goals and strategic initiatives.¹⁵ Thirteen performance indicators were included in its FY 2013 Report and FY 2014 Plan and another eight related to its strategic initiatives it had previously identified in its FY 2012 Report and FY 2013 Plan.¹⁶

Table 2 lists each performance goal and performance indicator used by the Postal Service in the FY 2013 Report and FY 2014 Plan. A summary of performance goal results are shown in Table 2 followed by a detailed discussion for each of the performance goals.

¹³ The Postal Service explains that while Corporate Responsibility was introduced and referenced as a corporate goal in the FY 2012 Comprehensive Statement on Postal Operations, it was never intended to be viewed as a performance goal. Postal Service Response to CHIR No. 15, question 11.

¹⁴ FY 2013 Annual Report to Congress at 38.

¹⁵ The Postal Service uses three non-public performance measures for Priority Mail, Express Mail and Parcel Select. The Postal Service did not meet any of these targets in FY 2013.

¹⁶ Neither the strategic initiative performance indicators (also called cross-portfolio indicators) nor targets were included in the Postal Service's FY 2013 Report. These performance indicators were provided in Docket No. ACR2013, Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 10, March 4, 2014, question 6 (Postal Service Response to CHIR No. 10). The associated FY 2014 targets were provided in the Postal Service Response to CHIR No. 15, question 5.

Table 2
Performance Goals by Performance Indicator Results and Targets

Performance Goals	Performance Indicator	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2013 Target	2014 Target
Service (% on-time)	Single-Piece First-Class Mail Overnight	96.2%	96.4%	96.2%	96.5%	96.1%	96.7%	96.8%
	Single-Piece First-Class Mail 2-day	93.7%	93.7%	93.3%	94.8%	95.3%	95.1%	96.5%
	Single-Piece First-Class Mail 3-5-day	92.2%	92.4%	91.9%	92.3%	91.6%	95.0%	95.25%
	Presort First-Class Mail Overnight	N/A	N/A	N/A	96.8%	97.2%	96.7%	96.8%
	Presort First-Class Mail 2-day	N/A	N/A	N/A	95.7%	97.0%	95.1%	96.5%
	Presort First-Class Mail 3-5-day	N/A	N/A	N/A	95.1%	95.1%	95.0%	95.25%
	First-Class Composite	N/A	N/A	N/A	N/A	N/A	N/A	96.0%
	Standard Composite	N/A	N/A	N/A	N/A	N/A	N/A	91.0%
Customer Experience*	CEM Score- Consolidated Residential & Small/Medium Business Customers, Multiple Survey Questions	N/A	N/A	N/A	79.0**	78.4	82.5	82.5
Financial Results	Operating Income (Loss) (\$ billions)	N/A	N/A	(2.7)	(2.4)	(1.0)	(2.0)	1.1
	Deliveries per Hour	N/A	N/A	39.9	41.0	41.6	42.7	43.3
Workplace Environment	OSHA Illness and Injury Rate	5.71	5.76	6.03	5.78	5.61	5.72	5.55
	Voice of the Employee Survey	64.0	62.3	64.7	64.7	64.7	64.9	65.1

Source: FY 2013 Annual Report to Congress at 39 (footnotes omitted).

*The Postal Service's original table contains the percentage of customers who are Mostly or Very Satisfied with the Postal Service's overall performance. Postal Service Response to CHIR No. 10, question 3(c). For FY 2010, FY 2011, and FY 2012, 86.4%, 87.2%, and 88.4%, respectively, of residential customers and 81.8%, 83.0%, and 84.1%, respectively, of small/medium business customers were Mostly or Very Satisfied. No performance targets were set. These percentages are not comparable to the consolidated CEM score shown in the body of Table 2.

**United States Postal Service 2012 Annual Report to Congress at 39 (FY 2012 Annual Report to Congress).
N/A—not applicable. No target set or new performance measure.

PERFORMANCE GOAL 1: SERVICE (% ON-TIME)

Postal Service's Filing

In FY 2012, presort First-Class Mail was combined with Single-Piece First-Class Mail to measure all First-Class Mail performance.¹⁷ For presort First-Class Mail, the Postal Service uses a hybrid measurement approach. This measurement approach combines Full Service Intelligent Mail barcode (IMb) data from commercial mailers to measure time from mail acceptance to final processing. First-Class Composite combines Single-Piece First-Class Mail and commercial First-Class Mail performance for an aggregate of overnight, 2-day, and 3-5-day service. Standard Composite combines Standard Mail destination entry for sectional center facility and National Distribution Center letters and flats. Data are collected from sources outside of the Postal Service to measure transit time from final processing on mail processing equipment through actual delivery. The processing and delivery data are aggregated, combined, and reviewed to measure overall commercial mail performance. *Id.*

Comments

The Public Representative does not believe that Service performance has materially improved. He hypothesizes that First-Class Mail shows improvement only because delivery standards were changed to add an additional day to most service standards for First-Class Mail.¹⁸

Commission Analysis

Overall, the Postal Service partially met the Service performance goal because it met some, but not all, targets for the service performance indicators.

Table 2 shows the eight performance indicators used to measure the Service performance goal, with their targets and results. Comparisons between FY 2012 and FY 2013 service performance must be viewed in light of service standard changes associated with the Mail Processing Network Rationalization initiative.¹⁹ This initiative changed service standards by shifting much of the volume of mail previously subject to the overnight service standard to either the 2-day or 3-5-day service standard.

In FY 2013, service performance results were mixed. For presort First-Class Mail, all performance indicator targets were met. Single-Piece First-Class Mail performance results were mixed. The service performance indicator result of 95.3 percent for Single-Piece First-Class Mail 2-day exceeded the FY 2013 target of 95.1 percent. However, the FY 2013 service performance score for Single-Piece First-Class Mail Overnight (96.1) was slightly below the FY 2013 target (96.7). The FY 2013 Single-Piece First-Class Mail 3-5-day service performance score (91.6) was lower than the FY 2013 target (95.0) by almost 3.5 percentage points. FY 2014 targets are also higher than FY 2013 targets.

¹⁷ FY 2013 Annual Report to Congress at 40.

¹⁸ PR Comments at 11.

¹⁹ See Docket No. N2012-1, Advisory Opinion on Mail Processing Network Rationalization Service Changes, September 28, 2012.

The Postal Service did not provide the plans and schedules for achieving service performance targets for FY 2014 as part of its FY 2014 Plan. However, in response to a CHIR, it explains that it will apply Lean Mail Processing principles to improve efficiency, reduce cycle time, and eliminate waste.²⁰ In addition, it states that the Chief Operating Officer also conducts a monthly Area service review with Area executives that include all service products. *Id.*

In the FY 2012 ACD, the Commission recommended that the Postal Service include other market dominant products as Service performance indicators to facilitate comparisons in Annual Performance Reports and Plans.²¹ The FY 2013 Report and FY 2014 Plan contain five new performance indicators that support the Service performance goal and related strategic initiatives. The Postal Service introduced three presort First-Class Mail performance indicators along with their FY 2013 measurements and FY 2013 targets. It also proposed both a Standard Composite and a First-Class Composite performance indicator for the Service performance goal, but did not measure service for these performance indicators in FY 2013. The Commission finds it encouraging that the Postal Service is now measuring performance and setting targets for other market dominant products.

²⁰ Postal Service Response to CHIR No. 15, question 10(c).

²¹ FY 2012 ACD at 34.

PERFORMANCE GOAL 2: CUSTOMER EXPERIENCE

Postal Service's Filing

As part of its FY 2013 ACR, the Postal Service filed the "Market Dominant Product Customer Satisfaction Measurement Survey Instruments" as a library reference.²² This library reference includes a summary Customer Experience Measurement (CEM) survey data file generated by use of three survey instruments.²³ The Postal Service assesses and scores the customer experience for residential and small/medium business customers.²⁴ These residential and small/medium CEM business performance scores are based on survey responses for specific customer experiences. *Id.* CEM scores were reported as the percentage of residential and small/medium business survey respondents that rated their overall satisfaction with the Postal Service as Very Satisfied or Mostly Satisfied.²⁵ These scores were provided both individually and as a combined score. However, no individual targets were set. In both FY 2012 and FY 2013, CEM scores for residential and small/medium business customers were combined to create one performance indicator for which a target had been set.²⁶ This combined CEM score of 78.4 did not meet the performance indicator target of 82.5 in FY 2013.²⁷

The Postal Service notes that the Customer Experience goal is measured by national surveys of residential and small/medium business customers.²⁸ While the Postal Service also surveys large business customers, these survey data are not used in assessing performance towards the Customer Experience goal. The current CEM score combines only the residential and small/medium business survey data for performance measurement of the Customer Experience goal. The Postal Service

²² See Docket No. ACR2013, Library Reference USPS-FY13-38.

