POSTAL REGULATORY COMMISSION

Analysis of the Postal Service's FY 2019 Annual Performance Report and FY 2020 Performance Plan

June 1, 2020

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OVERVIEW

Each year, the Postal Service must submit to the Commission its most recent annual performance plan and annual performance report. 39 U.S.C. § 3652(g). On December 27, 2019, the Postal Service filed its fiscal year (FY) 2020 annual performance plan (*FY 2020 Plan*) and FY 2019 annual performance report (*FY 2019 Report*) in Docket No. ACR2019. The *FY 2020 Plan* reviews the Postal Service's plans for FY 2020. The *FY 2019 Report* discusses the Postal Service's progress during FY 2019 toward its four performance goals:

- High-Quality Service

- Excellent Customer Experiences

- Safe Workplace and Engaged Workforce

- Financial Health

In this Analysis, as required by 39 U.S.C. § 3653(d), the Commission evaluates whether the Postal Service met these performance goals. This Analysis contains four chapters. In Chapter 1, the Commission provides background information about the *FY 2020 Plan* and *FY 2019 Report*. Specifically, the chapter presents each of the Postal Service's performance goals and the associated performance indicators for each goal. Additionally, it is important to recognize that the Postal Service prepared the *FY 2020 Plan* and set FY 2020 targets before the outbreak of the COVID-19 pandemic. Thus, the *FY 2020 Plan* does not account for any expected effects of the pandemic.

In Chapter 2, the Commission evaluates whether the *FY 2020 Plan* and *FY 2019 Report* comply with 39 U.S.C. §§ 2803 and 2804. The Commission finds that the *FY 2020 Plan* complies with 39 U.S.C. § 2803, and the *FY 2019 Report* meets almost all of the requirements of 39 U.S.C. § 2804.

The *FY 2019 Report* provides comparable FY 2019 targets and results and explains why performance goals were not met. However, the *FY 2019 Report* does not provide comparable results from the past three fiscal years or the required explanations for the performance indicators measuring progress toward the High-Quality Service and Excellent Customer Experiences performance goals. Chapter 2 discusses these issues.

In Chapter 3, the Commission evaluates whether the Postal Service met each performance goal in FY 2019 as required by 39 U.S.C. § 3653(d). The Postal Service did not meet or only partially met each performance goal in FY 2019. The Commission provides related observations and recommendations for each performance goal to help the Postal Service meet the performance goal and better assess its performance in future years.

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

CHAPTER 1: INTRODUCTION

A. Background

The Postal Service is required by title 39 of the United States Code to submit to the Commission an annual performance report for the previous fiscal year and an annual performance plan for the current fiscal year.[1] The Postal Service included its *FY 2020 Plan* and *FY 2019 Report* in its *FY 2019 Annual Report to Congress*, which the Postal Service filed as a library reference in Docket No. ACR2019.[2]

The *FY 2019 Report* discusses the Postal Service's progress in meeting its performance goals during FY 2019. The *FY 2020 Plan* describes the Postal Service's plans for meeting its performance goals in FY 2020. A performance goal is "a target level of performance expressed as a tangible, measurable objective, against which actual achievement shall be compared, including a goal expressed as a quantitative standard, value or rate[.]" 39 U.S.C. § 2801(3). In the *FY 2019 Report,* the Postal Service identifies its four performance goals:

- High-Quality Service
- Excellent Customer Experiences
- Safe Workplace and Engaged Workforce
- Financial Health[3]

Each performance goal uses two or more performance indicators to measure output or outcome. 39 U.S.C. § 2801(4). For example, the performance indicators for High-Quality Service measure the percentage of various categories of mail delivered on-time. The Postal Service will continue using the same performance goals in FY 2020.

Table I-1 lists the four performance goals, their corresponding performance indicators, results from FY 2016 through FY 2019, and targets for FY 2019 and FY 2020.

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

[2] *United States Postal Service FY 2019 Annual Report to Congress* at 18-37; *see* Library Reference USPS-FY19-17, December 27, 2019 (*FY 2019 Annual Report*). This Analysis cites to pages from the *FY 2019 Annual Report* when referring to the *FY 2019 Report* and *FY 2020 Plan*.

[3] *FY 2019 Annual Report* at 18. These are the same performance goals the Postal Service used in FY 2018. *United States Postal Service FY 2018 Annual Report to Congress* at 15; *see* Library Reference USPS-FY18-17, December 28, 2018 (*FY 2018 Annual Report*).

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

Performance Goal	Performance Indicator		FY TARGETS		FY RESULTS			
			2020	*2019*	2019	2018	2017	2016
High-Quality Service[a]	Single-Piece First-Class Mail	2-Day	96.50%	96.50%	92.05%	93.78%	94.72%	94.66%
		3-5-Day	95.25%	95.25%	80.88%	82.48%	85.57%	83.66%
	Presorted First-Class Mail	Overnight	96.80%	96.80%	95.46%	96.00%	96.46%	96.16%
		2-Day	96.50%	96.50%	94.10%	94.92%	95.58%	95.05%
		3-5-Day	95.25%	95.25%	91.95%	91.96%	93.16%	91.68%
	First-Class Mail Letter and Flat Composite		96.00%	96.00%	92.02%	92.07%	93.29%	92.34%[e]
	USPS Marketing Mail and Periodicals Composite		91.80%	91.80%	89.25%	89.26%	91.44%	90.01%[e]
Excellent Customer Experiences[b]	Customer Experience Composite Index		75.73	78.27	69.04	67.47	88.30	87.62
	Business Service Network		96.73	96.73	96.68	95.90	96.25	95.13[e]
	Point of Sale		90.42	90.42	87.77	87.98	88.53	86.38[e]
	Delivery		86.33	86.33	80.40	80.47	83.22	76.26[e]
	Customer Care Center		55.00	55.00	46.94	39.19	86.80	85.18[e]
	Enterprise Customer Care		55.00	70.00	37.45	36.73	3.78	N/A
	Business Mail Entry Unit		96.01	95.13	96.00	95.33	N/A	N/A
	USPS.com		72.58	65.00	72.94	57.54	N/A	N/A
	Large Business[c]		N/A	N/A	N/A	72.34	N/A	N/A
Safe Workplace and Engaged Workforce	Total Accident Rate		15.00	15.00	14.19	15.09	15.43	16.09
	Survey Response Rate		51%	51%	38%	42%	46%	30%[e]
	Grand Mean Engagement Score[d]		N/A	N/A	3.36	3.34	3.25	3.24
Financial Health	Deliveries per Total Workhours % Change		1.5%	1.4%	(0.6)%	(0.5)%	(0.5)%	0.1%
	Controllable Income (Loss) $ in billions		($4.00)	($3.10)	($3.42)	($1.95)	($0.81)	$0.61

N/A – Not used as a performance indicator for that fiscal year.
🟩 Target Met   🟥 Target Not Met

[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. *See* Library Reference USPS-FY19-NP30, December 27, 2019. FY 2019 results are not comparable with results from FYs 2016 through 2018. Comparability issues are discussed in Chapter 2, section C.2.b., *infra.*

[b] Results of these performance indicators are comparable except for the Customer Experience Composite Index, Delivery, Customer Care Center, and Enterprise Customer Care performance indicators. Comparability issues and methodologies for performance indicators measuring progress toward the Excellent Customer Experiences performance goal are discussed in Chapters 2 and 3. *See* Chapter 2, section C.2.b., *infra*; Chapter 3, section B.3.a., *infra.*

[c] The Large Business performance indicator was added in FY 2018 and removed in FY 2019 because business customer experiences are already captured in the Business Service Network and Business Mail Entry Unit performance indicators.

[d] The Postal Service explained that it does not set targets for the Grand Mean Engagement Score because targets do not incentivize managers to encourage honest survey feedback. Docket No. ACR2017, United States Postal Service FY 2017 Annual Report to Congress, December 29, 2017, Library Reference USPS-FY17-17, at 20 n.3 (*FY 2017 Annual Report*).

[e] No FY 2016 targets were set for these performance indicators.

Source: *FY 2019 Annual Report* at 20, 28; *FY 2017 Annual Report* at 20.

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

The Postal Service prepared the *FY 2020 Plan* and set FY 2020 targets before the outbreak of the COVID-19 pandemic. Thus, the *FY 2020 Plan* does not account for any expected effects of the pandemic. This Analysis also does not evaluate the expected impact of the pandemic on the Postal Service's plans and performance targets for FY 2020. FY 2020 results for all four performance goals are likely to be affected by the COVID-19 pandemic. Unaudited current volumes and preliminary financial projections provided by the Postal Service point to precipitous declines in mail volume and revenue as a result of the pandemic. The Commission continues to coordinate with the Postal Service and policymakers regarding the effects of COVID-19 and the rapidly evolving financial situation of the Postal Service.

B.   The FY 2020 Plan and FY 2019 Report

Since Docket No. ACR2013, the Commission has evaluated whether the Postal Service met its performance goals in reports separate from the *Annual Compliance Determination* (ACD).[4] By issuing separate reports, the Commission provides a more in-depth analysis of the Postal Service's progress toward meeting its performance goals and plans to improve performance in future years. The Commission continues this current practice by issuing its analysis of the *FY 2020 Plan* and *FY 2019 Report* separately from the FY 2019 ACD.[5]

In conducting this review, the Commission designated a Public Representative and invited comments on whether the Postal Service met its performance goals and satisfied applicable statutory and regulatory requirements.[6] It also sought input on public policy recommendations, strategic initiatives, and other relevant matters. Order No. 5400 at 2-3.

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[4] *See* Docket No. ACR2013, Postal Regulatory Commission, *Review of Postal Service FY 2013 Performance Report and FY 2014 Performance Plan*, July 7, 2014; Docket No. ACR2014, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2014 Program Performance Report and FY 2015 Performance Plan*, July 7, 2015; 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*).

[5] *See* Annual Compliance Determination Report, Fiscal Year 2019, March 25, 2020 (FY 2019 ACD).

[6] Notice Regarding the Postal Service FY 2019 Annual Performance Report and FY 2020 Annual Performance Plan, January 9, 2020 (Order No. 5400).

Several CHIRs were issued seeking clarification of the *FY 2020 Plan* and *FY 2019 Report*.[7] The Postal Service filed responses to all information requests.[8] The Public Representative, the National Association of Presort Mailers, and the Association for Postal Commerce submitted comments,[9] which the Postal Service addressed in reply comments.[10]

The Commission analyzes the *FY 2020 Plan* and *FY 2019 Report* in the following chapters:

- Chapter 2 analyzes the *FY 2020 Plan* and *FY 2019 Report* for compliance with legal requirements.

- Chapter 3 evaluates whether the Postal Service met its four performance goals in FY 2019 and contains related observations and recommendations for each performance goal.

- Chapter 4 discusses the Postal Service's strategic initiatives.

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

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[7] Chairman's Information Request No. 5, January 21, 2020 (CHIR No. 5); Chairman's Information Request No. 7, January 27, 2020 (CHIR No. 7); Chairman's Information Request No. 10, February 4, 2020 (CHIR No. 10); Chairman's Information Request No. 18, February 25, 2020 (CHIR No. 18); Chairman's Information Request No. 21, March 12, 2020 (CHIR No. 21); Chairman's Information Request No. 22, March 19, 2020 (CHIR No. 22); Chairman's Information Request No. 23, March 31, 2020 (CHIR No. 23); Chairman's Information Request No. 24, April 16, 2020 (CHIR No. 24).

[8] Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 5, January 28, 2020 (Response to CHIR No. 5); Responses of the United States Postal Service to Questions 1-11 of Chairman's Information Request No. 7, February 3, 2020 (Response to CHIR No. 7); Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 10, February 11, 2020 (Response to CHIR No. 10); Responses of the United States Postal Service to Questions 1-8 of Chairman's Information Request No. 18, March 3, 2020 (Response to CHIR No. 18); Responses of the United States Postal Service to Questions 1-12 of Chairman's Information Request No. 21, March 19, 2020 (March 19 Response to CHIR No. 21); Supplemental Response of the United States Postal Service to Question 10 of Chairman's Information Request No. 21 – Errata, March 20, 2020 (March 20 Response to CHIR No. 21); Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 22, March 26, 2020 (Response to CHIR No. 22); Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 23, April 7, 2020 (Response to CHIR No. 23); Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 24, April 17, 2020 (Response to CHIR No. 24).

[9] Public Representative Comments on the FY 2019 Performance Report and FY 2020 Performance Plan, February 28, 2020 (PR Comments); Comments of the National Association of Presort Mailers, January 30, 2020 (NAPM Comments); Comments of the Association for Postal Commerce, January 30, 2020 (PostCom Comments).

[10] United States Postal Service Reply Comments Regarding FY 2019 Performance Report and FY 2020 Performance Plan, March 13, 2020 (Postal Service Reply Comments).

CHAPTER 2: COMPLIANCE WITH LEGAL REQUIREMENTS

A. Legal Requirements

The *FY 2020 Plan* and *FY 2019 Report* must meet the requirements of 39 U.S.C. §§ 2803 and 2804.[11] Section 2803 establishes requirements for the Postal Service's annual performance plans. Annual performance plans must cover "each program activity set forth in the Postal Service budget,"[12] and must:

- Establish 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 used[13]

- 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

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

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

[13] *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).

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

Section 2804 sets forth several requirements for the Postal Service's annual performance reports. First, annual performance reports must evaluate whether the Postal Service has met the performance goals previously established by the performance plan for that fiscal year. *Id.* § 2804(d)(1). Second, annual performance reports must "set forth the performance indicators established in the Postal Service performance plan, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year."[14] Third, annual performance reports must include "actual results for the three preceding fiscal years." *Id.* § 2804(c). Fourth, annual performance reports must evaluate the performance plan for the current fiscal year (in this case, the *FY 2020 Plan*) relative to the performance achieved toward those goals in the year covered by the performance report (in this case, the *FY 2019 Report*). *Id.* § 2804(d)(2). Fifth, if the Postal Service does not meet a performance goal, annual performance reports must explain why the goal was not met and describe plans and schedules for achieving the performance goal.[15] Sixth, annual performance reports must also include summary findings of program evaluations completed during the fiscal year covered by the report. *Id.* § 2804(d)(4).

B.   Comments

The Public Representative comments that the Postal Service "identifies all program activities in the FY 2020 Integrated Financial Plan and explains how the FY 2020 Plan covers each one by relating each program activity to performance goals or indicators." PR Comments at 9. She states that the Postal Service met applicable requirements of 39 U.S.C. § 2803 by setting a measurable FY 2020 target for each performance indicator the Postal Service will use in FY 2020 and expressing performance goals as quantitative targets that can be compared with objectively measured results. *Id.* She notes that the *FY 2020 Plan* complies with sections 2803(a)(3) to (6) by having performance indicators for each performance goal, providing a basis for comparing results with the performance goals, describing the means used to verify and validate measured values, and briefly describing the operational processes, skills and technology, and other resources required to meet the performance goals. *Id.* at 9-10. Thus, she concludes that the *FY 2020 Plan* complies with 39 U.S.C. § 2803. *Id.* at 10.

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[14] *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, annual performance reports 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).

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

The Public Representative comments that the *FY 2019 Report* contains almost all of the information required by 39 U.S.C. § 2804. *Id.* However, she states that the *FY 2019 Report* fails to include actual results for the past three fiscal years for the Excellent Customer Experiences performance goal. She also claims that the Postal Service does not explain why it partially met the Safe Workplace and Engaged Workforce performance goal. *Id.* Thus, she concludes that the *FY 2019 Report* does not comply with section 2804 for these performance goals. *Id.*

In its reply comments, the Postal Service states that the *FY 2019 Report* includes three preceding years' worth of data for all Excellent Customer Experiences performance indicators. Postal Service Reply Comments at 9. It notes that it did not provide results from the past three fiscal years for two performance indicators that were introduced in FY 2018. *Id.* at 9-10. The Postal Service comments that it is sensitive to the Public Representative's concerns about compliance with section 2804, but asserts that it occasionally needs to adjust goals to measure performance more effectively. *Id.* at 10. It states that it would be unreasonable to interpret section 2804 as precluding such changes. *Id*.

Regarding the Safe Workplace and Engaged Workplace performance goal, the Postal Service explains that it did not meet the FY 2019 Survey Response Rate target because established processes lacked sufficient follow-up and effort necessary to reach the target, and resources were committed elsewhere. *Id.*

C.   Commission Analysis

The *FY 2020 Plan* and *FY 2019 Report* retain many improvements implemented in past annual performance reports and annual performance plans. *See FY 2018 Analysis* at 8-9. The *FY 2020 Plan* contains all of the information necessary to evaluate compliance with 39 U.S.C. § 2803 and is the third annual performance plan the Commission has reviewed that meets all requirements of section 2803.

The *FY 2019 Report* improved compared to the FY 2018 annual performance report (*FY 2018 Report)* because the *FY 2019 Report* complies with almost all the requirements of 39 U.S.C. § 2804. The *FY 2019 Report* addresses legal compliance issues the Commission identified in the *FY 2018 Report* by providing comparable FY 2019 targets and results and explaining why performance goals were not met. However, the *FY 2019 Report* does not provide comparable results from the past three fiscal years or the required explanations for the performance indicators measuring progress toward the High-Quality Service and Excellent Customer Experiences performance goals.

1.   FY 2020 Plan

The Commission appreciates that the *FY 2020 Plan* includes all information necessary for the Commission to evaluate compliance with 39 U.S.C. § 2803.

First, the *FY 2020 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 2018 Analysis*, the Commission stated that to comply with 39 U.S.C. § 2803(a), the *FY 2020 Plan* must "identify all program activities in the FY 2020 IFP and explain how the *FY 2020 Plan* covers each one by relating each program activity to one or more performance goals or indicators." *FY 2018 Analysis* at 10.

In the *FY 2020 Plan*, the Postal Service explains that FY 2020 targets for each performance indicator are aligned with the FY 2020 IFP, which includes the Postal Service's planned revenue and expenses for FY 2020. *FY 2019 Annual Report* at 18. The Postal Service states that it set all performance indicator targets "to be achievable given the planned finances in the IFP." *Id.* The Postal Service explicitly defines "program activity" as a "budget item contributing to controllable income [loss] outlined in the IFP." *Id.* Controllable Income (Loss), a performance indicator for the Financial Health performance goal, is calculated as total revenue less controllable expenses and one-time accounting adjustments. *Id.* The *FY 2020 Plan* identifies the program activities contributing to the Controllable Income (Loss) performance indicator as controllable expenses such as compensation and benefits, transportation, depreciation, supplies and services, and rent and utilities. *Id.* The *FY 2020 Plan* includes information for each program activity in a table listing actual revenue and expenses for FY 2019 and planned revenue and expenses for FY 2020. *See id.* at 30. Also, the Postal Service states that it developed the IFP budget to be consistent with planned workhours, which are used to calculate targets for the Deliveries per Total Workhours % Change (DPTWH % Change) performance indicator. *Id.* at 19. This indicator measures progress toward the Financial Health performance goal. *Id.* at 34.

The *FY 2020 Plan* discusses the IFP, defines "program activity," and identifies the program activities in the FY 2020 IFP. The Postal Service complies with the Commission's directive to relate the program activities to the performance goals by linking the program activities to the performance indicators measuring progress toward the Financial Health performance goal (Controllable Income (Loss) and DPTWH % Change).

Thus, the Commission finds that the FY 2020 Plan complies with 39 U.S.C. § 2803(a) by "covering each program activity set forth in the Postal Service budget... ." To comply with 39 U.S.C. § 2803(a) next year, the FY 2021 annual performance plan (FY 2021 Plan) must

identify all program activities in the FY 2021 IFP and explain how the FY 2021 Plan covers each one by relating each program activity to one or more performance goals or indicators.

Second, the *FY 2020 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 2020 Plan* to set forth the performance goals and establish targets for each performance indicator to be used to evaluate performance during FY 2020. *See FY 2016 Analysis* at 10. The *FY 2020 Plan* sets FY 2020 targets for each public performance indicator the Postal Service will use to evaluate performance during FY 2020.[16]

For this reason, the Commission finds that the FY 2020 Plan complies with 39 U.S.C. § 2803(a)(1). In future annual performance plans, if the Postal Service does not set a target for a performance indicator, the Commission recommends that the Postal Service provide a reasoned explanation for not setting a target.

Third, the *FY 2020 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 2020 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 2020 Plan* meets this requirement by setting a measurable FY 2020 target for each performance indicator the Postal Service will use in FY 2020. *See FY 2019 Annual Report* at 20.

Fourth, the *FY 2020 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 2020 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 2020, the Postal Service states it will "continue to use digital run plan generator systems for production of daily machine operational plans." *FY 2019 Annual Report* at 22.

Fifth, the *FY 2020 Plan* must "establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity[.]" *See* 39 U.S.C. § 2803(a)(4). The *FY 2020 Plan* meets this requirement because each performance goal has at least two performance indicators that evaluate outputs, service levels, and

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[16] *See FY 2019 Annual Report* at 20. The Postal Service uses several non-public performance indicators for Competitive products to measure progress toward the High-Quality Service performance goal. *See* Chapter 2, section C.3., *infra.* FY 2020 targets are included in a non-public annex filed with the FY 2019 Annual Compliance Report (ACR). *See FY 2019 Annual Report* at 20 n.1; Library Reference USPS-FY19-NP30, December 27, 2019, file "NONPUBLIC FY19-NP30 Preface.pdf," at 2 (NP30 Preface).

outcomes. For example, the Financial Health performance goal uses two performance indicators to measure financial performance and overall efficiency. *See FY 2019 Annual Report* at 28-35.

Sixth, the *FY 2020 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 2020 Plan* meets this requirement by listing the performance indicators that will provide a basis for comparing FY 2020 results with the targets established in the *FY 2020 Plan*. *See FY 2019 Annual Report* at 20.

Seventh, the *FY 2020 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 2018 Analysis* at 12. The *FY 2020 Plan* meets this requirement by, for example, explaining that it uses customer survey scores to verify and validate targets and results for the performance indicators measuring progress toward the Excellent Customer Experiences performance goal. *See FY 2019 Annual Report* at 23.

The Commission finds that the FY 2020 Plan complies with 39 U.S.C. § 2803.

2.   FY 2019 Report

The *FY 2019 Report* complies with almost all requirements of 39 U.S.C. § 2804. The *FY 2019 Report* reviews the Postal Service's efforts to achieve the performance goals in FY 2019, compares FY 2020 targets with FY 2019 results for each performance indicator, and includes summary findings of program evaluations completed during FY 2019 as required by sections 2804(d)(1), (2), and (4). *See* Chapter 2, section C.2.d., *infra.* The *FY 2019 Report* improved compared to the *FY 2018 Report* because the *FY 2019 Report* provides comparable FY 2019 targets and results, as well as includes the required explanations, plans, and schedules for each performance indicator whose target was not met as required by sections 2804(b)(1) and (d)(3). However, for the High-Quality Service and Excellent Customer Experiences performance goals, the *FY 2019 Report* does not provide comparable results from the past three fiscal years or the explanations as required by section 2804(c).

a.   Comparable FY 2019 Targets and Results

Annual performance reports must "set forth the performance indicators established in the Postal Service performance plan, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year." 39 U.S.C. § 2804(b)(1). Section 2804(b)(1) requires results expressed in the annual performance reports to be comparable with targets set in the annual performance plan for that fiscal year. *FY 2016 Analysis* at 16. In the *FY 2018 Analysis*, the Commission stated that to comply

with section 2804(b)(1), the *FY 2019 Report* "must set forth the same performance indicators and targets as the [FY 2019 annual performance plan (*FY 2019 Plan*)] and compare FY 2019 targets and results for each performance indicator." *FY 2018 Analysis* at 14. The Commission also directed that the *FY 2019 Report* express results for each performance indicator that are comparable to the targets the Postal Service set in the *FY 2019 Plan*. *Id.* The Commission stated, "[a]s an alternative, if a comparable FY 2019 result cannot be provided, the *FY 2019 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." *Id.* The Commission 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 2019 Report* lists the same performance indicators and targets as the *FY 2019 Plan* except for the Customer Experience (CX) Composite Index and the DPTWH % Change performance indicators.[17] The *FY 2019 Plan* lists the FY 2019 CX Composite Index target as 80.00, but the *FY 2019 Report* lists the target as 78.27. *Id.* Similarly, the FY 2019 DPTWH % Change target differs between the *FY 2019 Plan* (1.80 percent) and *FY 2019 Report* (1.40 percent). *Id.* In CHIR responses, the Postal Service confirms that the discrepancies are due to clerical and typographical errors in the *FY 2019 Plan*.[18] The *FY 2019 Report* lists the correct FY 2019 targets for the CX Composite Index and DPTWH % Change performance indicators. *FY 2019 Annual Report* at 20.

The *FY 2019 Report* compares FY 2019 targets and results for each performance indicator. *See id.* In a CHIR response, the Postal Service confirms that the FY 2019 target and result for each performance indicator are comparable. Response to CHIR No. 5, question 2. The *FY 2019 Report* improved compared to the *FY 2018 Report*, which did not provide comparable targets and results for some performance indicators. *See FY 2018 Analysis* at 12-14.

The Commission finds that the FY 2019 Report complies with 39 U.S.C. § 2804(b)(1). To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2020 annual performance report (FY 2020 Report) must set forth the same performance indicators and targets as the FY 2020 Plan and compare FY 2020 targets and results for each performance indicator. The FY 2020 result for each performance indicator must be comparable to the target set in the FY 2020 Plan.

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[17] *Compare FY 2018 Annual Report* at 17 *with FY 2019 Annual Report* at 20.

[18] Response to CHIR No. 5, question 1; Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 13, February 21, 2019, question 7 (Docket No. ACR2018, Response to CHIR No. 13).

*As an alternative, if a comparable FY 2020 result cannot be provided, the FY 2020 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. The
Commission recommends that the Postal Service not change performance indicators,
methodologies, or targets once they are set in the applicable annual performance plan.*

b. Comparable Three-Year Results

Annual performance reports must also "include actual results for the three preceding fiscal
years" as required by 39 U.S.C. § 2804(c). The Commission previously found that "actual
results" under section 2804(c) must also be comparable across the three preceding fiscal
years. *See FY 2016 Analysis* at 18. In the *FY 2018* Analysis, the Commission stated that "[t]o
comply with 39 U.S.C. § 2804(c) next year, the *FY 2019 Report* must include comparable
results for each performance indicator for, at a minimum, FYs 2016, 2017, 2018, and 2019.
To be comparable, results for each fiscal year must be calculated and expressed using the
same performance indicator or methodology." *FY 2018 Analysis* at 16. If comparable results
cannot be provided, the Commission directed that the Postal Service explain in the *FY 2019
Report* why results are not directly comparable across these fiscal years. *Id.* The Postal
Service was also directed to explain in the *FY 2019 Report* how to compare results between
the current and former methodologies or explain why making this comparison is not
feasible. *Id.*

The *FY 2019 Report* does not provide comparable results for FYs 2016, 2017, 2018, and
2019 for the High-Quality Service and Excellent Customer Experiences performance goals.
In FY 2019, the Postal Service began using an internal Service Performance Measurement
(SPM) system to measure progress toward the High-Quality Service performance goal.[19]
The former external measurement system used a different methodology for calculating
service performance results than the new SPM system. Response to CHIR No. 5, question
3.a. As a result, the FY 2019 results measured by the SPM system are not comparable with
results from FYs 2016 through 2018, which were calculated using the former methodology.

In the *FY 2018 Analysis*, the Commission stated that "if comparable results cannot be
provided using the new SPM system, the *FY 2019 Report* must explain why results are not
directly comparable across FYs 2016, 2017, 2018, and 2019." *FY 2018 Analysis* at 17. If
comparable results cannot be provided, the Commission stated "the *FY 2019 Report* must
either explain how to compare results between the new SPM system and the former
measurement system or explain why making this comparison is not feasible." *Id.*

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[19] *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).

The *FY 2019 Report* does not provide comparable High-Quality Service results for each of the seven public performance indicators because FY 2019 results were calculated based on the new internal SPM system. The *FY 2019 Report* neither explains how to compare results between the former and current methodologies nor explains why making this comparison is not feasible. In a CHIR response, the Postal Service states that FY 2019 results are not available from the former measurement system and that descriptions of the former and current methodologies have been provided in library references.[20] However, this information was not included or referenced in the *FY 2019 Report*. As the Commission previously stated, annual performance plans and annual performance reports "must contain all information necessary to show compliance with 39 U.S.C. §§ 2803 and 2804." *FY 2016 Analysis* at 9.

For these reasons, the Commission finds that the FY 2019 Report does not comply with 39 U.S.C. § 2804(c) for the High-Quality Service performance goal. To comply with 39 U.S.C. § 2804(c), the FY 2020 Report must describe the methodological differences between the former and current measurement systems and explain why results are not directly comparable across FYs 2017, 2018, 2019, and 2020. Also, the FY 2020 Report must either explain how to compare results between the current and former measurement systems or explain why making this comparison is not feasible. The FY 2020 Report may include cross-references to library references or other documents containing this information.

For the Excellent Customer Experiences performance goal, the Commission stated in the *FY 2018 Analysis* that the *FY 2019 Report* must include comparable results for each performance indicator that are calculated and expressed using the same performance indicator and methodology across FYs 2016, 2017, 2018, and 2019.[21] If comparable results could not be provided, the Commission directed that "the *FY 2019 Report* must explain why results are not directly comparable across these fiscal years. In that case, the *FY 2019 Report* must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible." *Id.* In the *FY 2018 Analysis*, the Commission provided examples showing how the Postal Service may provide three years of comparable results or the required explanations for each performance indicator with non-comparable results. *Id.* at 54-55.

The Public Representative comments that the *FY 2019 Report* fails to include actual results from the past three fiscal years for the Excellent Customer Experiences performance goal. PR Comments at 10. The Postal Service responds that the *FY 2019 Report* includes three preceding years' worth of data for all Excellent Customer Experiences performance

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[20] Response to CHIR No. 5, question 3.b.; *see* Docket No. ACR2018, Library Reference USPS-FY18-29, December 28, 2018; Library Reference USPS-FY19-29, December 27, 2019.

[21] *FY 2018 Analysis* at 16-17, 54.

indicators. Postal Service Reply Comments at 9. It asserts that it occasionally needs to adjust goals to measure performance more effectively. *Id.* at 10.

