



POSTAL REGULATORY COMMISSION

# Analysis of the Postal Service's FY 2018 Annual Performance Report and FY 2019 Performance Plan

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Appendix—Commission Findings and Recommendations

# EXECUTIVE SUMMARY

Each year the Postal Service must submit to the Commission its most recent annual performance plan and annual performance report. 39 U.S.C. § 3652(g). On December 28, 2018, the Postal Service filed its fiscal year (FY) 2019 annual performance plan (*FY 2019 Plan*) and FY 2018 annual performance report (*FY 2018 Report*) in Docket No. ACR2018. The *FY 2019 Plan* reviews the Postal Service's plans for FY 2019. The *FY 2018 Report* discusses the Postal Service's progress during FY 2018 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 2019 Plan* and *FY 2018 Report*. In Chapter 2, the Commission evaluates whether the *FY 2019 Plan* and *FY 2018 Report* comply with 39 U.S.C. §§ 2803 and 2804. The Commission finds that the *FY 2019 Plan* complies with 39 U.S.C. § 2803, and the *FY 2018 Report* meets most of the requirements of 39 U.S.C. § 2804.

Last year, the Commission found that the FY 2018 annual performance plan and FY 2017 annual performance report improved significantly compared to past years. The Postal Service retained many of these improvements in the *FY 2019 Plan* and *FY 2018 Report*. However, there are several legal compliance issues with the *FY 2018 Report* related to the comparability of FY 2018 targets and results, the comparability of the results from the past three fiscal years, and the explanations for why goals were not met. These issues are discussed in Chapter 2.

In Chapter 3, the Commission evaluates whether the Postal Service met each performance goal in FY 2018 as required by 39 U.S.C. § 3653(d). The Postal Service did not meet or only partially met each performance goal in FY 2018. 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.<sup>1</sup> The Postal Service included its *FY 2019 Plan* and *FY 2018 Report* in its *FY 2018 Annual Report to Congress*, which the Postal Service filed as a library reference in Docket No. ACR2018.<sup>2</sup>

The *FY 2018 Report* discusses the Postal Service's progress in meeting its performance goals during FY 2018. The *FY 2019 Plan* reviews the Postal Service's plans for meeting its performance goals in FY 2019. 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 2018 Report*, the Postal Service identifies its four performance goals:

- High-Quality Service
- Excellent Customer Experiences
- Safe Workplace and Engaged Workforce
- Financial Health<sup>3</sup>

Each performance goal uses two or more performance indicators to measure output or outcome. 39 U.S.C. § 2801(4). For example, the performance indicators for High-Quality Service measure the percentage of various categories of mail delivered on-time. As discussed in Chapter 2, the Postal Service will continue using the same performance goals in FY 2019, but is adding or changing some of the performance indicators. *See* Chapter 2, section C.4., *infra*.

Table I-1 lists the four performance goals, their corresponding performance indicators, results from FY 2015 through FY 2018, and targets for FY 2018 and FY 2019. Results of some performance indicators were recast to be comparable across FYs 2015 through FY 2018.

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

<sup>2</sup> *United States Postal Service FY 2018 Annual Report to Congress* at 15-32; *see* Library Reference USPS–FY18–17, December 28, 2018 (*FY 2018 Annual Report*). This Analysis cites to pages from the *FY 2018 Annual Report* when referring to the *FY 2018 Report* and *FY 2019 Plan*.

<sup>3</sup> *FY 2018 Annual Report* at 15. These are the same performance goals the Postal Service used in FY 2017. *United States Postal Service FY 2017 Annual Report to Congress* at 13; *see* Docket No. ACR2017, Library Reference USPS–FY17–17, December 29, 2017 (*FY 2017 Annual Report*).

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

Performance Goal	Performance Indicator		FY TARGETS		FY RESULTS			
			2019	2018	2018	2017	2016	2015
High-Quality Service <sup>a</sup>	Single-Piece First-Class Mail <sup>b</sup>	2-Day	96.50%	96.50%	93.78%	94.74%	94.71%	93.35%
		3-5-Day	95.25%	95.25%	82.48%	85.57%	83.69%	76.58%
	Presorted First-Class Mail	Overnight	96.80%	96.80%	96.00%	96.46%	96.16%	95.74%
		2-Day	96.50%	96.50%	94.92%	95.58%	95.05%	93.56%
		3-5-Day	95.25%	95.25%	91.96%	93.16%	91.68%	87.78%
	First-Class Mail Letter and Flat Composite		96.00%	96.00%	92.07%	93.29%	92.34%	89.44%
	USPS Marketing Mail and Periodicals Composite		91.80%	91.80%	89.26%	91.44%	90.01%	86.77%
Excellent Customer Experiences <sup>c</sup>	Customer Experience Composite Index <sup>d</sup>		80.00	80.93	67.47	88.30	87.62	85.73
	Business Service Network <sup>e</sup>		96.73%	96.73%	96.68%	96.25%	95.13%	94.32%
	Point of Sale		90.42%	90.42%	87.98%	88.53%	86.38%	86.28%
	Delivery		86.33	86.33	80.47	83.22	76.26	77.49
	Customer Care Center		55.00	69.17%	39.19	86.80%	85.18%	76.00%
	Enterprise Customer Care <sup>f</sup>		70.00	70.00	36.73%	35.83%	N/A	N/A
	Business Mail Entry Unit		95.13%	95.00%	95.33%	N/A	N/A	N/A
	USPS.com		65.00%	66.33%	57.54%	N/A	N/A	N/A
	Large Business		N/A	78.00%	72.34%	N/A	N/A	N/A
Safe Workplace and Engaged Workforce	Total Accident Rate <sup>g</sup>		15.00	15.00	15.24	15.74	16.12	16.28
	Survey Response Rate		51%	75%	42%	46%	30%	47%
	Grand Mean Engagement Score <sup>h</sup>		N/A	N/A	3.34	3.25	3.24	3.16
Financial Health	Deliveries per Total Workhours % Change		1.4%	2.1%	(0.5)%	(0.5)%	0.1%	0.2%
	Controllable Income (Loss) \$ in billions		(\$3.10)	(\$1.40)	(\$2.0)	(\$0.81)	\$0.61	\$1.19

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

<sup>a</sup> 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 performance indicators measuring High-Quality Service for certain Competitive products. See Library Reference USPS–FY18–NP30, December 28, 2018.

<sup>b</sup> Single-Piece First-Class Mail (2-Day and 3-5-Day) results were recast based on performance data for letters, postcards, and flats only, and excluding parcels. See Responses of the United States Postal Service to Questions 1-4 of Chairman’s Information Request No. 10, February 14, 2019, question 3.a.ii. (Responses to CHIR No. 10).

<sup>c</sup> Results of these performance indicators are comparable except for the Customer Experience Composite Index, Delivery, and Customer Care Center performance indicators. Methodologies and comparability issues for performance indicators measuring progress toward the Excellent Customer Experiences performance goal are discussed in Chapter 3, section B.3., *infra*.

<sup>d</sup> The Customer Experience Composite Index was formerly called the Customer Insights Composite Score. *FY 2018 Annual Report* at 19 n.2.

<sup>e</sup> Business Service Network results were recast based on customers’ overall satisfaction with the service provided by the Business Service Network representative. See Responses to CHIR No. 10, question 3.b.

<sup>f</sup> Enterprise Customer Care results were recast based on customers’ overall experience with the quality of service received in response to the issue. See Responses of the United States Postal Service to Questions 1-14 of Chairman’s Information Request No. 2, January 28, 2019, question 7.b.ii. (Responses to CHIR No. 2). FY 2017 results reflect Quarter 4 data only. *Id.*

<sup>g</sup> The Total Accident Rate results in Table I-1 differ from those provided in the *FY 2018 Annual Report* because numbers change weekly due to late reporting. See Responses of the United States Postal Service to Questions 1-9 of Chairman’s Information Request No. 13, February 21, 2019, question 5 (Responses CHIR No. 13).

<sup>h</sup> See Chapter 3, section C.3.b.(2), *infra*. The Grand Mean Engagement Score was not used as a performance indicator in FY 2018. *FY 2018 Annual Report* at 22. 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. *FY 2017 Annual Report* at 20 n.3.

Source: *FY 2018 Annual Report* at 17, 26; Responses to CHIR No. 2, question 7.b.ii; Responses to CHIR No. 10, questions 3.a.ii., 3.b.; United States Postal Service Reply Comments Regarding FY 2018 Performance Report and FY 2019 Performance Plan, February 22, 2019, at 5 (Postal Service Reply Comments).

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

## **B. The FY 2019 Plan and FY 2018 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)*.<sup>4</sup> 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 2019 Plan* and *FY 2018 Report* separately from the FY 2018 ACD.<sup>5</sup>

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.<sup>6</sup> It also sought input on public policy recommendations, strategic initiatives, and other relevant matters. Order No. 4967 at 2-3.

Several CHIRs were issued seeking clarification of the *FY 2019 Plan* and *FY 2018 Report*.<sup>7</sup>

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<sup>4</sup> 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; 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*).

<sup>5</sup> See Annual Compliance Determination Report, Fiscal Year 2018, April 12, 2019 (FY 2018 ACD).

<sup>6</sup> Notice Regarding the Postal Service FY 2018 Annual Performance Report and FY 2019 Annual Performance Plan, January 3, 2019 (Order No. 4967).

<sup>7</sup> Chairman's Information Request No. 2, January 10, 2019 (CHIR No. 2); Chairman's Information Request No. 10, February 7, 2019 (CHIR No. 10); Chairman's Information Request No. 13, February 14, 2019 (CHIR No. 13); Chairman's Information Request No. 16, February 21, 2019 (CHIR No. 16); Chairman's Information Request No. 21, March 5, 2019 (CHIR No. 21); Chairman's Information Request No. 26, April 5, 2019 (CHIR No. 26).

The Postal Service filed responses to all information requests.<sup>8</sup> The Public Representative submitted comments,<sup>9</sup> which the Postal Service addressed in reply comments. *See* Postal Service Reply Comments.

The Commission analyzes the *FY 2019 Plan* and *FY 2018 Report* in the following chapters:

- Chapter 2 analyzes the *FY 2019 Plan* and *FY 2018 Report* for compliance with legal requirements.
- Chapter 3 evaluates whether the Postal Service met its four performance goals in FY 2018 and contains related observations and recommendations for each performance goal.
- Chapter 4 discusses the Postal Service’s strategic initiatives.