²³ *Id.* These are the residential customer, small/medium business customer, and the large business customer surveys.

²⁴ Postal Service Response to CHIR No. 10, question 3(a).

²⁵ In the Postal Service's annual reports, performance targets for these customer experience values were not presented based on responses to the same survey question. On the residential customer survey, the percent of residential customers is based on those who responded Very Satisfied or Mostly Satisfied to the question: "First of all, thinking about all aspects of your recent experiences with the U.S. Postal Service, how satisfied are you with us?" On the small/medium business customer survey, the percent of small/medium business customers is based on those who responded Very Satisfied or Mostly Satisfied to the question: "First of all, thinking about all aspects of recent experiences your business has had with the U.S. Postal Service, how satisfied are you with us?"

²⁶ FY 2013 Annual Report to Congress at 39, 40.

²⁷ In FY 2012, the Customer Experience score was 79 percent. The Postal Service confirmed that the FY 2012 overall Customer Experience score (National Performance Assessment Index) was calculated using the same methodology used in FY 2013. Postal Service Response to CHIR No. 10, question 3(b); FY 2012 Annual Report to Congress at 39.

²⁸ FY 2013 Annual Report to Congress at 38. Small/medium businesses are described in the CEM survey as having less than 250 employees at one site. Docket No. ACR2013, Library Reference USPS-FY13-38.

explained that survey methodology differences preclude the large business survey data from being consolidated in the CEM score performance indicator.²⁹

Table 3 illustrates the Postal Service's consolidation methodology for calculating the overall CEM score for residential and small/medium business customers. The residential customers' survey response results for each of the four survey questions is given equal (25 percent) weight. The same is true for the same survey question response results of the small/medium business customers. The overall CEM score is calculated by giving combined question survey results a weight of 65 percent for the small/medium business customer responses, and a weight of 35 percent for the residential customer responses.

²⁹ Postal Service Response to CHIR No. 10, question 1.

Table 3
CEM Score Consolidated Surveys and Questions, Detailed Calculation, FY 2013

Residential Customers	Top 2 Box Survey Responses (Very/Mostly Satisfied)*	Weight	Result
	Column (1)	Column (2)	Columns (1) x (2)=(3)
	Column (1)	Column (2)	Column (3)
Experience with Receiving	91.0	25%	22.7
Experience with Sending	90.7	25%	22.7
Experience with most visited Post Office	85.0	25%	21.2
Experience with most recent USPS contact	61.5	25%	15.4
			Subtotal = 82.0 (Sum of Residential Result Column 3)
Small/Medium Business Customers	Top 2 Box Survey Responses (Very/Mostly Satisfied)*	Weight	Result
	Column (1)	Column (2)	Columns (1) x (2)=(3)
	Column (1)	Column (2)	Column (3)
Experience with Receiving	87.7	25%	21.9
Experience with Sending	86.7	25%	21.7
Experience with most visited Post Office	80.1	25%	20.0
Experience with most recent USPS contact	51.0	25%	12.7
			Subtotal = 76.4 (Sum of Business Result Column 3)
CEM Subtotal	Weighted Consolidated Experiences	Weight	Result
	Column (1)	Column (2)	Columns (1) x (2)=(3)
	Column (1)	Column (2)	Column (3)
Residential Customers Subtotal	82.0	35%	28.7
Small/Medium Business Customers Subtotal	76.4	65%	49.7
			CEM Performance Score = 78.4 (Sum of CEM Subtotal Result Column 3)

Source: *Id.*, question 3(a).

*The 'Top 2 Box' is the percentage of residential and small/medium business respondents that answer the question with one of the top two options on the 6-point response scale.

According to the Postal Service, it provides detailed diagnostic reports that identify specific post offices with opportunities to improve customer experience. It is also reviewing the current complaint handling processes to determine gaps and identify recommendations that would positively impact customer experience when they contact the Postal Service.³⁰ The FY 2014 target of 82.5 for the consolidated CEM score is the same as the FY 2013 target. *Id.* at 39.

The Postal Service is also redesigning the customer satisfaction program to measure “customers’ event based experience across multiple channels and touch points.”³¹ The Postal Service intends to implement this approach for FY 2014.³² According to the Postal Service, the current CEM measures a customer’s perception of his or her last experience with the Postal Service, regardless of when that experience took place.³³

To improve the Customer Experience measurement processes, the Postal Service plans to use a tool it refers to as a Customer Insights Measurement (CIM). The Postal Service reports that the CIM is

based on customer interactions at various touch points, as well as customer inquiries and complaints regarding postal products, services, and corporate initiatives. The Postal Service is developing systems and processes to measure satisfaction of resolution with a target of 90 percent and to reduce repeat customer complaints by 50 percent by 2017.³⁴

Comments

The Public Representative points out that unlike last year when the Postal Service reported in its FY 2012 ACR³⁵ that customer satisfaction ratings increased over FY 2011, in FY 2013, a substantial number of product satisfaction ratings declined between 2012 and 2013.³⁶

The Public Representative suggests that the Postal Service examine the relationship between the survey answers that identify preferences and problems as well as the four survey questions used to construct the CEM score to improve its customer satisfaction this year. *Id.*

³⁰ FY 2013 Annual Report to Congress at 40.

³¹ Postal Service Response to CHIR No. 12, question 6.

³² Postal Service Response to CHIR No. 15, question 1.

³³ Docket No. ACR2013, Responses of the United States Postal Service to Questions 1-3, 5-6 of Chairman’s Information Request No. 16, March 26, 2014, question 1(a) (Postal Service Response to CHIR No. 16).

³⁴ Postal Service Response to CHIR No. 12, question 6.

³⁵ See Docket No. ACR2012, United States Postal Service FY 2012 Annual Compliance Report, December 28, 2012, at 35 (FY 2012 ACR).

³⁶ PR Comments at 12-14.

The Public Representative believes the Postal Service should provide the Customer Experience measurement data by completed survey rather than aggregated data so that others might also examine these issues. *Id.* at 14 n.12.

Commission Analysis

CEM Residential and Small/Medium Business Consolidated Survey Experiences

The Postal Service did not meet its Customer Experience performance goal in FY 2013.

In FY 2013, based on the survey “check all that apply” contact modes, residential and small/medium business respondents recently contacted the Postal Service multiple times to report a problem.³⁷ The Postal Service reports it is reviewing its current complaint handling processes to “determine gaps and identify recommendations that would positively impact customers’ experience when they contact the Postal Service. [Its] intent is to improve processes and enhance systems in ways that support timely and thorough resolution of customer concerns and inquiries.”³⁸

The Commission agrees with the Public Representative that the Postal Service should provide disaggregated CEM survey responses. A consolidated CEM score makes it difficult for the Postal Service and others to identify gaps and determine if processes are improving customer experience. Also, the current consolidated experiences CEM performance score approach masks specific program results. An overall customer experience performance measure that aggregates results from unrelated survey questions makes it difficult to determine which specific program activity resulted in improvements or declines in Customer Experience. Using performance/program activity data in a disaggregated, quantifiable form would allow for better identification of areas where performance improved or declined, as well as the programs that were successful in generating improvement. Other year-to-year changes and large differences between different customer experiences would also be easier to identify.

For example, as part of its review, the Commission requested disaggregated data from the Postal Service in a CHIR. The data provided indicates that customer satisfaction with contacting the Postal Service for residential and small/medium business customers is substantially lower than other customer experiences.³⁹ As shown in Table 4, the unweighted residential and small/medium business customers’ satisfaction with their Postal Service contact experience decreased more than their other experiences between FY 2012 and FY 2013.⁴⁰

³⁷ It is unclear from the survey question whether this contact is related to the same or different problems.

³⁸ FY 2013 Annual Report to Congress at 40.

³⁹ Postal Service Response to CHIR No. 10, question 3(a).

⁴⁰ This conclusion is based on the unweighted survey responses for both residential and small/medium business CEM customers. The disaggregated components used to calculate the sample weight for each of the CEM survey respondents were not provided by the Postal Service despite an attempt to obtain this information through an information request.