The Commission agrees with the Public Representative and finds that the *FY 2019 Report* does not provide comparable results for FYs 2016, 2017, 2018, and 2019 for four performance indicators measuring progress toward this performance goal.[22] These performance indicators use different methodologies for calculating results across these fiscal years.[23] The *FY 2019 Report* neither explains how to compare results across the different methodologies nor explains why making this comparison is not feasible.[24] If the Postal Service changes a performance indicator methodology, it must still include three years of comparable results or the required explanations in the applicable annual performance report to comply with section 2804(c).

For these reasons, the Commission finds that the FY 2019 Report does not comply with 39 U.S.C. § 2804(c) for the Excellent Customer Experiences performance goal. To comply with 39 U.S.C. § 2804(c) next year, the FY 2020 Report must include comparable results for each performance indicator for, at a minimum, FYs 2017, 2018, 2019, and 2020. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. As an alternative, if comparable results cannot be provided for a performance indicator, the FY 2020 Report must explain why results are not directly comparable across the applicable fiscal years. In that case, the FY 2020 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible. The FY 2020 Report may include cross-references to library references or other documents containing this information.

Chapter 3 provides examples showing how the *FY 2020 Report* could comply with 39 U.S.C. § 2804(c) for the four Excellent Customer Experiences performance indicators with non-comparable results. *See* Chapter 3, section B.3.a.(2)., *infra.*

For the Safe Workplace and Engaged Workforce and Financial Health performance goals, the Postal Service confirms that FY 2016 through FY 2019 results of each performance indicator are comparable. Response to CHIR No. 5, question 4.a.

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[22] These performance indicators are the Business Service Network, Delivery, Customer Care Center, and Enterprise Customer Care. Although the *FY 2019 Report* does not provide comparable results for the CX Composite Index performance indicator, the *FY 2019 Report* does provide the result of each component performance indicator, which may be compared across these fiscal years. *See FY 2018 Analysis* at 16 n.25.

[23] The methodology changes are discussed in Chapter 3. *See* Chapter 3, section B.3.a.(2)., *infra.*

[24] The *FY 2019 Report* does include a cross-reference to historical comparability information that the Postal Service provided in Docket No. ACR2018. *FY 2019 Annual Report* at 24; *see* Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-14 of Chairman's Information Request No. 2, January 28, 2019, question 6.d.ii. (Docket No. ACR2018, Response to CHIR No. 2). However, this cross-reference was not sufficient to comply with 39 U.S.C. § 2804(c) because it did not include the required explanations.

For these reasons, the Commission finds that the FY 2019 Report complies with 39 U.S.C. § 2804(c) for the Safe Workplace and Engaged Workforce and Financial Health performance goals. To comply with 39 U.S.C. § 2804(c) next year, the FY 2020 Report must include comparable results for each performance indicator for, at a minimum, FYs 2017, 2018, 2019, and 2020. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. As an alternative, if comparable results cannot be provided for any performance indicator, the FY 2020 Report must explain why results are not directly comparable across the applicable fiscal years. In that case, the FY 2020 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible.

c.   Goals Not Met

The Commission determines whether the Postal Service has met a performance goal by comparing the result of each performance indicator to the target set in the applicable performance plan for that fiscal year. *See FY 2018 Analysis* at 4. The Commission considers the Postal Service to have met a performance goal if the result of each performance indicator for that goal meets or exceeds the target established in the applicable performance plan. *Id.*

If a performance goal has not been met, annual performance reports must explain why the Postal Service did not meet the goal and describe the plans and schedules for achieving the goal. 39 U.S.C. § 2804(d)(3). Because the Postal Service missed one or more FY 2019 targets for each performance goal, the *FY 2019 Report* must explain why and describe plans and schedules for meeting FY 2020 targets. For each performance indicator whose target was not met, the Postal Service in the *FY 2019 Report* explains why and describes plans and schedules for achieving the target in FY 2020.[25] This is an improvement from the *FY 2018 Report*, which did not provide the required explanations, plans, and schedules for some performance indicators. *See FY 2018 Analysis* at 17. The Postal Service provides more detailed explanations, plans, and schedules in the FY 2019 ACR.[26]

The Postal Service only partially met the Safe Workplace and Engaged Workforce performance goal because it did not meet the FY 2019 target for the Survey Response Rate, which is a performance indicator for this performance goal.[27] The Public Representative comments that the Postal Service does not explain why it partially met this performance goal in FY 2019. PR Comments at 10. The Postal Service responds that it did not meet the FY 2019 Survey Response Rate target because established processes lacked sufficient

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[25] *See* Table III-1, *infra* (public performance indicators); NP30 Preface at 2-3 (non-public performance indicators).

[26] United States Postal Service FY 2019 Annual Compliance Report, December 27, 2019, at 43-51 (FY 2019 ACR).

[27] *See FY 2019 Annual Report* at 28. The other performance indicator for the Safe Workplace and Engaged Workforce performance goal is the Total Accident Rate, which met the FY 2019 target. *Id.* at 27.

follow-up and effort necessary to reach the target, and resources were committed elsewhere. Postal Service Reply Comments at 10. In the *FY 2019 Report*, the Postal Service explains that it did not meet the FY 2019 target because employees thought that management did not consider the feedback received from the previous Postal Pulse survey administration. *FY 2019 Annual Report* at 28.

The Commission finds that the FY 2019 Report complies with 39 U.S.C. § 2804(d)(3) because it explains why performance goals were not met and describes plans and schedules for meeting the goals in FY 2020. To comply with 39 U.S.C. § 2804(d)(3) next year, for each FY 2020 target that is not met, the FY 2020 Report must both explain why and describe plans and schedules for meeting FY 2021 targets. If the Postal Service misses a FY 2020 target for a non-public performance indicator, the Postal Service must provide the explanation, plans, and schedules for meeting the FY 2021 target in a non-public annex. See Chapter 2, section C.3., infra.

d.   Other Annual Performance Report Requirements

The *FY 2019 Report* meets other requirements of 39 U.S.C. § 2804. First, annual performance reports must review the Postal Service's success in achieving its performance goals by stating whether the Postal Service met targets for each performance goal in FY 2019. 39 U.S.C. § 2804(d)(1). The *FY 2019 Report* provides this information both in a table comparing targets and results and in the text of the report. *See FY 2019 Annual Report* at 20-21, 24, 26-27, 31, 34. For each performance indicator, the *FY 2019 Report* also includes a table listing the FY 2019 target, FY 2019 result, the difference between the target and result, and whether the FY 2019 target was met. *See id.* at 21, 24, 27-28, 31, 34. These tables enhance the *FY 2019 Report* by allowing the reader to easily evaluate whether the Postal Service met FY 2019 targets.

Second, annual performance reports must "evaluate the performance plan for the current fiscal year relative to the performance achieved towards the performance goals in the fiscal year covered by the report[.]" 39 U.S.C. § 2804(d)(2). Section 2804(d)(2) requires the *FY 2019 Report* to evaluate the *FY 2020 Plan* relative to the performance achieved toward the performance goals during FY 2019. This provision requires the *FY 2019 Report* to compare FY 2020 targets with FY 2019 results for each performance indicator the Postal Service will use during FY 2020. *See FY 2016 Analysis* at 15. The *FY 2019 Report* provides this information in a table comparing results and targets for each performance indicator. *See FY 2019 Annual Report* at 20.

Third, annual performance reports must "include the summary findings of those program evaluations completed during the fiscal year covered by the report." 39 U.S.C. § 2804(d)(4). "Program evaluations" are "assessment[s], through objective measurement and systematic analysis, of the manner and extent to which Postal Service programs achieve intended objectives." *Id.* § 2801(6). Section 2804(d)(4) requires the *FY 2019 Report* to include

summary findings of program evaluations completed during FY 2019 that evaluate how programs helped the Postal Service meet targets in FY 2019. *See FY 2017 Analysis* at 16. The *FY 2019 Report* meets this requirement by, for example, including summary findings of a program evaluation describing how the Postal Service met the FY 2019 target for the Business Mail Entry Unit performance indicator. *See FY 2019 Annual Report* at 25*.* The *FY 2019 Report* states that the Postal Service drove improvement throughout the year by identifying opportunities for coaching, mentoring, and training to ensure its employees had the appropriate resources to meet customer needs. *Id.* at 25-26.

The Commission finds that the FY 2019 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).

3.   Non-Public Performance Indicators

Annual performance plans 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). For the High-Quality Service performance goal, the Postal Service uses several non-public performance indicators to measure service performance for some Competitive products. *FY 2019 Annual Report* at 20 n.1. In the *FY 2018 Analysis*, to ensure compliance with 39 U.S.C. §§ 2803 and 2804, the Commission directed that the Postal Service file under seal with the FY 2019 ACR: "(1) FY 2019 and FY 2020 targets; and (2) comparable results from FYs 2016 through 2019" for each non-public performance indicator. *FY 2018 Analysis* at 20. The Commission further directed that "[i]f the Postal Service does not meet a FY 2019 target, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2020 target." *Id.* The Commission stated that the FY 2019 ACR should continue to identify the library reference that contains this information. *Id.*

The *FY 2020 Plan* and *FY 2019 Report* state 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 2019 Annual Report* at 20 n.1. The Postal Service filed information on non-public performance indicators in Docket No. ACR2019 in Library Reference USPS-FY19-NP30. FY 2019 ACR at 3 n.4. For each non-public performance indicator, this library reference provides FY 2019 and FY 2020 targets, comparable FY 2019 targets and results, and comparable results from FYs 2016 through 2019.[28] For each non-public performance indicator whose FY 2019 target was not met, the Postal Service explains why and describes plans and schedules for meeting FY 2020 targets*.* NP30 Preface at 2-3. These explanations

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[28] NP30 Preface at 2; Response to CHIR No. 5, question 6.

are an improvement from last year's filing, which did not include the required explanations. *See FY 2018 Analysis* at 19.

The Commission finds that Library Reference USPS-FY19-NP30 complies with the Commission's directive to file under seal with the FY 2019 ACR: (1) FY 2019 and FY 2020 targets; and (2) comparable results from FY 2016 through FY 2019 for each non-public performance indicator. The FY 2020 Plan complies with 39 U.S.C. § 2803 by setting measurable FY 2020 targets for each non-public performance indicator the Postal Service will use in FY 2020. See Chapter 2, section C.1., supra. The FY 2019 Report complies with 39 U.S.C. §§ 2804(b)(1) and 2804(c) because it provides comparable FY 2019 targets and results as well as comparable results from the past three fiscal years. The FY 2019 Report also complies with 39 U.S.C. § 2804(d)(3) because the Postal Service explains why it did not meet FY 2019 targets and describes plans and schedules for meeting FY 2020 targets.

To ensure that the FY 2021 Plan and FY 2020 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Commission recommends that the FY 2020 Report include a similar footnote stating that the Postal Service is providing non-public service performance data for certain Competitive products as part of the non-public annex of the FY 2020 ACR. For each non-public performance indicator, the Postal Service must file under seal with the FY 2020 ACR: (1) FY 2020 and FY 2021 targets; (2) comparable FY 2020 targets and results; and (3) comparable results from FYs 2017 through 2020. If the Postal Service does not meet a FY 2020 target, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2021 target. The FY 2020 ACR should continue to identify the library reference that contains this information.

4.   FY 2020 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. In the *FY 2019 Report*, the Postal Service confirms that FY 2020 results for each performance goal will be comparable to FY 2019 results.[29] In the FY 2019 ACR, the Postal Service states it simplified the USPS.com survey by reducing the total number of questions in the survey to improve response rates. FY 2019 ACR at 42. However, it notes that "the measurement of overall satisfaction with USPS.com and the Postal Service's sampling methodology did not fundamentally change between FY 2018 and FY 2019." *Id.*

The Commission previously recommended that the Postal Service limit the number of performance indicator and methodology changes made to ensure meaningful comparisons

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[29] *FY 2019 Annual Report* at 24; Response to CHIR No. 18, question 1.

across fiscal years. *FY 2018 Analysis* at 21. The Postal Service adopted this recommendation by using the same methodologies to calculate FY 2020 results. This will promote comparability of results in the *FY 2020 Report* and help the Postal Service comply with 39 U.S.C. § 2804(c).

In the FY 2021 Plan and FY 2020 Report, the Commission recommends that the Postal Service continue to describe future performance indicator and methodology changes as well as analyze the impact of these changes on results. If the Postal Service decides to add a new performance indicator or change the methodology for an existing performance indicator, the Commission recommends that the Postal Service explain these changes and provide the rationale for making them in future annual performance plans and annual performance reports.

CHAPTER 3: EVALUATION OF PERFORMANCE GOALS

The Postal Service's four performance goals in FY 2019 were:

- High-Quality Service
- Excellent Customer Experiences
- Safe Workplace and Engaged Workforce
- Financial Health[30]

In this chapter, the Commission evaluates whether the Postal Service met each performance goal in FY 2019 as required by 39 U.S.C. § 3653(d). The Commission 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 annual performance plan. *FY 2018 Analysis* at 4. The Postal Service met FY 2019 targets for some performance indicators measuring progress toward the Excellent Customer Experiences and Safe Workplace and Engaged Workforce performance goals. The Postal Service missed FY 2019 targets for each performance indicator measuring progress toward the High-Quality Service and Financial Health performance goals.

The Commission finds that the Postal Service either did not meet or only partially met its performance goals in FY 2019.

If a performance goal has not been met, annual performance reports must explain why the Postal Service did not meet the performance goal and describe the plans and schedules for achieving the performance goal. 39 U.S.C. § 2804(d)(3). Table III-1 lists each performance goal, whether the goal was met in FY 2019, reasons provided by the Postal Service for not meeting the goal, and the Postal Service's plans and schedules for achieving the performance goal in future years.

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[30] *FY 2019 Annual Report* at 18. These are the same performance goals the Postal Service used in FY 2018. *See FY 2018 Annual Report* at 15.

Table III-1
FY 2019 Progress Toward Performance Goals

Performance Goal	Goal Met in FY 2019	Postal Service's Reasons for Not Meeting Goal	Postal Service's FY 2020 Plans and Schedules for Meeting the Goal
High-Quality Service[a]	Not Met	Service disruptions because of unanticipated external events such as natural disasters and industrial incidents. Service failures due to transportation, processing, and last-mile or delivery failures.	Use digital run plan generator systems to produce daily machine operational plans; use electronic Mail Condition Visualization tool; redesign the Surface Transportation Center network; identify issues resulting in delivery failures at the unit level; launch the Disruptive Events program to more accurately quantify impacts from unforeseen events.
Excellent Customer Experiences	Partially Met	Low Enterprise Customer Care and Customer Care Center performance indicator results. Chapter 3 provides explanations for the performance indicators that missed FY 2019 targets. *See* Chapter 3, section B.1.c., *infra*.	Help employees deliver excellent customer service; enhance measurement of customer experience by expanding the Delivery survey respondent pool; prevent negative customer experiences by providing employees enhanced tools, training, and support.
Safe Workplace and Engaged Workforce	Partially Met	*Safe Workplace*: FY 2019 target was met. *Engaged Workforce:* employees thought that management did not consider feedback from the previous Postal Pulse survey administration; established processes lacked sufficient follow-up and effort necessary to meet the target; resources were committed elsewhere.	*Safe Workplace*: focus on prevention strategies and take a proactive approach to employee safety; address the most frequent workplace hazards; release improved tools and leverage delivery management systems to better understand motor vehicle accident risks. *Engaged Workforce:* provide employees with training and tools; showcase employee success stories; use pilot programs to provide more opportunities for open communication and feedback.
Financial Health	Not Met	*Deliveries per Total Workhour (DPTWH) % Change*: overrun in workhour plan during the first half of FY 2019 because of increases in political and election mail and efforts to improve service during peak holiday season. *Controllable Income (Loss)*: changes in customer demand, mail mix, and volume; difficulty in managing cost structure.	*DPTWH % Change*: capture workhour reductions from declining mail volume and from operational initiatives to improve efficiencies in mail processing, delivery, and customer service. *Controllable Income (Loss)*: increased revenue from shipping and packages; new services and innovations in USPS Marketing Mail; Informed Delivery.

Source: *FY 2019 Annual Report* at 20-34; Postal Service Reply Comments at 10.
[a] Refers to public Market Dominant performance indicators only.

In the rest of this chapter, the Commission discusses each performance goal individually. It evaluates the Postal Service's FY 2019 performance and plans for meeting each performance goal in FY 2020. The Commission also makes observations and recommendations for each performance goal.

A. High-Quality Service

1. Background

In FY 2019, the Postal Service measured service performance using an internal measurement system called SPM, which provides data from the time when the 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.[31] 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.[32] To evaluate progress toward the High-Quality Service performance goal in FY 2019, the Postal Service used seven public performance indicators measuring service performance for some Market Dominant products:

- Single-Piece First-Class Mail, 2-Day

- Single-Piece First-Class Mail, 3-5 Day

- Presorted First-Class Mail, Overnight

- Presorted First-Class Mail, 2-Day

- Presorted First-Class Mail, 3-5 Day

- First-Class Mail Letter and Flat (FCLF) Composite

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[31] *FY 2019 Annual Report* at 21. FY 2019 was the first year for which SPM was used as the reported measurement system for this performance goal. In prior years, the Postal Service measured service performance using data generated from external systems, including a sampling system called External First-Class Measurement for Single-Piece First-Class Mail. The Commission approved the replacement of the legacy external systems with SPM in 2018. *See* Order No. 4697.

[32] 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 2019 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. The Single-Piece First-Class Mail and the Presorted First-Class Mail performance indicators in the *FY 2019 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).

- USPS Marketing Mail and Periodicals 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 2019 Annual Report* at 21. 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 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 and 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 Postal Service also uses three non-public performance indicators to measure service performance for some Competitive products. *See* Chapter 2, section C.3., *supra*. The Postal Service filed under seal targets for FY 2019 and FY 2020 and results from FYs 2015 through 2019 for these non-public performance indicators in Library Reference USPS-FY19-NP30.[33]

The Postal Service failed to meet any of its FY 2019 targets for the public Market Dominant performance indicators. *FY 2019 Annual Report* at 21. The Postal Service exceeded one of its FY 2019 targets for the non-public Competitive product performance indicators. *See* Library Reference USPS-FY19-NP30.

The Postal Service explains that it missed its FY 2019 targets because of "natural disasters and industrial incidents [which] negatively disrupted [the Postal Service's] network… ." *FY 2019 Annual Report* at 22. The Postal Service also attributes missing its FY 2019 targets to service failures, including transportation failures, processing failures, and last-mile or delivery failures. *Id.* The Postal Service states that transportation failures accounted for

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[33] *See FY 2019 Annual Report* at 20 n.1; FY 2019 ACR at 3 n.4.

nearly half of all service failures in FY 2019. *Id.* Explanations for missing FY 2019 targets are discussed in more detail below. *See* Chapter 3, section A.3.b., *infra.*

In the *FY 2020 Plan*, FY 2020 targets are set at the same values as in FY 2019. *See FY 2019 Annual Report* at 20*.* To meet FY 2020 targets, the Postal Service asserts that it has developed plans to mitigate and reduce negative impacts to service from weather and industrial incidents. *Id.* at 23. It is also continuing to develop a "Disruptive Events" initiative, which will eventually enable the Postal Service to isolate mailpieces affected by such events within its service reporting in order to quantify their impact on service. *Id.* The Postal Service also asserts that it has assessed and analyzed its operations and developed plans to address service failures*. Id.* at 22. Plans for improving High-Quality Service in FY 2020 are discussed in more detail below. *See* Chapter 3, section A.3.c., *infra.*

2.   Comments

The Public Representative observes that not only did the Postal Service fail to meet any of its targets in FY 2019, but for the second year in a row the Postal Service's service performance declined in every measured category. PR Comments at 4-5. She also notes that, as in previous years, the highest gap between an applicable target and actual performance was for Single-Piece First-Class Mail with a 3-5 Day service standard. *Id.* at 5. She concludes that the Postal Service failed to meet the High-Quality Service performance goal for FY 2019, and states that the Postal Service failed to provide an adequate explanation for missing its service performance targets. *Id.* at 6. Specifically, she asserts that "[a]s in previous years, the Postal Service identifies 'extreme weather and natural disasters' as one cause of the missed targets[,]" but, despite representations by the Postal Service in the past, it "did not provide performance data that excludes ... pieces [impacted by severe weather]."[34] As a result, she states that "whether the Postal Service made any progress in FY 2019 is difficult to ascertain." *Id.*

In addition, the Public Representative asserts that she "remains concerned that the targets set are unachievable, and therefore ... not meaningful." *Id.* at 7. She notes that "[n]evertheless, the Postal Service retained the FY 2019 targets for FY 2020." *Id.* She states that "[t]he Three-to-Five-Day [target] for Single-Piece First-Class Mail stands out as the least reasonable ...[,]" and "[t]he Postal Service ... did not provide an explanation of how it will increase performance specifically for that category." *Id.*

NAPM comments on the Postal Service's planned Disruptive Events initiative, asking how the Commission plans to ensure the accuracy of service performance data and ensure that the Disruptive Events initiative is used to distinguish circumstances that are truly beyond the Postal Service's control, such as natural disasters, from circumstances that are within the Postal Service's control. NAPM Comments at 12-13. With regard to the transportation issues identified by the Postal Service as contributing to its service performance problems

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[34] PR Comments at 6 (citing Docket No. ACR2018, Response to CHIR No. 2, question 3).

in FY 2019, NAPM states that "[s]ince it does not appear that the [Postal Service] presented any such data for FY 2018 around transportation failures contributing so significantly to service performance failures, we would like to understand what changed in FY 2019 that led to these significant transportation failures." *Id.* at 13.

The Postal Service disagrees with the Public Representative's characterization of its service performance targets as being unrealistically high. Postal Service Reply Comments at 2. The Postal Service maintains that "the aggressive nature of the targets is … intended to motivate the Postal Service to strive for high levels of service performance[,]" which "should temper expectations that the Postal Service can achieve all of its targets in the short term, but … should not warrant lowering [the Postal Service's] long term goals." *Id.* The Postal Service asserts that "the primary focus should be on whether the Postal Service is making serious efforts to improve its service performance and making progress towards attaining its targets." *Id.* The Postal Service explains that it has undertaken efforts to improve its service performance for Single-Piece First-Class Mail with a 3-5 Day service standard. *Id.* at 2-3.

In response to NAPM, the Postal Service explains that its Disruptive Events initiative is still in the planning stages, but "will involve identifying and flagging data as it relates to unexpected events: hurricanes, earthquakes, mercury spills, etc." *Id.* at 3. According to the Postal Service, "[t]he plan is to include the type of disruptive event through referential data, which should enable interested parties to assess whether an impact related to an event was Postal Service-initiated or not." *Id.* The Postal Service acknowledges that "[t]his process may involve some degree of subjective interpretation of the data." *Id.* With regard to NAPM's comments concerning transportation failures, the Postal Service does not address transportation failures prior to FY 2019, but states that the use of data analytics tools has shown that transportation is one of the largest contributors to service failures, and explains the steps the Postal Service is taking to address this issue in FY 2020. *Id.*

3.   Commission Analysis

In FY 2019, the Postal Service missed all targets for the public performance indicators related to Market Dominant products that measure progress toward the High-Quality Service performance goal. *FY 2019 Report* at 20. It also missed two out of three targets for the non-public performance indicators related to Competitive products. *See* Library Reference USPS-FY19-NP30.

The Commission finds that the Postal Service did not meet the High-Quality Service performance goal in FY 2019.

a.   Observations on Results and Targets

As an initial matter, the Commission notes that due to the implementation of the internal SPM system in FY 2019, FY 2019 results for the public performance indicators are not comparable to past years. The Postal Service explains that "the legacy system and [the] internal SPM system use different methodologies, and service performance scores

produced by both of these systems are statistically valid, but will not align precisely."[35] As a result, performance indicator results from FY 2019 cannot be compared to the same period in prior fiscal years, which is generally the best indicator of improvement (or decline). Obtaining data and results using the new internal SPM system in FY 2020 will once again permit the Commission to track the Postal Service's progress across fiscal years.

Table III-2 compares FY 2019 results with FY 2019 targets and shows the percentage point performance gap between the target and result. None of the FY 2019 targets were met. The largest percentage point performance gap—almost 15 percentage points—occurred for Single-Piece First-Class Mail (3-5-Day). The smallest percentage point gap—just above 1 percentage point—occurred for Presorted First-Class Mail (Overnight).

Table III-2
Public High-Quality Service Performance Indicators
Comparison of FY 2019 Targets and Results

High-Quality Service Performance Indicator		FY 2019		
		Target	Result	Percentage Point Performance Gap
Single-Piece First-Class Mail	2-Day	96.50	92.05	-4.45
	3-5-Day	95.25	80.88	-14.37
Presorted First-Class Mail	Overnight	96.80	95.46	-1.34
	2-Day	96.50	94.10	-2.40
	3-5-Day	95.25	91.95	-3.30
First-Class Mail Letter and Flat Composite		96.00	92.02	-3.98
USPS Marketing Mail and Periodicals Composite		91.80	89.25	-2.55

Source: *FY 2019 Annual Report* at 21.

b. Explanations for Missing Targets in FY 2019

(1) Network Disruptions

The first explanation the Postal Service gives for missing its FY 2019 targets is network disruption caused by natural disasters and industrial incidents. *FY 2019 Annual Report* at 22. Specifically, "[t]hese disruptions included hurricanes, tropical storms, wildfires, an unusually large number of named winter storm events, toxic spills (e.g. mercury), and a malicious actor that inducted multiple improvised explosive devices into the network." *Id.* In response to an information request, the Postal Service provided a detailed list of the events it refers to. Response to CHIR No. 10, questions 1-3. The Postal Service states that it is unable to determine the exact impacts to service scores caused by any of these events. *Id.*, questions 1.c., 2.c., 3.b.

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[35] Response to CHIR No. 5, question 3.a.; *see also* Chapter 2, section C.2.b., *supra*.

The Postal Service states that it conducts emergency Continuity of Operations (COOP) planning for severe weather events and industrial incidents, but it maintains that "for emergency situations[,] [and likewise for industrial incidents], there are so many moving parts that virtually every phase of mail processing can be impacted… ." *Id.,* questions 1.b., 2.a.-b. The Postal Service further asserts that "[w]hen a geographical location is impacted, depending on the severity of the incident/disruption, there could be an impact to District, Area, and National scores as part of a 'ripple effect.'" *Id.,* question 4.

The Postal Service states that it has enacted a Hurricane Preparedness plan as part of its National Preparedness activities, and has "improved information flow and employed better line-of-sight regarding mail products… ." March 19 Response to CHIR No. 21, question 2. In addition, "[t]here is now GPS tracking for a large percentage of mail in transit, which permits rerouting if necessary due to disruptive events caused by weather or other factors." *Id.* The Postal Service maintains that while it "has become more proactive and considers numerous factors when making decisions that could impact service, … [it] must also take into account the safety and protection of its employees[,] … [and] [m]anagement decisions … made to protect the safety of employees … also impact service performance." *Id.*

As the Commission has stated before, severe weather and natural disasters are, at least to a certain extent, predictable and foreseeable annual occurrences that need to be adequately prepared for and incorporated into the Postal Service's targets.[36] Moreover, because reported service performance results are aggregated nationwide, isolated local events, while they can be expected to have some ripple effect on the Postal Service's network, generally should not be sufficient to reduce annual nationwide performance scores.[37] At the same time, however, the Commission recognizes that there are some weather events and natural disasters, particularly when they affect large geographical areas, that have the potential to be disruptive to the Postal Service's network. There will always be a certain element of unforeseeability in these situations, which is why it is important that targets not be set so high that they leave the Postal Service with little margin for error. The Commission notes, as did the Public Representative, that service performance targets have remained more or less unchanged for several years now, despite the Postal Service consistently failing to meet them.[38] Those same targets have been carried over again into FY 2020. *FY 2019 Annual Report* at 20. The Commission recognizes the Postal Service's position that targets must be set so as to motivate improvement, but targets set at an unrealistically high level are, as the Public Representative expresses it, not very meaningful.

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[36] *See, e.g.*, Docket No. ACR2015, Annual Compliance Determination Report, March 28, 2016, at 137 (FY 2015 ACD); *FY 2015 Analysis* at 27.

[37] Currently, the Postal Service provides and the Commission posts on its website quarterly service performance reports for First-Class Mail, which include service performance data at the district level. These data are available at: *https://www.prc.gov/dockets/usps_reports*.

[38] *See FY 2018 Annual Report* at 17; *FY 2017 Annual Report* at 14; Docket No. ACR2016, United States Postal Service FY 2016 Annual Report to Congress, December 29, 2016, Library Reference USPS-FY16-17, at 15 (*FY 2016 Annual Report*).

As in years past, the Commission recommends that the Postal Service strive to develop targets that balance the need to inspire continuous improvement with the importance of being realistic and achievable. Targets should also take into account operational realities such as the foreseeable occurrence of a number of severe weather events and natural disasters in any given year.

(2)   Service Failures

The second explanation the Postal Service gives for missing its FY 2019 targets is service failures that occurred in the transportation, processing, and delivery of mail. Transportation failures "took many forms, including mail that was timely in departing initial processing but did not arrive at the final processing or delivery facility within … established service standards …, delays by the operator, traffic delays, or mechanical, mis-routing, or missed connections within the transportation network." *Id.* at 22.

Processing failures "occurred when processing did not finalize within the service standard in areas such as staffing, operational window, and machine downtime …[,] [and] when a product was processed out of first-in, first-out … order." *Id.* To address processing failures during FY 2019, the Postal Service states that "operational window and machine downtime were identified as areas of focus," and the Postal Service "implemented Lean Mail Processing within [its] processing facilities and developed digital run plan generator systems for daily machine operational plan production cycles." *Id.* The Postal Service explains that prior to FY 2019, daily machine operational plans were produced using a Microsoft Excel-based system, which in many cases only the developer could access. Response to CHIR No. 10, question 5.a.-b. The new digital run plan generator (RPG) is a web-based system which "is much more user-friendly and requires less manual inputs, which helps standardize machine scheduling and utilization." *Id.*, question 5.b. The digital RPG system is also accessible to senior management, allowing for additional oversight. *Id.* The Postal Service maintains that "[t]his effort standardized machine scheduling and utilization and provided senior management with additional insight." *FY 2019 Annual Report* at 22.