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

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<sup>8</sup> Responses to CHIR No. 2; Responses to CHIR No. 10; Responses to CHIR No. 13; Responses of the United States Postal Service to Questions 1-4 of Chairman’s Information Request No. 16, February 27, 2019 (Responses to CHIR No. 16); Responses of the United States Postal Service to Questions 1-2 of Chairman’s Information Request No. 21, March 12, 2019 (Responses to CHIR No. 21); Response of the United States Postal Service to Question 1 of Chairman’s Information Request No. 26, April 8, 2019 (Response to CHIR No. 26).

<sup>9</sup> Public Representative Comments on the FY 2018 Performance Report and FY 2019 Performance Plan, February 8, 2019 (PR Comments).

# CHAPTER 2: COMPLIANCE WITH LEGAL REQUIREMENTS

## A. Legal Requirements

The *FY 2019 Plan* and *FY 2018 Report* must meet the requirements of 39 U.S.C. §§ 2803 and 2804.<sup>10</sup> 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[.]”<sup>11</sup> 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.<sup>12</sup>
- Briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources needed to meet the performance goals.
- Establish performance indicators to measure or assess each program activity’s relevant outputs, service levels, and outcomes.
- Provide a basis for comparing actual program results with established performance goals.
- Describe the means to be used to verify and validate measured values.

39 U.S.C. § 2803(a). Annual performance plans may aggregate, disaggregate, or consolidate program activities as long as doing so does not omit or minimize the

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<sup>10</sup> 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).

<sup>11</sup> 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*.

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



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

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."<sup>13</sup> 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 2019 Plan*) relative to the performance achieved toward those goals in the year covered by the performance report (in this case, the *FY 2018 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.<sup>14</sup> 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 *FY 2019 Plan* meets the requirements of 39 U.S.C. § 2803 because it "identifies all program activities in the *FY 2019 Integrated Financial Plan* [IFP] and explains how the *FY 2019 Plan* covers each one by relating each program activity to performance goals or indicators." PR Comments at 8 (emphasis added). She asserts that the *FY 2018 Report* includes almost all information required by 39 U.S.C. § 2804 except for actual results for the three preceding fiscal years for the Excellent Customer Experiences performance indicators. *Id.*

The Postal Service measures overall progress toward the Excellent Customer Experiences performance goal using the Customer Experience (CX) Composite Index as one of the performance indicators. *FY 2018 Annual Report* at 19. The CX Composite Index is a weighted composite of several component performance indicators that also measure progress toward the Excellent Customer Experiences performance goal.<sup>15</sup> In its reply

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<sup>13</sup> *Id.* § 2804(b)(1). If performance goals are specified in an alternative form by descriptive statements of a minimally effective program activity and a success 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).

<sup>14</sup> *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).

<sup>15</sup> *See* Chapter 3, section B.1.b., *infra*.

comments, the Postal Service explains that because the CX Composite Index is a composite, each component performance indicator may change year-to-year based on the best available customer touchpoints. Postal Service Reply Comments at 6. For example, the USPS.com and Business Mail Entry Unit (BMEU) subcomponents were added to the CX Composite Index in FY 2018. *Id.* The Postal Service maintains that it “is striving to maintain comparability in performance measurement, while working to improve the effectiveness of performance evaluation.” *Id.*

The Postal Service asserts that the *FY 2018 Report* does meet the requirements of section 2804 because it includes CX Composite Index results for FYs 2015 through 2017. *Id.* at 6. The Postal Service states that it has maintained comparability for the CX Composite Index for these fiscal years because each year’s results are relative to a 15-cell matrix.<sup>16</sup> In a CHIR response, the Postal Service provides CX Composite Index results for FYs 2015 through FY 2018 mapped to a 15-cell matrix, which are shown in Table II-1. Responses to CHIR No. 21, question 1. Results for FYs 2015, 2016, and 2017 are highlighted in yellow. The FY 2018 result (67.47) is not highlighted because the Postal Service states that the result ended the year below the value for Cell Block 1 (68.46). *Id.*

**Table II-1**  
**Customer Experience Composite Index**  
**Mapping of Results to 15-Cell Matrix, FY 2015 through FY 2018**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
FY 2018	68.46	69.35	70.30	73.88	77.38	80.90	81.95	83.01	83.94	84.89	85.88	86.89	87.90	88.93	90.02
FY 2017	80.00	83.00	86.00	87.70	88.30	89.00	90.00	92.00	93.00	94.00	95.00	96.00	97.00	98.00	99.00
FY 2016	85.70	85.80	85.90	86.00	86.35	86.70	87.45	88.20	88.95	90.00	91.00	92.00	93.00	94.00	95.00
FY 2015	72.00	76.00	79.00	82.00	84.00	86.70	89.20	91.60	93.60	95.00	96.00	97.00	98.00	99.00	99.50

Source: Responses to CHIR No. 21, question 1.

## C. Commission Analysis

In the *FY 2017 Analysis*, the Commission found that the FY 2018 annual performance plan (*FY 2018 Plan*) and FY 2017 annual performance report (*FY 2017 Report*) improved significantly compared to past years. *FY 2017 Analysis* at 9. The *FY 2018 Plan* and *FY 2017 Report* addressed major issues identified by the Commission in past analyses. *Id.* at 8. The Postal Service also adopted some of the Commission’s recommendations, such as listing the same performance indicators and targets from the prior annual performance plan and describing changes to performance indicators and methodologies for calculating results. *Id.*

<sup>16</sup> *Id.*; see Responses to CHIR No. 2, question 6.b. (explaining the methodology for calculating the CX Composite Index result).

These efforts promoted clarity and consistency between annual performance plans and annual performance reports as well as improved transparency by helping interested persons identify and understand when performance indicators changed. *Id.*

The *FY 2018 Plan* and *FY 2017 Report* contained almost all information necessary to demonstrate compliance with 39 U.S.C. §§ 2803 and 2804. *Id.* This helped facilitate the Commission's review, significantly reduced the number of CHIRs, and resulted in a more thorough annual performance plan and annual performance report. *Id.* The *FY 2018 Plan* was the first annual performance plan the Commission reviewed that met all the requirements of 39 U.S.C. § 2803. *Id.* at 9. The *FY 2017 Report* addressed two major legal issues that had been problematic in past annual performance reports. *Id.* at 12. The Commission recommended that the Postal Service retain these changes in future annual performance plans and annual performance reports. *Id.* at 9.

This year, the Postal Service retained many of these changes in the *FY 2019 Plan* and *FY 2018 Report*. They contain almost all the information required for the Commission to evaluate compliance with 39 U.S.C. §§ 2803 and 2804, which reduces the number of CHIRs and results in a more thorough annual performance plan and annual performance report. As discussed below, the *FY 2019 Plan* complies with 39 U.S.C. § 2803 and the Commission's directive to identify program activities and relate them to the performance goals.

The *FY 2018 Report* retains some improvements made last year, such as listing the same performance indicators and targets as the *FY 2018 Plan*<sup>17</sup> and describing changes to performance indicators and methodologies for calculating results. *See FY 2018 Annual Report* at 17 nn. 4-7, 21. However, the *FY 2018 Report* contains several legal compliance issues related to the comparability of FY 2018 targets and results, the comparability of the results from the past three fiscal years, and the explanations for why goals were not met.

## 1. FY 2019 Plan

The *FY 2019 Plan* is the second annual performance plan the Commission has reviewed that meets all requirements of 39 U.S.C. § 2803. The Commission appreciates that the *FY 2019 Plan* includes all information required for the Commission to evaluate compliance with 39 U.S.C. § 2803.

First, the *FY 2019 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

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<sup>17</sup> Compare *FY 2018 Annual Report* at 17 with *FY 2017 Annual Report* at 14.

IFP. *See* FY 2016 *Analysis* at 13. In the *FY 2017 Analysis*, the Commission stated that to comply with 39 U.S.C. § 2803(a), the *FY 2019 Plan* must “identify all program activities in the FY 2019 IFP and explain how the *FY 2019 Plan* covers each one by relating each program activity to one or more performance goals or indicators.”<sup>18</sup>

In the *FY 2019 Plan*, the Postal Service explains that FY 2019 targets for each performance indicator are aligned with the FY 2019 IFP, which includes the Postal Service’s planned revenue and expenses for FY 2019. *FY 2018 Annual Report* at 15. 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) is a performance indicator for the Financial Health performance goal and is calculated as total revenue less controllable expenses and one-time accounting adjustments. *Id.* The *FY 2019 Plan* identifies the program activities contributing to the Controllable Income (Loss) as controllable expenses such as compensation and benefits; transportation; depreciation; supplies and services; and rent and utilities. *Id.* The *FY 2019 Plan* includes information for each program activity in a table listing actual revenue and expenses for FY 2018 and planned revenue and expenses for FY 2019. *See id.* at 25. 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 for the Financial Health performance goal. *Id.* at 16.

The *FY 2019 Plan* discusses the IFP, defines “program activity,” and identifies the program activities in the FY 2019 IFP. The Postal Service complies with the Commission’s directive to relate the program activities to the performance goals because it links the program activities to the performance indicators under the Financial Health performance goal (Controllable Income (Loss) and DPTWH % Change).

*Thus, the Commission finds that the FY 2019 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 2020 annual performance plan (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.*

Second, the *FY 2019 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

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<sup>18</sup> *FY 2017 Analysis* at 10. Alternatively, the Postal Service could identify all program activities in the applicable congressional budget submission, explain how the *FY 2019 Plan* covers each one, and provide a crosswalk relating the program activities between the FY 2019 IFP and congressional budget submission. *Id.* at 10 n.17.

2803(a)(1) requires the *FY 2019 Plan* to set forth the performance goals and establish targets for each performance indicator to be used to evaluate performance during FY 2019. See *FY 2016 Analysis* at 10. The *FY 2019 Plan* sets FY 2019 targets for each public performance indicator the Postal Service will use to evaluate performance during FY 2019.<sup>19</sup>

Although no target is set for the Large Business Panel performance indicator, the *FY 2019 Plan* explains that this performance indicator was removed in FY 2019 “to reduce customer segment survey redundancies...” *FY 2018 Annual Report* at 21. The Postal Service points out that business customer experiences are already captured in the Business Service Network (BSN) and BMEU performance indicators. *Id.* This explanation improves the transparency of the *FY 2019 Plan* by providing further insight into how the Postal Service establishes and sets targets for performance indicators.