Table 4
Residential and Small/Medium Business CEM Survey Respondents, Satisfaction with Customer Experiences Data Used for Consolidation in the CEM Score, FY 2012 and FY 2013

Residential CEM Survey	Percent Very or Mostly Satisfied*		FY 2013 Residential CEM Survey		FY 2012 Residential CEM Survey	
	FY 2013	FY 2012	Number of Respondents**	Very or Mostly Satisfied	Number of Respondents**	Very or Mostly Satisfied
Receiving Mail	91.0%	91.2%	299,145	272,217	301,135	274,721
Sending Mail	90.7%	90.8%	260,089	235,930	263,064	238,969
Post Office Visit	85.2%	85.2%	291,468	248,416	294,245	250,709
Contacting USPS	62.0%	63.5%	29,387	18,211	30,172	19,158
Small/Medium Business CEM Survey						
Small/Medium Business CEM Survey	Percent Very or Mostly Satisfied*		FY 2013 Small/Medium Business CEM Survey		FY 2012 Small/Medium Business CEM Survey	
	FY 2013	FY 2012	Number of Respondents**	Very or Mostly Satisfied	Number of Respondents**	Very or Mostly Satisfied
Receiving Mail	87.9%	88.4%	297,506	261,560	322,871	285,544
Sending Mail	86.9%	87.4%	265,726	230,985	289,193	252,852
Post Office Visit	80.8%	81.0%	289,796	234,076	315,128	255,205
Contacting USPS	52.5%	54.4%	32,273	16,938	36,157	19,687
*Small differences between these and the Postal Service's values are due to the Postal Service multiplying the survey responses by their associated sample weights and then calculating percentages.			**Those that did not respond to the question or checked multiple responses were not included in the percent calculations.			

Source: Docket No. ACR2013, Library Reference USPS-FY13-38, CEM Question Response Counts_FY13_Final.xlsx, 'Residential' and 'Small_Med Business' worksheets and Docket No. ACR2012, Library Reference USPS-FY12-38, CEM Question Response Counts_FY12_Final.xlsx, 'Residential' and 'Small_Med Business' worksheets.

In its FY 2014 Report, the Commission suggests that the Postal Service provide a basis for comparing actual contact program results with the Customer Experience performance indicator and goal and consider presenting the CEM scores in a disaggregated form. See 39 U.S.C. § 2803(a)(5). The Commission requests that the Postal Service provide the disaggregated survey responses and the accompanying survey sample weight for each survey response so that year-to-year changes between customer groups can be examined more precisely. The provision of each survey sample weight will allow for more accurate percentages and the ability to calculate and detect statistically significant differences.

Large Business Customers CEM Survey⁴¹

To measure customer satisfaction with market dominant products, the Postal Service surveys large business customers and reports the survey results in its ACR to the Commission.⁴² 39 U.S.C. § 3652(a)(2)(B)(ii) also requires the Postal Service to provide measures of the degree of customer satisfaction with the service provided for its market dominant products. However, scores from the large business customers' survey are not used to measure the Postal Service's performance for the Customer Experience goal.

The Postal Service explained that survey methodology differences preclude the large business survey data from being consolidated into the CEM score. Residential and small/medium business customers are sampled at the performance cluster level and large business customers are sampled at the national level.⁴³ The Commission finds that Postal Service's survey consolidation reasoning comports with the sampling methodology of the residential and small/medium business survey data. However, the Postal Service does not explain in the FY 2013 Report and FY 2014 Plan why it does not measure the large business customer experience.

39 U.S.C. § 2803(a)(4) states that the Postal Service is to establish performance indicators to be used in measuring relevant service levels. Large business customers represent a relevant service level. Consequently, a performance indicator for this group should be identified to measure progress toward meeting the overall Customer Experience goal.

Although the results of the large business customer survey are not included in the CEM score, the Commission was able to use the CEM survey to further analyze large business customer experiences.⁴⁴

⁴¹ CEM surveys are provided pursuant to 39 C.F.R. § 3055.92. See Docket No. ACR2013, Library Reference USPS-FY13-38.

⁴² See FY 2013 ACR at 42-43.

⁴³ Postal Service Response to CHIR No. 10, question 1; FY 2013 ACR at 42. The FY 2013 ACR states that all customers are sampled sufficiently to ensure a minimum precision level of + / - three percentage points at the 95 percent level of confidence per postal quarter.

⁴⁴ The CEM system divides customers into three groups: (1) residential, (2) small/medium business, and (3) large business. FY 2012 ACR at 35.

In FY 2013, for half of the market dominant products, overall large business customer satisfaction results were lower than in FY 2012.⁴⁵

As shown in Table 5, a number of market dominant product-specific scores for large business customers—related to consistency of delivery, accuracy of delivery, condition of mail upon delivery, and tracking—declined between FY 2012 and FY 2013. This conclusion is based on the unweighted, aggregated, large business customer survey responses provided in Library Reference USPS-FY13-38 and Library Reference USPS-FY12-38.⁴⁶

⁴⁵ See FY 2013 ACR at 43.

⁴⁶ Sample weights were requested in Docket No. ACR2013, Chairman's Information Request No. 12, March 6, 2014, question 4(a) (CHIR No. 12), but not provided by individual survey response.

Table 5
Summary of Large Business Customers' Experience with Market Dominant Products

Top 2 Survey Responses Combined (Percent Strongly or Somewhat Agree)	First-Class		International		Standard		Periodicals		Parcel Post		Media		Bound Printed Matter		Library Mail	
	FY		FY		FY		FY		FY		FY		FY		FY	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Consistently delivered when expected	80.6%	83.1%	77.5%	76.9%	80.3%	84.0%	73.9%	77.8%	80.4%	81.4%	76.5%	76.7%	71.7%	76.0%	75.1%	78.9%
Delivered to right address	79.9%	81.4%	80.8%	81.0%	80.6%	83.7%	75.9%	77.5%	83.1%	84.2%	78.7%	78.9%	72.3%	76.3%	78.8%	79.8%
Delivered in good condition	88.6%	88.9%	81.3%	80.9%	84.6%	86.0%	76.2%	78.3%	82.5%	84.8%	79.2%	78.9%	73.2%	76.5%	78.6%	79.3%
Shipping materials that I need are available	86.8%	88.0%	78.5%	79.6%	83.1%	84.0%	73.0%	76.1%	77.8%	81.2%	74.1%	76.3%	71.9%	74.8%	72.0%	74.7%
USPS provides the equipment I need for mailing	70.6%	73.5%	66.1%	69.8%	74.8%	78.2%	66.9%	71.3%	69.9%	73.5%	66.7%	68.8%	64.8%	69.5%	64.7%	69.5%
If I purchase the service, the USPS tracking is effective	80.7%	82.5%	73.8%	73.0%	78.6%	79.9%	69.8%	72.3%	77.6%	78.0%	74.2%	72.6%	68.2%	71.0%	72.6%	70.0%

Source: Docket No. ACR2013, Library Reference USPS-FY13-38, CEM Question Response Counts_FY13_Final.xlsx, 'Large Business' worksheet. Only the unweighted sample survey responses were provided. For comparative purposes, 'Don't Know' responses were not included in the FY 2013 denominator percent calculation because the Postal Service did not include the 'Don't Know' responses in the FY 2012 file. See Docket No. ACR2012, Library Reference USPS-FY12-38, CEM Question Response Counts_FY12_Final.xlsx, 'Large Business' worksheet.

Some large business CEM survey contacts differ from residential and small/medium business CEM survey contacts. As shown in Table 6, all but the plant management contact point for large businesses show a decrease in satisfaction in absolute percentage value. The decrease is based on the unweighted large business customer survey responses. The Postal Service did not provide the survey sample weights in Library Reference USPS-FY13-38 or in response to an information request. Since the number of respondents for each of the contact points is smaller than the total number of respondents, it is likely that there is more variability around these values from year to year.⁴⁷

⁴⁷ The associated sample weights for each of the survey respondents would increase the precision of the analysis.