Last-mile or delivery failures "occurred when a mail piece was processed on time but delivered after the expected delivery date." *Id.* The Postal Service states that "[t]o reduce delivery failure [in FY 2019], headquarters subject matter experts conducted National Service Reviews of field operations to improve service performance at local levels." *Id.* The Postal Service states that it "identified deficiencies and communicated with unit, district, and area management with individualized remediation plans." *Id.* In addition, "[t]he Delivery Operations team identified issues at the unit level and held district teleconferences with area management to highlight needed improvements at the unit level." *Id.*

Service failures are addressed by the Commission in its FY 2019 Annual Compliance Determination. *See* FY 2019 ACD at Chapter 5. Specifically, the Commission determined that service failures within the transportation and last-mile/delivery segments of mail

processing have the greatest impact on service performance. *Id.* at 106-115. With regard to transportation failures, the Commission identified three primary reasons that they occur: (1) failure of a mailpiece to depart an origin facility on time; (2) failure of a mailpiece to be tendered to an air transit supplier on time; and (3) delays experienced by a mailpiece while it is *en route* from one facility to another. *Id.* at 109. With regard to last mile/delivery failures, the Commission identified two primary reasons that they occur: (1) failure by employees to follow scanning procedures; and (2) failure by employees to meet operational clearance targets. *Id.* at 112-113. The Commission continues to monitor these issues and leverage the available data in order to identify the main operational causes of service failures.

c.   Plans for Improving High-Quality Service

(1)   Network Disruptions

The Postal Service states that in FY 2020 it "will further refine contingency planning to mitigate and reduce negative impacts to … service." *FY 2019 Annual Report* at 23. Although no firm implementation date has been established, the Postal Service will continue to develop its Disruptive Events initiative, which "will use data to identify and flag mail pieces impacted by unexpected events, such as weather, outside of the Postal Service's control."[39] This "will enable [the Postal Service] to more accurately quantify impacts from these events and diagnose service failures." *Id*.

In response to an information request, the Postal Service provided a detailed description of the data the Disruptive Events initiative will rely on and how those data will be used. The Disruptive Events initiative will "utilize scan data, expected mail flow information, GPS breadcrumbs, weather information, and manually entered data (based on local knowledge) as … inputs… ." Response to CHIR No. 10, question 7.a. The Postal Service states that "[t]hese inputs will help identify anomalies in mail processing, transportation, and delivery[,] and determine their impact on operations." *Id.* Once an impact has been identified, associated mailpieces will be flagged within SPM and other data systems. *Id.* This information will be used to quantify impacts to service performance from such events and to proactively diagnose service failures. *Id.*, question 7.b. The Postal Service will use this information to plan for and monitor negative impacts from unexpected events, as well as to accelerate recovery efforts and to confirm when normal operations have resumed. *Id.*, question 7.c. The Postal Service "anticipates that sharing unexpected event data with operations and with customers will allow stakeholders to proactively manage unexpected events[,] potentially minimizing their impacts." *Id.*

NAPM asks how the Commission plans to ensure the accuracy of data submitted as part of the Disruptive Events initiative and ensure that the initiative distinguishes between circumstances that are within the Postal Service's control and circumstances that are outside the Postal Service's control. NAPM Comments at 12-13. In response to NAPM, the

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[39] *FY 2019 Annual Report* at 23; Response to CHIR No. 21, question 2.

Postal Service explains that its Disruptive Events initiative is still in the planning stages, and states that "[t]he plan is to include the type of disruptive event through referential data, which should enable interested parties to assess whether an impact related to an event was Postal Service-initiated or not." Postal Service Reply Comments at 3. The Commission recognizes NAPM's concerns but finds them to be premature at this time. Any changes to measurement systems or reporting methodologies must be noticed in advance pursuant to 39 C.F.R. § 3055.5. When the Postal Service develops and presents a proposed methodology to report on the impact of disruptive events, the Commission will evaluate the proposal at that time consistent with 39 C.F.R. part 3055.

The Postal Service also describes in detail its COOP plan, which it states has become a necessary and required part of operations. Response to CHIR No. 10, question 1.b. The Postal Service's COOP plan focuses on an individual facility's ability to process mail during emergencies. *Id.* When a processing facility cannot be used, mail must be redirected to other facilities, which includes the task of reworking all transportation routes. *Id.* It also frequently requires employees to report to different facilities and to process mail that is not usually handled at their regular duty station. *Id.* The Postal Service's COOP plan includes the preparation of alternate reporting sites for employees, the identification of offload sites for mail processing by mail type, and specific procedures to be followed so that critical mail processing operations can be maintained despite the threat or actual occurrence of an emergency. *Id.*

The Commission finds the Postal Service's plans for addressing network disruptions in FY 2020 to be reasonable. The Disruptive Events initiative, when complete, should enable the Postal Service to better quantify the effects of network disruption on service performance. Once those effects can be better quantified, the Commission hopes that more realistic targets will be developed, which the Postal Service's COOP planning could be employed to meet. The Commission recommends that the Postal Service provide an update on the progress of this initiative in its FY 2020 Report.

(2)   Service Failures

To address transportation failures, the Postal Service asserts that it "will redesign [its] Surface Transportation Center (STC) network, a critical transportation network for more than half of First-Class Mail volume, to improve product flow within [its] ground network." *FY 2019 Annual Report* at 23. The Postal Service states that the redesign began with the opening of a new STC in September 2019, and the next phases will occur in the second and third quarters of FY 2020.[40] The Postal Service explains that the "current [STC] network is inconsistent in coverage area and operating profile." Response to CHIR No. 10, question 6.a. The planned redesign "will allow management to optimize network routing, improve ground reach, and eliminate many of the lowest performing trips for all services." *FY 2019 Annual* Report at 23. It will involve "limiting destinating service areas for each STC to an eight-hour range …[,]" and "[developing] hub-and-spoke plans … for each STC to simplify

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[40] *Id.*; Response to CHIR No. 10, question 6.b.

routing from origins to each destination serviced." Response to CHIR No. 10, question 6.a. This is "intended to simplify and standardize the operating plans within the STCs." Response to CHIR No. 21, question 3.b.i.

The hub-and-spoke plans being developed "will utilize specific critical entry times and departure of value times for First-Class and Priority Mail for each destination to determine eligibility for transfer." Response to CHIR No. 10, question 6.a. The significance of the eight-hour range is that "[t]he current STC network has varying service reach from STC to STC[,] leading to different operating plans [and] making it more difficult to plan routings through the STC network." Response to CHIR No. 21, question 3.b.i. As the Postal Service explains:

> Under the eight-hour reach concept, each STC will operate in a very similar way, and have more discrete operating plans that will help in prioritizing workload. The STCs have a minimum of two hours to work any inbound volume transferring through an STC. Letter and flat volumes transferring through an STC will dispatch during a window between 00:00 and 06:00 in order to arrive at the destination by 08:00. Package volume will transfer to the downstream facilities between 12:00 and 18:00 in order to arrive at destinations by 20:00. Eligibility to route via a[n] STC requires that an origin site is able to reach an STC at least two hours before the critical dispatch to destinations serviced by that STC. If it is not possible to meet the critical entry time at destination when routed via an STC, the routing will be deemed ineligible to route via an STC.

Id. The Postal Service reports that there are currently "42 destination processing facilities located more than an eight hour drive from the nearest servicing STC." *Id.*, question 3.b.ii. Under the first phase of the STC Network redesign, this number will be reduced to 30, which will be reduced to 13 following the second phase, at which time 92 percent of the contiguous United States will be serviced by an STC. *Id.* At that point, "[a] transportation planning team will review the remaining sites outside the eight-hour reach during Phase-3 and assess their capability to be serviced by STCs on a case-by-case basis." *Id.*

The Postal Service states that the STC Network redesign is "expected to primarily improve … [3-5] day services, with more modest improvements for … [2]-day services." *FY 2019 Annual Report* at 23. The redesign is intended to improve service through better alignment of processing facilities and simplified routing decisions. Response to CHIR No. 10, question 6.a. It will accomplish this by "achiev[ing] a reduction in underutilized transportation by aligning future surface lanes and routings with current mail volume needs." March 19 Response to CHIR No. 21, question 3.a.i. The Postal Service explains that:

> Modeling efforts were used with observed mail volumes to determine the STC network configuration that would reduce overall mileage, as well as the surface routings for each origin/destination lane. For each identified transportation lane, surface transportation is being modified to fit the future operating profile[,] [which] includes removing unneeded

> transportation and planning future transportation based on modeled
> routings and necessary capacity.

Id. This modeled approach to planning transportation routings is expected to improve service because it "will help to eliminate waste and human error that can result in non-service responsive routings." *Id.*, question 3.a.ii. The Postal Service reports that it is working diligently with stakeholders to identify and mitigate any service performance issues associated with the implementation of the STC redesign. Response to CHIR No. 10, question 6.c.

Also with regard to transportation failures, the Postal Service states that "[e]nhancements to service performance diagnostic tools were implemented in February 2020 which [will] provide greater insight into transit failures, thereby facilitating quicker, more accurate analysis and corrective action." Postal Service Reply Comments at 3. Furthermore, "[a]dditional Surface Visibility scanning information has been incorporated to improve the categorization of the failure modes to more accurately determine if the failures are associated with transportation, or with the loading and unloading processes at origin and destination." *Id.*

To address processing failures, the Postal Service asserts that it "will continue to use efforts that were implemented in FY 2019[,]" including "us[ing] digital run plan generator systems for production of daily machine operational plans." *FY 2019 Annual Report* at 22. Additionally, it will "use the electronic Mail Condition Visualization tool to provide improved reporting and management of product on hand to drive cycle time improvement." *Id.* Furthermore, it "will continue to focus on Lean Mail Processing certification efforts within [its] processing facilities to improve product flow, signage, and layouts throughout facilities to drive efficiencies and ensure FIFO processes." *Id.*

In addition, with regard to both processing and transportation failures, the Postal Service asserts that in September 2019 it created two new vice president positions to increase senior leadership's focus on transportation and mail processing operations.[41]

Finally, to address last mile/delivery failures, the Postal Service asserts that it:

> Will continue to identify issues resulting in delivery failures at the unit
> level[,] which it will achieve by [c]ommunicating visualizations of Standard
> Operating Procedures and Standard Work Orders; [r]etraining employees
> on using SPM to identify defects for remediation; [c]ommunicating data
> and root causes through a new analytics visualization tool … [that] enables
> data to be assembled by a select operational group to reduce cycle time
> from mail induction to delivery; and [c]ontinu[ing] the national level
> process initiative to replicate best practices from Area and District Lean
> Six Sigma and Kaizen projects.

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[41] *FY 2019 Annual Report* at 22; Postal Service Reply Comments at 3-4.

FY 2019 Annual Report at 23.

The Commission finds the Postal Service's plans for addressing service failures in FY 2020 to be reasonable. For transportation failures, in particular, the Postal Service appears to be taking a comprehensive approach to improving its transportation network by reducing travel time with its STC Network redesign and more closely monitoring and remedying problems and/or delays in loading and unloading trucks. These efforts should result in an improvement to service performance for 3-5-Day First-Class Mail, since transportation delays can lead to processing delays further downstream.

While the Commission finds the Postal Service's plans to be generally reasonable, there is an additional issue that the Commission suggests the Postal Service consider. The service performance statistics data that the Postal Service files quarterly with the Commission show that service performance across the Postal Service's 67 districts varies relative to geography. This is illustrated in Figure III-1 for Single-Piece First-Class Mail Letters and Cards with a 3-5-Day service standard.

Figure III-1
Single-Piece First-Class Mail 3-5-Day Service Performance Deviation From
Target By District Results for FY 2019
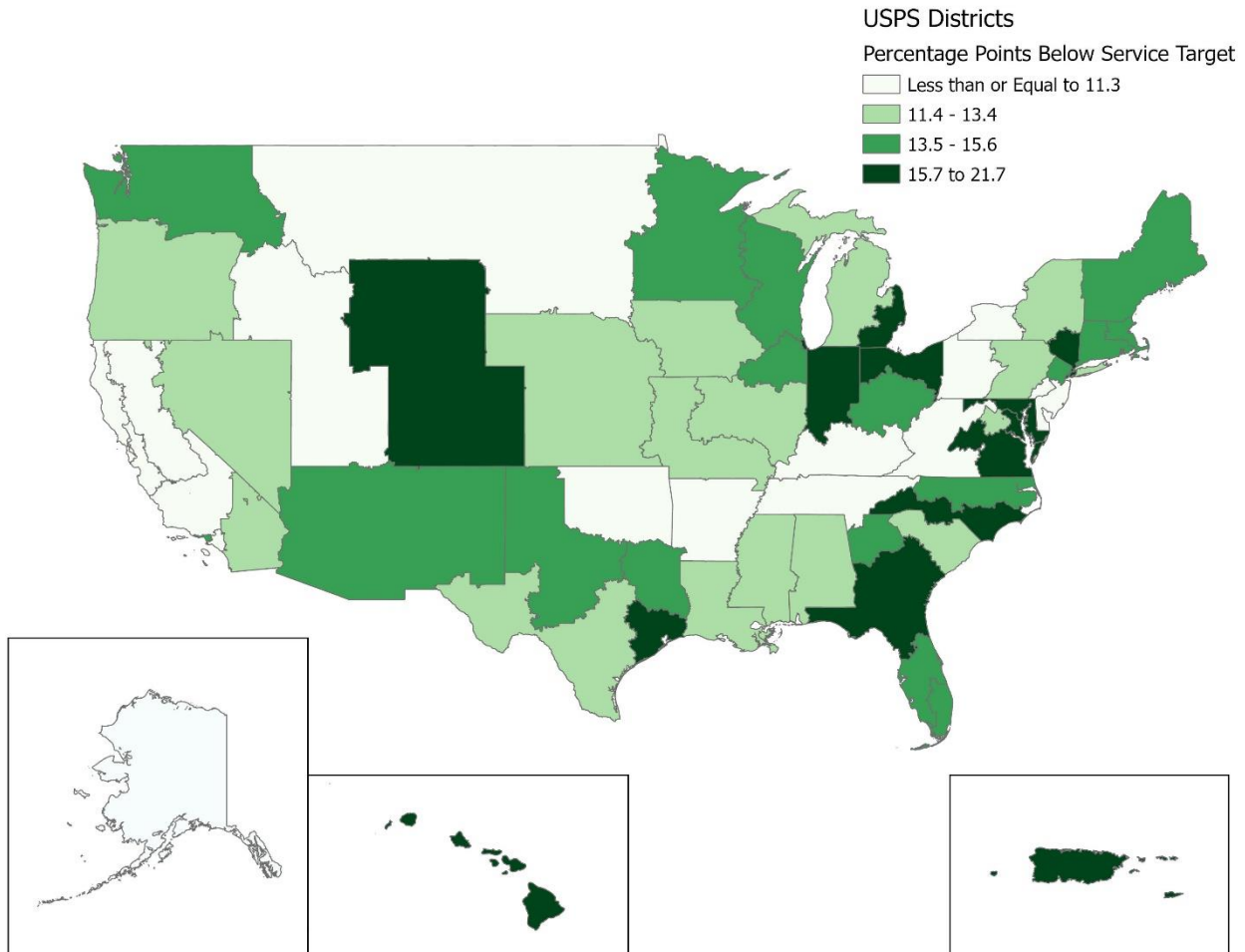
Source: United States Postal Service, FY 2019 Quarter 4 Service Performance Measurement SPM Data, November 12, 2019, folder "First-Class Mail 002_FY19_Q4.zip," file "SPFC LC 194 Scores Report."

The data in this map illustrate the difference between the Postal Service's service performance target in FY 2019 and the actual 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 2019 was 95.25 percent. *FY 2019 Annual Report* at 21. 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 larger difference between the service performance target and the actual measured service performance. 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.[42] Nevertheless, it is clear that discrepancies in service performance results exist at the district level.

The Commission recommends 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 districts.

B.   Excellent Customer Experiences

1.   Background

a.   Customer Surveys

The Postal Service measures customer experience by conducting surveys of residential, small/medium business, and large business customers.[43] In FY 2019, the Postal Service measured customer experience using eight customer surveys:

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

The Postal Service provides copies of these surveys in the FY 2019 ACR.[44] Each survey measures a customer touchpoint or interaction between the customer and the Postal Service. The BSN provides nationwide support to qualified business customers related to service issues, information, and requests. *FY 2019 Annual Report* at 23. The BSN survey measures business customers' overall satisfaction with their experience with the BSN. Preface at 3. Customers who initiate a service request within the BSN receive an email

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[42] Volume data is a component of service performance reporting. *See* United States Postal Service, FY 2019 Quarter 4 Service Performance Measurement SPM Data, folder "First-Class Mail 002_FY19_Q4.zip," file "SPFC LC 194 Scores Report.xls," tab "SPFC LC Narrative."

[43] Residential customers live in United States households that receive mail delivery. Small/medium business customers have fewer than 250 employees. Large business customers have more than 250 employees. Library Reference USPS-FY19-38, December 27, 2019, folder "Preface" file "USPS-FY19-38 preface.pdf," at 3-5 (Preface).

[44] *See* Library Reference USPS-FY19-38, folder "Preface" file "CX_Surveys_FY19.docx" (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.

invitation to take the BSN survey online. *Id.* The survey consists of 13 evaluation questions and 4 open-ended customer supplied responses.[45]

The POS survey measures customers' overall satisfaction with their experiences at retail locations that use POS equipment.[46] After completing a retail transaction, customers receive a receipt inviting them to take the POS survey via website, telephone number, or Quick Response Code. Preface at 3. The POS survey is conducted through a web-based survey platform and consists of eight evaluation questions and two 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. *See* Surveys at 2-10.

The Delivery survey measures the overall satisfaction of residential and small/medium business customers with their delivery experience.[47] Randomly selected residential and small/medium business customers are mailed a letter survey invitation on a weekly basis and given the option of completing the survey by phone or online. Preface at 3-4. There are different Delivery surveys for residential and small/medium business customers. *See* Surveys at 26-37. The Delivery survey asks customers to evaluate their overall satisfaction with receiving mail and packages delivered by the Postal Service, as well as their experiences with letter carriers. *See id.*

The CCC survey measures customer satisfaction with calls made to CCCs, which handle customer calls to the Postal Service's toll-free customer service line.[48] Customers who call the CCC may use the Interactive Voice Response (IVR) system or speak to a live agent. 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 75-76.

The eCC is a case management system the Postal Service uses to manage customer complaints.[49] The eCC survey measures resolution satisfaction of customers who file

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[45] *Id.*; *see* Surveys at 11-25.

[46] *FY 2019 Annual Report* at 23; Preface at 3.

[47] *FY 2019 Annual Report* at 23; Preface at 3.

[48] *FY 2019 Annual Report* at 24; Preface at 4.

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

complaints with the Postal Service through a CCC live agent or USPS.com.[50] Customers who provide an email address receive an eCC survey after their case closes as long as the customer has not already been surveyed during the last 60 days.[51] The eCC survey consists of 12 evaluation questions and 1 open-ended customer supplied response. *Id.* These questions ask customers to evaluate the quality of service they received in response to their issue, as well as their experience with the customer service representative. *See* Surveys at 38-46.

The BMEU is the area of a postal facility where business mailers present bulk, presorted, and permit mail for acceptance.[52] The BMEU survey measures business mailers' level of satisfaction with the BMEU, including BMEU employees and the service received.[53] After business mailers produce and finalize a postage statement at the BMEU, they receive a web-based survey by email consisting of nine evaluation questions and three open-ended customer supplied responses. Preface at 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.[54]

The USPS.com survey measures customer satisfaction with the Postal Service's website and solicits customers' opinions of website elements. *FY 2019 Annual Report* at 24. The survey is offered to a random sample of 2 percent of users who access the website through a computer or tablet and click through 3 or more web pages. Preface at 5. In addition, the survey is offered to a random sample of 5 percent of users who access the website through a mobile device. *Id.* The survey consists of two evaluation questions and one open-ended customer supplied response.[55]

The Large Business survey measures customer satisfaction of large business customers, which are those with 250 or more employees.[56] The Large Business survey is managed by a third-party vendor who solicits customers to sign up to participate in the survey. Preface at 5. The survey was conducted monthly during FY 2019. *Id.* The survey consists of 14 evaluation questions and 2 open-ended customer supplied responses. *Id.*

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[50] *FY 2019 Annual Report* at 24; Preface at 4-5.

[51] Preface at 4. Customers who only provide a phone number receive a call from the IVR system. *Id.*

[52] United States Postal Service, *Glossary of Postal Terms (Publication 32),* July 2013, available at: *https://about.usps.com/publications/pub32/pub32_terms.htm*.

[53] *FY 2019 Annual Report* at 24; Preface at 3.

[54] *Id.; see* Surveys at 66-74.

[55] *Id.*; *see* Surveys at 77.

[56] FY 2019 ACR at 51; Preface at 5; *see* Surveys at 47-65.

b.   Performance Indicators

In FY 2019, the Postal Service used all of the customer surveys except the Large Business survey as performance indicators to measure progress toward achievement of the Excellent Customer Experiences performance goal.[57] Each customer survey corresponds to a performance indicator. For example, the BSN customer survey corresponds to the BSN performance indicator.

The result of each performance indicator was calculated as the percentage of customers who responded "Very Satisfied" or "Mostly Satisfied" to an Overall Satisfaction question on the corresponding customer survey. FY 2019 ACR at 41. The Overall Satisfaction questions for each customer survey are listed in Table III-3.

Table III-3
Customer Surveys
FY 2019 Overall Satisfaction Questions

Customer Survey	Overall Satisfaction Question
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 USPS recently, how satisfied are you?
Customer Care Center	**Live Agent survey:** How satisfied are you with the overall experience provided by the contact center? **IVR system survey**: Please tell us how satisfied you were with the overall experience provided by the USPS automated system.
Enterprise Customer Care	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-FY19-38, folder "Preface" Excel file "CX Composite_ALL SURVEYS_ProgramOverview_FY19.xlsx" (Survey Overview).

In FY 2019, the BSN, POS, Delivery, CCC, eCC, BMEU, and USPS.com performance indicators were components of the Customer Experience (CX) Composite Index, which the Postal Service uses as a performance indicator for measuring overall customer experience.

[57] The Postal Service used the Large Business survey as a performance indicator in previous years. *See FY 2018 Analysis* at 45. In FY 2019, the Postal Service removed the Large Business performance indicator because business customer experiences were already measured by the BSN and BMEU surveys. *FY 2018 Annual Report* at 21.

FY 2019 Annual Report at 23. The CX Composite Index is a weighted composite of the component performance indicator results. *Id.* Methodologies for calculating results of the CX Composite Index and component performance indicators are discussed in Chapter 3, section B.3.a., *infra*.

c.   Comparison of FY 2019 Targets and Results

Table III-4 compares FY 2019 targets and results for each Excellent Customer Experiences performance indicator. As Table III-4 shows, the Postal Service missed FY 2019 targets for each performance indicator except for the BMEU and USPS.com performance indicators.

Table III-4
Excellent Customer Experiences Performance Indicators
Comparison of FY 2019 Targets and Results

Performance Indicator	FY 2019 Target	FY 2019 Result Target Not Met
Customer Experience Composite Index	78.27	69.04
Business Service Network	96.73	96.68
Point of Sale	90.42	87.77
Delivery	86.33	80.40
Customer Care Center[a]	55.00	46.94
Enterprise Customer Care	70.00	37.45
Business Mail Entry Unit	95.13	96.00
USPS.com	65.00	72.94
[a] The FY 2019 CCC performance indicator result is a composite of overall customer satisfaction with a live agent (25 percent) and the IVR system (75 percent). Response to CHIR No. 23, question 1.a.		

Source: *FY 2019 Annual Report* at 20.

The *FY 2019 Report* explains that the two primary contributors for missing the CX Composite Index target were the FY 2019 results for the eCC (37.45) and the CCC (46.94) performance indicators, which lowered the CX Composite Index result. *FY 2019 Annual Report* at 24. For the eCC performance indicator, the Postal Service states "[t]he primary reasons customers cited [for lower scores] were that their issues were not adequately resolved and that they were not contacted quickly by case managers." *Id.* at 25.

For the CCC performance indicator, the Postal Service states "[t]he primary root causes [of lower scores] identified by customers were wait times before speaking to a [Postal Service] representative and the inability to resolve their issues at first contact with the CCC." *Id*. In a CHIR response, the Postal Service states, "[t]he average wait time at the beginning of FY 2019 was 16 minutes 21 seconds. By the end of FY 2019, the average wait time shortened to 13 minutes 56 seconds." Response to CHIR No. 18, question 4.

The Postal Service also explains why it missed FY 2019 targets for the BSN, POS, and Delivery performance indicators. These explanations are provided in Table III-5.

**Table III-5
Excellent Customer Experiences
Component Performance Indicators
Reasons for Missing FY 2019 Targets**

Component Performance Indicator	Reason(s) for Missing FY 2019 Target
Business Service Network	Dissatisfaction with issue resolution process
Point of Sale	Longer than expected customer wait times in line
Delivery	Delivery accuracy and unclear package pickup locations; service disruptions such as weather, fire, and natural disasters

Source: *FY 2019 Annual Report* at 24-25.

d.　　FY 2020 Plan

The Postal Service set FY 2020 targets for each Excellent Customer Experiences performance indicator. *See FY 2019 Annual Report* at 20. In the *FY 2020 Plan*, the Postal Service states that it will improve customer experience in FY 2020 by improving the way it engages with customers, helping employees deliver excellent customer service, and enhancing how it measures customer experience. *Id.* at 26. It will expand the Delivery survey respondent pool to a larger sample of customers and allow customers to provide feedback both online and through physical channels. *Id.* The Postal Service states that these Delivery survey changes will increase the response rate and provide more actionable data, which will allow its employees to improve delivery service. *Id.* The Postal Service notes it will also prevent negative customer experiences by providing employees enhanced tools and data on customers, as well as better training and support. *Id.*

The Public Representative comments that the Postal Service set the FY 2020 USPS.com performance indicator target lower than the FY 2019 result without providing a rationale for doing so. PR Comments at 8. She recommends that the Postal Service reconsider the FY 2020 target. *Id.* The Postal Service responds that all FY 2020 targets were calculated in August 2019, which was before it calculated the FY 2019 USPS.com performance indicator result. Postal Service Reply Comments at 5. It notes that results improved after FY 2020 targets were submitted to senior management for approval and states that it was not practical to rescale the FY 2020 USPS.com target after the FY 2019 result was finalized. *Id.* The Postal Service notes, "[t]o avoid creating moving targets, the Postal Service does not recalculate End-of-Year targets based on any one quarter's performance." *Id.*

The Postal Service provides a reasonable explanation for setting the FY 2020 USPS.com performance indicator target below the FY 2019 result. The Commission previously recommended that the Postal Service not change targets once they are set in the annual performance plan to avoid creating moving targets and does not suggest a change to the FY 2020 target at this time. *See FY 2016 Analysis* at 18.

The prior fiscal year's result is an important factor to consider when setting targets for the upcoming fiscal year. The Commission recommends that the Postal Service revisit its process

for setting targets to allow it to consider the prior year's result when setting the subsequent year's target.

2.   Comments

The Public Representative concludes that the Postal Service did not meet the Excellent Customer Experiences performance goal in FY 2019 because the Postal Service missed FY 2019 targets for each performance indicator except for the BMEU and USPS.com performance indicators. PR Comments at 8. She notes that the Postal Service changed the methodologies for calculating the CX Composite Index and eCC performance indicator results in FY 2019. *Id.* at 7. She asserts that changes to performance indicators make it difficult to assess performance and recommends that the Postal Service maintain consistent methodologies over several years. *Id.* at 8.

In its reply comments, the Postal Service explains that it has maintained the same measurement system for the CX Composite Index performance indicator for many years, but acknowledges that components of the index have changed. Postal Service Reply Comments at 4. It states that the *FY 2019 Report* includes data from the past three years for all Excellent Customer Experiences performance indicators. *Id.* It notes that the BMEU and USPS.com performance indicators were introduced and included in FY 2018. *Id.* It states that to maintain consistency over several years, the Postal Service made no changes to the CX Composite Index or any of the component performance indicators between FY 2019 and FY 2020. *Id*. The Postal Service adds that the key metric for calculating results of each component performance indicator is the Overall Satisfaction question on a 6-point scale, which has remained the same. *Id.* at 4-5.

3.   Commission Analysis

The Postal Service exceeded FY 2019 targets for the BMEU and USPS.com performance indicators, but missed FY 2019 targets for the other Excellent Customer Experiences performance indicators. *Thus, the Commission finds that the Postal Service partially met the Excellent Customer Experiences performance goal in FY 2019 but notes that the Postal Service missed six out of the eight performance indicator targets*.

In the sections below, the Commission describes and compares methodologies for calculating performance indicator results. The Commission also compares the Postal Service's measurement of customer experience to other metrics and explores other ways the Postal Service measures customer experience beyond the surveys.

a.   Performance Indicator Methodologies

This section describes the methodology for calculating the CX Composite Index result. It also compares methodologies for calculating component performance indicator results from FY 2016 through FY 2019.

(1)   Customer Experience Composite Index

The CX Composite Index is a performance indicator that measures overall customer experience.[58] The result is a weighted composite of the component performance indicator results. Table III-6 illustrates how the methodology for calculating CX composite index results changed between FY 2014 and FY 2019.

**Table III-6
Customer Experience Composite Index
Component Performance Indicator Weights**

Component Performance Indicator	Weight of Customer Experience Composite Index			
	FY 2014, FY 2015, and FY 2016	FY 2017	FY 2018	FY 2019
Business Service Network	40%	30%	10%	10%
Point of Sale	20%	20%	10%	15%
Delivery	20%	20%	20%	20%
Customer Care Center	20%	20%	20%	20%
Enterprise Customer Care	Not Included	10%	15%	20%
Business Mail Entry Unit	Not Included	Not Included	10%	10%
USPS.com	Not Included	Not Included	5%	5%
Large Business	Not Included	Not Included	10%	Not Included

Source: *FY 2019 Annual Report* at 23-24; *FY 2018 Analysis* at 45.

Table III-6 shows that from FY 2014 through FY 2016, the Postal Service calculated the CX Composite Index result using the same methodology. In FY 2017, the Postal Service changed the methodology by adding the eCC as a component performance indicator and adjusting the weights of the other performance indicators accordingly. In FY 2018, the Postal Service added three new component performance indicators (BMEU, USPS.com, and Large Business) and adjusted the weights of the other performance indicators accordingly. *See FY 2017 Analysis* at 42-43. In FY 2019, the Postal Service removed the Large Business component performance indicator and adjusted the weights of the POS and eCC component performance indicators upward to account for the removal of the Large Business component performance indicator.[59]

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[58] The CX Composite Index was formerly called the Customer Insights Composite Index. *FY 2018 Annual Report* at 19 n.2.