*The Commission finds that the FY 2019 Plan complies with 39 U.S.C. § 2803(a)(1) because the FY 2019 Plan sets targets for each performance indicator the Postal Service will use in FY 2019 or explains why a target is not set. In future annual performance plans, if the Postal Service does not set a target for a performance indicator, the Commission recommends that the Postal Service continue to provide a reasoned explanation for not setting a target.*

Third, the *FY 2019 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 2019 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 2019 Plan* meets this requirement by setting a measurable FY 2019 target for each performance indicator the Postal Service will use in FY 2019. See *FY 2018 Annual Report* at 17.

Fourth, the *FY 2019 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 2019 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 2019, the Postal Service states it will implement operational, technological, and training initiatives; use an internal Service Performance Measurement system (SPM) as the official measurement for service

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<sup>19</sup> See *FY 2018 Annual Report* at 17. 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 2019 targets are included in a non-public annex filed with the FY 2018 Annual Compliance Report (ACR). See *FY 2018 Annual Report* at 17 n.1; Library Reference USPS–FY18–NP30.

performance; and prioritize capital investments on key infrastructure upgrades. *FY 2018 Annual Report* at 19.

Fifth, the *FY 2019 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 2019 Plan* meets this requirement because each performance goal has at least two performance indicators that evaluate outputs, service levels, and outcomes. For example, the Financial Health performance goal uses two performance indicators to measure financial performance and overall efficiency. *See FY 2018 Annual Report* at 23-30.

Sixth, the *FY 2019 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 2019 Plan* meets this requirement by listing the performance indicators that will provide a basis for comparing FY 2019 results with the targets established in the *FY 2019 Plan*. *See FY 2018 Annual Report* at 17.

Seventh, the *FY 2019 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. The *FY 2019 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 2018 Annual Report* at 19-21.

*The Commission finds that the FY 2019 Plan complies with 39 U.S.C. § 2803.*

## 2. FY 2018 Report

The *FY 2018 Report* meets some requirements of 39 U.S.C. § 2804. The *FY 2018 Report* reviews the Postal Service's success in achieving the performance goals in FY 2018, compares FY 2019 targets with FY 2018 results for each performance indicator, and includes summary findings of program evaluations completed during FY 2018 as required by sections 2804(d)(1), (2), and (4). *See* Chapter 2, section C.2.d., *infra*. However, there are several issues related to the comparability of FY 2018 targets and results, comparability of results from the past three fiscal years, and explanations for why a performance goal was not met. These issues are discussed in detail below.

### a. Comparable FY 2018 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 2017 Analysis*, the Commission stated that to comply with section 2804(b)(1), the *FY 2018 Report* “must set forth the same performance indicators and targets in the *FY 2018 Plan* and compare FY 2018 results with FY 2018 targets for each performance indicator.” *FY 2017 Analysis* at 13. The Commission also directed that the *FY 2018 Report* express results for each performance indicator that are comparable to the targets the Postal Service set in the *FY 2018 Plan*. *Id.* As an alternative, if a comparable result cannot be provided, the *FY 2018 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. *See id.* at 15.

The *FY 2018 Report* lists the same performance indicators and targets as the *FY 2018 Plan* and compares FY 2018 targets and results for each performance indicator. *See* n.17, *supra*. In a CHIR response, the Postal Service confirms that the FY 2018 target and result for each performance indicator are comparable except for the Customer Care Center (CCC) performance indicator, which measures progress toward the Excellent Customer Experiences performance goal. Responses to CHIR No. 10, question 2. The FY 2018 CCC target was based on satisfaction with live agents only while the FY 2018 result was based on both satisfaction with live agents and the Interactive Voice Response (IVR) system. *Id.* The Postal Service explains that providing a comparable FY 2018 result is not feasible because of significant changes made to the CCC survey and methodology in FY 2018. *See id.* questions 2., 3.c. However, this information was not included in the *FY 2018 Report*. The Commission previously stated that 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. As a result, to comply with 39 U.S.C. § 2804(b)(1), the *FY 2018 Report* should have stated that the FY 2018 CCC target and result are not comparable and explained why providing a comparable FY 2018 result was not feasible.

*The FY 2018 CCC target and result listed in the FY 2018 Report are not comparable, and the FY 2018 Report does not explain why providing a comparable FY 2018 result is not feasible. Thus, the Commission finds that the FY 2018 Report does not comply with 39 U.S.C. § 2804(b)(1) for the Excellent Customer Experiences performance goal.*

The Postal Service is changing the methodologies for calculating several performance indicators that may affect the comparability of some FY 2019 targets and results. For the High-Quality Service performance indicator, the Postal Service states it will use a new SPM system as its official measurement system, which the Commission approved.<sup>20</sup> It is unclear

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<sup>20</sup> *FY 2018 Annual Report* at 19; *see* Docket No. PI2015-1, Order Approving Use of Internal Measurement Systems, July 5, 2018 (Order No. 4697); *see* Docket No. PI2015-1, Errata to Order No. 4697, August 21, 2018 (Order No. 4771).

whether targets in the *FY 2019 Plan* were set based on the new SPM system or former measurement system. For the Excellent Customer Experiences performance goal, the Postal Service is changing the methodology for calculating results of the CX Composite Index and Enterprise Customer Care (eCC) performance indicators. *See* Chapter 3, section B.3.a., *infra*. The FY 2019 target for the CX Composite Index performance indicator is expressed using the FY 2018 methodology. *See FY 2018 Annual Report* at 17.

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

*For the Excellent Customer Experiences performance goal, the FY 2019 result for the eCC performance indicator must be expressed using the FY 2019 methodology based on customers' overall satisfaction with the quality of service received in response to their issue and an improvement rate. The FY 2019 result for the CX Composite Index performance indicator must be expressed using both the FY 2018 and FY 2019 methodologies to ensure that the FY 2019 target and result are comparable.*

*As 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. 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. The Commission stated that to comply with 39 U.S.C. § 2804(c), the *FY 2018 Report* must include comparable results for each performance indicator for, at a minimum, FYs 2015, 2016, 2017, and 2018. *FY 2017 Analysis* at 15. To be comparable, results for each fiscal year must be calculated and expressed using the same performance indicator or methodology. *Id.* If comparable results cannot be provided, the Commission directed that the Postal Service explain in the *FY 2018 Report* why results are not directly comparable across these fiscal years. *Id.* The Postal Service was also directed to explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible in the *FY 2018 Report*. *Id.*



In FY 2018, the Postal Service changed the methodologies for calculating results of several performance indicators. *See FY 2017 Analysis* at 18-19. Consequently, the *FY 2018 Report* does not contain comparable results for FYs 2015, 2016, 2017, and 2018 for several performance indicators that measure progress toward the High-Quality Service and the Excellent Customer Experiences performance goals.<sup>21</sup>

For the High-Quality Service performance goal, the Postal Service changed the methodology for calculating results of the Single-Piece First-Class Mail (2-Day and 3-5-Day) performance indicators by using data for letters, postcards, and flats only, and excluding parcels.<sup>22</sup> In the *FY 2017 Analysis*, the Commission directed that the *FY 2018 Report* express Single-Piece First-Class Mail (2-Day and 3-5-Day) performance indicators results for FYs 2015, 2016, 2017, and 2018 using this new methodology.<sup>23</sup>

The *FY 2018 Report* does not contain comparable Single-Piece First-Class Mail (2-Day and 3-5-Day) performance indicator results for these fiscal years because the results were calculated using different methodologies. Results for FYs 2015, 2016, and 2017 were calculated based on the former methodology (including parcel performance data), whereas the FY 2018 results were calculated based on the new methodology (excluding parcel performance data). *See Responses to CHIR No. 10*, question 3.a.i. In a CHIR response, the Postal Service does provide comparable Single-Piece First-Class Mail (2-Day and 3-5-Day) results for FYs 2015 through 2018 that were calculated based on the new methodology. *Id.* question 3.a.ii. However, the Commission previously stated that 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.

As previously discussed, the Postal Service states it will measure FY 2019 High-Quality Service performance indicator results using a new SPM system. This methodology change may affect the comparability of results for the High-Quality Service performance indicators. To comply with 39 U.S.C. § 2804(c) next year, the *FY 2019 Report* must include comparable results for each High-Quality Service performance indicator or provide an explanation, as described below.

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<sup>21</sup> For the Financial Health performance goal, the Postal Service changed the methodology for calculating the DPTWH % Change performance indicator in FY 2016. *FY 2017 Analysis* at 15, 67-68. The *FY 2018 Report* contains comparable DTPWH % Change results for FYs 2015, 2016, 2017, and 2018. *Responses to CHIR No. 10*, question 3.d.i.

<sup>22</sup> *FY 2017 Analysis* at 27; *Responses to CHIR No. 10*, question 3.a.i. This change reflects the transfer of First-Class Mail Parcels to the Competitive product list. *FY 2017 Analysis* at 27.

<sup>23</sup> *FY 2017 Analysis* at 27-28. If comparable results cannot be provided, the Commission directed that the *FY 2018 Report* “explain why results are not directly comparable across these fiscal years. In that case, the *FY 2018 Report* must either explain how to compare results between the old and new methodologies or explain why making this comparison is not feasible.” *Id.* at 28.

For the Excellent Customer Experiences performance goal, the Postal Service updated customer surveys and performance indicator methodologies in FY 2018 to help improve customer experiences in FY 2019.<sup>24</sup> Although these changes will promote comparability in future years, they affected the comparability of results for several Excellent Customer Experiences performance indicators in the *FY 2018 Report*. Specifically, the Postal Service changed the methodology for calculating results of the BSN, Delivery, CCC, and eCC performance indicators.<sup>25</sup> Because the FY 2018 results for these performance indicators were calculated using different methodologies from the prior fiscal years, the *FY 2018 Report* does not contain comparable results for FYs 2015, 2016, 2017, and 2018. Comparability issues with the Excellent Customer Experiences performance indicators are discussed in further detail in Chapter 3, section B.3.b., *infra*.

In its reply comments, the Postal Service asserts that it complied with 39 U.S.C. § 2804 because the *FY 2018 Report* includes three years of comparable results for the CX Composite Index. Postal Service Reply Comments at 6. However, the Commission previously stated that “to comply with 39 U.S.C. § 2804(c), the *FY 2017 Report* must include comparable results for each performance indicator... .” *FY 2017 Analysis* at 13. For the Excellent Customer Experiences performance goal, the Postal Service must provide three years of comparable results for each component performance indicator.