Table 6
Large Business CEM Respondents, Satisfaction with Postal Service Contact Points
FY 2012 and FY 2013

Contact Point	Top 2 Survey Responses Combined (Very/Mostly Satisfied)		Satisfied			Dissatisfied		
			Very	Mostly	Somewhat	Somewhat	Mostly	Very
Plant Management								
FY 2013	69.4%	FY13	36.8%	32.6%	19.9%	4.6%	3.7%	2.5%
FY 2012	67.8%	FY12	37.1%	30.7%	20.9%	5.8%	3.3%	2.2%
Post Office								
FY 2013	79.3%	FY13	51.3%	27.9%	10.7%	5.3%	2.2%	2.6%
FY 2012	80.7%	FY12	53.8%	26.9%	10.6%	3.9%	2.6%	2.3%
Bulk Mail Entry Unit Staff								
FY 2013	79.9%	FY13	47.7%	32.2%	13.2%	3.2%	2.5%	1.1%
FY 2012	81.6%	FY12	50.5%	31.1%	11.9%	2.9%	1.7%	1.8%
Detached Mail Unit Staff								
FY 2013	73.8%	FY13	41.7%	32.0%	19.7%	2.6%	1.8%	2.1%
FY 2012	76.3%	FY12	46.9%	29.4%	18.9%	2.4%	1.2%	1.2%
Self-service: www.usps.com								
FY 2013	80.9%	FY13	39.8%	41.0%	13.6%	3.1%	1.5%	0.9%
FY 2012	82.1%	FY12	43.0%	39.0%	14.2%	1.9%	1.3%	0.5%
Business Service Network Representative								
FY 2013	78.5%	FY13	44.8%	33.7%	16.5%	2.2%	1.8%	1.0%
FY 2012	81.1%	FY12	49.6%	31.4%	12.9%	3.6%	1.7%	0.7%
Sales Manager								
FY 2013	74.9%	FY13	41.5%	33.4%	18.6%	3.6%	1.9%	1.1%
FY 2012	75.2%	FY12	43.9%	31.4%	19.0%	3.6%	1.5%	0.7%
District Management								
FY 2013	66.3%	FY13	34.0%	32.3%	22.8%	3.9%	4.9%	2.2%
FY 2012	71.3%	FY12	39.2%	32.1%	19.6%	4.8%	2.7%	1.6%

Source: Docket No. ACR 2013, Library Reference USPS-FY13-38, CEM Question Response Counts_FY13_Final.xlsx and Docket No. ACR 2012, USPS-FY12-38, CEM Question Response Counts_FY12_Final.xlsx, 'Large Business' worksheets. Only the unweighted sample survey responses were provided.

According to the CEM survey design, large business survey customers with 250 or more employees at one location are mailed an invitation and asked to complete an online survey.⁴⁸ The self-identified "large business" survey responses are shown in Table 7, and a substantial portion do not appear to

⁴⁸ Docket No. ACR2013, Library Reference USPS-FY13-38.

represent the targeted large business customers.⁴⁹ For the years shown below, the percentage of respondents not identifying themselves as the sampled targeted survey group is increasing.

Table 7
CEM Large Business Survey Responses—FY 2011-FY 2013
“About how many people are employed at your location?”

Responses	FY 2013	FY 2012	FY 2011
% of Total Survey Respondents with <250 Employees	40%	39%	36%
Number of Employees			
Less than 100	714	758	726
100-249	652	762	832
250-500	1,023	1,159	1,358
501-750	383	387	483
751-1000	223	225	278
More than 1000	388	497	544
No Response	51	73	139
Total	3,434	3,861	4,360
<i>Source:</i> Docket No. ACR2011, Library Reference USPS-FY11-38, CSM Question Response Counts_FY11_Final.xlsx; Docket No. ACR2012, Library Reference USPS-FY12-38, CEM Question Response Counts_FY12_Final.xlsx; Docket No. ACR2013, Library Reference USPS-FY13-38, CEM Question Response Counts_FY13_Final.xlsx, ‘Large Business’ Worksheets.			

As discussed above, to ensure that the satisfaction of all Postal Service customers is being addressed, the Postal Service should include a Customer Experience performance indicator and target measure for large business customer experiences. The Postal Service should ensure that the survey results reflect the customer experience of the targeted respondents.

⁴⁹ The survey response options are shown as: less than 250, 250-500, 501-750, 751-1000 and more than 1,000 on the Large Business Survey-11-26-2013.pdf; Large Business Survey_FY12.pdf, the summary response categories in the response counts file, CEM Question Response Counts_FY13_Final.xlsx and CEM Question Response Counts_FY12_Final.xlsx, ‘Large Business’ worksheets contain the response groups listed in Table 7. See files in Docket No. ACR2013, Library Reference USPS-FY13-38 and Docket No. ACR2012, Library Reference USPS-FY12-38.

PERFORMANCE GOAL 3: FINANCIAL RESULTS

Postal Service's Filing

The Postal Service uses Operating Income (Loss) and DPH as performance indicators for the Financial Results performance goal. In FY 2013, the Postal Service had a net operating loss of \$1 billion, which was \$1 billion better than the FY 2013 target operating loss of \$2 billion.⁵⁰ Operating Income (Loss) excludes the expense impact of workers' compensation discount rate changes and actuarial changes of the price of goods or products, as well as the Postal Service Retiree Health Benefit Fund (RHBF) payments. *Id.* at 39 n.5. For FY 2014, the target has increased to an operating income of \$1.1 billion. *Id.* at 39.

According to the Postal Service, DPH is an efficiency measure comparing the total number of deliveries of all types with the total number of workhours used in all employee categories.⁵¹ The total number of deliveries is calculated by multiplying the number of delivery points by the number of delivery days. This number is then divided by the total number of workhours used in all employee categories, including managers and executives. The result is the number of annual deliveries completed per workhour used.⁵²

In FY 2013, the DPH of 41.6 did not meet the FY 2013 target of 42.7.⁵³ The Postal Service claims the primary reason the FY 2013 target was not met was that mail volume was significantly higher in FY 2013 than the Postal Service planned at the start of the year. *Id.* at 42. Other factors included less centralization of business deliveries and the hiring and training of many new non-career employees. *Id.* The number of non-career employees rose from 100,570 in FY 2012 to 126,697 in FY 2013. *Id.* at 35. The DPH target for FY 2014 is 43.3, an increase over the FY 2013 target of 42.7. *Id.* at 39.

Comments

The Public Representative observes that management has progressed in meeting the Financial Results performance goal with operating losses reduced to \$2.5 billion, measured without the RHBF and other amounts. He states that in FY 2013, DPH increased slightly from 41 to 41.6, but did not reach the target of 42.7. He notes that the FY 2014 target remains aggressive at 43.3. He points out that the Postal Service includes TFP in its FY 2013 Report and FY 2014 Plan as the Commission had recommended. He asserts that TFP is a longer term measure of productivity and has increased steadily by just over 20 percent per year since 2009.⁵⁴

⁵⁰ FY 2013 Annual Report to Congress at 39.

⁵¹ Docket No. ACR2011, Annual Compliance Determination Report, Fiscal Year 2011, March 28, 2012, at 47 (FY 2011 ACD).

⁵² *Id.* The Postal Service provided the DPH calculation in a spreadsheet in the Postal Service Response to CHIR No. 10, question 7, file CHIR10.Q7-DPH.calculation.xls.

⁵³ FY 2013 Annual Report to Congress at 39.

⁵⁴ PR Comments at 15.

Commission Analysis

The Postal Service partially met this performance goal. As the Public Representative notes, the FY 2013 DPH of 41.6 did not meet the target of 42.7; however, the operating loss was less than forecasted. The Commission agrees that the Postal Service has progressed in meeting the Financial Results performance goal in that the net operating loss of \$1 billion was less than the projected loss in FY 2013 due to the higher than projected mail volume.⁵⁵ Nevertheless, in FY 2013, the Postal Service reported its seventh consecutive year of financial loss, amassing a total net deficit of \$46.2 billion since FY 2007.⁵⁶ The growing net deficit has eroded Postal Service liquidity, resulting in the maximum use of available debt, and put the Postal Service in a situation where its net liabilities exceed its net assets. *Id.* These factors impede the Postal Service's progress towards achieving the Financial Results performance goal. Additional information on the Postal Service's financial condition can be found in the Commission's Financial Analysis Report. *Id.*

As shown in Table 8, total workhours continue to decrease despite annual increases in the number of delivery points. The FY 2013 Annual Report to Congress states that almost half of Postal Service personnel costs are directly attributable to delivery.⁵⁷

⁵⁵ *Compare* Integrated Financial Plan, Fiscal Year 2013, November 23, 2012, at 1 *with* USPS 2013 Report on Form 10-K, January 31, 2014, at 21 (FY 2013 Form 10-K Report).

⁵⁶ Docket No. ACR2013, Analysis of United States Postal Service Financial Results and 10-K Statement for Fiscal Year 2013 (Revised April 10, 2014), April 10, 2014, at ii (Financial Analysis Report).

⁵⁷ FY 2013 Annual Report to Congress at 54.