[59] *FY 2018 Annual Report* at 21. In Docket No. ACR2018, the Postal Service stated that it would change the methodology for calculating the FY 2019 CX Composite Index result by using a mapping scale and expressing the result as a number between 1 and 15. Docket No. ACR2018, Response to CHIR No. 2, question 6.c.; Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 21, March 12, 2019, question 2.b.; *see FY 2018 Analysis* at 46-50. However, the Postal Service did not calculate the FY 2019 CX Composite Index result using this new methodology and instead calculated the result as a weighted composite of the component performance indicators.

The Postal Service calculated the FY 2019 CX Composite Index result in three steps.[60] First, the Postal Service determined the FY 2019 result for each component performance indicator. Response to CHIR No. 18, question 3. Second, the Postal Service multiplied the result of each component performance indicator by its respective weight listed in Table III-6, *supra*. *Id.* Third, the Postal Service added the weighted results together to arrive at the FY 2019 CX Composite Index result of 69.04. *Id.* Table III-7 illustrates the steps for calculating the FY 2019 CX Composite Index result.

Table III-7
Customer Experience Composite Index
Methodology for Calculating FY 2019 Result

Component Performance Indicator	FY 2019 Result		Weight (Percent)		Weighted Result
Business Service Network	96.68	x	10	=	9.67
Point of Sale	87.77	x	15	=	13.16
Delivery	80.40	x	20	=	16.08
Customer Care Center	46.94	x	20	=	9.39
Enterprise Customer Care	37.45	x	20	=	7.49
Business Mail Entry Unit	96.00	x	10	=	9.60
USPS.com	72.94	x	5	=	3.65
FY 2019 Customer Experience Composite Index Result					**69.04**

Source: Response to CHIR No. 18, question 3.

(2)   Component Performance Indicators

Table III-8 shows the method used to calculate the result of each component performance indicator from FY 2016 through FY 2019.

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[60] Responses to CHIR No. 18, question 3. The FY 2019 result for each component performance indicator was calculated using the Overall Satisfaction question for the corresponding customer survey listed in Table III-3. *See* Chapter 3, section B.1.b., *supra*.

Table III-8
Excellent Customer Experiences
Component Performance Indicator Methods for
Calculating Results from FY 2016 through FY 2019

Component Performance Indicator	FY 2016	FY 2017	FY 2018	FY 2019
Business Service Network	Overall satisfaction with representative	Overall satisfaction with representative	Overall satisfaction with the Business Service Network	Overall satisfaction with the Business Service Network
Point of Sale	Overall satisfaction with Post Office visit	Overall satisfaction with Post Office visit	Overall satisfaction with Post Office visit	Overall satisfaction with Post Office visit
Delivery	Overall satisfaction with recent delivery (weighted)[a]	Composite score based on satisfaction with letter carrier and Post Office Box	Overall satisfaction with recent delivery of mail or packages (unweighted)	Overall satisfaction with recent delivery of mail or packages (unweighted)
Customer Care Center	Overall satisfaction with Live Agent	Overall satisfaction with Live Agent	Composite of overall satisfaction with Customer Care Center (Live Agent) and Interactive Voice Response (IVR) system[b]	Composite of overall satisfaction with Customer Care Center (Live Agent) and IVR system[b]
Enterprise Customer Care	Not Used	Percentage of Cases Reopened	Overall satisfaction with the quality of service received in response to issue	Overall satisfaction with the quality of service received in response to issue
Business Mail Entry Unit	Not Used	Not Used	Overall satisfaction with experience at the Business Mail Entry Unit	Overall satisfaction with experience at the Business Mail Entry Unit
USPS.com	Not Used	Not Used	Overall satisfaction with experience provided by the USPS.com website	Overall satisfaction with experience provided by the USPS.com website

Source: Survey Overview; FY 2019 ACR at 42; Response to CHIR No. 5, questions 4.a., 5.a.; Response to CHIR No. 23, questions 1-2; *FY 2018 Analysis* at 50.
Not Used – performance indicator was not used to measure Excellent Customer Experiences.
[a] The FY 2016 Delivery performance indicator result was weighted 50 percent residential customers and 50 percent small/medium business customers.
[b] The Live Agent survey result is weighted 25 percent, and the IVR system survey result is weighted 75 percent.

Table III-8 shows that the Postal Service used the same methodologies to calculate results of the POS, BMEU, and USPS.com performance indicators in the years those performance indicators were used between FY 2016 and FY 2019. By contrast, the Postal Service used different methodologies to calculate results of the BSN, Delivery, CCC, and eCC performance indicators in the years those performance indicators were used between

FY 2016 and FY 2019. As discussed in Chapter 2, the *FY 2019 Report* lacks comparable results from FY 2016 through FY 2019 for these performance indicators.[61] *The FY 2019 Report* neither explains how to compare results across the different methodologies nor explains why making this comparison is not feasible. For these reasons, the *FY 2019 Report* does not comply with 39 U.S.C. § 2804(c) for the Excellent Customer Experiences performance goal. *See* Chapter 2, section C.2.b., *supra*.

Comparability issues with the BSN, Delivery, CCC, and eCC performance indicators are discussed below. Each subsection also describes information the *FY 2020 Report* may include to comply with 39 U.S.C. § 2804(c) in FY 2020.

(a)   Business Service Network

For the BSN performance indicator, results for FY 2016 and FY 2017 were calculated based on customers' overall satisfaction with the service provided by the BSN representative. *FY 2018 Analysis* at 51. By contrast, results for FY 2018 and FY 2019 were calculated based on customers' overall satisfaction with the BSN.[62] This methodology change was intended to provide an expanded view of how the Postal Service is resolving customer issues serviced by the BSN.[63]

To comply with 39 U.S.C. § 2804(c) next year, the FY 2020 Report could include comparable BSN performance indicator results for FYs 2017 through 2020 based on customer satisfaction with the overall service provided during the interaction. The Postal Service provided comparable results using this methodology in Docket No. ACR2018.[64] As an alternative, the FY 2020 Report could explain why results are not directly comparable across these fiscal years. In that case, the FY 2020 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible. The FY 2020 Report may include cross-references to library references or other documents containing this information.

(b)   Delivery

For the Delivery performance indicator, results from FYs 2014 through 2016 were calculated based on customers' overall experience with receiving mail or packages. *FY 2016 Analysis* at 43. Results were weighted 50 percent residential customers and 50 percent small/medium business customers.[65] In FY 2017, the methodology changed to a

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[61] *See* Chapter 2, section C.2.b., *supra.* Although the *FY 2019 Report* does not provide comparable CX Composite Index results for FYs 2016 through 2019, the *FY 2019 Report* does provide results of each component performance indicator, which may be compared across these fiscal years.

[62] *Id.*; Preface at 3.

[63] Docket No. ACR2018, United States Postal Service FY 2018 Annual Compliance Report, December 28, 2018, at 50 (FY 2018 ACR).

[64] *See* 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 3.b. (Docket No. ACR2018, Response to CHIR No. 10).

[65] Docket No. ACR2018, Response to CHIR No. 2, question 8.b.

weighted composite measuring satisfaction with letter carriers or Post Office Boxes. *Id.*
The Postal Service changed the methodology again in FY 2018. FY 2018 and FY 2019
results were calculated based on customers' overall satisfaction with receiving mail or
packages delivered by the Postal Service.[66] The Commission discussed Delivery
performance indicator methodology changes in past analyses of annual performance
reports and annual performance plans.[67]

*To comply with 39 U.S.C. § 2804(c) next year, the FY 2020 Report may explain that Delivery
performance indicator results are not directly comparable across FYs 2017 through 2020
and provide comparable metrics from the Delivery survey for these fiscal years. For example,
the Postal Service could include a table showing Delivery survey scores for residential and
small/medium business customers for FYs 2017 through 2020. The Postal Service included
this information in FY 2017 Annual Performance Report (FY 2017 Report), which the
Commission found to have complied with section 2804(c) for the Delivery performance
indicator.[68]*

In the *FY 2017 Analysis*, the Commission found that the Delivery performance indicator
complied with 39 U.S.C. 2804(c) because the *FY 2017 Report* explained why results were
not easily or directly comparable across the past three fiscal years. *FY 2017 Analysis* at 14.
The *FY 2017 Report* also included metrics that were comparable across the past three
fiscal years. *Id.* The *FY 2020 Report* could include or cross-reference similar information to
comply with section 2804(c) for the Delivery performance indicator.

*As an alternative, the FY 2020 Report could explain why Delivery performance indicator
results are not directly comparable across FYs 2017 through 2020, as well as explain why it
is not feasible to compare Delivery performance indicator results among the different
methodologies used.[69] The FY 2020 Report may include cross-references to library references
or other documents containing this information.*

(c)   Customer Care Center

For the CCC performance indicator, results from FY 2015 through FY 2017 were calculated
based on Overall Satisfaction with speaking to a live agent.[70] This question asked, "Think
only about the agent who handled your recent call. On a scale from 1 to 9, how would you
rate the agent's overall quality of service?" *Id*. Results were calculated on a 9-point scale

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[66] *Id.*; Preface at 4; FY 2019 ACR at 42.

[67] *See FY 2016 Analysis* at 43-47; *FY 2017 Analysis* at 45-46.

[68] *See FY 2017 Annual Report* at 17; *see also FY 2017 Analysis* at 14-15.

[69] The Postal Service explains why it is not feasible to compare Delivery performance indicator methodologies in Docket No. ACR2018. Docket No. ACR2018, Response to CHIR No. 2, question 8.b.

[70] Docket No. ACR2018, Response to CHIR No. 10, question 3.c.

and expressed as the percentage of customers who selected the top four survey responses. *Id.*

In FY 2018, the Postal Service made several changes to the CCC survey and performance indicator methodology. First, the Overall Satisfaction question on the Live Agent survey changed to "How satisfied are you with the overall experience provided by the contact center?" *Id.* Second, the Postal Service introduced the IVR system survey, which measures customer satisfaction with the overall experience provided by the IVR system.[71] Third, the metric for calculating results of both the Live Agent and IVR system surveys changed to a 6-point scale, with results expressed as the percentage of customers who selected the top two surveys responses. *Id.*

Because of these changes, the methodology for calculating FY 2018 and FY 2019 CCC performance indicator results differs from the methodology used in past years. FY 2018 and FY 2019 results are composites of the weighted results from the Live Agent survey (25 percent) and IVR system survey (75 percent). Response to CHIR No. 23, question 1.

The Postal Service stated that comparable CCC performance indicator results cannot be provided because of significant differences in the Overall Satisfaction question and measurement system.[72] *To comply with section 2804(c), the FY 2020 Report must explain why CCC performance indicator results are not directly comparable across FYs 2017 through 2020. The FY 2020 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible. The FY 2020 Report may include cross-references to library references or other documents containing this information.*

(d)   Enterprise Customer Care

The Postal Service introduced the eCC performance indicator in FY 2017. In FY 2017, the eCC performance indicator result was calculated as the percentage of cases resolved during any particular month and reopened within 90 days. *FY 2017 Annual Report* at 16-17. In FY 2018, the Postal Service changed the methodology by calculating the result based on customers' overall satisfaction with the quality of service received in response to their issue. FY 2018 ACR at 50-51. The Postal Service used the same methodology to calculate the FY 2019 result. Response to CHIR No. 23, question 2.

To comply with 39 U.S.C. § 2804(c) next year, the FY 2020 Report could include comparable eCC performance indicator results for FYs 2017 through 2020 based on customers' overall satisfaction with the quality of service received in response to their issue. The Postal Service provided comparable results using this methodology in Docket No. ACR2018.[73] *As an*

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[71] *Id.* This question asks, "Please tell us how satisfied you were with the overall experience provided by the USPS automated system." *Id.*

[72] Docket No. ACR2018, Response to CHIR No. 10, questions 2, 3.c.

[73] Docket No. ACR2018, Response to CHIR No. 2, question 7.b.ii.

alternative, the FY 2020 Report could explain why results are not directly comparable across these fiscal years. In that case, the FY 2020 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible. The FY 2020 Report may include cross-references to library references or other documents containing this information.

b.   Comparison to Other Metrics

This section compares the Postal Service's measurement of customer experience to other metrics, including the Net Promoter Score (NPS) and guidance for federal agencies. This section also explores other ways the Postal Service measures customer experience beyond its customer surveys. These methods include customer sentiment analyses and analyses of social media platforms. This section also discusses the Postal Service's use of chatbots and other artificial intelligence.[74]

(1)   Net Promoter Score

The NPS is a customer experience metric that is widely used to measure customer experience broadly.[75] The NPS question asks customers to rate how likely they are to recommend a company to a friend on a scale of 0 to 10. *Id.* at 7-8. The NPS question is often followed by a verbatim response question, which allows customers to provide open-ended feedback.[76] This verbatim response question asks customers to explain the reason behind their rating. Primer of Four Surveys at 7.

The NPS is a broader measurement of customer experience because it allows customers to evaluate the totality of their interactions with a company and values the long-term relationship between the customer and company over short-term interactions. *Id.* For example, a customer may be unhappy with a recent visit to a company's store, but may still continue to patronize the company 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.*

The Postal Service includes the NPS question on each of the customer surveys by asking customers how likely they are to recommend the Postal Service to a friend or colleague. Response to CHIR No. 7, question 3.a. The NPS question is evaluated on a scale of 0 (Not at All Likely to Recommend) to 10 (Extremely Likely to Recommend).[77] On each survey

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[74] A chatbot is a computer program that uses artificial intelligence to simulate human conversation through voice commands, text chats, or both. "Chatbot," available at: *https://www.investopedia.com/terms/c/chatbot.asp*.

[75] United States Postal Service Office of Inspector General, *Postal Customer Satisfaction: A Primer of Four Surveys*, Report No. RARC-WP-17-010, August 28, 2017, at 7 (Primer of Four Surveys).

[76] *Id.*; Response to CHIR No. 22, question 2.a.

[77] *See* Surveys at 7, 18, 32, 43, 55, 72, and 75-77.

except the CCC survey, the NPS question is followed by a verbatim response question allowing customers to explain the primary reason behind their rating.[78]

Using the NPS metric allows the Postal Service to evaluate its long-term relationship with customers. Asking the NPS question on a scale of 1 to 10 is consistent with industry practice and allows the Postal Service to benchmark itself against competitors providing similar products or services.

The Commission recommends that the Postal Service continue to use the NPS to measure customer experience and ask the NPS and verbatim response questions on its customer surveys.

(2)   Customer Sentiment Analyses

Customer sentiment analysis involves interpreting and classifying text data to identify emotions expressed by customers.[79] Customer sentiment analyses divide texts into positive, neutral, and negative categories based on natural language processing algorithms.[80] The Postal Service conducts customer sentiment analyses on verbatim responses from its customer surveys using natural language processing algorithms. Response to CHIR No. 22, question 2.a. The Postal Service also conducts high-level customer sentiment analyses on its social media platforms. *Id.* Customers who post on the Postal Service's Twitter page receive a customer survey containing at least one verbatim response question, and the Postal Service uses algorithms to analyze the responses.[81]

Based on these analyses, the Postal Service identifies themes and topics customers mention in their responses, as well as positive, neutral, or negative sentiment. Response to CHIR No. 22, question 2.a. This analysis helps the Postal Service "identify sentiment and themes across different segments of customers and touchpoints, recognize trending issues, diagnose the most common pain points, and calculate the impact of these pain points on customer satisfaction." *Id.* The Postal Service shares this information with its stakeholders, who seek to identify common pain points and issues across different touchpoints. *Id.* Sharing this information allows the Postal Service to prioritize the most important pain points and design effective solutions. *Id.*

The Postal Service provides several examples of how it has used customer sentiment analyses to improve customer service. First, the Postal Service identified a consistent

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[78] *Id.* At the end of the CCC survey, customers may leave a recorded message with their feedback. *Id.* at 75-76.

[79] Federico Pascual, "Why and How Companies Should Use Sentiment Analysis," August 2, 2018, available at: *https://www.northeastern.edu/levelblog/2018/08/02/companies-use-sentiment-analysis/*.

[80] United States Postal Service Office of Inspector General, *Delivering Peace of Mind: Certified Mail and the U.S. Postal Service,* Report No. RARC-WP-18-002, November 27, 2017, at 22, available at: *https://www.uspsoig.gov/document/delivering-peace-mind-certified-mail-and-us-postal-service*.

[81] *Id.* The Postal Service explains that because this survey is designed to measure how the social media associate handled the issue identified by the customer on Twitter and not intended to measure customer experience with the Postal Service, not all customers on Twitter receive the survey. Response to CHIR No. 23, question 3.a.

pattern of customer concerns after natural disasters: when services would stop and resume, employee safety, and the process for requesting hold mail or change of address. *Id.* In response, the Postal Service posted content on its corporate social media accounts to preemptively address these concerns. *Id.* Second, the Postal Service discovered that 12 to 15 percent of incoming posts related to international mail. *Id.* In response, the Postal Service posted a link to a video explaining international mail services on its USPSHelp Twitter account. *Id.* As a result, the percentage of posts related to international mail dropped to 3 to 6 percent. *Id.*

Third, during Hurricane Maria, customers on social media stated they were unsure whether their local post office was open based on information on the Postal Service webpage. *Id.* In response, Postal Service staff contacted the local post office, informed the customer directly, and provided a real-time update on the status of that post office on the website. *Id.* Also, when customers expressed concerns about package theft, the United States Postal Inspection Service was asked to investigate, and it found that package theft was caused by items opening during transit. *Id.* In response, the Postal Service encouraged customers not to overstuff packages and developed educational materials in Spanish. *Id.*

Fourth, when the John Lennon stamp was released, international customers expressed frustration that they could not purchase the stamp. *Id.* Although international customers cannot buy items on the Postal Service website, they may make purchases on internet auction sites. *Id.* Responding to customer concerns, the Postal Service made the John Lennon stamp available on its internet auction site. *Id.* Later, when the Marvin Gaye stamp was released, it was immediately made available on the Postal Service's internet auction site to allow international customers to purchase the stamp. *Id.*

Customer sentiment analyses have helped the Postal Service resolve customers' immediate concerns and preemptively address future issues. *The Commission recommends that the Postal Service continue to conduct customer sentiment analyses on responses from both the customer surveys and social media platforms as part of its efforts to evaluate and improve customer experience.*

(3)   Social Media

Besides customer sentiment analyses, the Postal Service uses other methods to analyze customer feedback expressed on social media. The Postal Service evaluates the performance of its social media associates by sending surveys to customers after a case has closed to evaluate their experience. Response to CHIR No. 7, question 4.a. The Postal Service conducts case-specific evaluations (*e.g.*, stamps, product, or service offerings) using social media platforms and shares those findings with the teams responsible for managing those offerings. *Id.*

The Postal Service also "continually monitors its social media platforms to identify customer pinch points and triage those situations for remediation." *Id.* The Postal Service charges two teams with these tasks: Social Business Intelligence (SBI) and Social Customer

Response (SCR). Response to CHIR No. 22, question 1. The SBI team uses social listening software to review Twitter, Facebook, Instagram, news, web forums, blogs, radio, television, Reddit, and reviews. *Id*. The SBI team uses social listening to obtain an idea of what customers are saying about the Postal Service on traditional and social media. *Id.* This information is used for situational assessments, such as after a natural disaster, and for gaining insights into the Postal Service's products and services. *Id.* The Postal Service states that "[b]ecause the SBI team is based in the Postal Service's Communications department, it is able to interface with other appropriate departments (e.g. Social Customer Response, Marketing, Operations, United States Postal Inspection Service, Human Resources, regional, or Government Relations) more nimbly." *Id.*

The SCR team reviews and responds to customer concerns expressed on the Postal Service's corporate Twitter and Facebook accounts six days per week. *Id.* This team monitors and evaluates customer experience through individual audits by supervisors and through surveys sent to customers who communicate via Twitter after their situation has been addressed. *Id.* The Postal Service notes that the Twitter survey participation rate is 40 to 55 percent, which is much higher than the POS survey participation rate of 0 to 3 percent. *Id.*

The Commission recommends that the Postal Service continue to leverage its social media platforms to evaluate and enhance customer experience.

(4)   Chatbots and Other Artificial Intelligence

During the 2017 holiday season, the Postal Service launched a chatbot pilot to deflect calls from the CCC. Response to CHIR No. 22, question 3.a. Initially, the chatbot launched automatically when a customer entered their tracking number on USPS.com with a customized greeting based on the package's current status. *Id.* Because of on-time delivery, not all customers needed to use the chatbot to track their package. *Id.* Thus, the chatbot pilot was revised so that the chatbot was launched when customers clicked on an icon on the tracking page. *Id.* This change was made to better target customers who needed help instead of targeting all customers. *Id.*

The chatbot pilot was successful at deflecting calls from the CCC. *Id.* However, the pilot unexpectedly impacted the Postal Service's network traffic during the 2017 holiday season as well as other mission-critical functionalities of the Postal Service's website. *Id.* Because of the stress on the Postal Service's network during the 2017 holiday season, the chatbot pilot ended and was not deployed in the 2018 or the 2019 holiday seasons. *Id.*

The Postal Service used lessons learned from the chatbot pilot to launch the Virtual Agent pilot in FY 2019 to deflect calls from the CCC. *Id.*, question 3.b. Customers who call the CCC use the existing IVR system, which defines the call type and offers some menu self-service options. *Id.* To increase self-service functionality on certain call types, the Postal Service states it is piloting a Virtual Agent functionality that uses natural language processing. *Id.*

The Postal Service anticipates that this pilot will "better serve customers and ultimately reduce the number of calls received by a live agent." *Id.*

Currently, the Virtual Agent pilot helps schedule, modify, and cancel passport appointments, a function that is not available using the IVR system. *Id.,* question 3.d. The Virtual Agent is also able to address passport inquiries and provide automated responses to frequently asked passport questions. *Id.* The Postal Service expects to improve customer experience with CCCs by offering self-service options without requiring customers to wait for a live agent. *Id.* These changes will also improve the average speed to answer and respond to callers, as well as reduce call abandonment. *Id.*

One reason the Postal Service partially met the Excellent Customer Experiences performance goal in FY 2019 was the low result of the CCC performance indicator. *See FY 2019 Annual Report* at 24. The Postal Service states, "[t]he primary root causes identified by customers were wait times before speaking to a USPS representative and the inability to resolve their issues at first contact with the CCC." *Id.* at 25. The average wait time before speaking to a CCC live agent at the beginning of FY 2019 was 16 minutes 21 seconds. Response to CHIR No. 18, question 4. At the end of FY 2019, the average wait time declined to 13 minutes 56 seconds. *Id.*

The Virtual Agent pilot may have played a role in addressing long wait times, which was one of the root causes for low CCC performance indicator results. The Virtual Pilot deflected calls from the CCC and reduced wait time for some customers by offering self-service options that do not require customers to wait for a live agent. Fewer customers waiting for a live agent may have contributed to the decrease in the average wait time before speaking to a live agent.

In FY 2020, the Postal Service states it will continue to shorten wait times for customers to speak with live agents by implementing several IVR system improvements to reduce the number of customers in the CCC queue. Response to CHIR No. 18, question 5. Besides the Virtual Agent pilot, these improvements include deploying a Web IVR to allow customers to visually interact and self-serve without connecting to a live agent, as well as redesigning the redelivery and hold mail modules in the IVR system to be more customer-centric. *Id.* The Postal Service also plans to enhance Virtual Hold Technology options to provide customers with more options for receiving a callback and to pilot a new customer contact channel to allow customers to communicate with agents via text message. *Id*

The Commission recommends that the Postal Service continue to refine the Virtual Agent pilot to improve customer experience with CCCs. The Commission also recommends that the Postal Service leverage artificial intelligence to improve customer experience with passports and other services offered by the Postal Service. The Commission suggests that the FY 2020 Report describe the Postal Service's efforts to leverage artificial intelligence to improve customer experience and explain whether these efforts helped improve customer experience in FY 2020.

<div align="center">(5)   Federal Agencies</div>

The Postal Service's measurement of customer experience can also be compared to guidance issued by the Office of Management and Budget (OMB) on how Executive Branch agencies can improve customer experience.[82] OMB guidance on customer experience must be implemented by High-Impact Service Providers, which are federal entities designated by OMB that provide the most high-impact customer-facing services. OMB Guidance § 280.9. High-Impact Service Providers have either a large customer base or a high impact on those served by the program. *Id.* Examples include the Internal Revenue Service and the Veterans Benefits Administration.[83] Although the Postal Service is not legally required to comply with this guidance,[84] it is informative to compare the Postal Service's customer experience practices with those identified as best practices for the federal government. Comparing the Postal Service's measurement of customer experience to OMB guidance for federal agencies provides insights into how the Postal Service may progress toward achieving the Excellent Customer Experiences performance goal.

OMB recommends that federal agencies measure seven categories of customer experience:

- Satisfaction
- Confidence/Trust
- Effectiveness/Quality
- Ease/Simplicity
- Efficiency/Speed
- Equity/Transparency
- Employee Helpfulness

OMB Guidance § 280.7. OMB states that these categories "have been developed in alignment with leading practices from both the private and public sectors, including Fortune 500 companies, market research institutions, and international organizations." *Id.* Based on these categories, OMB recommends that government agencies measure customer experience using the following questions listed in Table III-9.

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[82] *See* Office of Management and Budget, Circular No. A-11 Preparation, Submission, and Execution of the Budget, December 2019, available at: *https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf* (OMB Guidance).

[83] A list of High-Impact Service providers is available at: *https://www.performance.gov/cx/HISPList.pdf.*

[84] OMB Guidance § 280.1.

**Table III-9
Customer Experience Questions
for Government Agencies**

Category	Question(s)
Satisfaction	I am satisfied with the service I received from [Program/Service name].
Confidence/Trust	This interaction increased my confidence in [Program/Service name]. OR I trust [Agency/Program/Service name] to fulfill our country's commitment to [relevant population].
Effectiveness/Quality	My need was addressed/My issue was resolved.
Ease/Simplicity	It was easy to complete what I needed to do.
Efficiency/Speed	It took a reasonable amount of time to do what I needed to.
Equity/Transparency	I was treated fairly/I understand what was being asked of me throughout the process.
Employee Helpfulness	Employees I interacted with were helpful.

Source: OMB Guidance § 280.7.

The Commission analyzed the Postal Service's customer surveys to determine whether they asked the questions recommended by OMB. Each question is discussed below.

Satisfaction. The Satisfaction question asks whether customers are satisfied with the service received from a program or service. *See* Table III-9, *supra*. The Postal Service asks the Satisfaction question in each of its customer surveys. It is the same question the Postal Service uses to calculate the result of each Excellent Customer Experiences performance indicator. The Satisfaction question for each survey is listed in Table III-3, *supra*.[85] For example, the Satisfaction question on the BSN survey is, "How satisfied are you with the overall experience provided by the [BSN]?" Preface at 3.

The Commission recommends that the surveys continue to measure customer satisfaction with services and experiences with the Postal Service.

Confidence/Trust. OMB recommends measuring Confidence/Trust using one of two questions. One question asks customers whether their interaction increased their confidence in a program or service. *See* Table III-9, *supra.* The other question asks customers to rate their level of agreement with the statement, "I trust [Agency/Program/Service name] to fulfill our country's commitment to [relevant population]." *Id.*

The Postal Service states it "does not currently measure customer confidence or trust using its customer surveys or other methods for evaluating customer experience" because measuring customer satisfaction is industry best practice. Response to CHIR No. 22,

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[85] Table III-3 does not include the Satisfaction question for the Large Business survey because it is currently not a performance indicator for the Excellent Customer Experiences performance goal. The Satisfaction question on the Large Business survey is, "Thinking about all aspects of recent experiences your business has had with the USPS, how satisfied are you with us?" Surveys at 55.

question 4. The NPS indirectly measures customer confidence because customers who would recommend the Postal Service to a friend or colleague would also likely have confidence in the Postal Service. *See* Chapter 3, section B.3.b.(1)., *supra*. Adding questions measuring customer confidence or trust to customer surveys could help the Postal Service meet the Excellent Customer Experiences performance goal because customers are more likely to patronize organizations that they have confidence in or trust. Also, because the Postal Service is an independent federal agency, public trust is just as important to the Postal Service as it is to other government agencies.

The Commission recommends that the Postal Service consider measuring confidence or trust as part of its measurement of customer experience.

Effectiveness/Quality. This question asks customers whether their need was addressed or whether their issue was resolved. The Postal Service measures Effectiveness/Quality on each of its customer surveys except the POS and Delivery surveys. Table III-10 lists the Effectiveness/Quality question on each survey or indicates if the question was not asked.

**Table III-10
Effectiveness/Quality Questions
on Customer Surveys**

Customer Survey	Question
Business Service Network	How satisfied are you with the resolution to your issue?
Point of Sale	Not Asked
Delivery	Not Asked
Customer Care Center[a]	Was your issue resolved?
Enterprise Customer Care	Was your case resolved successfully?
Business Mail Entry Unit (BMEU)	How much would you agree that BMEU acceptance employee(s) resolved your question/concerns?
USPS.com	Were you able to accomplish what you wanted to on the site today?
Large Business	Please indicate your satisfaction with the Postal Service's performance on issue/claim resolution.

[a] This question is on both the CCC Live Agent and IVR system surveys.
Source: Surveys at 20, 44, 50, 73, 75-77.

As shown in Table III-10, the POS and Delivery surveys do not contain an Effectiveness/Quality question. The POS survey could include such a question by, for example, asking whether customers were able to accomplish what they wanted to do at the retail location. Similarly, the Delivery survey could be altered to measure Effectiveness/Quality by, for example, asking customers whether their delivery of mail and packages meets their needs.

The Commission recommends that the Postal Service consider adding Effectiveness/Quality questions to the POS and Delivery surveys.

Ease/Simplicity. This question asks customers whether it was easy to complete what they needed to do. *See* Table III-9, *supra.* Ease/Simplicity is also measured by the Customer Effort Score (CES), which measures the amount of effort customers put forth to complete a transaction. Primer of Four Surveys at 7. The theory behind the CES is that customers who easily accomplish their tasks are less likely to patronize other service providers. *Id.* The CES is applicable across postal touchpoints such as mailing packages, purchasing stamps, or resolving delivery issues. *Id.*

Only the CCC and Large Business surveys measure Ease/Simplicity. The CCC IVR system survey asks customers to rate the ease of use of the IVR system.[86] The CCC Live Agent survey does not measure Ease/Simplicity. The Large Business survey asks customers to rate their satisfaction with the ease of contacting a representative. Surveys at 50.