*The FY 2018 Report does not contain comparable results for FYs 2015, 2016, 2017, and 2018 for several performance indicators that measure progress toward the High-Quality Service and Excellent Customer Experiences performance goals. The FY 2018 Report does not explain why providing comparable results is not feasible. Thus, the Commission finds that the FY 2018 Report does not comply with 39 U.S.C. § 2804(c) for these performance goals.*

*To 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. As an alternative, if comparable results cannot be provided for any performance indicator, 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.*

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<sup>24</sup> Responses to CHIR No. 2, question 9; United States Postal Service FY 2018 Annual Compliance Report, December 28, 2018, at 48 (FY 2018 ACR).

<sup>25</sup> See *FY 2018 Annual Report* at 17 nn. 5, 6; FY 2018 ACR at 49-51. In FY 2018, the Postal Service also changed the methodology for calculating the CX Composite Index. *FY 2017 Analysis* at 43-44. Although the *FY 2018 Report* does not contain comparable CX Composite Index results, the *FY 2018 Report* does contain results of each component performance indicator, which can be compared across these fiscal years. See Chapter 3, section B.3., *infra*.

*Specifically, for the High-Quality Service performance goal, 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. In that case, 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.*

*For the Excellent Customer Experiences performance goal, the FY 2019 Report must include comparable results for each component performance indicator. Chapter 3 explains how the Postal Service may provide three years of comparable results for each component performance indicator in the FY 2019 Report. See Chapter 3, section B.3.b., *infra*.*

c. Goals Not Met

The Commission determines whether the Postal Service has met a performance goal by comparing results of each performance indicator to targets set in the applicable performance plan for that fiscal year. *See FY 2017 Analysis* at 4. The Commission considers the Postal Service to have met a performance goal if the results of each performance indicator for that goal meet or exceed the targets 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 targets in FY 2018, the *FY 2018 Report* must explain why and describe plans and schedules for meeting FY 2019 targets. *See id.*; Table III-1, *infra*. The *FY 2018 Report* does not provide complete information for the High-Quality Service and Safe Workplace and Engaged Workforce performance goals. The Postal Service does not explain why it missed FY 2018 targets for the non-public performance indicators measuring progress toward the High-Quality Service performance goal. *See Chapter 2, section C.3, infra*. For the Safe Workplace and Engaged Workforce performance indicators, the Postal Service asserts that it set “aggressive” and “stretch” FY 2018 targets. *FY 2018 Annual Report* at 22. However, the *FY 2018 Report* does not provide specific explanations for why these targets were not met.

*The Commission finds that the FY 2018 Report does not comply with 39 U.S.C. § 2804(d)(3) for the High-Quality Service and Safe Workplace and Engaged Workforce performance goals. To comply with 39 U.S.C. § 2804(d)(3) next year, for each FY 2019 target that is not met, the FY 2019 Report must both explain why and describe plans and schedules for meeting FY 2020 targets. If the Postal Service misses a FY 2019 target for a non-public performance indicator, the Postal Service must provide the explanation, plans, and schedules for meeting the FY 2020 target in a non-public annex. See Chapter 2, section C.3., *infra*.*

*The Commission reiterates that “plans and schedules” for meeting performance goals under 39 U.S.C. § 2804(d)(3)(B) must be designed to meet applicable performance indicator targets. FY 2017 Analysis at 17. These plans and schedules must also include specific timelines if they fall outside of the fiscal year covered by the annual performance plan. Id.*

d. Other Annual Performance Report Requirements

The *FY 2018 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 2018. 39 U.S.C. § 2804(d)(1). The *FY 2018 Report* provides this information both in a table comparing targets and results and in the text of the report. *See FY 2018 Annual Report* at 17, 19-20, 26, 29.

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 2018 Report* to evaluate the *FY 2019 Plan* relative to the performance achieved toward the performance goals during FY 2018. This requires the *FY 2018 Report* to compare FY 2019 targets with FY 2018 results for each performance indicator the Postal Service will use during FY 2019. *See FY 2016 Analysis* at 15. The *FY 2018 Report* provides this information in a table comparing results and targets for each performance indicator. *See FY 2018 Annual Report* at 17.

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 2018 Report* to include summary findings of program evaluations completed during FY 2018 that evaluate how programs helped the Postal Service meet targets in FY 2018. *See FY 2017 Analysis* at 16. For example, the *FY 2018 Report* includes summary findings of a program evaluation describing how the Postal Service met the FY 2018 target for the BMEU performance indicator. *See FY 2018 Annual Report* at 20. The *FY 2018 Report* states that the Postal Service focused training efforts on low-performing units and instructed them on best-in-class business mail acceptance workflow procedures. *Id.*

*The Commission finds that the FY 2018 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.<sup>26</sup> In the *FY 2017 Analysis*, the Commission stated that “to ensure compliance with 39 U.S.C. §§ 2803 and 2804 in future years, the Postal Service must file under seal with the [ACR] targets and three years of comparable results for each non-public performance indicator.” *FY 2017 Analysis* at 18. Specifically, for the *FY 2019 Plan* and *FY 2018 Report* to comply with sections 2803 and 2804, respectively, the Commission directed that the Postal Service file under seal with the FY 2018 ACR: “(1) FY 2018 and FY 2019 targets; and (2) comparable results from FY 2015 through FY 2018 for each non-public performance indicator.” *Id.* The Commission further directed that “[i]f the Postal Service does not meet a FY 2018 target, the Postal Service must explain why and describe the plans and schedules for meeting FY 2019 targets.” *Id.* The Commission stated that the Postal Service may include this information with the *Annual Report to Congress* or submit this information in a non-public library reference. *Id.*

The *FY 2019 Plan* and *FY 2018 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 2018 Annual Report* at 17 n.1. The Postal Service filed this non-public service performance data in Docket No. ACR2018 in Library Reference USPS–FY18–NP30.<sup>27</sup> For each non-public performance indicator, this library reference includes targets for FY 2018 and FY 2019 as well as comparable results from FYs 2015 through 2018. *See* Library Reference USPS–FY18–NP30. Although the Postal Service describes plans and schedules for meeting FY 2019 targets, the Postal Service does not explain why it did not meet FY 2018 targets for the non-public performance indicators. *See id.*

*The Commission finds that Library Reference USPS–FY18–NP30 complies with the Commission's directive to file under seal with the FY 2018 ACR: (1) FY 2018 and FY 2019 targets; and (2) comparable results from FY 2015 through FY 2018 for each non-public performance indicator. The FY 2019 Plan complies with 39 U.S.C. § 2803 by setting measurable FY 2019 targets for each non-public performance indicator the Postal Service will use in FY 2019. See Chapter 2, section C.1., supra. The FY 2018 Report complies with 39 U.S.C.*

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<sup>26</sup> See *FY 2017 Analysis* at 17; *FY 2018 Annual Report* at 17 n.1.

<sup>27</sup> FY 2018 ACR at 3 n.4; see Library Reference USPS–FY18–NP30.

*§§ 2804(b)(1) and (c) by setting forth comparable FY 2018 targets and results and including comparable results from the past three fiscal years. See Chapter 2, sections C.2.a., b., supra. The FY 2018 Report does not comply with 39 U.S.C. § 2804(d)(3) with respect to the non-public performance indicators because the Postal Service does not explain why it did not meet FY 2018 targets. See Chapter 2, section C.2.c., supra.*

*To ensure that the FY 2020 Plan and FY 2019 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Commission recommends that the FY 2019 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 2019 ACR. For each non-public performance indicator, the Postal Service must file under seal with the FY 2019 ACR: (1) FY 2019 and FY 2020 targets; and (2) comparable results from FYs 2016 through 2019. If 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. The FY 2019 ACR should continue to identify the library reference that contains this information.*

#### 4. FY 2019 Performance Indicator Changes

The Commission previously recommended that the Postal Service describe any performance indicator or methodology changes in the *Annual Report to Congress* and analyze the impact of methodology changes on results. See *FY 2016 Analysis* at 18. The *FY 2018 Report* adopts this recommendation by stating that the Postal Service is using a new SPM system to measure progress toward the High-Quality Service performance goal in FY 2019. *FY 2018 Annual Report* at 19. The *FY 2018 Report* also explains changes to the Excellent Customer Experiences performance indicators in FY 2019. First, the Postal Service will calculate the CX Composite Index differently from previous years by measuring the aggregate variance of customer satisfaction scores across each touchpoint relative to the performance target established for each touchpoint. *Id.* at 21. Second, the Postal Service is removing the Large Business Panel performance indicator to reduce customer segment survey redundancies because business customer experiences are already measured by the BSN and BMEU performance indicators. *Id.* Third, the Postal Service is changing the methodology for calculating the eCC performance indicator result by measuring both overall satisfaction with resolution quality received and year-to-date overall satisfaction improvement as compared to the same period last year. *Id.* The *FY 2018 Report* also includes footnotes explaining methodology changes in a table listing FY 2018 and FY 2019 targets as well as results from FY 2015 through FY 2018. See *FY 2018 Annual Report* at 17 nn. 4-7, 21.

The Commission appreciates these descriptions of performance indicator and methodology changes because they promote transparency by helping interested persons understand when performance indicators and methodologies change and how they impact results. *In the FY 2020 Plan and FY 2019 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.*

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

After implementing a change, the Postal Service will need time to evaluate whether the change was beneficial or effective. Implementing a change for a three-year period will also help future annual performance reports comply with 39 U.S.C. § 2804(c) by generating three years of comparable results. *See Chapter 2, section C.2.b., supra.*

*To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service limit the number of performance indicator or methodology changes made. The Commission recommends that the Postal Service implement a performance indicator or methodology change for three consecutive fiscal years before revising it unless the change is clearly not beneficial or effective. If the Postal Service decides to add a new performance indicator or change the methodology for an existing performance indicator, the Commission recommends that the Postal Service 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 2018 were:

- High-Quality Service
- Excellent Customer Experiences
- Safe Workplace and Engaged Workforce
- Financial Health<sup>28</sup>

In this chapter, the Commission evaluates whether the Postal Service met each performance goal in FY 2018 as required by 39 U.S.C. § 3653(d). The Commission “considers the Postal Service to have met a performance goal if the results of each performance indicator for that performance goal meet or exceed targets established in the applicable annual performance plan.” *FY 2017 Analysis* at 4. The Postal Service missed FY 2018 targets for each performance indicator except the BMEU performance indicator, which measures progress toward the Excellent Customer Experiences performance goal. *See FY 2018 Annual Report* at 17.