Table 8
Workhours by Function

Workhours by Function	FY 2013	2012	2011	% Change	
	(Workhours in thousands)			2013/2012	2012/2011
City Delivery	393,986	389,219	399,010	1.2%	(2.5%)
Mail Processing	203,802	210,170	215,221	(3.0%)	(2.3%)
Rural Delivery	176,697	177,715	177,384	(0.6%)	0.2%
Customer Service Operations	138,477	144,309	150,203	(4.0%)	(3.9%)
Postmasters	56,028	58,429	59,484	(4.1%)	(1.8%)
Other*	140,841	142,309	147,535	(1.0%)	(3.5%)
Total Workhours	1,109,831	1,122,151	1,148,837	(1.1%)	(2.3%)

* Including Vehicle Services, Plant Maintenance, Operational Support, and Administration.

Source: FY 2013 Form 10-K Report at 30.

In its FY 2010 ACD, the Commission recommended using the TFP index rather than DPH as a measure of productivity because DPH does not recognize major workload components, such as collecting, processing, transporting, and sequencing of mail for delivery.⁵⁸ In addition, there is an inconsistency in the workload/resources component of the DPH ratio because the Postal Service currently includes highway contract delivery points in the numerator of the DPH ratio without an accompanying measure of the direct labor resources (workhours) in the denominator.⁵⁹ The DPH denominator only includes workhours of Postal Service employees.

The Postal Service describes the growth in city delivery workhours as beneficial overall because newly hired 30,433 city carrier assistants resulted in lowering the overall cost of city delivery by \$120 million.⁶⁰ However, due to the simplicity of the DPH calculation and components, the increased workhours (regardless of the actual cost) in the denominator of the ratio contributed to the Postal Service not meeting its DPH target. The Commission remains concerned about using DPH as a meaningful financial

⁵⁸ Docket No. ACR2010, Annual Compliance Determination Report, Fiscal Year 2010, March 29, 2011, at 38, 54 (FY 2010 ACD).

⁵⁹ The FY 2013 Form 10-K Report shows the FY 2013 highway contract delivery points figure to be close to 16 million. FY 2013 Form 10-K Report at 107. It is not clear if this is an error because the Postal Service's FY 2013 Annual Report to Congress shows the number of highway contract delivery points to be close to 3 million. FY 2013 Annual Report to Congress at 55.

⁶⁰ FY 2013 Form 10-K Report at 31.

performance indicator. The Commission finds that TFP is a better index because it measures the ratio of total workload to total resource usage.⁶¹

The Postal Service reports that “[t]he growth rate of new delivery points has slowed in recent years, compared to pre-recession levels, due to lower housing starts.”⁶² Despite an increase of 773,882 new delivery points in FY 2013, the Postal Service reduced the total number of routes by 1,847 (from 226,999 to 225,152).⁶³

The FY 2013 Annual Report to Congress states that to improve delivery efficiency, the Postal Service converted 43,333 business and 36,302 residential deliveries to centralized deliveries. *Id.*

⁶¹ Workload consists of weighted mail volume, miscellaneous output, and the expanding delivery network. Resources consist of labor, materials (including purchased transportation), and deployed capital assets. Workload growth minus the growth of resources used equals TFP growth.

⁶² FY 2013 Form 10-K Report at 30.

⁶³ FY 2013 Annual Report to Congress at 54.

PERFORMANCE GOAL 4: WORKPLACE ENVIRONMENT

Postal Service's Filing

The Postal Service relies on two performance indicators to evaluate progress towards its performance goal of Workplace Environment. First, it uses the OSHA I&I Rate to measure improvements in safety. The OSHA I&I Rate is calculated by multiplying the total number of OSHA injuries and illnesses by 200,000 hours, which represents 100 employees working 2,000 hours per year.⁶⁴ That number is then divided by the number of exposure hours worked by all employees. *Id.*

In FY 2013, the OSHA I&I Rate of 5.61 was better than the FY 2013 target of 5.72 and a 2.94 percent improvement over FY 2012. *Id.* at 39, 42. According to the Postal Service, the OSHA I&I Rate is also 15 percent better than the comparable private sector industry average rate of 6.60. *Id.* at 65. It reports that the reason for the decline in exposure hours was continued emphasis on safety process improvements, training, and correction of unabated hazards. *Id.* at 42. The target for FY 2014 is 5.55, which is better than the FY 2013 target. *Id.* at 39.

Second, the Postal Service relies on the VOE survey score, which measures employee engagement. The VOE survey provides Postal Service employees the opportunity to provide feedback on various areas of job satisfaction. *Id.* at 42, 63. VOE surveys are administered by a third-party vendor who tabulates the results and reports them back to the Postal Service in summary form. *Id.* at 63. The VOE survey score is based on eight VOE survey questions addressing: (1) strategic direction; (2) trust; (3) contribution to Postal Service growth; (4) communication; (5) diversity and respect; (6) commitment; (7) personal safety; and (8) work effort and quality.⁶⁵ The Postal Service filed under seal the VOE survey questionnaire and summary statistics of the employee responses to each question.⁶⁶

In FY 2013, the VOE survey score of 64.7 did not meet the FY 2013 target of 64.9.⁶⁷ The Postal Service explains that one reason the target was not met may be the overall decline in morale among federal employees.⁶⁸ It notes, however, that the results compare favorably to recent declines in satisfaction and culture indices seen in other federal sector surveys.⁶⁹ The FY 2014 target is 65.1, which is higher than the FY 2013 target. *Id.* at 39.

⁶⁴ FY 2013 Annual Report to Congress at 39 n.6.

⁶⁵ *Id.* at 39 n.7; Postal Service Response to CHIR No. 12, question 7(a).

⁶⁶ Postal Service Response to CHIR No. 10, questions 5(a) and 5(b).

⁶⁷ FY 2013 Annual Report to Congress at 39.

⁶⁸ Postal Service Response to CHIR No. 12, question 7(a).

⁶⁹ FY 2013 Annual Report to Congress at 42.

Comments

The Public Representative asserts that the VOE survey does not focus on employee morale or views about management as it affects employees. Rather, he argues that the survey is based primarily on a few questions asked of a statistically significant proportion of employees about whether they believe the Postal Service is doing a good job. He contends that it is impossible to determine whether the measure of success showing improvement by two-tenths of a percentage point is anything more than within the margin of error.⁷⁰

Commission Analysis

The Postal Service partially met the Workplace Environment performance goal. In FY 2013, it met the OSHA I&I Rate target, but not the VOE survey target. The VOE survey score remained constant at 64.7 in FY 2011, FY 2012, and FY 2013, which demonstrates that the Postal Service is neither improving nor declining in this area.⁷¹ The Postal Service must improve its VOE survey score and maintain its progress regarding the OSHA I&I Rate to meet the Workplace Environment performance goal.

The Commission has reviewed the VOE survey and finds that the responses to the questions in the survey are an appropriate measurement of employee morale and views about management. The Postal Service has the flexibility to determine which questions comprise the VOE survey.

In the FY 2012 ACD, the Commission recommended expanding upon sections of the FY 2013 Report that discuss the OSHA I&I Rate.⁷² The FY 2013 Report and FY 2014 Plan contain some discussion of the OSHA I&I Rate. Further information is provided in the FY 2013 Comprehensive Statement and in the Postal Service Response to CHIR No. 12, question 3.⁷³

The OSHA I&I Rates in the FY 2013 Report differ from the OSHA I&I Rates reported in previous Annual Performance Reports. In the Postal Service's FY 2010 Report,⁷⁴ the OSHA I&I Rate presented showed that the Postal Service had met its target. Similarly, in the Postal Service's FY 2012 Report, the OSHA I&I Rate presented showed that it had again met its target. However, in its FY 2013 Report, the Postal Service revised its reported OSHA I&I Rates for fiscal years 2010, 2011, and 2012. As shown below in Table 9, there is an increase from the originally reported rates. The data presented indicate that in both FY 2010 and FY 2012, the Postal Service's OSHA I&I Rate was actually higher and it therefore would not have met either year's target.

⁷⁰ PR Comments at 15.

⁷¹ See FY 2013 Annual Report to Congress at 39.

⁷² FY 2012 ACD at 42.

⁷³ See FY 2013 Annual Report to Congress at 65.

⁷⁴ United States Postal Service 2010 Annual Performance Report and 2011 Annual Performance Plan (FY 2010 Report).