Adding Ease/Simplicity questions to the other customer surveys could help the Postal Service better understand its customers' experiences. Primer of Four Surveys at 7. Similar to the NPS, the CES allows the Postal Service to benchmark its performance against similar companies and federal agencies because of its widespread adoption. *Id.* Table III-11 contains examples of Ease/Simplicity questions the Postal Service could ask on the other customer surveys except for the Delivery survey. The Ease/Simplicity question asks customers whether it was easy to complete a transaction. Because the Delivery survey is not conducted after a customer completes a transaction, it does not lend itself to measuring Ease/Simplicity, which is relevant to surveys measuring customer experience with contacting a representative, resolving an issue, or completing a transaction.

Table III-11
Sample Ease/Simplicity Questions

Customer Survey	Question
Business Service Network	How easy was it to contact a representative and resolve your issue?
Point of Sale	How easy was it to complete your transaction with the Postal Service?
Customer Care Center (Live Agent)	How easy was it to contact a representative and resolve your issue?
Enterprise Customer Care	How easy was it to contact a representative and resolve your case?
Business Mail Entry Unit	How easy was it to complete what you needed to do?
USPS.com	How easy was it to complete what you needed to do?

The Commission recommends that the Postal Service consider adding Ease/Simplicity questions to the BSN, POS, CCC (Live Agent), eCC, BMEU, and USPS.com surveys.

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[86] Response to CHIR No. 7, question 2.a.; Surveys at 76.

Efficiency/Speed. This question asks customers whether it took a reasonable amount of time to do what they needed to do. *See* Table III-9, *supra.* The POS and eCC surveys contain Efficiency/Speed questions. Other surveys ask about timeframes, such as how long it took to resolve an issue and how many times the customer spoke to a customer representative. Table III-12 shows the Efficiency/Speed and timeframe questions asked on each survey or indicates that these questions were not asked.

Table III-12
Efficiency/Speed and Timeframe Questions
on Customer Surveys

Customer Survey	Question(s)
Business Service Network	About how long did it take to get your problem, issue, or question resolved?
Point of Sale	How much would you agree that the sales associate worked efficiently?
	How long did you wait in line for a sales associate?
	How much would you agree that the amount of time you waited in line was acceptable?
Delivery	Not Asked
Customer Care Center	How many times have you spoken with a customer service representative regarding this same issue or request? (Live Agent survey)
	How many times have you used the Interactive Voice Response (IVR) system regarding this same issue or request? (IVR system survey)
Enterprise Customer Care	To date, approximately how many times have you contacted the Postal Service regarding this issue?
	How much would you agree that the customer service representative resolved your issue in a reasonable timeframe?
Business Mail Entry Unit	Not Asked
USPS.com	Not Asked
Large Business	Not Asked

Source: Surveys at 8-9, 21, 43-44, 75-76.

The only surveys that ask about efficiency and reasonable timeframes are the POS and eCC surveys. The BSN and CCC surveys ask customers how long it took to resolve their issue or how many times they spoke with a representative or used the IVR system to address their issue. However, they do not ask whether these timeframes were reasonable. The Postal Service may gain additional insights into its customers' experiences if the BSN and CCC surveys also asked whether customers agreed that their issue was resolved in a reasonable timeframe.

The BMEU, USPS.com, and Large Business surveys do not measure Efficiency/Speed or timeframes for how long it took customers to complete a transaction. These surveys could be enhanced by adding Efficiency/Speed

questions, such as, "How much would you agree that it took a reasonable amount of time to do what you needed to do?"

As with Ease/Simplicity, because the Delivery survey is not conducted after a customer completes a transaction, it does not lend itself to measuring Efficiency/Speed, which is relevant on surveys measuring customer experience with contacting a representative, resolving an issue, or completing a transaction.

The Commission recommends that the Postal Service consider adding Efficiency/Speed questions to the BMEU, USPS.com, and Large Business surveys. The Commission also recommends that the BSN and CCC surveys ask whether customers agree that their issue was resolved in a reasonable timeframe.

Equity/Transparency. This question asks whether customers felt they were treated fairly and whether they understood what was being asked of them throughout the process. *See* Table III-9, *supra.* None of the surveys contain the Equity/Transparency question. However, the surveys do ask whether postal employees were courteous. Measuring employee courtesy is similar to measuring Equity/Transparency because they both evaluate customers' perception of how they are being treated. Table III-13 lists the questions asking about courtesy or indicates that the question is not asked.

**Table III-13
Courtesy Questions
on Customer Surveys**

Customer Survey	Question(s)
Business Service Network	Was the representative professional, friendly, and courteous?
Point of Sale	During this visit, how much would you agree that the sales associate (1) treated you with courtesy and (2) had a positive attitude?
Delivery	How much would you agree that letter carriers are friendly and courteous?
Customer Care Center (Live Agent)	Did the customer service representative treat you with courtesy throughout the call?
Enterprise Customer Care	How much would you agree that the customer service representative was professional, courteous, and knowledgeable?
Business Mail Entry Unit	How much would you agree that BMEU acceptance employee(s) (1) are courteous and (2) have positive attitudes?
USPS.com	Not Asked
Large Business	Not Asked

Source: Surveys at 8, 19, 33, 43, 73, 75.

The BSN survey also asks whether the representative answered the customer's question clearly, which is similar to the Equity/Transparency question of whether the customer understood what was being asked of them throughout the process. *See* Surveys at 19. The CCC (IVR system) and USPS.com surveys do not ask about

courtesy because customers do not interact with a live postal employee. The Large Business survey could be altered to assess employee courtesy by, for example, asking customers whether they agree that representatives or employees they interacted with were courteous.

The Postal Service's measurement of customer experience could also be enhanced if it measured Equity/Transparency by asking whether customers felt they were treated fairly and whether customers understood what was being asked of them throughout the process. Measuring Equity/Transparency would allow the Postal Service to compare results with other federal agencies.

The Commission recommends that the Postal Service consider measuring Equity/Transparency on its customer surveys. The Commission also recommends that the Large Business survey ask customers whether they agree that representatives or employees they interacted with were courteous.

Employee Helpfulness. This question asks customers whether employees they interacted with were helpful. *See* Table III-9, *supra.* The Postal Service's surveys do not directly ask about employee helpfulness. However, the surveys ask about other employee attributes that contribute towards employee helpfulness, such as being knowledgeable about postal products and services. Table III-14 lists the questions similar to Employee Helpfulness or indicates that the question was not asked.

Table III-14
Similar Employee Helpfulness Questions
on Customer Surveys

Customer Survey	Question(s)
Business Service Network	How satisfied are you with the overall service provided by the representative during this interaction?
	How could the representative have served you better on the most recent interaction?
Point of Sale	During this visit, how much would you agree that the sales associate was knowledgeable about postal products and services?
Delivery	Not Asked
Customer Care Center (Live Agent)	How would you rate the customer service representative's knowledge?
Enterprise Customer Care	How much would you agree that the customer service representative (1) was knowledgeable, (2) provided accurate information, and (3) was responsive to your question or concern?
Business Mail Entry Unit (BMEU)	How much would you agree that BMEU acceptance employee(s) are knowledgeable about postal products, services, and systems?
USPS.com	Not Asked
Large Business	Not Asked

Source: Surveys at 8, 18-19, 43, 73, 75.

The eCC survey asks the most questions evaluating the postal employee or representative, which helps the Postal Service determine whether and how the employee was helpful. The BSN, POS, CCC (Live Agent), and BMEU surveys ask customers to evaluate employee knowledge and the overall service provided, which helps identify helpful employees. The USPS.com and CCC (IVR system) surveys do not measure Employee Helpfulness because the customer does not interact with a postal employee.

The Delivery and Large Business surveys could be expanded to measure Employee Helpfulness or a similar attribute. For example, the surveys could ask whether letter carriers (Delivery survey) or postal employees (Large Business survey) that the customer interacted with were helpful or knowledgeable about postal products and services.

The Commission recommends that the Postal Service consider measuring Employee Helpfulness with its customer surveys. The Commission also recommends that the Postal Service consider adding questions to the Delivery and Large Business surveys asking whether employees were helpful or knowledgeable about postal products and services.

C.   Safe Workplace and Engaged Workforce

1.   Background

In FY 2019, the Postal Service used two performance indicators to evaluate progress toward its performance goal to ensure a Safe Workplace and Engaged Workforce: the Total Accident Rate and the Survey Response Rate. The Total Accident Rate measures progress toward improving employee safety. The Survey Response Rate measures the adjusted percentage of employees who returned the Postal Pulse survey.

a.   Total Accident Rate

In FY 2019, the Postal Service continued using the Total Accident Rate as a performance indicator to measure progress toward improving employee safety. *FY 2019 Annual Report* at 26. The Total Accident Rate is calculated by multiplying the total number of accidents for the year by the approximate number of annual workhours per employee (2,000), multiplied by 100. *Id.* This number is then divided by the annual number of exposure hours. *Id.* The Total Accident Rate formula is:

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

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.[87]

The FY 2019 Total Accident Rate result was 14.19, which was better than the FY 2019 target of 15.00. *FY 2019 Annual Report* at 26. The FY 2019 result also improved compared to FY 2018, when the result was 15.09. *Id.* at 20. The Postal Service reports that the total number of accidents "for FY[ ]2019 decreased more than 7.2 percent compared with FY[ ]2018." *Id.* at 26. Also, the number of recordable and non-recordable accidents declined by 10.88 and 5.20 percent, respectively.[88] The Postal Service was able to meet the FY 2019 Total Accident Rate target by implementing a Safety Intervention and Recognition program to track district-level performance monthly and by automating data and response input from safety-related workplace observations. *FY 2019 Annual Report* 27. These programs are discussed in more detail below. *See* Chapter 3, section C.3.a., *infra.*

The FY 2020 Total Accident Rate target is 15.00, which is the same as FY 2019. *FY 2019 Annual Report* at 27. The Postal Service explains that it will meet this target by continuing to focus on prevention strategies and taking a proactive approach toward employee safety through efforts designed to address the most frequent workplace hazards, such as dog bites; extreme weather; distracted driving; and slip, trip, and fall injuries. *Id.* The Postal Service states it will also release improved tools to analyze and forecast accident trends, as well as leverage delivery management systems to obtain a better understanding of motor vehicle accident risks. *Id.* Plans for meeting the FY 2020 target are discussed in more detail below. *See* Chapter 3, section C.3.a., *infra.*

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[87] *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., 4.b. Specifically, the Total Accident Rate includes: accidents that resulted in damage of $500 or more to Postal Service property regardless of whether an injury was involved; motor vehicle accidents that result in death, injury, or only property damage, regardless of cost, who was injured (if anyone), or what property was damaged; and injury, illness, or death of a Postal Service employee on Postal Service premises or on the job. *Id.* The Total 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.*

[88] *Id*. at 27. "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.

b.   Survey Response Rate

The Postal Service measures employee engagement using the Postal Pulse survey, which
evaluates overall satisfaction and 12 elements of employee engagement.[89] Figure III-2 is a
copy of the FY 2019 Postal Pulse survey.

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[89] *FY 2019 Annual Report* at 27. The Postal Pulse survey was developed by Gallup, Inc. and is also called the "Gallup Q12" survey. *See* "Gallup
Q12 and Employee Engagement FAQs: Frequently Asked Questions About Employee Engagement and the Engagement Survey," available at:
https://liteblue.usps.gov/emp-engagement/pdf/Employee-Engagement-FAQs.pdf.

Figure III-2
FY 2019 Postal Pulse Survey

4278193202

THE POSTAL PULSE

SURVEY INSTRUCTIONS

Please carefully follow the steps below when completing this survey.
- Use only a blue or black ink pen that does not blot the paper
- Make solid marks inside the response boxes
- Do not make other marks on the survey ⟶

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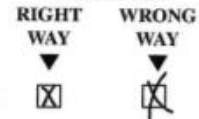
Please complete your survey at your workplace in order to receive time on-the-clock to take the survey.

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

Extremely Dissatisfied 1 2 3 4 5 Extremely Satisfied   Don't Know

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? ....

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

Strongly Disagree 1 2 3 4 5 Strongly Agree   Don't Know/ Does Not Apply

1. I know what is expected of me at work. ....
2. I have the materials and equipment I need to do my work right................
3. At work, I have the opportunity to do what I do best every day. ....
4. In the last seven days, I have received recognition or praise for doing good work. ....
5. My supervisor, or someone at work, seems to care about me as a person.....................
6. There is someone at work who encourages my development................
7. At work, my opinions seem to count. ....
8. The mission or purpose of my company makes me feel my job is important. ....
9. My fellow employees are committed to doing quality work. ....
10. I have a best friend at work................
11. In the last six months, someone at work has talked to me about my progress. ....
12. This last year, I have had opportunities at work to learn and grow...................................

What one thing would you do within your team to improve engagement?
Please see the enclosed FAQs for information on how comments are reported.

THANK YOU for your participation!
**Please mail your completed survey to Gallup no later than Friday, June 14, 2019,
using the postage-paid business reply envelope provided.**

Source: Response to CHIR No. 7, question 10.a.

As shown in Figure III-2, the Postal Pulse survey asks participants to rate their level of agreement with 12 statements concerning the workplace on a scale of 1 to 5, with higher numbers reflecting either a greater level of employee satisfaction or stronger agreement with a survey statement. The first question (Question 0) asks employees to rate their level of satisfaction with the Postal Service as a place to work. The remaining questions (Questions 1-12) measure elements of employee engagement. Engaged employees are "involved in, enthusiastic about and committed to their work and contribute to their organization in a positive manner."[90] In FY 2019, the Postal Pulse survey included a direct response comment box asking employees what one thing they would do within their team to improve employee engagement. Response to CHIR No. 23, question 5. The Postal Service states that almost 50 percent of survey respondents provided comments, which were aggregated and shared with Postal Service leadership to influence workplace improvements. *FY 2019 Annual Report* at 28.

The Postal Service measures progress toward improving employee engagement using the Survey Response Rate performance indicator, which measures "the level of participation of all potential respondents during each survey administration." *Id.* at 27. In FY 2019, the Survey Response Rate result was 38 percent, which did not meet the FY 2019 target of 51 percent. *Id.* The Postal Service explains that it did not meet the FY 2019 target because employees thought that management did not consider the feedback received from the previous Postal Pulse survey administration. *Id.* at 28.

The FY 2020 Survey Response Rate target is 51 percent, which is the same as FY 2019. *Id.* To meet this target, the *FY 2020 Plan* states that the Postal Service will continue to improve efforts to communicate the importance of employee participation in the survey and provide postal employees with the necessary training and tools. *Id.* The training and tools will help employees "best identify, assess, and address engagement strengths and areas of opportunity specific to their local work environments." *Id.* The Postal Service states that it will continue to showcase employee success stories and use pilot programs to provide more opportunities for open communication and feedback. *Id.*

2.   Comments

The Public Representative concludes that the Postal Service partially met the Safe Workplace and Engaged Workforce performance goal in FY 2019 because it exceeded the FY 2019 Total Accident Rate target but did not meet the FY 2019 Survey Response Rate target. PR Comments at 8. She questions the Postal Service's rationale for setting FY 2020 targets the same as FY 2019. *Id.* She asserts that the FY 2020 Total Accident Rate target is not ambitious enough and that the FY 2020 Survey Response Rate target appears unattainable. *Id.*

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[90] 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*.

In its reply comments, the Postal Service explains that the FY 2020 Total Accident Rate target is the same as FY 2019 "based not only on corporate level performance but also using an analysis of unit level performance." Postal Service Reply Comments at 6. It states that the target is a dual metric that consists of both a target rate and an improvement rate of 10 percent compared to the same period last year. *Id.* It notes that based on performance over the past five years, FY 2019 was the first year that the Postal Service met the Total Accident Rate target. *Id.* It states that a more ambitious target would be unattainable at the unit level and that changing the target after only one year of meeting the target is not reasonable. *Id.*

For the Survey Response Rate, the Postal Service states that it expects the FY 2020 result to increase as it communicates the importance of one-on-one conversations between leaders and employees. *Id.* at 5. It asserts that the FY 2020 Survey Response Rate target is achievable because "[t]he exposure to Employee Engagement among employees increases each year[.]" *Id.* at 5-6. It notes that 51 percent is the minimally acceptable target and that "the Postal Service will continue to strategize and follow-up until that goal is reached." *Id.* at 10.

3. Commission Analysis

In FY 2019, the Postal Service exceeded the Total Accident Rate target but missed the Survey Response Rate target. *See FY 2019 Annual Report* at 20. *Thus, the Commission finds that the Postal Service partially met the Safe Workplace and Engaged Workforce performance goal in FY 2019.*

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

a. Safe Workplace

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

(1) Total Accident Rate

Table III-15 shows the total number of accidents and the Total Accident Rate results from FY 2016 through FY 2019, which the Postal Service provides in a CHIR response.

Table III-15
Total Accident Rate Results
FY 2016 through FY 2019

Year	Total Number of Accidents	Total Accident Rate Result
FY 2016	95,911	16.09
FY 2017	95,509	15.43
FY 2018	94,596	15.09
FY 2019	89,396	14.19

Source: *FY 2019 Annual Report* at 20; Response to CHIR No. 7, question 7. The Total Accident Rate results and number of accidents provided in the CHIR responses differ from the numbers reported in the *Annual Report to Congress* because numbers change weekly due to late reporting. *See* Docket No. ACR2018, Response to CHIR No. 13, question 5. Each data set is current as of the date the data were pulled. *Id.* The total number of accidents in Table III-15 differ from the numbers provided in the *Annual Report to Congress* because they were retrieved from the Enterprise Data Warehouse on January 28, 2020. Response to CHIR No. 7, question 7. Numbers reported in the *FY 2019 Annual Report* were retrieved close to the end of FY 2019. *Id.*

FY 2019 was the first year the Postal Service met the Total Accident Rate performance indicator. As Table III-15 shows, results improved for the fourth year in a row. Between FY 2018 and FY 2019, the total number of accidents decreased by approximately 5.5 percent.

The Postal Service explains that it met the FY 2019 Total Accident Rate target by "launching a Safety Intervention and Recognition program that tracked district-level performance each month." *FY 2019 Annual Report* at 27. This program targeted districts that had high accident rates or showed a trend toward increasing accident rates. *Id.* These districts were required to create action plans identifying root cause(s) of accidents and implement activities to minimize hazards related to these accidents. *Id.* The Postal Service states, "[p]roactive leadership engagement resulted in a safer work environment." *Id.*

In a CHIR response, the Postal Service describes tools used to reduce the total number of accidents in FY 2019. Response to CHIR No. 7, question 6. The Safety Dashboard tool tracked accidents on a daily basis, and the Informed Delivery Mobile Observation tool allowed management to use mobile devices to track unsafe behaviors and recognize safe work habits. *Id.* These tools provided historical performance data and root cause analysis information and allowed the Postal Service to review each data point at national, area, district, or facility levels. *Id.* These tools also allowed the Postal Service to analyze each data point based on important data elements such as years of service, job assignment, or contributing factor. *Id.*

The Postal Service also states that early intervention with processing facilities and post offices allowed it to establish effective accident reduction plans with employee cooperation and support. *Id.* Early intervention "allowed facilities to get back on track more quickly and take immediate action to address potential hazards and unsafe behaviors." *Id.*

The FY 2020 Total Accident Rate target (15.00) is the same as FY 2019. *FY 2019 Annual Report* at 27. To meet this target, the Postal Service plans to release improved tools for field leadership to forecast and analyze accident trends, which will allow field leadership to implement proactive efforts as soon as possible. *Id.* In a CHIR response, the Postal Service states it will use advanced modeling and geospatial tools, which will allow it to move "from descriptive and diagnostic problem-solving to predictive and prescriptive analytics." March 19 Response to CHIR No. 21, question 5. The Postal Service plans to release two new models focusing on industrial and motor vehicle accidents in FY 2020, Quarter 3. *Id.* The Postal Service explains that "[t]hese models provide heat map data with overlays of external data such as weather, hazardous intersections, driver safety exceptions, and Google street views." *Id.* It states that these models will allow the Postal Service to view the data by location, employee type, years of service, and accident category. *Id.*

The Commission commends the Postal Service for meeting the Total Accident Rate target for the first time and improving the result for the fourth year in a row. The Safety Intervention and Recognition program and other workplace safety tools appear to have been effective in improving workplace safety and reducing the number of accidents in FY 2019. The Commission finds that the Postal Service's plans for implementing tools and models to improve workplace safety are reasonable steps to improve the Total Accident Rate result in FY 2020. The Commission recommends that the FY 2020 Report describe the new industrial and motor vehicle accident models and explain how they helped the Postal Service analyze and forecast accident trends in FY 2020.

The Public Representative comments that the FY 2020 Total Accident Rate target (15.00) is not ambitious enough because it was set lower than the FY 2019 result (14.19). PR Comments at 8. The Postal Service responds that a more ambitious target, such as the FY 2019 result, would not be achievable at the unit level and that changing the target after only one year of meeting the target is not reasonable. Postal Service Reply Comments at 6.

In the *FY 2018 Analysis*, the Commission found that the FY 2019 Total Accident Rate target of 15.00 was reasonable and achievable considering the Postal Service's past performance and improvement since FY 2015. *FY 2018 Analysis* at 60. The Postal Service provides a reasonable explanation for setting the FY 2020 target the same as FY 2019. There has also been a relatively small range in results, from 16.09 in FY 2016 to 14.19 in FY 2019. *See FY 2019 Annual Report* at 20. Thus, setting a lower target at this time may make that target unachievable, especially at the unit level. *See* Postal Service Reply Comments at 6.

(2)   Motor Vehicle Accidents

The Total Accident Rate includes both motor vehicle and non-motor vehicle accidents. Figure III-3 shows the number of motor vehicle and non-motor vehicle accidents from FY 2016 through FY 2019.

Figure III-3
Motor Vehicle and Non-Motor Vehicle Accidents
FY 2016 through FY 2019
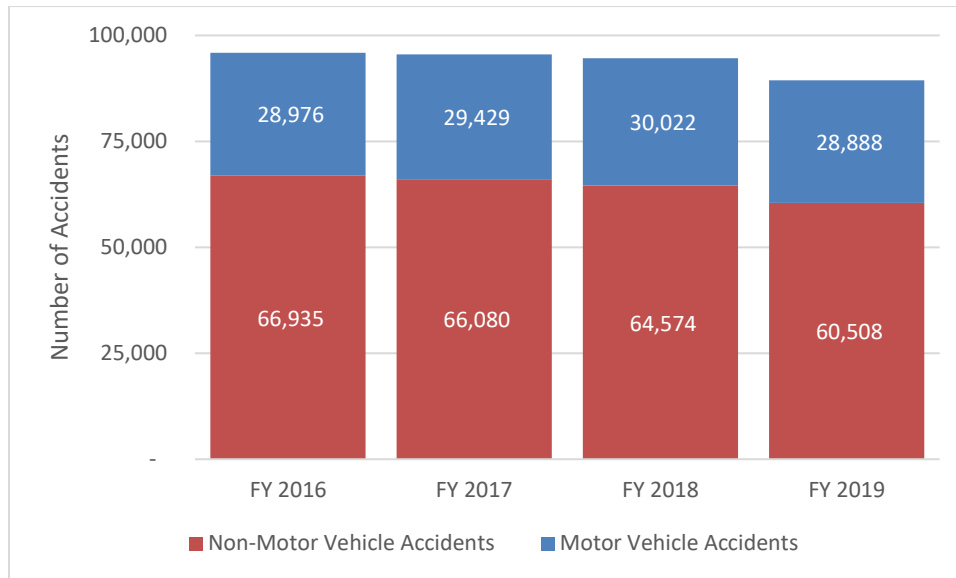
Source: Response to CHIR No. 7, question 7. The Total Accident Rate results and number of accidents provided in the CHIR responses differ from the numbers reported in the *Annual Report to Congress* because numbers change weekly due to late reporting. Docket No. ACR2018, Response to CHIR No. 13, question 5. Each data set is current as of the date the data were pulled. *Id.* The number of motor vehicle accidents and total number of accidents in FY 2018 and FY 2019 differ from the numbers provided in the *FY 2019 Annual Report* because they were retrieved from the Enterprise Data Warehouse on January 28, 2020. Response to CHIR No. 7, question 7. Numbers reported in the *FY 2019 Annual Report* were retrieved close to the end of FY 2019. *Id.*

As Figure III-3 shows, motor vehicle accidents represented approximately 32 percent of the total number of accidents in FY 2019*.* The number of motor *v*ehicle accidents decreased from 30,022 in FY 2018 to 28,888 in FY 2019 (a decline of 3.8 percent).

In Docket No. ACR2018, the Postal Service described plans to reduce the number of motor vehicle accidents in FY 2019 by automating quality driver observations by management to addre*s*s unsafe driving behaviors.[91] Before FY 2019, quality driver observations were recorded on paper, which resulted in unsafe behaviors being overlooked or unaddressed. *FY 2019 Annual Report* at 27. In the *FY 2018 Analysis*, the Commission recommended that "the FY 2019 Report describe the process and implementation of the automated driver quality observations and discuss any impact that these observations have on preventing or reducing the number of motor vehicle accidents in FY 2019." *FY 2018 Analysis* at 63.

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[91] Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 16, February 27, 2019, question 3.b.

The Postal Service adopted this recommendation in the *FY 2019 Report* by describing a new safety database that automates data and response input from workplace safety observations. *FY 2019 Annual Report at 27*. It states that automating workplace safety observations helped prevent accidents in FY 2019. *Id.* In a CHIR response, the Postal Service explains that "[t]he key to eliminating incidents and injuries is to modify behavior by observing people as they work and talking with them to encourage safe work practices and eliminate at-risk behaviors." Response to CHIR No. 7, question 9. It states that managers observe workers performing normal work activities to reinforce safe work practices and correct unsafe acts and conditions. *Id.* These observations were tracked and collected in the new database, which allowed the Postal Service to analyze the results of these observations, better understand strengths and gaps, and predict future performance. *Id.*

In FY 2020, the Postal Service plans to leverage delivery management systems to obtain a better understanding of motor vehicle accident risks, such as dangerous roads and unsafe behaviors. *FY 2019 Annual Report* at 27. In a CHIR response, the Postal Service explains that the purpose of the delivery management system is to "analyze data to identify strengths, weaknesses, and opportunities in delivery activities, and implement processes to improve performance." March 19 Response to CHIR No. 21, question 6. This system identifies at-risk driving behaviors such as excessive reverse, acceleration, and deceleration.[92] The Postal Service states that analyzing data from this system as well as data related to roads or intersections where accidents are most common will allow it to implement employee training to prevent accidents or take steps to review routes to help eliminate safety hazards. *Id.*

The Commission commends the Postal Service for reducing the number of motor vehicle accidents in FY 2019 and recommends that the Postal Service continue to automate workplace safety observations to help reduce accidents in FY 2020. The Postal Service's plans for reducing motor vehicle accidents by leveraging delivery management systems appears reasonable. The Commission recommends that the FY 2020 Report describe how delivery management systems were implemented in FY 2020 and discuss any impact these systems had on preventing or reducing the number of motor vehicle accidents in FY 2020.

b.   Engaged Workforce

In FY 2019, the Postal Service measured employee engagement using the Survey Response Rate performance indicator. The Postal Service also measures employee engagement using the Grand Mean Engagement Score. Each metric is explored below.

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[92] *Id.* Excessive reverse occurs when a vehicle travels backwards for more than 50 feet at a speed of more than 5 miles per hour. *Id.* Excessive acceleration occurs when a vehicle accelerates at a very high rate to travel at a speed of 20 miles per hour or higher. *Id.* Excessive deceleration occurs when a vehicle decelerates at a very high rate from travelling 20 miles per hour or higher. *Id.*

(1)   Survey Response Rate

The Survey Response Rate "measures the level of participation of all potential respondents during each survey administration." *FY 2019 Annual Report* at 27. In a CHIR response, the Postal Service explains that the Postal Pulse survey was administered once during FY 2019 on site and on the clock. Response to CHIR No. 7, question 10.b. Bargaining unit employees received paper copies of the survey at work and at their home address, were able to complete the survey online through Lite Blue, and were sent Outlook invitations if they had an Outlook account.[93] Non-bargaining employees were given the option of completing the survey online. Response to CHIR No. 7, question 10.b.

The FY 2019 Survey Response Rate was calculated by dividing the total number of survey participants who answered at least one question on the survey (226,791) by the total eligible population (589,140). *Id.*, question 10.c. This calculation results in a Survey Response Rate of 38 percent. *Id.*

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

Figure III-4 shows the Survey Response Rate results from FY 2016 through FY 2019. In FY 2019, the Survey Response Rate result was 38 percent, which is 4 percentage points less than the FY 2018 result.

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[93] *Id.*; Response to CHIR No. 5, question 4.a.

Figure III-4
Survey Response Rate Results
Postal Pulse Survey, FY 2016 through FY 2019
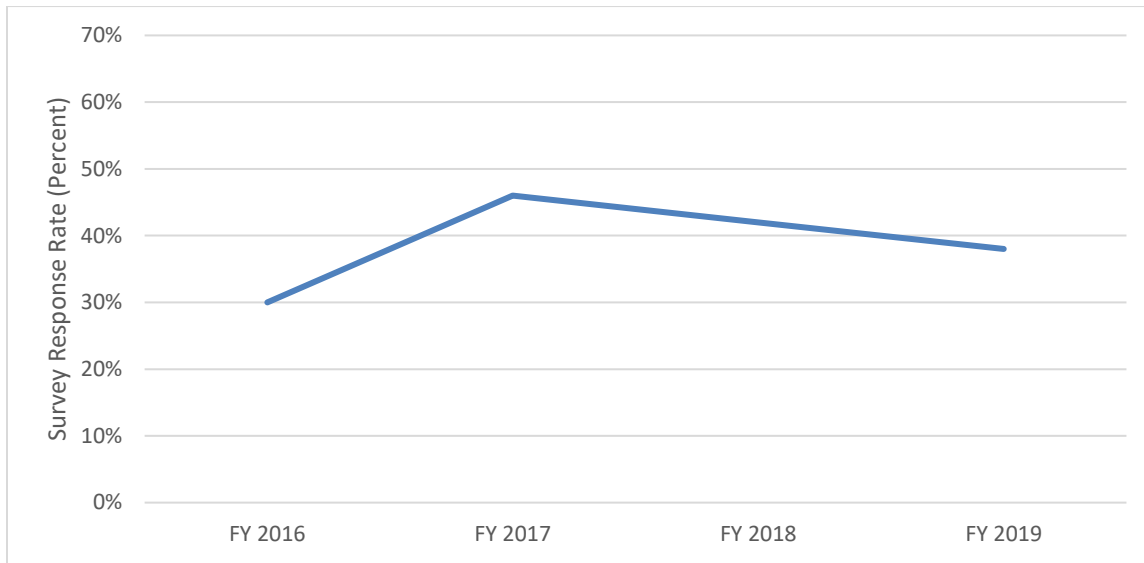
Source: *FY 2019 Annual Report* at 20.