*The Commission finds that the Postal Service either did not meet or only partially met its performance goals in FY 2018.*

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 2018, 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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<sup>28</sup> *FY 2018 Annual Report* at 15. These are the same performance goals the Postal Service used in FY 2017. *See FY 2017 Annual Report* at 13.



**Table III-1  
FY 2018 Progress Toward Performance Goals**

<b>Performance Goal</b>	<b>Goal Met in FY 2018</b>	<b>Postal Service's Reasons for Not Meeting Goal</b>	<b>Postal Service's FY 2019 Plans and Schedules for Meeting the Goal</b>
High-Quality Service <sup>a</sup>	Not Met	Service disruptions because of extreme weather and natural disasters across the nation; network-wide job realignment and bidding process, which will benefit future operations but limited the ability to quickly normalize operations and return service performance to standards.	Implement operational, technological, and training initiatives to improve the mail delivery process; leverage data analytics and deploy other tools such as Lean Six Sigma; use a more accurate internal Service Performance Measurement system; prioritize capital investments on key infrastructure upgrades.
Excellent Customer Experiences	Partially Met	Low Enterprise Customer Care and Customer Care Center performance indicator results.  Chapter 3 provides explanations for why each performance indicator except the Business Mail Entry Unit missed FY 2018 targets. See Chapter 3, section B.1.c., <i>infra</i> .	Establish Vice President of Customer Experience position as part of Postmaster General leadership team.  Chapter 3 provides plans and schedules for meeting FY 2019 performance indicator targets. See Chapter 3, section B.1.d., <i>infra</i> .
Safe Workplace and Engaged Workforce	Not Met	<i>FY 2018 Report</i> does not explain why performance goal was not met.	<i>Safe Workplace</i> : focus on prevention strategies and take a proactive approach to safety; establish effective accident reduction plans; address motor vehicle accidents through training, engineering controls, and consistent communication.  <i>Engaged Workforce</i> : improve efforts to communicate the importance of employee participation in the survey; provide employees with training and tools; showcase employee success stories.
Financial Health	Not Met	<i>Deliveries per Total Workhour (DPTWH) % Change</i> : overrun in workhour plan from using additional overtime hours due to increase in package volume and decline in letters and flats volume.  <i>Controllable Income (Loss)</i> : higher-than-expected compensation and benefit expenses and transportation costs.	<i>DPTWH % Change</i> : capture workhour reductions from declining mail volume and from operational initiatives to improve efficiencies in mail processing, delivery, and customer service.  <i>Controllable Income (Loss)</i> : increased revenue from packages, international mail, and USPS Marketing Mail; increase in compensation and benefits expenses.

Source: *FY 2018 Annual Report* at 18-29.

<sup>a</sup> 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 2018 performance and plans for meeting each performance goal in FY 2019. The Commission also makes observations and recommendations for each performance goal.

## **A. High-Quality Service**

### **1. Background**

In FY 2018, the Postal Service measured service performance by randomly sampling and measuring the time between when mail is deposited in a postal facility and when mail is delivered to a home, business, or Post Office Box. *FY 2018 Annual Report* 18. 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.<sup>29</sup> To evaluate progress toward the High-Quality Service performance goal in FY 2018, the Postal Service used seven public performance indicators measuring service performance for some Market Dominant products:

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

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<sup>29</sup> The Postal Service also reports service performance on all Market Dominant products in the ACR. 39 U.S.C. § 3562(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 2018 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 2018 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).

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 2018 Annual Report* at 18. 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 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.* In a CHIR response, the Postal Service provided workpapers showing how the FY 2018 result was calculated. Responses to CHIR No. 13, question 1.a.

The USPS Marketing Mail and Periodicals Composite performance indicator measures the percentage of all USPS Marketing Mail and Periodicals mailpieces that were delivered within the applicable service standard during the fiscal year. *FY 2018 Annual Report* at 18. This performance indicator is a composite measuring USPS Marketing Mail Letters, USPS Marketing Mail 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.<sup>30</sup> The Postal Service filed under seal targets for FY 2018 and FY 2019 and results from FY 2015 through FY 2018 for these non-public performance indicators in Library Reference USPS–FY18–NP30.<sup>31</sup>

The Postal Service failed to meet any of its FY 2018 targets for the public Market Dominant performance indicators. *FY 2018 Annual Report* at 18. Results for each of these performance indicators declined between FY 2017 and FY 2018. *See id.* at 17. The Postal Service also did not meet FY 2018 targets for the non-public Competitive products performance indicators. *See* Library Reference USPS–FY18–NP30.

The Postal Service explains that it missed FY 2018 targets because of “extreme weather and natural disasters” during the first half of FY 2018, which significantly affected three postal areas and disrupted operations across the network. *FY 2018 Annual Report* at 18. Also, the Postal Service states that it “conducted a network-wide job realignment and

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<sup>30</sup> *FY 2017 Analysis* at 17; *see* Chapter 2, section C.3., *supra*.

<sup>31</sup> *See FY 2018 Annual Report* at 17 n.1; FY 2018 ACR at 3 n.4.

bidding process” during the second quarter of FY 2018, which limited its “ability to quickly normalize operations and return service performance to standards.” *Id.* Explanations for missing FY 2018 targets are discussed in more detail below. *See* Chapter 3, section A.3.a., *infra*.

In the *FY 2019 Plan*, FY 2019 targets are the same values as FY 2018 targets. *See FY 2018 Annual Report* at 17. First, to meet FY 2019 targets, the Postal Service asserts it will “continue implementing operational, technological and training initiatives,” and will “leverage data analytics to better monitor systems and analyze scans, track mail at every step of the mail-handling process, and proactively identify potential root causes of lower service performance.” *Id.* at 19. Second, in FY 2019, the Postal Service states it will use its new SPM system as the official service performance measurement system, which will allow for “near real-time” data.<sup>32</sup> Third, the Postal Service states that it “will prioritize capital investments on key infrastructure upgrades that best achieve improvements in service, processing capacity, labor efficiencies, and maintenance costs.” *FY 2018 Annual Report* at 19. Fourth, the Postal Service asserts that it will continue its “efforts to actively engage employees to implement these process changes and technologies to better serve [its] customers.” *Id.* Plans for improving High-Quality Service in FY 2019 are discussed in more detail below. *See* Chapter 3, section A.3.b., *infra*.

## 2. Comments

The Public Representative concludes that the Postal Service failed to meet the High-Quality Service performance goal in FY 2018 because the Postal Service missed all FY 2018 targets. PR Comments at 3, 5. She notes that “after two years of improvement, the Postal Service’s performance declined in every category.” *Id.* at 4. She observes that as in previous years, the highest gap between the target and result was for the Single-Piece First-Class Mail (3-5-Day) performance indicator. *Id.* She asserts that although the Postal Service discusses High-Quality Service results in the *FY 2018 Report*, it does not provide adequate explanations for missing FY 2018 targets. *Id.* at 5. She notes that the Postal Service identified extreme weather and natural disasters as one reason why it missed FY 2018 targets. *Id.* She comments that it is impossible to determine whether the Postal Service is improving its operations because the Postal Service cannot quantify the impact of weather-related disruptions on results. *Id.*

In its reply comments, the Postal Service asserts that it “has identified and reported on the top root causes of many of its service performance issues.” Postal Service Reply Comments at 2. It states that mitigation plans for FY 2019 include working to better ensure that field sites understand and can adhere to established processes; and using tools within Informed

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<sup>32</sup> *Id.*; *see* Docket No. PI2018-2, Order Conditionally Approving Modifications to Market Dominant Service Performance Measurement Systems, November 5, 2018 (Order No. 4872).

Visibility (IV) to help identify sites with the highest opportunity for improvement.<sup>33</sup> With respect to the larger gap between the target and result for the Single-Piece First-Class Mail (3-5-Day) performance indicator, the Postal Service discusses potential delays that are due to the distance traveled by these mailpieces. Postal Service Reply Comments at 2. Specifically, 3-5-Day mailpieces may be required to move via several transportation channels and travel through more than one processing plant, which creates more potential for mail not moving to its next handling on time. *Id.* at 2-3. The Postal Service notes that it is now using the IV application to identify the root causes of these failures and focus on ensuring results meet established targets. *Id.* at 3. It states that it is working on an initiative in FY 2019 to identify mail impacted by unforeseen events outside of its control. *Id.*; see Chapter 3, section A.3.b., *infra*.

The Public Representative also comments on FY 2019 targets. She reiterates concerns expressed in past years concerning the appropriateness of the Postal Service's targets, particularly for the Single-Piece First-Class Mail (3-5-Day) performance indicator. PR Comments at 6. She notes that in FY 2017, the Public Representative identified the large gap between the target and result for this performance indicator and commented that the Postal Service would have to improve its performance substantially to meet the FY 2018 target. *Id.* She points out that in the *FY 2017 Analysis*, "the Commission recommended 'that the Postal Service revisit this performance indicator target' ... if the Postal Service does not meet the FY 2018 target," and "explain how it will achieve such significant improvement' if it chooses to retain the same target." *Id.* She observes that the Postal Service retains the same target for this performance indicator in FY 2019, although performance did not improve in FY 2018. *Id.* She notes that the Postal Service did not explain how it will improve results for this performance indicator. *Id.*

The Postal Service maintains that stretch targets are not only achievable, but are set appropriately high enough to inspire continuous improvement. Postal Service Reply Comments at 2. It asserts that in FY 2019, it will focus on adhering to processing and transportation schedules to meet FY 2019 targets for the Single-Piece First-Class Mail (3-5-Day) and other performance indicators. *Id.*

### 3. Commission Analysis

In FY 2018, the Postal Service missed all FY 2018 targets for both the public and the non-public performance indicators measuring progress toward the High-Quality Service performance goal.

*The Commission finds that the Postal Service did not meet the High-Quality Service performance goal in FY 2018.*

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<sup>33</sup> *Id.* The IV system "leverages data in near real-time to measure and diagnose service, predict workload, and manage inventory, while providing near real-time end-to-end tracking of mail." See Docket No. RM2018-1, Response of the United States Postal Service to Commission Information Request No. 1, question OD-3 (December 4, 2017).