Table 9
Performance Report Differences in OSHA I&I Rate Values for Same Fiscal Years Presented

OSHA I&I Rate Data Year Presented in Performance Report						
Performance Report	FY 2010		FY 2011		FY 2012	
	Target	Reported "Actual" I&I Rate	Target	Reported "Actual" I&I Rate	Target	Reported "Actual" I&I Rate
FY 2010 Performance Report	5.52	5.49	5.39	N/A	N/A	N/A
FY 2011 Performance Report	5.52	5.49	5.39	5.67	5.57*	N/A
FY 2012 Performance Report	5.52	5.49	5.39	5.67	5.72*	5.44
FY 2013 Performance Report**	5.52	5.76	5.39	6.03	5.72	5.78

Source: FY 2010 Report at 2; FY 2011 Annual Report to Congress at 33;⁷⁵ FY 2012 Annual Report to Congress at 34; FY 2013 Annual Report to Congress at 39.

*The FY 2011 Annual Report to Congress listed the 'FY 2012 Plan' OSHA I&I Rate target as 5.57. The FY 2012 Annual Report to Congress listed the 'FY 2012 Plan' OSHA I&I Rate target as 5.72.

**The FY 2012 Annual Report to Congress listed the 'FY 2013 Plan' target as '1% below SPLY'. However, the 'FY 2013 Plan' target shown in the FY 2013 Annual Report to Congress was the same as the FY 2012 target (5.72).

N/A—Not applicable.

The FY 2010 Report included a note that may explain the differences in reported 'Actual' OSHA I&I Rates. The differences may be due to "data continually being updated as medical information is received and new accident reports are accepted by the Department of Labor, some [of] which may have occurred in a prior time period. 'Actual' rates shown are a snapshot of the values on a specific day...."⁷⁶ This explanation seems plausible. However, because FY 2010, FY 2011, and FY 2012 OSHA I&I Rates were revised in the FY 2013 Report, there may also have been a change in methodology.

Given what appear to be possible delays in the Postal Service's updates to its OSHA I&I Rate information and/or methodological differences from year to year, the Commission suggests the Postal Service consider adding the Department of Labor's Total Case Rate as a performance indicator to assess its progress towards the Workplace Environment performance goal. The Total Case Rate is a measure related to the total number of cases reported to the Office of Workers' Compensation Programs (OWCP). This is a standard measure tracked for all federal agencies by the United States Department of

⁷⁵ United States Postal Service 2011 Annual Report to Congress (FY 2011 Annual Report to Congress).

⁷⁶ FY 2010 Report at 2 n.2.

Labor and does not change.⁷⁷ Further, if the Postal Service makes methodological changes to the collection or process related to its existing performance indicators, the Commission urges the Postal Service to include and explain this type of data-related/performance-measurement information in future Annual Performance Reports. As part of the Postal Service’s Annual Performance Plan, it must describe the means to be used to verify and validate measured values. See 39 U.S.C. § 2803(a)(6). Although the Postal Service’s OSHA I&I Rate target appears to have been met in FY 2013, the increasing number of total cases reported to the OWCP between FY 2012 and FY 2013, as shown below in Table 10, raises concerns about the Postal Service’s progress in meeting its Workplace Environment performance goal.

Table 10
OSHA Federal Injury and Illness Statistics

Postal Service	Employees*	Total FY Cases**	Total Case Rate**
FY 2013	587,713	38,847	6.61
FY 2012	607,814	38,206	6.29

Source: https://www.osha.gov/dep/fap/statistics/fedprgms_stats12_final.html, https://www.osha.gov/dep/fap/statistics/fedprgms_stats13_final.html

* The United States Office of Personnel Management provided OSHA with the most recent available data on the average number of employees from December through March for FY 2012 and FY 2013.

** The Total Case numbers are derived from claims submitted to the OWCP with “case create” dates of October 1 through September 30 (less denied cases) for each fiscal year. The Total Case Rate is the total cases divided by the number of employees, multiplied by 100 for a rate per 100 employees. The difference between the OSHA I&I Rate of 5.61 per 100 employees reported in the FY 2013 Report, and the Department of Labor’s Federal Injury and Illness Statistics for FY 2012 and FY 2013 shown in Table 10, is due to the different formulas that were used to calculate the two measures. Postal Service Response to CHIR No. 12, question 3.

⁷⁷ There have been several presidential initiatives directing federal agencies to establish goals and track performance in four major areas. One of these is to reduce the number of total cases reported to the OWCP. See <http://www.dol.gov/owcp/dfec/power/> and <http://www.dol.gov/owcp/dfec/share/>.

STRATEGIC INITIATIVES

In FY 2010, the Postal Service created strategic initiatives in response to the Commission's request that Annual Performance Reports and Plans adhere more closely to the requirements of 39 U.S.C. §§ 2803 and 2804. The strategic initiatives were designed to help clarify the connection between performance goals and the actions necessary to achieve them.⁷⁸

The strategic initiatives have changed from FY 2010 to FY 2012. In FY 2012, there were twenty-three strategic initiatives designed to close the gap between revenue and cost over the next five years.⁷⁹ The Postal Service also developed cross-portfolio performance indicators to measure the performance of the strategic initiatives. *Id.* at 44.

In FY 2013, the Postal Service focuses on a portfolio of different, but comparable, strategic initiatives that the Postal Service is striving to implement to meet its performance and financial goals.⁸⁰ The Postal Service explains that the FY 2013 strategic initiatives differ from the FY 2012 strategic initiatives because “[t]he portfolio of initiatives is dynamic and changes as priorities and resources require, and as programs are completed or adjusted based on external events.” *Id.* In addition, the Postal Service asserts that: “Many of these initiatives contribute to achieving multiple goals. For example, improving the customer experience is also very important for revenue generation and improving the financial position of the Postal Service.”⁸¹ Table 11 presents a crosswalk linking the FY 2012 strategic initiatives and the corresponding FY 2013 strategic initiatives.

Despite wording differences between the FY 2012 and FY 2013 strategic initiatives, the Commission agrees that the initiatives are similar.

⁷⁸ FY 2011 ACD at 49.

⁷⁹ FY 2012 ACD at 43. In FY 2012, the Postal Service referred to the strategic initiatives as “strategic change initiatives.” “Strategic initiatives” and “strategic change initiatives” appear to have the same meaning.

⁸⁰ FY 2013 Annual Report to Congress at 66.

⁸¹ *Id.* Although the Postal Service provided an example, a crosswalk delineating the initiatives to multiple performance goals is not included in the FY 2013 Report.

Table 11
Crosswalk Linking FY 2012 Strategic Initiatives with FY 2013 Strategic Initiatives

FY 2012 Strategic Initiatives	FY 2013 Strategic Initiatives
Mail processing and transportation	Optimize network operations
Delivery	Optimize delivery operations
Retail access	Transform access
Facilities management and disposal; sustainability	Optimize facility footprint
N/A in FY 2012; new to initiatives in FY 2013	Build a world-class package platform
Customer experience	Improve customer experience
Commercial mail acceptance transformation	Streamline commercial mail acceptance and enterprise payment
Financial and information systems	Achieve 6 Sigma IT System reliability
Product visibility	Achieve 100 percent product visibility
Shipping growth; marketing mail growth; digital and hybrid mail growth	Build funnel and launch innovation; grow small business revenue
Transaction mail preservation; marketing mail growth	Market new and existing products and services
Increasing sales force effectiveness	Acquire, grow and retain customers
Pricing optimization	Integrate costing and pricing for profitable growth
Digital and hybrid mail growth	Establish the digital platform
Financial and information systems	Obtain Payment Card Industry (PCI) compliance; Achieve 100 percent customer and revenue visibility
N/A in FY 2012; new to initiatives in FY 2013	Enhance enterprise risk management capabilities
Employee engagement; workforce optimization	Analyze workforce needs and manage the change
Total labor cost	Develop labor agreements to build future workforce
Workforce optimization	Improve employee availability
Dispute resolution	Resolve disputes effectively
Total labor cost	Establish Postal Service health care plan
Total management and development	Leadership identification and development

Source: Postal Service Response to CHIR No. 15, question 7.⁸²

⁸² Docket No. ACR2013, Responses of the United States Postal Service to Questions 2-4 and 7 of Chairman’s Information Request No. 15, March 24, 2014 (Postal Service Response to CHIR No. 15, questions 2-4 and 7).

In FY 2013, the Postal Service focused on twenty-four strategic initiatives. The Postal Service links each strategic initiative to a performance goal as well as establishes strategies for achieving that goal. For the strategic initiatives, the Postal Service states that “progress is tracked through a detailed reporting system and is reviewed every two weeks by the Executive Leadership Team for the Postal Service.”⁸³ The strategic initiatives respond to the economic and competitive environment currently facing the Postal Service. *Id.* Table 12 lists the FY 2013 strategic initiatives and how they relate to the Postal Service’s four performance goals.⁸⁴

⁸³ FY 2013 Annual Report to Congress at 66.