The FY 2019 Survey Response Rate result did not meet the FY 2019 target of 51 percent. *See FY 2019 Annual Report* at 20. In the *FY 2019 Report*, the Postal Service explains that it did not meet the FY 2019 Survey Response Rate target because employees thought that management did not consider the feedback received from the previous Postal Pulse survey administration. *FY 2019 Annual Report* at 28. In its reply comments, the Postal Service further explains that it did not meet the FY 2019 target because established processes lacked sufficient follow-up and effort necessary to meet the target, and resources were committed elsewhere. Postal Service Reply Comments at 10.

The Survey Response Rate performance indicator can be compared to response rates from the Federal Employee Viewpoint Survey, which measures employee engagement and satisfaction among federal agencies.[94] In FY 2019, the government-wide response rate was 42.6 percent, which is almost 5 percentage points more than the FY 2019 Survey Response Rate result of 38 percent. 2019 Government Management Report at 1. The response rate of Very Large Agencies (those with more than 75,000 employees) was approximately 39 percent, which is slightly more than the FY 2019 Survey Response Rate result. *Id*. at 5.

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[94] *See* Office of Personnel Management, 2019 Federal Employee Viewpoint Survey Governmentwide Management Report (2019 Government Management Report), available at: *https://www.opm.gov/fevs/reports/governmentwide-reports/governmentwide-management-report/governmentwide-report/2019/2019-governmentwide-management-report.pdf*.

For FY 2020, the Postal Service set a Survey Response Rate target of 51 percent, which is the same as the FY 2019 target. *FY 2019 Annual Report* at 20. The Public Representative comments that the target appears out of reach. PR Comments at 8. The Postal Service responds that 51 percent is the "minimally acceptable target" and that it expects the FY 2020 result to increase as it communicates the importance of one-on-one conversations between leaders and employees. Postal Service Reply Comments at 5, 10. It asserts that the FY 2020 Survey Response Rate target is achievable because "[t]he exposure to Employee Engagement among employees increases each year[.]" *Id.* at 5-6.

The Postal Service has already taken steps to set an achievable Survey Response Rate target. For FY 2018, the target was 75 percent. *FY 2018 Annual Report* at 17. The Commission recommended that the Postal Service set a more realistic and achievable target for FY 2019 if it did not meet the FY 2018 target. *FY 2017 Analysis* at 61. The Postal Service adopted this recommendation by reducing the target to 51 percent in FY 2019. *See FY 2019 Annual Report* at 20. The Commission stated that the FY 2019 target was reasonable and achievable considering results from FY 2017 (46 percent) and FY 2018 (42 percent). *FY 2018 Analysis* at 64.

The FY 2020 target of 51 percent is more achievable compared to the FY 2018 target of 75 percent. The Postal Service also provides a reasonable explanation for setting the FY 2020 target at 51 percent. However, the Survey Response Rate result has declined by 4 percentage points each year from FY 2017 through FY 2019. If results continue to decline in FY 2020, then 51 percent may no longer be an achievable target.

If Survey Response Rate results continue to decline in FY 2020, the Commission recommends that the Postal Service consider setting a more achievable target for FY 2021. In the meantime, the Commission recommends that the Postal Service engage in additional follow-up during survey administration to encourage participation and take steps to demonstrate responsiveness to feedback, which could ultimately increase the overall response rate to the survey.

(2)   Grand Mean Engagement Score

In addition to the Survey Response Rate, the Postal Service measures employee engagement using the Grand Mean Engagement Score. *FY 2019 Annual Report* at 27. The Grand Mean Engagement Score is not a performance indicator for the Safe Workplace and Engaged Workforce performance goal, which means that no target is set. *See FY 2018 Annual Report* at 22. The Grand Mean Engagement Score is calculated by determining the mean score for Questions 1 through 12 on the Postal Pulse survey, expressed on a scale of 1 to 5. The average of those mean scores is the Grand Mean Engagement Score. *FY 2017 Annual Report* at 20. Table III-16 depicts the Grand Mean Engagement Score results, as well as the mean scores for each question on the Postal Pulse survey, for FYs 2016, 2017, 2018, and 2019.

Table III-16
Postal Pulse Survey
Mean Scores and Grand Mean Engagement Scores
FY 2016 through FY 2019

Postal Pulse Survey Question	FY 2016	FY 2017	FY 2018	FY 2019
	Question-Specific Mean Score			
Q0. How satisfied are you with the Postal Service as a place to work?	3.52	3.49	3.59	3.60
Grand Mean Engagement Score (Average of Mean Scores[a] for Questions 1-12)	3.24	3.25	3.34	3.36
Q1. I know what is expected of me at work.	4.22	4.22	4.28	4.30
Q2. I have the materials and equipment I need to do my work right.	3.55	3.53	3.58	3.61
Q3. At work, I have the opportunity to do what I do best every day.	3.68	3.68	3.77	3.80
Q4. In the last seven days, I have received recognition or praise for doing good work.	2.70	2.75	2.86	2.88
Q5. My supervisor, or someone at work, seems to care about me as a person.	3.33	3.37	3.46	3.48
Q6. There is someone at work who encourages my development.	2.93	2.98	3.08	3.12
Q7. At work, my opinions seem to count.	2.84	2.81	2.92	2.94
Q8. The mission or purpose of my company makes me feel my job is important.	3.54	3.50	3.60	3.61
Q9. My fellow employees are committed to doing quality work.	3.46	3.38	3.42	3.42
Q10. I have a best friend at work.	2.94	3.02	3.07	3.08
Q11. In the last six months, someone at work has talked to me about my progress.	2.71	2.73	2.85	2.87
Q12. This last year, I have had opportunities at work to learn and grow.	3.04	3.03	3.14	3.17
[a] The mean score is the average score for each question using the 5-point survey scale, with 5 being the highest score and 1 being the lowest.				

Source: March 19 Response to CHIR No. 21, question 4.a.; Docket No. ACR2018, Response to CHIR No. 10, question 4.d.; Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-14 of Chairman's Information Request No. 9, February 1, 2018, question 12; Docket No. ACR2016, Responses of the United States Postal Service to Questions 2 and 6 of Chairman's Information Request No. 19, February 27, 2017, questions 6.a., 6.b.

Table III-16 shows that both the Grand Mean Engagement Score and mean score for each question improved between FY 2016 and FY 2019 except for question 9, which declined from 3.46 in FY 2016 to 3.42 in FY 2019.[95] Between FY 2018 and FY 2019, the Grand Mean Engagement Score and mean scores increased slightly for each question except for

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[95] Mean scores for some questions dropped slightly between FY 2016 and FY 2017 before increasing in FY 2018 and FY 2019.

question 9, which remained the same. The mean score for Question 1 continues to be the highest and was also the only question to have a mean score of more than four points. This indicates that Postal Service employees are clear about what is expected of them at work. High mean scores for Questions 0, 2, 3, and 8 indicate that Postal Service employees are satisfied overall with the Postal Service as a place to work, feel that their jobs are important, and have the resources and opportunity to do their work right and perform their best every day.

As in FY 2017 and FY 2018, the lowest scores on the Postal Pulse survey in FY 2019 were for Questions 4, 7, and 11 concerning employee recognition or praise, the importance of employee opinions, and receiving feedback on progress. These were also the only questions to have mean scores less than three points. 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."[96] 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. *Id.* 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.

Mean scores for the lowest scoring questions (Questions 4, 7, and 11) improved slightly between FY 2018 and FY 2019. In the *FY 2018 Analysis*, the Commission acknowledged the Postal Service's progress in improving mean scores for these questions and encouraged the Postal Service to continue taking steps to improve mean scores for all questions. *FY 2018 Analysis* at 67. To improve employee engagement in FY 2020, the Postal Service states that it will showcase success stories by recognizing Engagement Leaders of the Year, Engagement Most Valuable Players, and newly created Engagement Cross-Functional Teams, which are awarded to teams that demonstrate employee engagement when completing team projects. *FY 2019 Annual Report* at 28.

The Commission acknowledges the Postal Service's progress in improving both the Postal Pulse survey Grand Mean Engagement Score and the mean scores for each question between FY 2018 and FY 2019.[97] The Commission recommends that the Postal Service continue taking steps to improve mean scores for all questions. The Postal Service's plans for showcasing success stories may improve the mean score for Question 4 related to recognition or praise for doing good work.

In FY 2019, the Postal Pulse survey included a direct response comment box asking employees what one thing they would do within their team to improve employee engagement. Response to CHIR No. 23, question 5. The Postal Service reports that almost

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[96] United States Postal Service, "Creating and 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).

[97] The mean score for question 9 was the same in FY 2018 and FY 2019.

50 percent of employees who responded to the survey included comments in the comment box. *FY 2019 Annual Report* at 28.

In a CHIR response, the Postal Service describes the top three themes of responses provided in the Postal Pulse survey comment box. The first theme was to improve management and supervisor capabilities, professionalism, and availability. Response to CHIR No. 23, question 6. These comments stated that managers and supervisors should be more approachable, and managers should be allowed to manage their own offices without continual interference from the district or headquarters. *Id.* The second theme was to improve care, respect, support, and positivity. *Id.* These comments recommended that managers and supervisors show gratitude regularly by thanking their employees and making them feel appreciated. *Id.* The third theme was to improve communications by setting clear expectations and sharing information about the local unit or the Postal Service as a whole. *Id.*

The Commission observes that some comments relate to question 4 on receiving recognition or praise for doing good work, which is one of the lowest scoring questions on the Postal Pulse survey. Employees commented that managers and supervisors should take time to show gratitude for their employees and recognize when someone is doing a job well. *Id.* Increasing efforts to recognize employees may address employee comments and improve the mean score for question 4.

In the *FY 2018 Analysis*, the Commission stated, "[a]cknowledging and addressing employee comments may help improve the mean score for Question 7 concerning employee opinions." *FY 2018 Analysis* at 68. Although the mean score for Question 7 improved slightly, the Postal Service acknowledges that it partially met the Safe Workplace and Engaged Workforce performance goal because employees thought that management did not consider the feedback received from the previous Postal Pulse survey administration. *FY 2019 Annual Report* at 28.

The Commission recommends that the Postal Pulse survey continue to include a comment box to provide another forum for voicing employee opinions and gathering employee engagement insights. The Commission suggests that the FY 2020 Report describe the most common types of comments received in FY 2020, and explain how the Postal Service will use them to improve employee engagement in FY 2021. To improve the mean score for Question 7, the Commission recommends that the Postal Service communicate that improvements to the workplace were made as a result of feedback provided by employees.

In the *FY 2019 Report*, the Postal Service states it aggregated and shared employee comments with leaders "to directly influence workplace improvements starting at the highest level of the organization." *FY 2019 Annual Report* at 28. In a CHIR response, the Postal Service explains that Gallup analyzed the comments and shared results with headquarters vice presidents, as well as area and district officials. Response to CHIR No. 23, question 7. The Postal Service's Employee Engagement team communicated regularly

with managers on holding one-on-one, engagement-focused conversations with employees. *Id.* This process was publicized in several platforms such as articles, direct mailings, and a weekly publication sent to all managers. *Id.* The Postal Service states it will measure workplace improvements based on this process when next year's Postal Pulse survey is administered and evaluated.

The Commission recommends that the FY 2020 Report describe improvements made to the workplace based on comments received on the Postal Pulse survey, and explain how these improvements increased employee engagement in FY 2020.

D.   Financial Health

1.   Background

In FY 2019, the Postal Service used two performance indicators to measure progress toward its Financial Health goal: Deliveries per Total Workhours % Change (DPTWH % Change) and Controllable Income (Loss). *See FY 2019 Annual Report* at 20.

The DPTWH % Change performance indicator is intended to measure how efficiently the Postal Service uses workhours in a given fiscal year.[98] The Postal Service first calculates Deliveries per Total Workhour (DPTWH) by multiplying the total possible deliveries by the number of delivery days and dividing that product by total workhours. *FY 2019 Annual Report* at 34. The Postal Service adjusts workhours to reflect changes in workload compared to the prior year. *Id.* This adjustment accounts for changes in the network size (such as the addition of delivery points), changes in the number of non-Sunday delivery days, and changes in the mix of mail types. *Id.* This adjustment ensures that DPTWH results are comparable across years. *Id.*

The Postal Service then uses DPTWH to calculate DPTWH % Change, which is the percentage change in DPTWH from the current year compared to the prior year. *Id.* The Postal Service calculates the DPTWH % Change result as the percentage difference between the current year's DPTWH (based on adjusted workhours) and the prior year's DPTWH (based on unadjusted workhours). *Id.*

The results for the Controllable Income (Loss) performance indicator are calculated as the Postal Service's total revenue minus controllable expenses and one-time accounting adjustments. *Id.* at 18. Revenue includes funds received from the sale of postage, mailing and shipping services, passports, Post Office Box rentals, gains from the sale or outlease of property, and interest and investment income. *Id.* at 31.

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[98] *See* Docket No. ACR2016, Responses of the United States Postal Service to Questions 1 and 3-5 of Chairman's Information Request No. 19, March 17, 2017, question 4.b.

Controllable expenses consist of compensation and benefits; the annual Postal Service Retiree Health Benefits Fund (PSRHBF) normal cost; transportation; depreciation; supplies and services; and rent, utilities, and other controllable expenses. *Id.* at 18, 31-32. Controllable expenses exclude non-controllable expenses or expenses that do not reflect the Postal Service's operational decisions and are subject to large fluctuations that are outside of the Postal Service's control. *Id.* at 29. Non-controllable expenses include:

- Re-evaluations of the PSRHBF normal cost by the Office of Personnel Management (OPM)

- Amortization of the Postal Service's unfunded liability to the PSRHBF

- Amortization of the Postal Service's unfunded liabilities for its portion of the Federal Employees Retirement System (FERS) and Civil Service Retirement System (CSRS)

- Non-cash expenses related to changes in liability for participating in the federal workers' compensation program

- A 2016 change in the accounting estimate of "Deferred revenue – prepaid postage liability" for Forever stamps

Id.

Consistent with historical practice, the Commission has published a separate financial analysis of the Postal Service's FY 2019 financial results and 10-K statement.[99] 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.

The Postal Service failed to meet its targets for both performance indicators for the Financial Health performance goal in FY 2019. With regard to DPTWH % Change, the Postal Service explains that while the FY 2019 target was a 1.4 percent improvement over FY 2018, the actual result was a decrease of 0.60 percent. *FY 2019 Report* at 34. The Postal Service attributes this result to "overrunning [its] work hours relative to plan." *Id.* Explanations for missing the FY 2019 target are discussed in more detail below. *See* Chapter 3, section D.3.a.(1)., *infra*.

With regard to the Controllable Income (Loss) performance indicator, the Postal Service's total controllable loss for FY 2019 of ($3.42) billion was greater than its target controllable loss of ($3.10) billion. *FY 2019 Report* at 31. The Postal Service explains that FY 2019 revenue was less than planned largely due to lower-than-expected USPS

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[99] Postal Regulatory Commission, Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2019, May 7, 2020 (FY 2019 Financial Report).

Marketing Mail, International Mail, and package volumes. *Id.* Controllable expenses were largely in line with the *FY 2019 Plan*. *Id.* at 31-32.

In the *FY 2020 Plan*, the FY 2020 target for DPTWH % Change has been increased from a 1.4 percent improvement to a 1.5 percent improvement. *Id.* at 20. The Postal Service explains that the FY 2020 target "assumes [the Postal Service] will capture work hour reductions from declining mail volume and from operational initiatives to improve efficiencies in mail processing, delivery, and customer service." *Id.* at 34. The FY 2020 target for Controllable Income (Loss) is ($4.00) billion, a change of ($0.9) billion from the FY 2019 target of ($3.10) billion. *Id.* at 31, 32. The Postal Service projects that "revenue growth of $0.5 billion [will] not [be] enough to offset inflationary and contractual cost increases, an anticipated increase in the FERS normal cost, and modest inflationary growth in non-personnel expenses."[100] Plans for improving Financial Health in FY 2020 are discussed in more detail below. *See* Chapter 3, section D.3.a.(2)., *infra*.

2.   Comments

The Public Representative notes that neither DPTWH % Change nor the Controllable Income (Loss) performance indicator was met in FY 2019. PR Comments at 9. She, therefore, concludes that the Postal Service did not meet the Financial Health performance goal. *Id.* With regard to DPTWH % Change, in particular, she notes that the actual result for FY 2019 was significantly lower than the target. *Id.* She states that "[t]he Postal Service increased its target [for DPTWH % Change] from 1.4 in FY 2019 to 1.5 in FY 2020, even though it failed to meet target in FY 2019." *Id.* She asserts that "[i]t is doubtful that after three years of decreases, the Postal Service would increase DPTWH by such a significant amount." *Id.* She, therefore, "urges the Postal Service to reduce this target to a more reasonable level." *Id.*

PostCom notes declines that have occurred in other performance measures besides DPTWH % Change and Controllable Income (Loss), and expresses concern that they reflect decreased productivity on the Postal Service's part. PostCom Comments at 8-9.

NAPM suggests that there is more the Postal Service could do to grow its mail volume and revenue by enhancing existing products and services, moving towards more efficient workshare discount pricing, and developing new products and services. NAPM Comments at 15. NAPM "urges the Postal Service to renew exploration of new products, services and enhancements to its First-Class Mail offerings." *Id.* at 16. NAPM "do[es] not believe that the declines in First-Class Mail are totally due to electronic diversion nor is continuing significant decline a fait accompli." *Id.* NAPM identifies various actions that the Postal Service could take, which NAPM believes would retain and grow First-Class Mail volume, including improving service performance, targeting sales and marketing efforts to

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[100] *Id.* at 32. The Commission notes that the Postal Service's *FY 2020 Plan* was prepared prior to the outbreak of the COVID-19 pandemic and, therefore, this analysis does not include the impact of COVID-19 on the Postal Service. However, the financial impact stemming from the pandemic is likely to be substantial, and the figures referenced in the *FY 2020 Plan* and in this report are all subject to change in response.

First-Class mailers, and taking commingling into account in designing new programs and initiatives directed at First-Class mailers. *Id.* NAPM also states that for the Postal Service's existing First-Class Mail volume, the Postal Service could do more to drive Single-Piece volume into Presort categories, which are less costly to process. *Id.* NAPM suggests that this could be done by "better designed and new workshare incentives," ... "eliminating barriers that impede [commercial mailers'] ability to bring more customer mail into the presort mailstream," and "better support of and partnering with Mail Service Providers." *Id.* at 16-17.

NAPM questions the Postal Service's FY 2020 volume and revenue projections with regard to First-Class Mail and USPS Marketing Mail. *Id.* at 17. NAPM notes that "[t]here are two significant mail volume events occurring in FY 2020 that should boost revenues for First-Class and Marketing Mail: the 2020 Census, and the Presidential election." *Id.*

The Postal Service replies that while it did not officially meet its Financial Health performance goal, "it should be noted that performance improved significantly in the second half of FY 2019, and the most important [performance indicator], Controllable Income, was nearly met." Postal Service Reply Comments at 7. With regard to DPTWH % Change, the Postal Service states that it is currently achieving significant workhour reductions from FY 2019 levels. *Id.* The Postal Service acknowledges that "[t]he DPTWH target for FY 2020 is aggressive," but it contends that the target "must be tied to the workhours in the approved Integrated Financial Plan (IFP)[,]" which "projects an approximately 16 million workhour reduction, in spite of the continued growth in delivery points and the addition of two delivery days compared to 2019." *Id.* The Postal Service states that even with these projected workhour reductions, the planned controllable loss for FY 2020 is $4.0 billion. *Id.* It contends that "[r]elaxing the workhour plan would have driven the planned loss higher." *Id.*

In response to NAPM's comments, the Postal Service asserts that "in developing its revenue and volume forecasts, it takes into account all available information, including, but not limited to, underlying trends in mail usage, technological change, forecasts of economic growth, and cyclical factors such as elections and the decennial United States Census." *Id.* at 8. It states that it "coordinated with the U.S. Census Bureau to ascertain the number, timing, and type of mailings that would be expected," which "are factored into the First-Class Mail volume and revenue forecasts for FY 2020 and result in higher First-Class Mail volume than would otherwise have been expected without the census." *Id.* The Postal Service maintains that it "also fully considered the impact of the election cycle in developing its Marketing Mail volume and revenue forecasts[,]" which it discusses in its FY 2020 IFP. *Id.* at 9. The Postal Service "expect[s] political and election mail volume to decline by approximately 0.6 billion pieces [in FY 2020 compared to FY 2019] ...[,] primarily due to increased competition from electronic media." *Id.*

3.   Commission Analysis

In FY 2019, the Postal Service missed the targets set for both the DPTWH % Change and Controllable Income (Loss) performance indicators.

The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2019.

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

a.   Deliveries per Total Workhour % Change

As stated above, DPTWH % Change is calculated by comparing the current year's DPTWH (based on adjusted workhours) with the prior year's DPTWH (based on unadjusted workhours). *FY 2019 Annual Report* at 34. Table III-17 illustrates how the Postal Service calculates DPTWH % Change:

Table III-17
Deliveries per Total Workhours, % Change Calculation
Results and Targets

	FY 2016 Result	FY 2017 Result	FY 2018 Result	FY 2019 Target	FY 2019 Result	FY 2020 Target
Workhours (millions)	1,157.6	1,163.9	1,169.6	1,161.0	1,732.2	1,157.3
Less adjustment to workhours based on earned workload (millions)	18.0	(5.4)	(5.4)	(4.9)	(14.1)	(11.9)
Adjusted workhours (millions)	1,139.6	1,169.3	1,175.0	1,165.9	1,187.3	1,169.2
Total deliveries (millions)	47,366	47,604	47,825	48,358	48,270	48,825
Deliveries per total workhours (unadjusted)	40.9	40.9	40.9	41.7	41.1	42.2
Deliveries per total workhours (adjusted)	41.6	40.7	40.7	41.5	40.7	41.8
Deliveries per total workhours, % change	0.1%	(0.5)%	(0.5)%	1.4%	(0.6)%	1.5%

Source: Response to CHIR No. 24, question 1.

The FY 2019 target for the DPTWH % Change performance indicator was an increase of 1.40 percent over the FY 2018 result. *FY 2019 Annual Report* at 20. However, the FY 2019 result was a decrease of 0.60 percent from the FY 2018 result—2.00 percentage points lower than the FY 2019 target. *Id.*

(1)   Explanation for Missing Target in FY 2019

The Postal Service attributes missing its FY 2019 target for DPTWH % Change to "overrunning [its] work hours relative to plan." *Id.* at 34. The Postal Service asserts that workhour overruns occurred mainly in the first half of the fiscal year. *Id.* Specifically, "[t]he work hour overrun was high in Quarter 1, as the Postal Service attempted to maintain high service performance levels during Peak Period [which runs from

Thanksgiving to New Year's Day], despite the impacts of additional political and election mail and major weather events." Response to CHIR No. 18, question 7. The Postal Service states that "[a]lthough work hour performance improved in the remainder of the year, the Postal Service still experienced additional work hour overruns … as it attempted to improve service." *Id.*

The Postal Service explains that "[s]urges in political mail can cause inefficiencies, due to the urgency of delivery and to non-standard sized mail." *Id.* This type of mail, consisting mainly of First-Class Mail and USPS Marketing Mail, contains mailpieces that "are typically on the outer limits of letter mail or the smaller limits of flat-size mail[,]" which can make them more difficult to process on automated equipment. March 19 Response to CHIR No. 21, questions 9.a.-b. The Postal Service states that "[o]ften mailers try to utilize these non-standard size mail pieces to take advantage of the lower letter rate postage while including as much information on the mail piece as possible… ."*Id.*, question 9.d. These mailpieces also "are often glossy stock, which causes significant double feeds[,] [which] in turn can lead to re-handling and/or missents." *Id.*, questions 9.b., 9.d.

In addition to quality issues, "[p]olitical mail pieces have targeted in-home dates that are time sensitive to the upcoming elections[ ]" and are "[o]ften … topic-specific to issues that have arisen within the campaign and have very short turnaround times." *Id.*, question 9.c. Although the urgency of delivery is technically no greater than for any other mailpiece falling within a given service standard, as a practical matter,

> If a piece of marketing mail arrives at a customer's home a day late, … customer experience can be affected[,] [but] [a] store will often honor the sale even if the mailing arrived late, thereby mitigating the issue. [However, if] a piece of political mail … arrives a day late and the election has passed, it could have a similar impact on the customer experience, but if the mail piece would have swayed a voter's decision, late delivery may have far greater impacts and is much more likely to draw negative public attention and damage the Postal Service['s] brand. [Moreover,] [b]ecause the election occurs on a single day in a specific region, there are often many mailers (candidates/issues) seeking the same in-home dates[,] [and] [t]he sheer volume combined with timing can present challenges.

Id.

The Postal Service states that efforts to properly align its workforce to the workload is a continual process. Response to CHIR No. 18, questions 2.a.-b. The Postal Service explains that:

> The market in which [it] operates is nimble and can change very quickly. [A] business customer may start up a new distribution facility seemingly overnight, creating an increased workflow in a specific region and necessitating the addition of equipment and personnel by the Postal Service; the opposite can also happen.

Id., question 2.b. In such situations, "sudden changes in package volumes, both locally and nationally, ... may not be immediately matched with corresponding workforce adjustments." *Id.*, question 7. The Postal Service maintains that "[w]hen making decisions about employees in such an environment, [it] strives to react as effectively as possible while still following all collective bargaining agreement requirements." *Id.*, question 2.b. Nevertheless,

> The fixed nature of most of the Postal Service's workforce created several areas of inefficiency [in FY 2019], as the agency reacted to major growth in locations where customers added distribution sites, and then could not scale down quickly enough when these customers greatly reduced Parcel Select and Parcel Return package volume.... [This] made it very difficult to adjust complement levels quickly, and therefore caused additional work hour overruns....

Id., question 7.

In the *FY 2018 Analysis*, the Commission recommended that the Postal Service continue its efforts to leverage data-driven processes to improve service performance without having to resort to additional workhours and explain the impact of such efforts on DPTWH % Change in FY 2019. *FY 2018 Analysis* at 73. The Postal Service reports that it has been developing tools and dashboards to assist field operations with improving service performance, and these measures have enabled management to identify opportunities within the processing and delivery network to keep mail in the proper flows and ensure first-in-first-out processing. March 19 Response to CHIR No. 21, question 7.a. The Postal Service states that it has also been able to use these tools to improve scheduling and operational run plans, both improving service performance and reducing workhours during the second half of FY 2019. *Id.* With regard to DPTWH % Change specifically, the Postal Service states that "the main driver of the formula, work hours, ... improve[d] throughout the fiscal year." *Id.*, question 7.b. In particular, while the Postal Service reports that in mid-April of FY 2019 it had utilized 5.47 million more workhours than it had at the same point in FY 2018, by the end of FY 2019 it had reduced the overrun relative to the same point in FY 2018 to 3.73 million workhours. *Id.* As a result, the percentage change in DPTWH had gone from -0.8 to -0.6, which, while not at target, nevertheless evinced improvement. *Id.*

The Commission finds the Postal Service's explanations for missing its FY 2019 DPTWH % Change target plausible given the circumstances the Postal Service describes. However, several of those circumstances—particularly seasonal shifts in demand and the relative fixity of the Postal Service's network—are unlikely to change. As with the High-Quality Service performance goal, the Commission encourages the Postal Service to incorporate these kinds of operational realities into its target setting.

The Commission is encouraged that the Postal Service has had some success in using data tools to improve service performance without having to resort to additional workhours. The

Commission also observes that the Postal Service was able to reduce workhours relative to the same point the year before. Unlike cyclical improvements which are to be expected given that the Postal Service's workload is heavily concentrated in the first quarter of the fiscal year, workhour reductions relative to the same point the year before are a sign of progress. The Commission recommends that the Postal Service continue to utilize and develop tools that allow for improved service performance without additional workhours as well as year-over-year improvements in workhour usage.

> (2)   FY 2020 Target and Operational Initiatives to Improve DPTWH % Change

The Postal Service states that while its planned strategies for meeting its FY 2020 DPTWH % Change target—capturing workhour reductions and improving operational efficiencies—are the same as in FY 2019, the Postal Service "hopes to be able to have more success implementing those strategies[ ]" in FY 2020. Response to CHIR No. 18, question 8.

The Postal Service identifies a number of operational initiatives being undertaken to reduce workhours in FY 2020. These include Mail Processing Equipment Reductions; Manual Case Reductions; Powered Industrial Vehicle Reductions; Run Plan Generator Compliance—Throughput; City Route Inspections; Delivery Case Configuration Tests; Increase in the use of Sunday/Dynamic Routes; Rural Route Optimization; Motor Vehicle Operator Training Pilot; and Customer Service level 2 and 3 reviews to align staffing with workload. March 19 Response to CHIR No. 21, question 8.a. The Postal Service states that "[t]hese strategies are being developed to right size the equipment needs of the Postal Service to the workload." *Id.*

More specifically, the Postal Service states,

> As the organization continues to see declines in letter and flat volumes, it is able to reduce the machines necessary to process and sort those products, while opening up floor space that can be directed toward package sortation machines and operations. [At the same time,] [a]s these volume changes impact processing and sorting operations, they also impact clerical sorting functions and delivery operations[,] ... [and] workload reviews are conducted in Customer Service Operations to adjust staffing to the workload. Lower numbers of clerical hours are needed for sorting letters and flats, while package operations may need additional hours for sorting operations. Similar reviews are completed in Delivery Operations to align the route structure to the workload[,] [which] [i]n many cases ... results in fewer delivery routes necessary to deliver the mail[,] [though] [it] does result in more delivery addresses per route, but with less mail per delivery. All of these actions will contribute to increased efficiency, including workhour reductions.