As discussed in Chapter 2, there are two legal compliance issues related to the High-Quality Service performance indicators. First, the Postal Service changed the methodology for calculating FY 2018 results of the Single-Piece First-Class Mail (2-Day and 3-5-Day) performance indicators by using data for letters, postcards, and flats only, and excluding parcels.<sup>34</sup> However, the *FY 2018 Report* does not contain comparable results for these performance indicators because it expresses results for FY 2015 through FY 2017 using the former methodology. *See* Chapter 2, section C.2.b., *supra*. *Consequently, the FY 2018 Report does not comply with 39 U.S.C. § 2804(c) for the High-Quality Service performance goal.*

In FY 2019, the Postal Service states it will use a new SPM system as its official measurement system. *FY 2018 Annual Report* at 19. It is unclear whether FY 2019 targets were set based on the new SPM system or former measurement system. This methodology change may affect the comparability of FY 2019 targets and results, as well as results for the past three fiscal years for the performance indicators measuring progress toward the High-Quality Service performance goal.

*To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2019 result for each performance indicator must be comparable to the target set in the FY 2019 Plan. As an alternative, if comparable FY 2019 results cannot be provided, the FY 2019 Report must explain why and either: (1) explain how to compare results between the new SPM system and former measurement system; or (2) explain why making this comparison is not feasible.*

*To 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. As an alternative, if comparable results cannot be provided for any High-Quality Service performance indicator, 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 new SPM system and former measurement system, or explain why making this comparison is not feasible.*

Second, the *FY 2018 Report* does not explain why it did not meet FY 2018 targets for the non-public performance indicators for Competitive products, as required by 39 U.S.C. § 2804(d)(3). *See* Chapter 2, section C.3., *supra*.

*To comply with 39 U.S.C. § 2804(d)(3) next year, if the Postal Service misses one or more FY 2019 targets for the non-public performance indicators measuring progress toward the High-Quality Service performance goal, the Postal Service must explain why and describe plans and schedules for meeting FY 2020 targets.*

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<sup>34</sup> *FY 2017 Analysis* at 27-28; Responses to CHIR No. 10, question 3.a.i. This change reflects the transfer of First-Class Mail Parcels to the Competitive product list. *FY 2017 Analysis* at 27.

In the sections below, the Commission makes observations on results, and targets and explores plans for improving High-Quality Service performance indicator results in FY 2019.

a. Observations on Results and Targets

Table III-2 compares results for each public performance indicator for FYs 2016, 2017, and 2018. Results improved slightly between FY 2016 and FY 2017, but declined between FY 2017 and FY 2018. For these seven indicators, after experiencing the largest percentage point improvement between FY 2016 and FY 2017, Single-Piece First-Class Mail (3-5 Day) declined the most between FY 2017 and FY 2018—over 3 percentage points—losing all previous gains and falling below FY 2016 levels. The smallest decline—nearly half a percentage point—occurred for Presorted First-Class Mail (Overnight).

**Table III-2**  
**Public High-Quality Service Performance Indicators**  
**Results for FYs 2016, 2017, and 2018**

Public High-Quality Service Performance Indicator		Results			Percentage Point Difference	
		FY 2016	FY 2017	FY 2018	FY 2016 and FY 2017	FY 2017 and FY 2018
Single-Piece First-Class Mail <sup>a</sup>	2-Day	94.71	94.74	93.78	0.03	-0.96
	3-5-Day	83.69	85.57	82.48	1.88	-3.09
Presorted First-Class Mail	Overnight	96.16	96.46	96.00	0.30	-0.46
	2-Day	95.05	95.58	94.92	0.53	-0.66
	3-5-Day	91.68	93.16	91.96	1.48	-1.20
First-Class Mail Letter and Flat Composite		92.34	93.29	92.07	0.95	-1.22
USPS Marketing Mail and Periodicals Composite		90.01	91.44	89.26	1.43	-2.18

<sup>a</sup> Results of the Single-Piece First-Class Mail (2-Day and 3-5-Day) performance indicators are expressed using performance data for letters, postcards, and flats only, and exclude parcels.

Source: *FY 2018 Annual Report* at 17; Responses to CHIR No. 10, question 3.a.ii.

Table III-3 compares FY 2018 results with FY 2018 targets and shows the percentage point performance gap between the target and result. None of the FY 2018 targets was met. The largest percentage point performance gap—almost 13 percentage points—occurred for Single-Piece First-Class Mail (3-5-Day). The smallest percentage point gap—just less than one percentage point—occurred for Presorted First-Class Mail (Overnight).

**Table III-3**  
**Public High-Quality Service Performance Indicators**  
**Comparison of FY 2018 Targets and Results**

High-Quality Service Performance Indicator		FY 2018		
		Target	Result	Percentage Point Performance Gap
Single-Piece First-Class Mail	2-Day	96.50	93.78	-2.72
	3-5-Day	95.25	82.48	-12.77
Presorted First-Class Mail	Overnight	96.80	96.00	-0.80
	2-Day	96.50	94.92	-1.58
	3-5-Day	95.25	91.96	-3.29
First-Class Mail Letter and Flat Composite		96.00	92.07	-3.93
USPS Marketing Mail and Periodicals Composite		91.80	89.26	-2.54

Source: *FY 2018 Annual Report* at 17.

In the *FY 2018 Report*, the Postal Service explains that considerable service disruptions occurred during the first half of FY 2018 because of “extreme weather and natural disasters[,]... including three major hurricanes, wildfires, mudslides, heavy rainfall, ice, and snow.” *FY 2018 Annual Report* at 18. It is during the first quarter of each fiscal year (which includes the December holiday shopping season) that the Postal Service processes its highest mail and parcel volumes. *Id.* The Postal Service notes that these natural disasters significantly affected three of seven of the Postal Service’s national organizational areas, and disrupted operations across its network. *Id.* In a CHIR response, the Postal Service identifies specific weather events and natural disasters resulting in service disruptions, including the areas of the United States that were affected. Responses to CHIR No. 2, question 1.a. However, it asserts that it has been unable to determine exactly how these weather events and natural disasters have impacted results. *Id.* question 1.b. As discussed below, the Postal Service will be working on an initiative in FY 2019 to identify mail impacted by unforeseen events that are outside of the Postal Service’s control. *See* Chapter 3, section A.3.b., *infra*.

Moreover, noting that its annual service performance metrics are cumulative and volume-weighted, the Postal Service asserts that performance during the first half of the fiscal year, when volume is highest, sets the pace for the remainder of the fiscal year. *FY 2018 Annual Report* at 18. The Postal Service asserts that service performance results improved for the USPS Marketing Mail and Periodicals Composite performance indicator during the second half of FY 2018, and exceeded the target. *Id.* In a CHIR response, the Postal Service confirms that results for the FCLF Composite also improved during the second half of FY 2018. Responses to CHIR No. 13, question 1.b.

The Commission acknowledges that service performance results during the second half of the fiscal year generally exceed the service performance results observed for the



preceding first half of the fiscal year. However, historically, the Postal Service has not sustained the improvement observed in the second half of the fiscal year through to the next fiscal year's Quarter 1.<sup>35</sup>

*Given the continuous recurring nature of this issue, the Commission recommends that the Postal Service explore how to adapt its operations to account for seasonal demand changes in a way that does not negatively impact service performance.*

The Postal Service asserts that it also missed FY 2018 targets because of a network-wide job realignment and bidding process conducted during the second quarter of FY 2018. *FY 2018 Annual Report at 18.* The Postal Service explains that it conducted this network-wide job realignment and bidding process to respond to the continued decline of First-Class Mail volume, double-digit growth in package volume, and an increase of over one million new delivery points. *Id.* The Postal Service maintains that this effort limited its "ability to quickly normalize operations and return service performance to standards." *Id.* However, the Postal Service asserts that this effort "will benefit operations in FY2019 and beyond." *Id.*

In a CHIR response, the Postal Service states that the network-wide job realignment and bidding "process begins with the Function 1 Review, a modeling tool which is used to determine appropriate and authorized staffing levels by employee category." Responses to CHIR No. 2, question 2. This modeling tool, which is used by all processing plants, accounts for several components such as mail critical entry times, mail availability, volumes, facility equipment, and target productivities. *Id.* Once a review is approved, the Postal Service's goal is to realign workforce bid jobs based on results of the review. *Id.*

The Postal Service explains that network-wide job realignment and bidding is an ongoing process that involves placing different people in different jobs and requires a period of adjustment. Responses to CHIR No. 13, question 2. The Postal Service states that service performance may be impacted during this adjustment period because the process takes several bid cycles to post, bid, award, and train employees, and employees are often required to change schedules and tours as well as positions. *Id.* The Postal Service discusses how these events may impact employee productivity and work effectiveness, which affects service performance. *Id.*

The supplemental information provided in the CHIR responses clarifies the explanation in the *FY 2018 Report*. Specifically, the descriptions of the network-wide job realignment and bidding process help illustrate the impact of this process on productivity and, by extension, service performance results.

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<sup>35</sup> See, e.g., Docket No. ACR2015, Annual Compliance Determination Report, Fiscal Year 2015, March 28, 2016, at 106-07, 111, 119-20, 125-26; Docket No. ACR2016, Annual Compliance Determination Report, Fiscal Year 2016, March 28, 2017, at 132.

*In the FY 2019 Report, the Commission recommends that the Postal Service explain in more detail the impact of any network-wide job realignment and bidding process undertaken in FY 2019 on High-Quality Service performance indicator results in FY 2019.*

The Public Representative asserts that the Postal Service should set more realistic High-Quality Service targets, while the Postal Service maintains that its targets are appropriate and attainable.