⁸⁴ Table 12 was created from the Postal Service FY 2013 strategic initiatives chart. FY 2013 Annual Report to Congress at 67.

Table 12
FY 2013 Strategic Initiatives Linked to Performance Goals

Performance Goal	Strategies	FY 13 Initiatives
Service	Optimize cost of operations and infrastructure to match future demands	<ul style="list-style-type: none"> ▪ Optimize Network Operations ▪ Optimize Delivery Operations ▪ Transform Access ▪ Optimize Facility Footprint ▪ Build a World-Class Package Platform
Customer Experience	<p>Improve customer experience measurement processes</p> <p>Leverage technology to drive business value</p>	<ul style="list-style-type: none"> ▪ Improve customer experience ▪ Streamline commercial mail acceptance and enterprise payment ▪ Achieve 6 sigma IT system reliability ▪ Achieve 100 percent product visibility
Financial Results	<p>Grow revenue from innovation, core products and markets</p> <p>Establish the digital platform</p> <p>Strengthen financial and risk management capabilities</p>	<ul style="list-style-type: none"> ▪ Build funnel and launch innovation ▪ Grow small business revenue ▪ Market new and existing products and services ▪ Acquire, grow, and retain customers ▪ Integrate costing and pricing for profitable growth ▪ Establish the digital platform ▪ Obtain Payment Card Industry (PCI) compliance ▪ Achieve 100% customer and revenue visibility ▪ Enhance enterprise risk management capabilities
Workplace Environment	Build competitive workforce of the future	<ul style="list-style-type: none"> ▪ Analyze workforce needs and manage the change ▪ Develop labor agreements to build future workforce ▪ Improve employee availability ▪ Resolve disputes effectively ▪ Establish Postal Service health care plan ▪ Leadership identification and development

Source: *Id.*

Commission Analysis

In the past, the Commission has stated that the Postal Service should illustrate the relationships between the strategic initiatives and performance goals, provide the performance indicators used to measure progress in meeting targets, and describe the purpose of each strategic initiative.⁸⁵ This information is necessary for the Commission to evaluate progress for each strategic initiative. In FY 2012, the Postal Service developed ten cross-portfolio performance indicators to measure the performance of its strategic initiatives.⁸⁶ Each performance indicator included targets and results for FY 2012, as well as the FY 2012 variance. When requested, the Postal Service provided this same information for FY 2013, as well as the FY 2014 targets, for eight of the ten cross-portfolio performance indicators.⁸⁷

The FY 2012 and FY 2013 strategic initiative (cross-portfolio) performance indicator results and FY 2014 targets are shown in Table 13.

⁸⁵ FY 2011 ACD at 58.

⁸⁶ FY 2012 Annual Report to Congress at 39.

⁸⁷ For the two other FY 2012 cross-portfolio performance indicators not included in Table 13, legislative impact was not tracked in FY 2013 and overall customer experience score is included in the goals and performance indicators results in Table 2. (See Table 2.) The Postal Service confirmed that the FY 2012 “overall customer experience score” was calculated using the same methodology as the FY 2013 CEM score. Postal Service Response to CHIR No. 10, question 3(b); FY 2012 Annual Report to Congress at 39.

Table 13
Strategic Initiative (Cross-Portfolio) Performance Indicators

Indicator	FY 2014 PLANNED	FY 2013 PLANNED	FY 2013 ACTUAL	FY 2013 VARIANCE	FY 2012 PLANNED	FY 2012 ACTUAL	FY 2012 VARIANCE
Total revenue (\$)	\$5,400,000,000	\$4,200,000,000	\$5,069,494,234	\$869,494,234	\$935,718,028	\$813,556,920	(\$122,162,108)
Total cost savings (\$)	\$1,530,252,539	\$1,032,963,951	\$872,106,981	(\$160,856,970)	\$581,000,000	\$346,338,000	(\$234,662,000)
Total workhours reduced (hours)	24,000,000	12,688,354	9,805,603	(2,882,751)	6,000,000	1,940,200	(4,059,800)
Total head count reduced (FTEs)	67,000	43,000	36,535	(6,465)	67,080	29,390	(37,690)
Total facility square feet reduced (sq. ft.)	2,200,000	1,200,000	3,030,797	1,830,797	2,200,000	3,308,811	1,108,811
Commercial Mail in Full Service (%)	97.0%	60.0%	64.0%	4.0%	48%	45%	(3%)
IMb adoption rate (%)	97.0%	95.0%	95.1%	0.1%	80%	81%	1%
Package Scanning Rate (%)	96.5%	98.0%	95.1%	(2.9%)	94%	94%	0%
<p><i>Source:</i> Postal Service Response to CHIR No. 10, question 6; Postal Service Response to CHIR No. 15, question 5; Docket No. ACR2012, Library Reference USPS-FY12-17; FY 2012 Annual Report to Congress at 39.</p>							

The Commission suggests that for performance goals not completely achieved, the Postal Service may want to use specific strategic initiative performance measures from its internal management program activity performance measurement system to identify which strategic initiative performance was below program activity target goals.⁸⁸

The Postal Service's Annual Performance Report could be made more useful by providing comparable program activity performance measures. 39 U.S.C. § 2804(c) states, in part, that: "all subsequent reports shall include actual results for the three preceding fiscal years." When the Postal Service presents non-comparable performance measurements in its Annual Performance Report, the ability to determine performance progress over time substantially diminishes.

Strategic initiative performance measures would also benefit from consistency year to year. For the three fiscal years shown in Table 14, most of the strategic initiative performance measures are not comparable.⁸⁹ The Commission understands that "[this] portfolio of initiatives is dynamic and changes as priorities and resources require..."⁹⁰ However, it would facilitate review if substantively similar FY 2013 strategic initiatives performance measures carried over into FY 2014. Others could be added based on the Postal Service's current priorities for that year.

⁸⁸ Delivering Results, Innovation, Value, and Efficiency (DRIVE). The DRIVE process is a management system that incorporates performance measurement. See FY 2013 Annual Report to Congress at 66 and USPS OIG Report, Delivering Results, Innovation, Value, and Efficiency Management Audit Report, Report Number DP-AR-13-008, June 19, 2013.

⁸⁹ The Commission stated in prior ACDs that Annual Performance Reports and Plans should provide explanations for any changes or deletions. See, e.g., FY 2012 ACD at 46.

⁹⁰ FY 2013 Annual Report to Congress at 66.

Table 14
Selected Strategic Initiative Performance Measures—FY 2011-FY 2013

FY 2011	FY 2012*	FY 2013*	Comparable Across 3-Year Period
IMb - % of workshared mail with IMb	IMb adoption rate (%)	IMb adoption rate (%)	Yes
Optimize Network - Reduce total interior facility space	Total facility square feet reduced (sq. ft.)	Total facility square feet reduced (sq. ft.)	Yes
FSS - % of flat mail in Delivery Point Sequence	Total revenue (\$)	Total revenue (\$)	No
Expand Access – Expand share of retail revenue not from Post Office	Total cost savings (\$)	Total cost savings (\$)	No
Flexible Workforce – Below Financial Plan average workhour rate	Total workhours reduced (hours)	Total workhours reduced (hours)	No
Reduce Energy Use –Multiple Energy Reduction Goals	Total headcount reduced (FTEs)	Total headcount reduced (FTEs)	No
Reduce Delivery Fixed Costs – Average number of deliveries per route	Commercial Mail in Full Service (%)	Commercial Mail in Full Service (%)	No
Expand Products, Services, Features – Create new products, services, and features	Package Scanning Rate (%)	Package Scanning Rate (%)	No

Source: FY 2011 Annual Report to Congress at 30; FY 2012 Annual Report to Congress at 39; Postal Service Response to CHIR No. 15, question 5.

*In FY 2012 and FY 2013, the Postal Service referred to these as ‘cross-portfolio’ performance indicators.

COMPLIANCE WITH FILING REQUIREMENTS

This section discusses the completeness of the Postal Service filing and whether it complies with applicable statutory and regulatory filing requirements.

The Public Representative submitted comments related to the filing requirements and the Postal Service submitted reply comments. The Commission's analysis in this section will serve as guidance for the Postal Service to apply in future Annual Performance Plans and Reports.