Id., questions 8.a.-b.

The Postal Service describes how for the FY 2020 Peak Period it "developed and successfully executed a strong game plan ...[,]" which involved "ha[ving] an effective

project planning team in place that engaged employees from the front line to senior management."[101] This plan "fully encompassed facility/space needs, complement needs, pinch point identification and elimination, transportation and delivery routing, and employee scheduling/utilization." March 19 Response to CHIR No. 21, question 8.c. In addition, "[t]here was ... a robust communication plan that facilitated the flow of information multi-directionally throughout the organization[,]" and "Network Operations Centers were utilized effectively to identify and mitigate operations impacts." *Id.* According to the Postal Service, this approach produced service performance well above comparable FY 2019 levels, while at the same time the Postal Service was able to reduce workhours by over 6 million. *Id.* The Postal Service expects to continue realizing significant workhour reductions under this plan. Response to CHIR No. 18, question 8.

The Postal Service also discusses plans to deploy additional delivery lockers and increase package automation in FY 2020, which it asserts should lead to reductions in workhours. Response to CHIR No. 18, question 8. With regard to delivery lockers, the Postal Service states that it plans to install 8,000 of them in FY 2020, spread throughout the country. March 19 Response to CHIR No. 21, question 8.d.ii. The Postal Service projects the annual savings from these lockers to be $5.94 million. *Id.*

With regard to package automation, the Postal Service states that in FY 2020 it will use the Universal Sorter System (USS), which processes mail that is too large or too heavy to be sorted on other package sorters. March 19 Response to CHIR No. 21, question 8.d.i. The USS is expected to save approximately $1.3 million per year in processing expenses. *Id.* The Postal Service reports that two USS machines have already been installed in FY 2020, six additional machines are under contract, and eight more are pending funding approval. *Id.* The Postal Service also plans to start installing Small Delivery Unit Sorter machines in FY 2020, which are designed to be installed in delivery units to sort packages down to the carrier route level. *Id.* These machines are expected to save approximately $0.22 million per year. *Id.* Ten machines are planned to be installed in FY 2020, pending approval of advanced funding. *Id.* The Postal Service deployed one additional Enhanced Package Processing System machine in FY 2020. *Id.* This machine is capable of sorting packages and bundles simultaneously, with a high throughput and a large number of separations.[102] The Postal Service has also deployed nine Automated Delivery Unit Sorter machines in FY 2020, which sort machinable packages in high volume delivery units and small processing plants. March 19 Response to CHIR No. 21, question 8.d.i.

The FY 2020 target for DPTWH % Change has been increased from a 1.4 percent improvement to a 1.5 percent improvement, even though, as the Public Representative notes, the actual result for DPTWH % Change in FY 2019 was significantly lower than the

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[101] Response to CHIR No. 18, question 8; Response to CHIR No. 21, question 8.c.

[102] *See* Docket No. ACR2018, Annual Compliance Determination Report, Fiscal Year 2018, April 12, 2019, at 51 (FY 2018 ACD).

target, as has been the case for the last several years.[103] The Public Representative expresses doubt that the Postal Service will be able to meet this target, and she urges the Postal Service to reduce it to a more achievable level. PR Comments at 9. The Postal Service acknowledges that the FY 2020 DPTWH % Change target is aggressive, but it contends that the target must be aligned with the approved workhour plan in the IFP. Postal Service Reply Comments at 7.

Looking at the last four years of results for DPTWH % Change, it is notable that actual results have been fairly consistent (0.1 in FY 2016, -0.5 in FY 2017, -0.5 in FY 2018, -0.6 in FY 2019), while the targets have varied considerably (1.2 in FY 2016, 0.6 in FY 2017, 2.1 in FY 2018, 1.4 in FY 2019).[104] Furthermore, as the Public Representative notes, the gap between targets and results has been significant. The Commission agrees with the Public Representative that it seems unlikely that the Postal Service will be able to meet an even higher target in FY 2020, given this record. The Commission recommends that the Postal Service set more realistic targets for this performance indicator in the future, which are more in line with historical performance.

At the same time, however, the Commission finds the Postal Service's efforts to right-size its equipment needs, add additional delivery lockers, and deploy new package automation equipment to reduce workhours to be generally reasonable. The Commission recognizes the success the Postal Service was able to realize during the FY 2020 Peak Period, in which it was able to improve service performance while simultaneously reducing workhours. The Commission also recommends that the Postal Service closely study the reasons for the gains achieved during the FY 2020 Peak Period and implement the most significant contributors on a continuous and widespread basis.

(3)   Use of Overtime Workhours

The Postal Service Office of Inspector General (Postal Service OIG) recently issued two reports regarding the Postal Service's use of overtime workhours. The first of these reports dealt with overtime in mail processing operations.[105] It found that in FY 2018, the Postal Service "planned for about 18.5 million overtime workhours and 767,000 penalty overtime workhours ...[,] but [t]he actual overtime workhours used were 26.7 million (44 percent over plan) and the actual penalty overtime workhours used were 1.7 million (126 percent over plan)."[106] It also found that in FY 2018, 3.4 million overtime workhours,

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[103] *See FY 2016 Analysis* at 67 (Target 1.2; Result 0.1); *FY 2017 Analysis* at 63 (Target 0.6; Result -0.5); *FY 2018 Analysis* at 71 (Target 2.1; Result -0.5).

[104] *FY 2016 Analysis* at 67; *FY 2017 Analysis* at 63; *FY 2018 Analysis* at 71; *FY 2019 Annual Report* at 20.

[105] *See* United States Postal Service, Office of Inspector General, Audit Report: Mail Processing Overtime, June 13, 2019, available at: *https://www.uspsoig.gov/document/mail-processing-overtime* (OIG Mail Processing Overtime Report).

[106] OIG Mail Processing Overtime Report at 1. "Penalty overtime" is overtime that is paid for one of five reasons: (1) an employee works overtime for 5 consecutive days in any work week; (2) an employee works more than 8 hours on their scheduled day off; (3) an employee works their second scheduled day off in a work week; (4) an employee works more than 10 hours in a shift; or (5) an employee works more than 56 hours in a week. March 20 Response to CHIR No. 21, question 10.b.i. Unlike regular overtime, which is paid at one-and-a-half times an employee's hourly rate, penalty overtime is paid at twice an employee's hourly rate. OIG Mail Processing Overtime Report at 1.

constituting 13 percent of total overtime workhours, were unauthorized. OIG Mail Processing Overtime Report at 2.

The report additionally discussed large-scale problems in balancing the Postal Service's employee complement during FY 2018, which it found to be caused by poor design and implementation of the F1 Scheduler, a "modeling tool designed to optimize employee schedules… ." *Id.* at 1. The Postal Service OIG found that because:

> Employee schedules and complement levels were calculated using [a base week] … [that] was not representative of the mail processing operations for all facilities …, it did not always schedule the right people, in the right place, at the right time. [This] contributed to [a] decrease in the overall mail processing complement …, [but] there were also changes to many employees' schedules and positions, which required the rebidding of over 53,000 mail processing positions …[,] [which,] along with the overall reduction in complement, increased the need for overtime. [At the time the OIG Mail Processing Overtime Report was issued, it stated that the Postal Service was still in the process of] rolling out an updated version of the F1 Scheduler… .

Id.

The second Postal Service OIG report dealt with overtime in Customer Service, City Delivery, and Vehicle Operations.[107] It found that overtime in these positions had shown notable increases between FY 2014 and FY 2018, with total overtime increasing 20 percent during this period. OIG Customer Service, City Delivery, and Vehicle Operations Report at 1. The report found that "actual [overtime] exceeded planned [overtime] by more than 31 million hours for this five-year period[,] … [and] overtime and penalty overtime workhours were 12 percent of total workhours in FY 2014 and 13 percent in FY 2018." *Id.* The report also found that "some districts were more successful in managing workhours to the change in workload[,]" while "other districts increased workhours despite a more stable or declining workload." *Id.* at 2.

In response to information requests, the Postal Service posits that "the hourly rate for a full-time career employee working overtime is actually lower than the hourly rate for a full-time career employee working a [non-overtime] [work]hour." March 20 Response to CHIR No. 21, question 10. This is because "the Postal Service does not incur additional benefit costs on the overtime hour that are incurred in the straight time hour."[108] The Postal Service asserts that in FY 2019, it was 6.38 percent more cost efficient to have a career employee work an overtime workhour than to on board an additional career employee and have them work that same workhour at a straight-time rate. *Id.* Therefore,

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[107] *See* United States Postal Service, Office of Inspector General, Audit Report: Customer Service, City Delivery and Vehicle Operations—Workload and Workforce Performance Indicators, October 24, 2019, available at: *https://www.uspsoig.gov/document/customer-service-city-delivery-and-vehicle-operations-workload-and-workforce-performance* (OIG Customer Service, City Delivery, and Vehicle Operations Report).

[108] *Id.*, question 10; March 19 Response to CHIR No. 21, question 11.a.i.

"the overtime plan has been increasing as part of operational planning." March 19 Response to CHIR No. 21, question 11.a.i.

The Postal Service cites numerous reasons why overtime might be required: to fill in for another employee on sick leave, vacation, or a temporary assignment; or to address operational circumstances such as unexpected volume, late-arriving volume, or unplanned machine downtime which causes an operation to run late. March 20 Response to CHIR No 21, question 10.a. The Postal Service states that it is not practical to foresee all such types of events when conducting scheduling, which, at any rate, would require additional personnel to be on hand at all times to react. *Id.* The Postal Service states that "[t]his would be counterproductive and cause diminished efficiencies and increased costs in the long run." *Id.*

Furthermore, the Postal Service states that it experiences variability in volumes from day to day throughout the week and from week to week throughout the year, which necessitates the use of overtime during higher-volume periods. March 19 Response to CHIR No. 21, question 11.a.i. In addition, the length of the Peak Season fluctuates annually by as much as 15 percent, which creates a variance in the timing of volume that requires overtime to handle. *Id.* The Postal Service also states that its largest package customers tend to flex their networks and operations, which contributes to significant workload changes. *Id.*, questions 11.a.i., 11.b. By way of example, the Postal Service states that "[a] package mailer may be injecting volumes in one geographical area but not another, [but] because of changes in its operations, the mailer may quickly add volumes in new geographical areas and pull back volumes in others." *Id.*, question 11.a.i. The Postal Service maintains that these kinds of changes create an internal need for overtime to accommodate the changes in workload while the Postal Service realigns its network. *Id.*

The Postal Service also cites the low national unemployment rate in recent years that has made for a tight job market in many parts of the country and has required the Postal Service to use additional overtime to maintain service while hiring activities continue. *Id.*, questions 11.a.i., 11.b. Similarly, the Postal Service cites how the logistics industry in general is currently experiencing a shortage of commercial vehicle operators, which is causing wages to rise for those positions and making hiring more difficult, thereby necessitating additional overtime. *Id.*, question 11.a.i. The Postal Service states that it is currently attempting to address this issue by using a "Zero Base process" to optimize runs and eliminate underutilized vehicles, and by training existing employees to operate commercial vehicles. *Id.* Finally, the Postal Service states that "[w]hile [its] Operations department has standardized policies and work instructions for overtime and penalty overtime, local union contracts have varying language and requirements which present unique challenges in some locations." *Id.*, question 11.b.

The Postal Service states that "[t]he use of regular overtime hours is preferred over the use of penalty overtime[,]" which "is not the default choice and is avoided when possible." March 20 Response to CHIR No. 21, question 10.b.ii. Furthermore, "[c]ontractual

provisions generally require the Postal Service to maximize regular overtime before utilizing penalty overtime." *Id.*

The Postal Service provides several reasons why overtime and penalty overtime workhours exceeded the Postal Service's plan in FY 2018—the year investigated by the Postal Service OIG. These include workload; inefficiencies; staffing and scheduling changes; short staffing in some functions and geographical areas; and operational impacts such as weather events. *Id.*, question 10.c.i. The Postal Service states that its overtime plan is developed as part of its annual budget development process, based on factors such as prior year usage, operational factors, national strategic initiatives, and local management initiatives. *Id.*, question 10.c.ii.

For FY 2019, the Postal Service states that planned overtime hours were 116,401,104, and planned penalty overtime hours were 6,894,582.[109] The actual overtime hours worked were 136,556,311 (17.3 percent over plan), and the actual penalty overtime hours worked were 11,381,781 (65.1 percent over plan).[110] In addition to the usual reasons for overtime hours, the Postal Service asserts that in FY 2019, there were disruptions to its processing, transportation, and delivery network throughout the fiscal year due to severe weather events, natural disasters, industrial incidents, and one incident of domestic terrorism.[111] The Postal Service states that "[i]n almost every instance, recovery required [the usage of] additional work hours, many at overtime or penalty overtime rates." *Id.*

For FY 2020, the Postal Service reports that planned overtime workhours are 120,981,576.[112] Planned penalty overtime workhours are 8,871,282. *Id.*

The Postal Service reports that the "updated version of the F1 Scheduler has been fully implemented." March 20 Response to CHIR No. 21, question 10.d.iii. The Postal Service states that "it is important to understand that the model is reprocessed for a facility if operational changes, such as machine reductions or the equipment set is changed… ." *Id.* As a result, "at any given time, there may be facilities that are in the process of implementing an adjusted F1 Scheduler output." *Id.* The expected result of this process is "a facility complement aligned with the workload of the facility." *Id.*

The total number of unauthorized overtime workhours in FY 2019 was 28,609,400. *Id.*, question 10.e.iv. The Postal Service states that it "has standard processes in place to deal with and eliminate unauthorized work hours." *Id.*, question 10.e.v. It utilizes forms to document unauthorized overtime, and notification is provided to the employee. *Id.* Employees are "subject to corrective action in situations involving unauthorized

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[109] *Id.*, question 10.c.iii.; March 19 Response to CHIR No. 21, question 11.a.ii.

[110] March 20 Response to CHIR No. 21, questions 10.c.iii., 10.e.ii.-iii.; March 19 Response to CHIR No. 21, question 11.a.ii.

[111] March 20 Response to CHIR No. 21, question 10.c.iii.; March 19 Response to CHIR No. 21, question 11.a.ii.

[112] March 20 Response to CHIR No. 21, question 10.c.iv.; March 19 Response to CHIR No. 21, question 11.a.iii.

overtime." *Id.* "If no work was performed, and the supervisor observed or had reason to know that no work was performed, the supervisor must disallow that time and record it... ." *Id.* However, "[t]his would be the only scenario by which recorded time could not be paid." *Id.*

The Postal Service OIG noted that as of the issuance of its Mail Processing Overtime Report in June 2019, no performance incentives were in place to encourage managers to effectively manage overtime, and the Postal Service reports that this remains the case.[113]

The Postal Service presents a reasonable justification for why it views the use of overtime workhours in many instances as preferable to hiring additional employees. However, while incurring overtime workhours might be the best available course as a response to network disruptions, market changes, and operational realities such as seasonal variability in volume, the justification for incurring penalty overtime workhours and unauthorized overtime workhours is substantially less. While the Commission commends the Postal Service for its moderate success at reducing workhours through operational initiatives, it is nevertheless difficult to see how the Postal Service expects to achieve a heightened DPTWH % Change target in FY 2020 without a more comprehensive plan to address these issues.

The Commission recommends that the Postal Service focus on balancing its work complement to minimize the use of penalty overtime workhours to the greatest extent possible. The Commission further recommends that the Postal Service take steps to address the occurrence of unauthorized overtime workhours.

(4)   Other Performance Measures

Although not used as performance indicators, the Postal Service also includes in the *FY 2019 Report* results for Total Factor Productivity (TFP) and labor productivity. *FY 2019 Annual Report* at 34-35. The Commission appreciates the Postal Service providing this information, as the Commission has suggested in the past.[114] 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.

The Postal Service explains that TFP is a measure of how efficiently the Postal Service uses its resources, based on the ratio of work completed to resources used. *FY 2019 Annual Report* at 34. TFP is the Commission's determinative metric for measuring the Postal Service's operational efficiency.[115] However, the Postal Service explains that it uses

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[113] OIG Mail Processing Overtime Report at 2; March 20 Response to CHIR No. 21, question 10.f.

[114] *See FY 2017 Analysis* at 67; *FY 2018 Analysis* at 74.

[115] *See* Docket No. RM2017-3, Order on the Findings and Determination of the 39 U.S.C. § 3622 Review, December 1, 2017, at 206-207 (Order No. 4257).

DPTWH % Change as the applicable performance indicator rather than TFP because DPTWH % Change is easier to understand and target at the area and district levels, and it can be calculated in a timelier manner. *FY 2019 Annual Report* at 34 n.11. The Postal Service reports that TFP for FY 2019 decreased 0.3 percent, which the Postal Service attributes to "negative labor productivity, declining mail volumes, increased transportation expenses, and increased investments." *Id.* at 34. The Postal Service states that "TFP has increased significantly since FY 2009, though in recent years TFP has decreased each year with the exception of FY 2018." *Id.*

The Postal Service explains that labor productivity measures the efficiency of labor, based on how much workload is being handled per unit of labor. *Id.* The Postal Service reports that labor productivity in FY 2019 decreased 0.3 percent, following nine straight years of increases. *Id.* The Postal Service attributes this decrease to "the National Rural mail count, [an] arbitration decision to convert Highway Contract Routes [ ] to Postal Vehicle Services [ ], and increases in political and election mail." *Id.* at 35. The Postal Service further states that "[a] number of factors, including the continuing decline in mail volume in recent years, has made it more challenging to generate additional productivity growth." *Id.*

PostCom notes the declines in TFP and labor productivity in FY 2019, and that TFP is at its lowest level since FY 2012. PostCom Comments at 8. PostCom asserts that "[p]roductivity that is net negative over the past seven years is clear evidence of chronic inefficiency[,]" and "there is no indication that any of [the Postal Service's strategic] initiatives will have a positive impact on productivity in the short run." *Id.* at 8-9.

The Commission shares concern about the decreases in TFP and labor productivity, particularly the declines in TFP since FY 2015. The Commission continues to monitor these performance measures and recommends the Postal Service focus efforts on improving these metrics.

b.   Controllable Income (Loss)

As with past reports, the *FY 2019 Report* provides a thorough explanation of each component that makes up the Controllable Income (Loss) performance indicator. The *FY 2019 Report* includes a helpful table showing revenue and expenses from the IFP and describes each category of revenue and controllable expenses. *See FY 2019 Annual Report* at 30. It explains why the FY 2019 Controllable Income (Loss) target was not met and provides the rationale for setting the FY 2020 target. *See id.* at 31-32. It also includes a section on non-controllable expenses, which also impact the Postal Service's financial results. *See id*. at 33. This information improves the transparency and utility of the *FY 2019 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 2019, Controllable Income (Loss) was ($3.42) billion, which was $0.32 billion worse than the FY 2019 target of ($3.10 billion). *Id.* at 31. Figure III-5 shows the Controllable Income (Loss) results for FY 2016 through FY 2019.

Figure III-5
Controllable Income (Loss) Results
FY 2016 through FY 2019
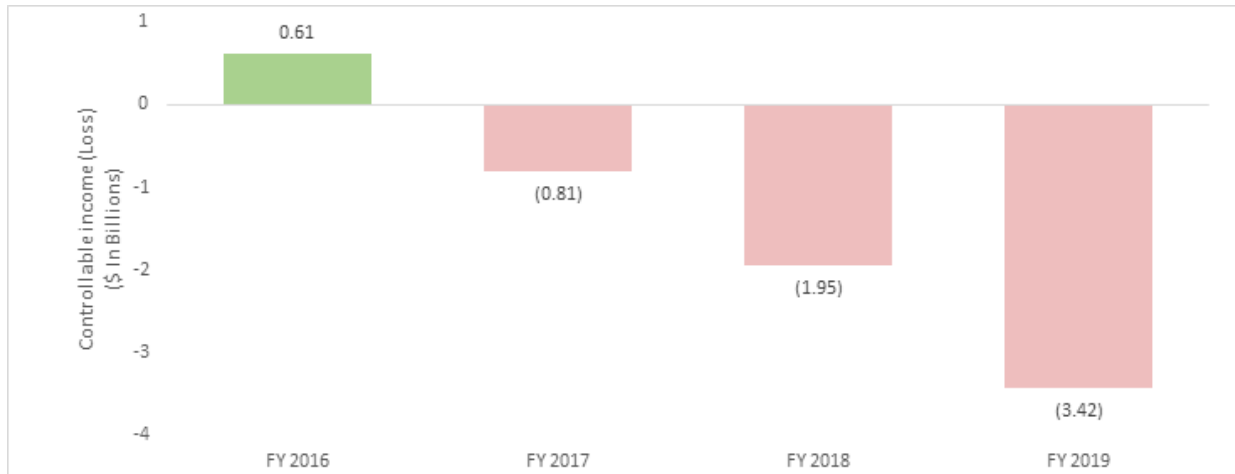
Source: *FY 2019 Annual Report* at 20.

The Postal Service states that it designs all performance indicator targets to be achievable given the planned finances in the IFP. *Id.* at 18. The *FY 2019 Report* includes a table listing the components of Controllable Income (Loss). *Id.* at 30. Table III-18 lists planned revenue and expenses for FY 2019 and FY 2020, as well as results from FY 2016 through FY 2019.

Table III-18
Integrated Financial Plan
Revenue and Expenses ($ in Billions)
Results and Targets

	FY 2016 Result	FY 2017 Result	FY 2018 Result	FY 2019 Target	FY 2019 Result	FY 2020 Target
Revenue						
First-Class Mail	26.6	25.7	25.0	24.2	24.4	24.4
USPS Marketing Mail	17.6	16.6	16.5	16.8	16.4	16.0
Shipping and Packages	17.3	19.5	21.5	23.1	22.8	23.6
International Mail	2.7	2.6	2.6	2.9	2.5	2.4
Periodicals	1.5	1.4	1.3	1.2	1.2	1.2
Other[a]	3.7	3.9	3.9	3.9	4.0	4.2
Subtotal Revenue	69.4	69.7	70.8	72.1	71.3	71.8
Temporary Exigent Surcharge	1.1	—	—	—	—	—
Total Revenue	70.5	69.7	70.8	72.1	71.3	71.8
Controllable Expenses						
Salaries and benefits[b]	49.8	47.0	47.9	49.0	48.9	49.3
FERS normal cost	3.4	3.5	3.5	3.5	3.5	3.8
PSRHBF normal cost[c]	—	2.8	3.7	4.0	4.0	4.0
Transportation	7.0	7.2	7.9	8.3	8.2	8.5
Depreciation	1.7	1.7	1.7	1.7	1.7	1.7
Supplies and services	2.8	3.0	3.0	3.0	2.8	2.8
Rent, utilities and other[d]	5.2	5.3	5.3	5.7	5.6	5.7
Total Controllable Expenses	69.9	70.5	72.8	75.2	74.7	75.8
Controllable Income (Loss)	0.6	(0.8)	(2.0)	(3.1)	(3.4)	(4.0)
Non-Controllable Expenses						
PSRHBF pre-funding	(5.8)	—	—	—	—	—
PSRHBF normal cost actuarial revaluation	—	(0.5)	(0.1)	—	0.2	—
PSRHBF unfunded liability amortization	—	(1.0)	(0.8)	(1.1)	(0.8)	(0.9)
FERS unfunded liability amortization	(0.2)	(0.9)	(1.0)	(1.0)	(1.1)	(1.1)
CSRS unfunded liability amortization	—	(1.7)	(1.4)	(1.4)	(1.6)	(1.6)
Workers' comp. fair value and other non-cash adjustments	(1.3)	2.2	1.4	—	(2.1)	—
Deferred revenue — prepaid postage change in estimate	1.1	—	—	—	—	—
Total Non-Controllable Expenses	(6.2)	(1.9)	(1.9)	(3.5)	(5.4)	(3.6)
Net Income (Loss)	(5.6)	(2.7)	(3.9)	(6.6)	(8.8)	(7.6)

[a] Other income includes investment and interest income, gain, or loss on sale of and income from the outlease of property.
[b] Salaries and benefits includes PSRHBF premiums (FY 2016) and workers' compensation cash benefits.
[c] The PSRHBF normal cost for FY 2019, which is considered a controllable expense, was $4.0 billion. *FY 2019 Annual Report* at 32. However, due to a non-controllable actuarial re-evaluation by OPM, this amount was offset by $0.2 billion, so the amount actually billed the Postal Service for the PSRHBF normal cost in FY 2019 was $3.8 billion. *Id.* at 3. The $0.2 billion offset is reflected in the "PSRHBF normal cost actuarial revaluation" row in Table III-18, under "Non-Controllable Expenses."
[d] Rent, utilities, and other includes interest expense.

Source: *FY 2019 Annual Report* at 30.

The top market dominant contributors to the Postal Service's operating revenue in FY 2019 were First-Class Mail and USPS Marketing Mail. *Id.* at 28-29. Total revenue in FY 2019 was $71.3 billion, which was $0.8 billion less than planned. *Id.* at 30, 31. The Postal Service attributes this largely to "lower-than-expected Marketing Mail, International Mail, and package volumes." *Id.* at 31. First-Class Mail revenue was $24.4 billion, which was $0.2 billion above the *FY 2019 Plan*, mainly due to higher-than-expected presorted letters and postcards volume. *Id.* First-Class Mail represented 34.3 percent of revenue. *Id.* at 29. USPS Marketing Mail revenue was $16.4 billion, $0.4 billion below the *FY 2019 Plan*, due to lower-than-expected volume. *Id.* at 31. USPS Marketing Mail represented 23 percent of revenue. *See id.* at 30.

Shipping and Packages consists largely of Competitive products that can be priced to reflect current market conditions, such as Priority Mail and Parcel Select. *Id.* at 31. Shipping and Packages revenue was $22.8 billion, $0.3 billion below the *FY 2019 Plan*, "due to lower-than-expected Parcel Select and Parcel Return volumes." *Id.* Shipping and Packages represented 32 percent of revenue. *Id.* at 29. Smaller revenue sources included International Mail (which represented 3.5 percent of revenue), Periodicals (which represented 1.7 percent of revenue), and other revenue sources (which represented 5.6 percent of revenue). *See id.* at 30.

Total expenses in FY 2019 were $80.1 billion. *Id.* at 30. Salaries and benefits expenses, which include salaries, employee health benefits expenses, and workers' compensation cash outlays, totaled $48.9 billion, which was $0.1 billion less than the *FY 2019 Plan*. *Id.* at 30 n.4, 32. Transportation expenses totaled $8.2 billion, which was $0.1 billion below the *FY 2019 Plan*. *Id.* at 32. The PSRHBF normal cost totaled $3.8 billion, which was $0.2 billion below the *FY 2019 Plan*, although this was due to an actuarial re-evaluation by OPM. *Id.* at 30 n.5, 32. The FERS normal cost totaled $3.5 billion, which was in line with the *FY 2019 Plan*. *Id.* at 30, 32. Other, less significant, expense categories included depreciation (which totaled $1.7 billion, in line with the *FY 2019 Plan*), supplies and services (which totaled $2.8 billion, $0.2 billion below the *FY 2019 Plan*), and rent, utilities, and other expenses (which totaled $5.6 billion, $0.1 billion less than the *FY 2019 Plan*). *Id.* at 32.

With total revenue of $71.3 billion and total expenses amounting to $80.1 billion, the Postal Service incurred a net loss in FY 2019 of $8.8 billion, which was $2.2 billion above the *FY 2019 Plan*. *Id.* at 30, 31. The Postal Service asserts that "[t]he higher-than-anticipated net loss was primarily due to $2.1 billion of unfavorable non-cash adjustments to [its] workers' compensation liability, primarily arising from lower interest (discount) rates and lower-than-expected revenue, partially offset by non-personnel expense savings." *Id.* at 31.

The Postal Service only considers $3.4 billion of the $8.8 billion net loss to have been controllable. *Id.* at 30. It describes the major factors affecting its controllable loss as:

Overall customer demand, the mix of postal services and contribution
associated with those services, volume of mail and packages processed
through [the Postal Service's] network, and [the Postal Service's] ability to
manage [its] cost structure in line with declining volume levels, an
increasing number of delivery points, and legacy costs for retirement and
retiree health benefits.

Id. at 31.

The Controllable Income (Loss) target for FY 2020 is a $4.0 billion loss, which anticipates
"revenue growth of $0.5 billion … not [being] enough to offset inflationary and contractual
cost increases, an anticipated increase in the FERS normal cost, and modest inflationary
growth in non-personnel expenses." *Id*. at 32.

The Postal Service states that it expects revenue to increase by $0.5 billion in FY 2020 due
primarily to increases in Shipping and Packages. *Id.* However, the Postal Service also
expects controllable expenses to increase. *Id.* Compensation and benefits expenses are
expected to increase by $0.4 billion, primarily due to contractual wage increases and
cost-of-living adjustments. *Id.* Planned increases in controllable expenses also include a
$0.3 billion increase in the FERS normal cost resulting from an increased compensation
rate required by OPM; a $0.3 billion increase in transportation expenses due to
inflationary pressures and expenditures to improve service to destinations outside the
continental United States; and a $0.1 billion increase in rent, utilities, and other expenses
due to normal inflationary pressures. *Id.*

The Postal Service anticipates that First-Class Mail volumes will continue to decline in the
future as a result of electronic diversion. *Id.* at 29. NAPM questions this, and states that
"[t]here are two significant mail volume events occurring in FY 2020 that should boost
revenues for First-Class and Marketing Mail: the 2020 Census, and the Presidential
election." NAPM Comments at 17-18. In response, the Postal Service states that its FY 2020
volume projections account for both the decennial census and the 2020 presidential
election. Postal Service Reply Comments at 8-9. The Postal Service also asserts that it is
focused on providing new services and innovations in USPS Marketing Mail. *Id.* at 9.
Specifically, the Postal Service states that it has "expanded service offerings such as
Informed Delivery, which enable customers to preview mail and packages scheduled to
arrive as a means of merging digital and physical mail." *FY 2019 Annual Report* at 29.