*The Commission recommends that the Postal Service strive to develop targets that balance the need to inspire continuous improvement with the importance of setting targets that are realistic and achievable.*

In addition to evaluating whether targets are met, the Commission also analyzes service performance trends, which can forewarn of potential issues and affect the development of Commission recommendations for the Postal Service. The Commission is concerned not only that the Postal Service missed each of its FY 2018 targets, but also that results of each performance indicator declined between FY 2017 and FY 2018. Because the legacy and the new SPM systems use different methodologies, trend analysis may become more difficult. As discussed above, the *FY 2019 Report* must address the issue of comparability of results across fiscal years. *See* Chapter 3, section A.3., *supra*. As discussed below, the Commission recommends that the *FY 2019 Report* also address the impact of any Postal Service initiatives identified in the *FY 2018 Report* (such as leveraging of data analytics to proactively identify and address the root causes of lower performance) on the High-Quality Service performance indicator results for FY 2019. *See* Chapter 3, section A.3.b., *infra*.

b. Plans for Improving High-Quality Service

The Postal Service anticipates further significant weather events in FY 2019. *FY 2018 Annual Report* at 19. In the *FY 2019 Plan*, the Postal Service states that to meet FY 2019 targets, it will incorporate lessons learned from FY 2018 weather disruptions into its response efforts to normalize operations quickly with the least amount of disruptions. *Id.* In a CHIR response, the Postal Service describes its development of a Hurricane Preparedness Guide to help postal management provide necessary direction, coordination, and support to ensure that facilities are prepared and are able to respond to and recover from a hurricane. Response to CHIR No. 2, question 3. The Postal Service asserts that the Hurricane Preparedness Guide will help ensure the continuation of Postal Service functions and crucial services. *Id.* The Hurricane Preparedness Guide was last updated in June 2018, and “contains all available lessons learned from previous events.” *Id.*

The Postal Service indicates that “[d]ebriefing after events provides the source for the lessons learned” in the Hurricane Preparedness Guide. *Id.* According to the Postal Service, prior to a pending event, postal leadership will meet with management employees from areas that have been previously impacted in order to learn best practices. *Id.* The Postal Service also notes that additional information now available from the National Hurricane

Center provides it with the ability to monitor storm surges, as well as the ability to provide a forecast track map for postal facilities lying within the possible path of a projected storm. *Id.* The Postal Service asserts that “[a]s a result of these improvements, [it] can now begin the process of mobilizing equipment sooner and defining a larger span of offload sites, which helps to keep the network moving.” *Id.*

In FY 2019, the Postal Service will also work on an initiative to identify mail impacted by unforeseen events that are outside of the Postal Service’s control. Response to CHIR No. 2, question 1.b. This initiative will utilize a data-driven approach to identify and flag mailpieces impacted by uncontrollable events, such as major weather events. *Id.* Using this data, the Postal Service asserts that it “will be able to more accurately quantify impacts from these events and diagnose service failures.” *Id.* In addition, the Postal Service notes that the ability to categorize impacted mailpieces will enable it to alternately report on service performance both with the impacted mailpieces included, and with the impacted mailpieces excluded. *Id.*

Also, in FY 2019, the Postal Service will also use the new SPM system as the official measurement system for service performance. *FY 2018 Annual Report* at 19. It will replace the External First-Class Measurement system, which the Postal Service used through the end of FY 2018. *Id.* The Postal Service asserts that the SPM system, “will provide more accurate, reliable and representative service performance reporting by gathering data from multiple sources[,] including live scans of the billions of [mail]pieces moving through the postal network, rather than relying on samples of test pieces and [sent to] test recipients.” *Id.* The Postal Service maintains that the SPM system will more accurately reflect service performance in near-real time and will better use data analytics to identify systemic or localized areas for improvement. *Id.* Furthermore, it asserts knowing where in the process an error occurred (*i.e.*, during the first mile, processing, or last mile) allows the Postal Service to put corrective actions in place sooner. Responses to CHIR No. 2, question 4.

In conjunction with the development of the SPM system, the Postal Service reports that it implemented a new mail condition reporting system in January 2019 called Mail Condition Visualization (MCV). *Id.* This tool displays a facility’s mail conditions in near-real time, using scanning to determine where mailpieces and containers are within the network and to calculate whether delays occur during processing or transportation. *Id.* The Postal Service maintains that this tool provides the ability to view current processing operations and identify which mailpieces within the network are at-risk of missing their service standard, thereby reducing service failures. *Id.*

In the *FY 2018 Report*, the Postal Service also states that it “will prioritize capital investments on key infrastructure upgrades that best achieve improvements in service,” and will “continue [its] efforts to actively engage [its] employees to implement these process changes and technologies...” *FY 2018 Annual Report* at 19. The Postal Service plans to invest \$1.85 billion in parcel sortation, acceptance, and dispatch equipment; IT

systems and scanning capabilities; facility repairs and alterations; programs for addressing space deficiencies for handling package growth; building purchases; material handling and transportation efficiency solutions; and service vehicles, small programs, and other initiatives. Responses to CHIR No. 13, question 3.

*The Commission finds that the Postal Service's plans for improving High-Quality Service are reasonable steps for improving High-Quality Service performance indicator results in FY 2019. The Commission observes that the Postal Service's initiative to identify mail impacted by unforeseen events that are outside of the Postal Service's control appears likely to help the Postal Service more accurately determine the extent to which weather-related events affect its service performance results. In the FY 2019 Report, the Commission recommends that the Postal Service explain the outcome of this and other initiatives designed to improve High-Quality Service and discuss the impact that these initiatives have on FY 2019 results.*

## **B. Excellent Customer Experiences**

### **1. Background**

#### **a. Customer Surveys**

The Postal Service measures customer experiences by conducting surveys of residential, small/medium business, and large business customers.<sup>36</sup> In FY 2018, the Postal Service measured progress toward the Excellent Customer Experiences performance goal 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

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<sup>36</sup> 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–FY18–38, December 28, 2018, file “USPS-FY18-38 Preface.pdf,” at 2, 5 (Preface).

The Postal Service provides copies of these surveys in the FY 2018 ACR.<sup>37</sup> 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 2018 Annual Report* at 19. The BSN survey measures business customers' level of satisfaction with the BSN. Preface at 3. Customers who initiate a service request within the BSN receive an email invitation to take the BSN survey online. *Id.* The survey consists of 12 evaluation questions and 4 open-ended customer supplied responses.<sup>38</sup>

The POS survey measures customers' overall satisfaction with their experiences at retail locations that use POS equipment.<sup>39</sup> After completing a retail transaction, customers receive a receipt that invites them to take the POS survey via website, telephone number, or Quick Response (QR) Code. Preface at 3. The POS survey is conducted through a web-based survey platform and consists of seven 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.<sup>40</sup> 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. There are different Delivery surveys for residential and small/medium business customers. *See* Surveys 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.<sup>41</sup> Customers first interact with an IVR system, which resolves approximately two-thirds of the calls received annually.<sup>42</sup> If the IVR system does not resolve the issue, customers then speak to a live agent. *Primer of Four Surveys* at 11.

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<sup>37</sup> *See* Library Reference USPS-FY18-38, file "CI\_Surveys\_FY2018.pdf" (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.

<sup>38</sup> *Id.*; *see* Surveys at 11-25.

<sup>39</sup> *FY 2018 Annual Report* at 19; Preface at 3.

<sup>40</sup> *FY 2018 Annual Report* at 19; Preface at 3.

<sup>41</sup> *FY 2018 Annual Report* at 19; Preface at 4.

<sup>42</sup> United States Postal Service Office of Inspector General, *Postal Customer Satisfaction: A Primer of Four Surveys*, RARC-WP-17-010, August 28, 2018, at 11 (*Primer of Four Surveys*).

There are two different CCC surveys that measure customers' level of satisfaction with either the IVR system or live agent. Preface at 4. For the IVR system survey, all customers who only interact with the IVR system are asked at the beginning of their call if they are willing to complete a survey after the call. *Id.* For the Live Agent survey, all customers who speak with a live agent receive a phone invitation 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 71-79.*

The eCC is a case management system the Postal Service uses to manage customer complaints.<sup>43</sup> The eCC survey measures resolution satisfaction of customers who file a complaint through either a CCC live agent or on USPS.com. *FY 2018 Annual Report at 19; Preface at 4.* Customers who provide an email address receive an eCC survey after their case has been closed as long as the customer has not already been surveyed during the last 60 days.<sup>44</sup> 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 38-45.*

The BMEU is the area of a postal facility where business mailers present bulk, presorted, and permit mail for acceptance.<sup>45</sup> The BMEU survey measures business mailers' level of satisfaction with the BMEU, including BMEU employees and the service received.<sup>46</sup> After mailers produce and finalize a postage statement at the BMEU, they receive a web-based survey consisting of nine evaluation questions and three open-ended mailer supplied responses. Preface at 2. These questions ask about mailers' overall satisfaction with their experience at the BMEU, as well as their experience with acceptance employees at the BMEU.<sup>47</sup>

The USPS.com survey measures customer satisfaction with the Postal Service's website and solicits customers' opinions of website elements. *FY 2018 Annual Report at 20.* The survey is offered to a random sample of 2 percent of users who access the website through a desktop 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

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<sup>43</sup> 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.

<sup>44</sup> Preface at 4. Customers who only provided a phone number receive a call from the IVR system. *Id.*

<sup>45</sup> United States Postal Service, *Glossary of Postal Terms (Publication 32)*, July 2013 (available at: [https://about.usps.com/publications/pub32/pub32\\_terms.htm](https://about.usps.com/publications/pub32/pub32_terms.htm)).

<sup>46</sup> *FY 2018 Annual Report at 19; Preface at 2.*

<sup>47</sup> *Id.*; *see Surveys at 62-70.*

a mobile device. *Id.* The survey consists of two evaluation questions and one open-ended customer supplied response supplied.<sup>48</sup>

The Large Business survey measures customer satisfaction of large business customers, which are those with 250 or more employees.<sup>49</sup> 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 quarterly during FY 2018. *Id.* The survey consists of 14 evaluation questions and 2 open-ended customer supplied responses. *Id.*

b. FY 2018 Performance Indicators

The Postal Service uses these customer surveys to develop performance indicators that measure progress toward achievement of the Excellent Customer Experiences performance goal. Each customer survey corresponds to a performance indicator. For example, the BSN customer survey corresponds to the BSN performance indicator.

In FY 2018, 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.<sup>50</sup> The Overall Satisfaction questions for each customer survey are listed in Table III-4.

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<sup>48</sup> Preface at 5; *see* Surveys at 80.

<sup>49</sup> FY 2018 ACR at 52; Preface at 5; *see* Surveys at 46-61.

<sup>50</sup> FY 2018 ACR at 49; Responses to CHIR No. 2, question 6.e.

**Table III-4  
Customer Surveys  
FY 2018 Overall Satisfaction Questions**

<b>Customer Survey</b>	<b>Overall Satisfaction Question</b>
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 <sup>a</sup>	Thinking about your overall experience with receiving mail and/or packages delivered by USPS recently, how satisfied are you?
Customer Care Center <sup>b</sup>	<b>Live Agent survey:</b> How satisfied are you with the overall experience provided by the contact center?  <b>IVR system survey:</b> 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?
Large Business	First of all, thinking about all aspects of recent experiences your business has had with the USPS, how satisfied are you with us?