Comments

The Public Representative filed comments claiming that “[program] activities cannot be related back to the four performance goals, nor can they be specifically identified as strategic initiatives even though they appear to be related to the various performance goals” and that “it is difficult or impossible to measure and compare performance against the plan generally.”⁹¹ He also believes the Postal Service has not complied with specific Commission recommendations for improvements and that the strategic initiatives are inadequate measures of performance. He asserts that the discussions included in the FY 2013 Comprehensive Statement fail to include measures of success or future targets. *Id.* at 3.

The Public Representative contends that the strategic initiatives were revised significantly and deletions to these and the Corporate Responsibility goal were not explained. *Id.* at 8. He states that the twenty-four strategic initiatives provided in the FY 2013 Comprehensive Statement are assigned to each of the four performance goals, but otherwise appear to bear no, or very limited, relationship to strategic initiatives from prior years. He further asserts that the Postal Service has not linked this year's initiatives to FY 2012 initiatives nor has it explained any deletions. *Id.* at 17. In addition, the Public Representative states that the Postal Service did not provide reasons why both the customer experience and the VOE targets were not met. *Id.* at 9.

The Postal Service filed reply comments in response to the Public Representative's comments.⁹² According to the Postal Service, the Public Representative comments “indicate a serious over-reading of the scope and purpose of 39 U.S.C. § 3653(d)” and that “[t]he statute specifically provides that the Commission shall evaluate whether the Postal Service has met the goals established under sections 2803 and 2804[,]” and “[s]ection 3653(d) also stipulates that the Commission may provide recommendations related to the protection or promotion of public policy objectives set out in title 39.” *Id.* at 2.

The Postal Service claims that the performance goals provided in the FY 2014 Plan and FY 2013 Report cover the Postal Service's program activities and provide the required metrics. *Id.* at 4. The Postal Service explains that the strategic initiatives presented in the FY 2013 Comprehensive Statement are part of a broader strategic plan designed to assist the Postal Service in achieving its overall goals, rather than as part of the Annual Performance Plan and Report. Therefore, it explains that the strategic initiatives are presented and discussed in the FY 2013 Comprehensive Statement rather than as part of the Annual Performance Plan and Report. *Id.* at 4-5.

⁹¹ PR Comments at 6.

⁹² Postal Service Reply Comments, *supra* n.6.

The Postal Service states the Public Representative's concerns are misplaced because they relate to portions of the FY 2013 Comprehensive Statement that are not subject to the same statutory requirements as the FY 2014 Plan and FY 2013 Report. *Id.* at 3. The Postal Service asserts that it designed the FY 2013 Comprehensive Statement to meet the relevant statutory requirements. As a result, the Postal Service contends that portions of the FY 2013 Comprehensive Statement are more narrative and descriptive in order to assist a broader stakeholder audience in evaluating the performance of the Postal Service. *Id.* at 4.

Commission Analysis

FY 2014 Plan

The Commission finds that the FY 2014 Plan meets most of the applicable statutory and regulatory filing requirements. The FY 2014 Plan establishes four performance goals that are "objective, quantifiable, and measurable."⁹³ The Postal Service provides performance indicators for each program activity to measure progress towards meeting its performance goals.⁹⁴ However, as noted by the Public Representative, "most of the relevant information on program activities is not within the Plan and Report, but is within the Comprehensive Report."⁹⁵ The Commission finds that evaluating future Annual Performance Plans would be facilitated if the information was provided in the Annual Performance Plan itself rather than throughout the Comprehensive Statement. If information on program activities is included in the Comprehensive Statement, the Annual Performance Plan should identify where the specific and relevant items can be found in the Comprehensive Statement.

As in previous years, the FY 2014 Plan does not cover each program activity set forth in the Postal Service budget.⁹⁶ In future Annual Performance Plans, the Postal Service should provide performance indicators for each program activity in its budget.

In its FY 2014 Plan, the Postal Service briefly describes the operational processes, skills and technology, and the resources, including human capital, required to meet the performance goals.⁹⁷ For each performance goal, the FY 2014 Plan includes a description of the objective measurement systems used to verify and validate measured values.⁹⁸ The FY 2014 Plan also includes a basis for generally comparing results with the established performance goals.⁹⁹ However, the performance indicators the Postal Service provided were not specific to each program activity. In future Annual Performance Plans, the

⁹³ See 39 U.S.C §§ 2803(a)(1) and (2).

⁹⁴ See *id.* § 2803(a)(4).

⁹⁵ PR Comments at 6.

⁹⁶ See 39 U.S.C. § 2803(a). Program activity means "a specific activity related to the mission of the Postal Service[.]" *Id.* § 2801(5).

⁹⁷ See *id.* § 2803(a)(3).

⁹⁸ See *id.* § 2803(a)(6).

⁹⁹ See *id.* § 2803(a)(5).

Postal Service should provide a description of how each performance indicator measures each program activity's performance.

FY 2013 Report

The FY 2013 Report satisfies the applicable statutory and regulatory filing requirements for each performance goal. Section 2804 requires that in those cases where performance goals were either partially met or not achieved, the Postal Service must explain why it did not meet the performance goal and describe plans and schedules for achieving the performance goal.¹⁰⁰ Similarly, in the FY 2012 ACD, the Commission stated that “[i]n cases where a performance goal has not been met, Annual Performance Reports should explain why the goal was not met and what action the Postal Service recommends for achieving the performance goal in future years.”¹⁰¹

The FY 2013 Report includes “actual results for the three preceding fiscal years” as required by 39 U.S.C. § 2803(c). However, it would facilitate year-to-year comparisons if the FY 2014 Report and future Annual Performance Reports provided targets for previous fiscal years as well.

The Postal Service explained in the FY 2013 Report why the Customer Experience performance goal was not met, and why the Service and Financial Results performance goals were partially met.¹⁰² However, as pointed out by the Public Representative, the Postal Service's FY 2013 Report did not initially provide reasons why the Workplace Environment goal was only partially met. Specifically, the Postal Service did not explain why the VOE performance indicator target was not met.¹⁰³ At the Commission's request, the Postal Service identified why the VOE target was missed and a list of actions it was taking to improve the workplace environment.¹⁰⁴ In the future, this information should be included as part of the Postal Service's initial filings.

¹⁰⁰ 39 U.S.C. § 2804(d)(3).

¹⁰¹ FY 2012 ACD at 37.

¹⁰² FY 2013 Annual Report to Congress at 40, 42.

¹⁰³ See PR Comments at 9-10.

¹⁰⁴ Postal Service Response to CHIR No. 10, question 5. The VOE survey questionnaire was provided as part of the Preface in Docket No. ACR2013, Library Reference USPS-FY13-NP39.

Strategic Initiatives

The Postal Service's strategic initiatives facilitate the Commission's review of the performance goals under 39 U.S.C. § 3653(d). They were originally established to link the performance goals to the actions necessary to achieve them.¹⁰⁵ The Commission previously found that strategic initiatives are part of the Annual Performance Report and Plan.¹⁰⁶ As a result, the Commission reviews the strategic initiatives as part of its evaluation of whether the Postal Service met the performance goals established in the Annual Performance Report and Plan.¹⁰⁷

In the FY 2012 ACD, the Commission directed that the FY 2013 Report and FY 2014 Plan contain FY 2013 targets, FY 2013 results, and FY 2014 targets for each strategic initiative cross-portfolio performance indicator.¹⁰⁸ In FY 2013, the Postal Service did not initially provide this information as part of its filings as requested by the Commission, but rather provided this information in response to an information request.¹⁰⁹ To ensure compliance with applicable filing requirements, this information should be part of the Annual Performance Report and Plan. The FY 2014 Report and FY 2015 Plan should also include information relating to the strategic initiative cross-portfolio performance indicators. A description and crosswalk linking the strategic initiatives and cross-portfolio performance indicators should be included.

In addition, the lack of clarity between the strategic initiatives and their relationship to the strategic initiative (cross-portfolio) performance indicators inhibits the review process. In future filings, the Postal Service should provide a clear way to distinguish the two.

¹⁰⁵ FY 2012 ACD at 45 (citing FY 2011 ACD at 49).

¹⁰⁶ FY 2012 ACD at 45.

¹⁰⁷ *Id.* (citing FY 2011 ACD at 58).

¹⁰⁸ FY 2012 ACD at 46.

¹⁰⁹ Results were provided in Postal Service Response to CHIR No. 10, question 6. FY 2014 targets were provided in Postal Service Response to CHIR No. 15, question 5.