The Postal Service notes that while it continues to experience strong performance in
Shipping and Packages, this line of business constituted only 4.3 percent of the Postal
Service's total volume in FY 2019. *Id.* The Postal Service asserts that it is focused on
growing e-commerce and is implementing marketing campaigns to grow its business. *Id.*
The Postal Service identifies day-specific delivery, improved tracking and text alerts, and
up to $50 free insurance on most Priority Mail packages as examples of its responsiveness
to customers. *Id.*

In its comments, NAPM suggests a variety of actions the Postal Service could take to increase revenue and volume. Some of these, such as moving towards more efficient workshare discount pricing, are actions that the Commission itself has recommended.[116]

The Commission recommends that the Postal Service explore these and other actions that it could take to increase its revenue in order to decrease the controllable losses the Postal Service has been experiencing in recent years.

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[116] *See, e.g.*, Order No. 4257 at 139. The Commission has proposed new regulations which would, among other things, require workshare discounts to be set closer to their avoided costs. *See* Docket No. RM2017, Revised Notice of Proposed Rulemaking, December 5, 2019, at 195-201, Attachment A at 51 (Order No. 5337). This proposal is still pending before the Commission.

CHAPTER 4: STRATEGIC INITIATIVES

A. Background

To provide reliable, efficient, trusted, and affordable universal delivery service, the Postal Service established four strategic goals:

- Deliver a World-Class Customer Experience

- Equip, Empower, and Engage Employees

- Innovate Faster to Deliver Value

- Invest in Our Future Platforms[117]

To help achieve these strategic goals, the Postal Service has "implemented a portfolio of strategic initiatives and a rigorous portfolio management process…. to apply strategic and financial rigor to decision-making and to navigate significant organizational changes." *FY 2019 Annual Report* at 36.

In FY 2019, the Postal Service implemented a portfolio of seven strategic initiatives to achieve its strategic goals. *Id.* at 37*; FY 2018 Analysis* at 80-81. The *FY 2019 Report* includes a table comparing FY 2019 and FY 2020 strategic initiatives and explaining how they changed between FY 2019 and FY 2020. *See FY 2019 Annual Report* at 37. This table also shows how the strategic initiatives align with the strategic goals and performance goals. *Id.*

Table IV-1 compares FY 2019 and FY 2020 strategic initiatives and links each one to a strategic goal. The "Change from FY 2019" column identifies how the strategic initiative changed between FY 2019 and FY 2020:

- Continued — Strategic initiative continued into FY 2020 with minimal changes from FY 2019.

- Refined — Strategic initiative was modified to achieve greater alignment with organizational goals and the current business environment.

As shown in Table IV-1, the Postal Service continued three Strategic Initiatives and refined four strategic initiatives for FY 2020. The Postal Service will implement seven strategic initiatives in FY 2020.

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[117] *FY 2019 Annual Report* at 15; *see* Future Ready: United States Postal Service Five-Year Strategic Plan, Fiscal Years 2017 to 2021 (available at: *http://about.usps.com/strategic-planning/five-year-strategic-plan-2017-2021.pdf*).

Table IV-1
Comparison of FY 2019 and FY 2020 Strategic Initiatives

Strategic Goal	FY 2019 Strategic Initiatives	Change from FY 2019	FY 2020 Strategic Initiatives
Deliver a World-Class Customer Experience	Build a World-Class Customer Experience	Continued	Build a World-Class Customer Experience
Equip, Empower, and Engage Employees	Improve Employee Experience	Refined	Form the Workforce of the Future
Innovate Faster to Deliver Value	Accelerate Innovation to Maximize Business Value	Continued	Accelerate Innovation to Maximize Business Value
	Accelerate Innovation to Create Customer Value and Increase Profitability	Refined	Accelerate Innovation to Enhance the Value of Mail
	Build Platform to Grow Profitable Packages Business	Refined	Accelerate Innovation to Grow a Profitable Package Platform
Invest in Our Future Platforms	Optimize Network Platform	Continued	Optimize Network Platform
	Delivery Structure Optimization	Refined	Optimize Delivery and Retail Platforms

Source: *FY 2019 Annual Report* at 37.

In a CHIR response, the Postal Service provides a public description of each FY 2020
Strategic Initiative, which is listed in Table IV-2.

Table IV-2
FY 2020 Strategic Initiative Descriptions

Strategic Initiative	Description
Build a World-Class Customer Experience	Improve customer experience by addressing key pain points along the consumer journey, fostering a customer-centric culture through employee engagement, and using customer sentiment data to provide actionable insights for operational improvements. Provide consistency and reliability, issue resolution, transparency and ease of use, and driver accelerators to drive customer loyalty.
Form the Workforce of the Future	Support the workforce of the future by properly aligning resources, people, and technology. Evaluate multiple influencers impacting workforce needs to find the best fit for the organization and postal employees. Review the makeup of the organization, evaluate employment processes and policies, and enable technology to empower the workforce to serve employees and customers.
Accelerate Innovation to Maximize Business Value	Leverage technology, information, and insights to grow and protect revenue, drive business efficiency, transform business processes, and strengthen competitive position in the digital market place. Identify and prioritize roadmaps to manage a portfolio of business/industry partnerships that drive speed and positive business impact.
Accelerate Innovation to Enhance the Value of Mail	Increase revenue, customer satisfaction, and engagement through Sales, Brand Marketing, Pricing, Product Enhancements, and Innovation programs that sustain the value of the mailbox, accelerate innovation, and grow Informed Delivery adoption by mailers and households.
Accelerate Innovation to Grow a Profitable Package Platform	Build the product portfolio and supporting infrastructure needed to grow the package business of the future. Increase package revenue and contribution by meeting ever-changing customer expectations, increasing efficiency while decreasing costs, and keeping up with the competition. Pilot major operational reconfigurations and new product features and launches for packages products.
Optimize Network Platform	Evaluate and right-size the mail processing infrastructure to increase operating efficiency, reduce costs, and provide reliable and consistent service.
Optimize Delivery and Retail Platforms	Redefine city and rural routes, improve first mile acceptance processes, enhance the customer experience with package delivery, and deploy new systems to improve the platforms.

Source: Response to CHIR No. 7, question 1.c.

The Postal Service previously clarified that the strategic goals differ from the four performance goals discussed in annual performance plans and annual performance reports.[118] To assess its efforts in achieving these strategic goals, the Postal Service states that it measures its performance through progress against the four performance goals.[119] Besides illustrating the change between FY 2019 and FY 2020 strategic initiatives, the *FY 2019 Report* also explains how each strategic initiative relates to the four performance goals. Table IV-3 and Table IV-4 list the FY 2019 and FY 2020 Strategic Initiatives and show how each one relates to the performance goals.

Table IV-3
FY 2019 Strategic Initiatives and Related Performance Goals

FY 2019 Strategic Initiatives	High-Quality Service	Excellent Customer Experiences	Safe Workplace and Engaged Workforce	Financial Health
Build a World-Class Customer Experience	•	•	•	
Improve Employee Experience			•	•
Accelerate Innovation to Maximize Business Value	•	•	•	•
Accelerate Innovation to Create Customer Value and Maximize Revenue and Profitability	•	•		•
Build Platform to Grow Profitable Packages Business	•	•		•
Optimize Network Platform	•			•
Delivery Structure Optimization	•	•		•

Source: *FY 2019 Annual Report* at 37.

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[118] Docket No. ACR2016, Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 25, March 10, 2017.

[119] *FY 2019 Annual Report* at 18. The Postal Services refers to the performance goals as "corporate performance outcomes." *Id.*

Table IV-4
FY 2020 Strategic Initiatives and Related Performance Goals

FY 2020 Strategic Initiatives	High-Quality Service	Excellent Customer Experiences	Safe Workplace and Engaged Workforce	Financial Health
Build a World-Class Customer Experience	•	•	•	
Form the Workforce of the Future			•	•
Accelerate Innovation to Maximize Business Value	•	•	•	•
Accelerate Innovation to Enhance the Value of Mail	•	•		•
Accelerate Innovation to Grow a Profitable Package Platform	•	•		•
Optimize Network Platform	•			•
Optimize Delivery and Retail Platforms	•	•		•

Source: *FY 2019 Annual Report* at 37.

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." *Id.* at 36. It states that "[t]he portfolio of [strategic] initiatives is dynamic and changes as priorities and resources change, and as programs are completed or adjusted based on external events." *Id.* In a filing under seal, the Postal Service provides the performance measures and targets for each strategic initiative the Postal Service will use to track performance in FY 2020, as well as FY 2019 targets and results.[120] The Postal Service also explains how the strategic initiatives relate to the performance indicators.[121]

B.   Commission Analysis

None of the comments discuss the strategic goals or strategic initiatives. In the *FY 2018 Analysis*, the Commission recommended "that the Postal Service continue to describe strategic initiatives in annual performance reports, link each strategic initiative to the strategic goals and performance goals, and use unique performance measures for each strategic initiative." *FY 2018 Analysis* at 84. The Postal Service adopted this recommendation in the *FY 2019 Report* by listing the FY 2019 and FY 2020 strategic initiatives, linking them to both the strategic goals and performance goals, and showing how they changed between FY 2019 and FY 2020. *See FY 2019 Annual Report* at 37. For each strategic initiative, the Postal Service used performance measures uniquely linked to the strategic initiative they support, with no overlap with performance measures of other strategic initiatives. *See* Library Reference USPS-FY19-NP37.

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[120] Response to CHIR No. 7, questions 1.b., 1.d.; *see* Library Reference USPS-FY19-NP37, February 3, 2020.

[121] Response to CHIR No. 7, questions 1.a.; *see* Library Reference USPS-FY19-NP37.

*The Commission recommends that the Postal Service continue to describe strategic initiatives
in annual performance reports, link each strategic initiative to the strategic goals and
performance goals, and use unique performance measures for each strategic initiative. The
Commission suggests that the FY 2020 Report continue to explain how FY 2020 and FY 2021
strategic initiatives relate to the strategic goals and performance goals. The Commission
recommends that the FY 2020 Report include a table similar to the one in the FY 2019 Report
linking each strategic initiative to the strategic goals and performance goals as well as
showing changes between the FY 2020 and the FY 2021 strategic initiatives. The Commission
also recommends that in Docket No. ACR2020, the Postal Service file FY 2020 and FY 2021
performance measures and targets as well as FY 2020 performance results for each strategic
initiative, as well as a table illustrating how the strategic initiatives relate to each
performance indicator. See Library Reference USPS-FY19-NP37.*

In the *FY 2018 Analysis*, the Commission recommended that the *FY 2019 Report* include
public descriptions of the strategic initiatives "to help interested persons understand what
the strategic initiatives are and how they relate to the performance goals." *FY 2018 Analysis*
at 85. Although the Postal Service provided public descriptions in a CHIR response, this
information was not included in the *FY 2019 Report*. Describing strategic initiatives would
provide more meaning and context for interested persons. For example, it is unclear what
the "Accelerate Innovation to Maximize Business Value" strategic initiative entails. The
description provided in a CHIR response clarifies that the strategic initiative "leverages
technology, information and insights to grow and protect revenue, drive business
efficiency, transform business processes and strengthen competitive position in the digital
market place." Response to CHIR No. 7, question 1.c.

*The Commission recommends that the Postal Service include public descriptions of the
strategic initiatives in the FY 2020 Report to help interested persons understand what the
strategic initiatives are and how they relate to the performance goals.*

Strategic initiatives are included in the *FY 2019 Report* and *FY 2020 Plan*. However, the
Postal Service does not mention strategic initiatives in its discussion of the performance
goals. Because strategic initiatives relate to performance goals, annual performance plans
could be improved by relating strategic initiatives to plans for improving performance. For
example, the Optimize Network Platform strategic initiative is responsible for "evaluating
and right-sizing the mail processing infrastructure to increase operating efficiency, reduce
costs, and provide reliable and consistent service." Response to CHIR No. 7, question 1.c.
This strategic initiative is similar to the Postal Service's plan for meeting the FY 2020
DPTWH % Change target, which involves capturing workhour reductions from "operational
initiatives to improve efficiencies in mail processing, delivery, and customer service." *See
FY 2019 Annual Report* at 34. Incorporating strategic initiatives in plans for improving
performance would provide more robust information in annual performance plans.

*The Commission recommends that the Postal Service consider incorporating strategic
initiatives in its plans for improving performance.*

Appendix: Commission Findings and Recommendations

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

- *The Commission finds that the FY 2020 Plan complies with 39 U.S.C. § 2803(a) by "covering each program activity set forth in the Postal Service budget… ." To comply with 39 U.S.C. § 2803(a) next year, the FY 2021 Plan must identify all program activities in the FY 2021 IFP and explain how the FY 2021 Plan covers each one by relating each program activity to one or more performance goals or indicators.*

- *The Commission finds that the FY 2020 Plan complies with 39 U.S.C. § 2803(a)(1). In future annual performance plans, if the Postal Service does not set a target for a performance indicator, the Commission recommends that the Postal Service provide a reasoned explanation for not setting a target.*

- *The Commission finds that the FY 2020 Plan complies with 39 U.S.C. § 2803.*

- *The Commission finds that the FY 2019 Report complies with 39 U.S.C. § 2804(b)(1). To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2020 Report must set forth the same performance indicators and targets as the FY 2020 Plan and compare FY 2020 targets and results for each performance indicator. The FY 2020 result for each performance indicator must be comparable to the target set in the FY 2020 Plan.*

  As an alternative, if a comparable FY 2020 result cannot be provided, the FY 2020 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. The Commission recommends that the Postal Service not change performance indicators, methodologies, or targets once they are set in the applicable annual performance plan.

- *The Commission finds that the FY 2019 Report does not comply with 39 U.S.C. § 2804(c) for the High-Quality Service performance goal. To comply with 39 U.S.C. § 2804(c), the FY 2020 Report must describe the methodological differences between the former and current measurement systems and explain why results are not directly comparable across FYs 2017, 2018, 2019, and 2020. Also, the FY 2020 Report must either explain how to compare results between the current and former measurement systems or explain why making this comparison is not feasible. The FY 2020 Report*

may include cross-references to library references or other documents containing this information.

- *The Commission finds that the FY 2019 Report does not comply with 39 U.S.C. § 2804(c) for the Excellent Customer Experiences performance goal. To comply with 39 U.S.C. § 2804(c) next year, the FY 2020 Report must include comparable results for each performance indicator for, at a minimum, FYs 2017, 2018, 2019, and 2020. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. As an alternative, if comparable results cannot be provided for a performance indicator, the FY 2020 Report must explain why results are not directly comparable across the applicable fiscal years. In that case, the FY 2020 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible. The FY 2020 Report may include cross-references to library references or other documents containing this information.*

- *The Commission finds that the FY 2019 Report complies with 39 U.S.C. § 2804(c) for the Safe Workplace and Engaged Workforce and Financial Health performance goals. To comply with 39 U.S.C. § 2804(c) next year, the FY 2020 Report must include comparable results for each performance indicator for, at a minimum, FYs 2017, 2018, 2019, and 2020. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. As an alternative, if comparable results cannot be provided for any performance indicator, the FY 2020 Report must explain why results are not directly comparable across the applicable fiscal years. In that case, the FY 2020 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible.*

- *The Commission finds that the FY 2019 Report complies with 39 U.S.C. § 2804(d)(3) because it explains why performance goals were not met and describes plans and schedules for meeting the goals in FY 2020. To comply with 39 U.S.C. § 2804(d)(3) next year, for each FY 2020 target that is not met, the FY 2020 Report must both explain why and describe plans and schedules for meeting FY 2021 targets. If the Postal Service misses a FY 2020 target for a non-public performance indicator, the Postal Service must provide the explanation, plans, and schedules for meeting the FY 2021 target in a non-public annex. See Chapter 2, section C.3., infra.*

- *The Commission finds that the FY 2019 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).*

- *The Commission finds that Library Reference USPS-FY19-NP30 complies with the Commission's directive to file under seal with the FY 2019 ACR: (1) FY 2019 and FY 2020 targets; and (2) comparable results from FY 2016 through FY 2019 for each non-public performance indicator. The FY 2020 Plan complies with 39 U.S.C. § 2803 by setting measurable FY 2020 targets for each non-public performance indicator the Postal Service will use in FY 2020. See Chapter 2, section C.1., supra. The FY 2019 Report complies with 39 U.S.C. §§ 2804(b)(1) and 2804(c) because it provides comparable FY 2019 targets and results as well as comparable results from the past three fiscal years. The FY 2019 Report also complies with 39 U.S.C. § 2804(d)(3) because the Postal Service explains why it did not meet FY 2019 targets and describes plans and schedules for meeting FY 2020 targets.*

  To ensure that the FY 2021 Plan and FY 2020 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Commission recommends that the FY 2020 Report include a similar footnote stating that the Postal Service is providing non-public service performance data for certain Competitive products as part of the non-public annex of the FY 2020 ACR. For each non-public performance indicator, the Postal Service must file under seal with the FY 2020 ACR: (1) FY 2020 and FY 2021 targets; (2) comparable FY 2020 targets and results; and (3) comparable results from FYs 2017 through 2020. If the Postal Service does not meet a FY 2020 target, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2021 target. The FY 2020 ACR should continue to identify the library reference that contains this information.

- *In the FY 2021 Plan and FY 2020 Report, the Commission recommends that the Postal Service continue to describe future performance indicator and methodology changes as well as analyze the impact of these changes on results. If the Postal Service decides to add a new performance indicator or change the methodology for an existing performance indicator, the Commission recommends that the Postal Service explain these changes and provide the rationale for making them in future annual performance plans and annual performance reports.*

Chapter 3 – Evaluation of Performance Goals:

- *The Commission finds that the Postal Service either did not meet or only partially met its performance goals in FY 2019.*

High-Quality Service:

- *The Commission finds that the Postal Service did not meet the High-Quality Service performance goal in FY 2019.*

- *As in years past, the Commission recommends that the Postal Service strive to develop targets that balance the need to inspire continuous improvement with the importance of being realistic and achievable. Targets should also take into account operational realities such as the foreseeable occurrence of a number of severe weather events and natural disasters in any given year.*

- *The Commission finds the Postal Service's plans for addressing network disruptions in FY 2020 to be reasonable. The Disruptive Events initiative, when complete, should enable the Postal Service to better quantify the effects of network disruption on service performance. Once those effects can be better quantified, the Commission hopes that more realistic targets will be developed, which the Postal Service's COOP planning could be employed to meet. The Commission recommends that the Postal Service provide an update on the progress of this initiative in its FY 2020 Report.*

- *The Commission finds the Postal Service's plans for addressing service failures in FY 2020 to be reasonable. For transportation failures, in particular, the Postal Service appears to be taking a comprehensive approach to improving its transportation network by reducing travel time with its STC Network redesign and more closely monitoring and remedying problems and/or delays in loading and unloading trucks. These efforts should result in an improvement to service performance for 3-5-Day First-Class Mail, since transportation delays can lead to processing delays further downstream.*

- *The Commission recommends 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 districts.*

Excellent Customer Experiences:

- *The prior fiscal year's result is an important factor to consider when setting targets for the upcoming fiscal year. The Commission recommends that the Postal Service revisit its process for setting targets to allow it to consider the prior year's result when setting the subsequent year's target.*

- *The Commission finds that the Postal Service partially met the Excellent Customer Experiences performance goal in FY 2019 but notes that the Postal Service missed six out of the eight performance indicator targets.*

- *To comply with 39 U.S.C. § 2804(c) next year, the FY 2020 Report could include comparable BSN performance indicator results for FYs 2017 through 2020 based on customer satisfaction with the overall service provided during the interaction. The Postal Service provided comparable results using this methodology in Docket No. ACR2018.[1] As an alternative, the FY 2020 Report could explain why results are not directly comparable across these fiscal years. In that case, the FY 2020 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible. The FY 2020 Report may include cross-references to library references or other documents containing this information.*

- *To comply with 39 U.S.C. § 2804(c) next year, the FY 2020 Report may explain that Delivery performance indicator results are not directly comparable across FYs 2017 through 2020 and provide comparable metrics from the Delivery survey for these fiscal years. For example, the Postal Service could include a table showing Delivery survey scores for residential and small/medium business customers for FYs 2017 through 2020. The Postal Service included this information in FY 2017 Annual Performance Report (FY 2017 Report), which the Commission found to have complied with section 2804(c) for the Delivery performance indicator.[2]*

- *As an alternative, the FY 2020 Report could explain why Delivery performance indicator results are not directly comparable across FYs 2017 through 2020, as well as explain why it is not feasible to compare Delivery performance indicator results among the different methodologies used.[3] The FY 2020 Report may include cross-references to library references or other documents containing this information.*

- *To comply with section 2804(c), the FY 2020 Report must explain why CCC performance indicator results are not directly comparable across FYs 2017 through 2020. The FY 2020 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not*

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[1] *See* Docket No. ACR2018, Response to CHIR No. 10, question 3.b.

[2] *See FY 2017 Annual Report* at 17; *see also FY 2017 Analysis* at 14-15.

[3] The Postal Service explains why it is not feasible to compare Delivery performance indicator methodologies in Docket No. ACR2018. Docket No. ACR2018, Response to CHIR No. 2, question 8.b.

feasible. The FY 2020 Report may include cross-references to library references or other documents containing this information.

- *To comply with 39 U.S.C. § 2804(c) next year, the FY 2020 Report could include comparable eCC performance indicator results for FYs 2017 through 2020 based on customers' overall satisfaction with the quality of service received in response to their issue. The Postal Service provided comparable results using this methodology in Docket No. ACR2018.[4] As an alternative, the FY 2020 Report could explain why results are not directly comparable across these fiscal years. In that case, the FY 2020 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible. The FY 2020 Report may include cross-references to library references or other documents containing this information.*

- *The Commission recommends that the Postal Service continue to use the NPS to measure customer experience and ask the NPS and verbatim response questions on its customer surveys.*

- *The Commission recommends that the Postal Service continue to conduct customer sentiment analyses on responses from both the customer surveys and social media platforms as part of its efforts to evaluate and improve customer experience.*

- *The Commission recommends that the Postal Service continue to leverage its social media platforms to evaluate and enhance customer experience.*

- *The Commission recommends that the Postal Service continue to refine the Virtual Agent pilot to improve customer experience with CCCs. The Commission also recommends that the Postal Service leverage artificial intelligence to improve customer experience with passports and other services offered by the Postal Service. The Commission suggests that the FY 2020 Report describe the Postal Service's efforts to leverage artificial intelligence to improve customer experience and explain whether these efforts helped improve customer experience in FY 2020.*

- *The Commission recommends that the surveys continue to measure customer satisfaction with services and experiences with the Postal Service.*

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[4] Docket No. ACR2018, Response to CHIR No. 2, question 7.b.ii.

- *The Commission recommends that the Postal Service consider measuring confidence or trust as part of its measurement of customer experience.*

- *The Commission recommends that the Postal Service consider adding Effectiveness/Quality questions to the POS and Delivery surveys.*

- *The Commission recommends that the Postal Service consider adding Ease/Simplicity questions to the BSN, POS, CCC (Live Agent), eCC, BMEU, and USPS.com surveys.*

- *The Commission recommends that the Postal Service consider adding Efficiency/Speed questions to the BMEU, USPS.com, and Large Business surveys. The Commission also recommends that the BSN and CCC surveys ask whether customers agree that their issue was resolved in a reasonable timeframe.*

- *The Commission recommends that the Postal Service consider measuring Equity/Transparency on its customer surveys. The Commission also recommends that the Large Business survey ask customers whether they agree that representatives or employees they interacted with were courteous.*

- *The Commission recommends that the Postal Service consider measuring Employee Helpfulness with its customer surveys. The Commission also recommends that the Postal Service consider adding questions to the Delivery and Large Business surveys asking whether employees were helpful or knowledgeable about postal products and services.*

Safe Workplace and Engaged Workforce:

- *The Commission finds that the Postal Service partially met the Safe Workplace and Engaged Workforce performance goal in FY 2019.*

- *The Commission commends the Postal Service for meeting the Total Accident Rate target for the first time and improving the result for the fourth year in a row. The Safety Intervention and Recognition program and other workplace safety tools appear to have been effective in improving workplace safety and reducing the number of accidents in FY 2019. The Commission finds that the Postal Service's plans for implementing tools and models to improve workplace safety are reasonable steps to improve the Total Accident Rate result in FY 2020. The Commission recommends that the FY 2020 Report describe the new industrial and motor vehicle accident models and explain how they helped the Postal Service analyze and forecast accident trends in FY 2020.*

- *The Commission commends the Postal Service for reducing the number of motor vehicle accidents in FY 2019 and recommends that the Postal Service continue to automate workplace safety observations to help reduce accidents in FY 2020. The Postal Service's plans for reducing motor vehicle accidents by leveraging delivery management systems appears reasonable. The Commission recommends that the FY 2020 Report describe how delivery management systems were implemented in FY 2020 and discuss any impact these systems had on preventing or reducing the number of motor vehicle accidents in FY 2020.*

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

- *If Survey Response Rate results continue to decline in FY 2020, the Commission recommends that the Postal Service consider setting a more achievable target for FY 2021. In the meantime, the Commission recommends that the Postal Service engage in additional follow-up during survey administration to encourage participation and take steps to demonstrate responsiveness to feedback, which could ultimately increase the overall response rate to the survey.*

- *The Commission acknowledges the Postal Service's progress in improving both the Postal Pulse survey Grand Mean Engagement Score and the mean scores for each question between FY 2018 and FY 2019.[5] The Commission recommends that the Postal Service continue taking steps to improve mean scores for all questions. The Postal Service's plans for showcasing success stories may improve the mean score for Question 4 related to recognition or praise for doing good work.*

- *The Commission recommends that the Postal Pulse survey continue to include a comment box to provide another forum for voicing employee opinions and gathering employee engagement insights. The Commission suggests that the FY 2020 Report describe the most common types of comments received in FY 2020, and explain how the Postal Service will use them to improve employee engagement in FY 2021. To improve the mean score for Question 7, the Commission recommends that the Postal Service communicate that improvements to the workplace were made as a result of feedback provided by employees.*

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[5] The mean score for question 9 was the same in FY 2018 and FY 2019.

- *The Commission recommends that the FY 2020 Report describe improvements made to the workplace based on comments received on the Postal Pulse survey, and explain how these improvements increased employee engagement in FY 2020.*

Financial Health:

- *The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2019.*

- *The Commission finds the Postal Service's explanations for missing its FY 2019 DPTWH % Change target plausible given the circumstances the Postal Service describes. However, several of those circumstances—particularly seasonal shifts in demand and the relative fixity of the Postal Service's network—are unlikely to change. As with the High-Quality Service performance goal, the Commission encourages the Postal Service to incorporate these kinds of operational realities into its target setting.*

  The Commission is encouraged that the Postal Service has had some success in using data tools to improve service performance without having to resort to additional workhours. The Commission also observes that the Postal Service was able to reduce workhours relative to the same point the year before. Unlike cyclical improvements which are to be expected given that the Postal Service's workload is heavily concentrated in the first quarter of the fiscal year, workhour reductions relative to the same point the year before are a sign of progress. The Commission recommends that the Postal Service continue to utilize and develop tools that allow for improved service performance without additional workhours as well as year-over-year improvements in workhour usage.

- *Looking at the last four years of results for DPTWH % Change, it is notable that actual results have been fairly consistent (0.1 in FY 2016, -0.5 in FY 2017, -0.5 in FY 2018, -0.6 in FY 2019), while the targets have varied considerably (1.2 in FY 2016, 0.6 in FY 2017, 2.1 in FY 2018, 1.4 in FY 2019).[6] Furthermore, as the Public Representative notes, the gap between targets and results has been significant. The Commission agrees with the Public Representative that it seems unlikely that the Postal Service will be able to meet an even higher target in FY 2020, given this record. The Commission recommends that the Postal Service set more realistic targets for this performance indicator in the future, which are more in line with historical performance.*

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[6] *FY 2016 Analysis* at 67; *FY 2017 Analysis* at 63; *FY 2018 Analysis* at 71; *FY 2019 Annual Report* at 20.

At the same time, however, the Commission finds the Postal Service's efforts to right-size its equipment needs, add additional delivery lockers, and deploy new package automation equipment to reduce workhours to be generally reasonable. The Commission recognizes the success the Postal Service was able to realize during the FY 2020 Peak Period, in which it was able to improve service performance while simultaneously reducing workhours. The Commission also recommends that the Postal Service closely study the reasons for the gains achieved during the FY 2020 Peak Period and implement the most significant contributors on a continuous and widespread basis.

- *The Postal Service presents a reasonable justification for why it views the use of overtime workhours in many instances as preferable to hiring additional employees. However, while incurring overtime workhours might be the best available course as a response to network disruptions, market changes, and operational realities such as seasonal variability in volume, the justification for incurring penalty overtime workhours and unauthorized overtime workhours is substantially less. While the Commission commends the Postal Service for its moderate success at reducing workhours through operational initiatives, it is nevertheless difficult to see how the Postal Service expects to achieve a heightened DPTWH % Change target in FY 2020 without a more comprehensive plan to address these issues.*

  The Commission recommends that the Postal Service focus on balancing its work complement to minimize the use of penalty overtime workhours to the greatest extent possible. The Commission further recommends that the Postal Service take steps to address the occurrence of unauthorized overtime workhours.

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

- *The Commission shares concern about the decreases in TFP and labor productivity, particularly the declines in TFP since FY 2015. The Commission continues to monitor these performance measures and recommends the Postal Service focus efforts on improving these metrics.*

- *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 Commission recommends that the Postal Service explore these and other actions that it could take to increase its revenue in order to decrease the controllable losses the Postal Service has been experiencing in recent years.*

Chapter 4 - Strategic Initiatives:

- *The Commission recommends that the Postal Service continue to describe strategic initiatives in annual performance reports, link each strategic initiative to the strategic goals and performance goals, and use unique performance measures for each strategic initiative. The Commission suggests that the FY 2020 Report continue to explain how FY 2020 and FY 2021 strategic initiatives relate to the strategic goals and performance goals. The Commission recommends that the FY 2020 Report include a table similar to the one in the FY 2019 Report linking each strategic initiative to the strategic goals and performance goals as well as showing changes between the FY 2020 and the FY 2021 strategic initiatives. The Commission also recommends that in Docket No. ACR2020, the Postal Service file FY 2020 and FY 2021 performance measures and targets as well as FY 2020 performance results for each strategic initiative, as well as a table illustrating how the strategic initiatives relate to each performance indicator. See Library Reference USPS-FY19-NP37.*

- *The Commission recommends that the Postal Service include public descriptions of the strategic initiatives in the FY 2020 Report to help interested persons understand what the strategic initiatives are and how they relate to the performance goals.*

- *The Commission recommends that the Postal Service consider incorporating strategic initiatives in its plans for improving performance.*