<sup>a</sup> The FY 2018 Delivery performance indicator result combines responses from both residential and small/medium business customers into one unweighted score. Library Reference USPS–FY18–38, Excel file “CI Composite\_ALL SURVEYS\_ProgramOverview\_2018.xlsx.” In past years, the Delivery performance indicator result was a composite of weighted results from the Delivery (Residential) and Delivery (Small/Medium Business) surveys. Preface at 3-4; Responses to CHIR No. 2, question 8.b.

<sup>b</sup> The FY 2018 CCC performance indicator result is a composite of overall customer satisfaction with a live agent (25 percent) and the IVR system (75 percent). FY 2018 ACR at 50-51.

Source: Responses to CHIR No. 2, question 6.e.; Preface at 2-5; Library Reference USPS–FY18–38, Excel file “CI Composite\_ALL SURVEYS\_ProgramOverview\_2018.xlsx.”

In FY 2018, all eight survey performance indicators (*i.e.*, the BSN, POS, Delivery, CCC, eCC, BMEU, USPS.com, and Large Business performance indicators) were components of the CX Composite Index, which the Postal Service uses as a performance indicator for measuring overall customer experience.<sup>51</sup> The CX Composite Index is a weighted composite of the component performance indicators. Methodologies for calculating the results of the CX Composite Index and component performance indicators are discussed in Chapter 3, section B.3.a., *infra*.

<sup>51</sup> FY 2018 Annual Report at 19. The CX Composite Index was called the Customer Insights Composite Index in past years. *Id.* at 19 n.2.



c. Comparison of FY 2018 Targets and Results

Table III-5 compares FY 2018 targets and results for each Excellent Customer Experiences performance indicator. As Table III-5 shows, the Postal Service missed FY 2018 targets for each performance indicator except for the BMEU.

**Table III-5**  
**Excellent Customer Experiences Performance Indicators**  
**Comparison of FY 2018 Targets and Results**

Performance Indicator	FY 2018 Target	FY 2018 Result ■ Target Not Met
Customer Experience Composite Index	80.93	67.47
Business Service Network	96.73	95.90
Point of Sale	90.42	87.98
Delivery	86.33	80.47
Customer Care Center <sup>a</sup>	69.17	39.19
Enterprise Customer Care	70.00	36.73
Business Mail Entry Unit	95.00	95.33
USPS.com	66.33	57.54
Large Business	78.00	72.34

<sup>a</sup> The FY 2018 Customer Care Center target and result are not comparable. Responses to CHIR No. 10, question 2. This issue is discussed in Chapter 2. See Chapter 2, section C.2.a., *supra*.

Source: *FY 2018 Annual Report* at 17.

The *FY 2018 Report* explains that the two primary contributors for missing the CX Composite Index target were the FY 2018 results for the eCC (36.73) and the CCC (39.19) performance indicators, which were considerably below their respective FY 2018 targets (70.00 and 69.17 respectively). *FY 2018 Annual Report* at 20. For the eCC performance indicator, the Postal Service states “[t]he primary reason cited by customers was that their issues were not adequately resolved quickly.” *Id.* The Postal Service explains that an analysis of eCC performance indicator results has shown that the largest drivers of customer satisfaction are contacting the customer within 24 hours and successfully resolving the issue. Responses to CHIR No. 2, question 11.

For the CCC performance indicator, the Postal Service states “[t]he primary root causes identified by customers were long wait times before speaking to a [Postal Service] representative and the inability to resolve their issues at first contact with [the IVR] system.” *FY 2018 Annual Report* at 20. The Postal Service explains that in FY 2018, approximately 66 percent of CCC calls were not resolved on the first attempt, which drove overall satisfaction downwards. Responses to CHIR No. 2, question 11. The Postal Service also notes that to increase survey response rates, it changed the CCC survey by reducing the number of questions and automatically routing customers to take the survey. *FY 2018*

*Annual Report at 20.* These changes resulted in a six-fold increase in survey responses, but decreased the FY 2018 result.<sup>52</sup>

The Postal Service also explains why it missed FY 2018 targets for the other component performance indicators. These explanations are provided in Table III-6.

**Table III-6**  
**Excellent Customer Experiences**  
**Component Performance Indicators**  
**Reasons for Missing FY 2018 Targets**

Component Performance Indicator	Reason for Missing FY 2018 Target
Business Service Network	Business Service Network was not adequately staffed throughout FY 2018, creating inconsistencies in territories where there was no regular representative.
Point of Sale	Need for additional training of front line retail employees.
Delivery	Significant service disruptions including weather and natural disasters during the first half of the year.
USPS.com	Website functionality and design.
Large Business	Ease of contacting a representative and issue/claim resolution.

Source: *FY 2018 Annual Report at 20-21*; Responses to CHIR No. 13, question 4.

d. FY 2019 Plan

In the *FY 2019 Plan*, the Postal Service states that it will improve customer experiences in FY 2019 by establishing the Vice President of Customer Experience position to provide leadership, coordination, and focused attention on customer experience issues. *FY 2018 Annual Report at 21.* To improve the eCC performance result, the Postal Service explains that it will “improve initial contact times through employee training initiatives aimed at developing case management skills...” Responses to CHIR No. 2, question 11. The Postal Service will also provide frequent customer experience feedback reports to area and district level management, as well as focus on initial contact and issue resolution. *Id.*

To improve the CCC survey result, the Postal Service describes upgrades made to the IVR system in FY 2018, specifically upgrading IVR system speech recognition and enhancing the menu, to increase the likelihood that customers will remain on the call through transfer to a live agent and thereby help customers resolve their issues during their first call to the CCC.<sup>53</sup> The Postal Service also states that in FY 2019 it will focus on optimizing staffing schedules based on call arrival patterns and implementing technology solutions to

<sup>52</sup> *Id.*; Responses to CHIR No. 2, question 10.

<sup>53</sup> *Id.*; FY 2018 ACR at 55.

help customers with self-service options. Responses to CHIR No. 2, question 11. To improve the quality provided by live agents, supervisors, and analysts on calls, the Postal Service has conducted new and enhanced training to CCC personnel.<sup>54</sup>

The Postal Service also describes plans and schedules for meeting FY 2019 targets for the other component performance indicators, which are listed in Table III-7.

**Table III-7**  
**Excellent Customer Experiences**  
**Component Performance Indicators**  
**Plans and Schedules for Meeting FY 2019 Targets**

Component Performance Indicator	Plans and Schedules for Meeting FY 2019 Target
Business Service Network	Implement process improvements to improve the number of respondents; deploy the Single Package Look-Up tool to enable representatives to better assess and resolve package delivery issues.
Point of Sale	Training and retraining retail employees on work efficiency, courtesy, and knowledge of products and services.
Delivery	Implement operational, technological, and training initiatives to improve mail delivery process; use a more accurate internal service performance measurement system; prioritize capital investments and actively train and engage employees. <sup>a</sup>
Business Mail Entry Unit	Implement training and certification processes to become Business Solutions Centers; pilot Mail and Shipping Solutions Center to provide centralized support, first contact solutions and standardized responses across the country; develop automated solutions for package pricing and payment methods.
USPS.com	Refresh USPS.com website with new user interfaces, better navigation, and improved functionality throughout the year.

<sup>a</sup> Plans and schedules for improving the Delivery performance indicator result are discussed as part of the High-Quality Service performance goal. See Chapter 3, section A.3.b., *supra*.

Source: *FY 2018 Annual Report* at 20-21; Responses to CHIR No. 13, question 4; *FY 2018 ACR* at 54-57.

In the *FY 2019 Plan*, the Postal Service describes several changes to the Excellent Customer Experiences performance indicators and methodologies for calculating results. First, in FY 2019 “[t]he CX Composite Index will measure the aggregate variance of customer satisfaction scores across each touchpoint relative to the performance target [established] for each touchpoint.” *FY 2018 Annual Report* at 21. Second, the Large Business performance indicator will be removed because business customer experiences

<sup>54</sup> *Id.*; *FY 2018 ACR* at 55.

are already captured in the BSN and BMEU surveys. *Id.* Third, the Postal Service is changing the methodology for calculating the eCC performance indicator result by measuring both customer satisfaction with resolution quality received and year-to-date overall satisfaction improvement compared to the same period last year. *Id.* These changes are discussed below. *See* Chapter 3, section B.3.a., *infra*.

## 2. Comments

The Public Representative comments that in FY 2018, the BMEU performance indicator was the only Excellent Customer Experiences performance indicator to meet or exceed its FY 2018 target. PR Comments at 6-7. She notes that FY 2018 was the first year the BMEU performance indicator was used to evaluate progress toward this goal. *Id.* at 7. She asserts that without several years of results, no useful conclusions can be drawn from the Postal Service meeting the BMEU performance indicator target. *Id.* She observes that the FY 2019 BMEU performance indicator target is lower than the FY 2018 result and that the Postal Service does not provide an explanation. *Id.* She urges the Postal Service to reconsider the FY 2019 target. *Id.*

The Public Representative notes that FY 2018 results for the CX Composite Index and the other component performance indicators did not meet FY 2018 targets and declined from FY 2017. *Id.* Thus, she concludes that the Postal Service did not meet the Excellent Customer Experiences goal in FY 2018. *Id.* at 8.

In its reply comments, the Postal Service explains that it sets targets using a standard methodology based on data from the most localized level. Postal Service Reply Comments at 4. For the BMEU performance indicator, the most localized level was the district level, where the median score was 95.13. *Id.* Although the national score was higher, the Postal Service states that it set the FY 2019 target based on performance at the district level. *Id.*

## 3. Commission Analysis

The Postal Service exceeded the FY 2018 target for the BMEU performance indicator, but missed FY 2018 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 2018, by meeting only one of the nine targets.*

In the FY 2018 ACR, the Postal Service provides copies of each customer survey and other information required by 39 C.F.R. § 3055.92.<sup>55</sup> The Postal Service also includes additional information by describing changes made to the customer surveys and performance indicator methodologies, as well as discussing the impact of the methodology changes on FY 2018 results. FY 2018 ACR at 49-57. Library Reference USPS–FY18–38 also includes a helpful table containing detailed information on the survey methodology and data

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<sup>55</sup> *See* Library Reference USPS–FY18–38.

collection for each customer survey.<sup>56</sup> This additional information facilitates the Commission's review of the Excellent Customer Experiences performance goal. It also helps interested persons understand the customer survey and methodology changes as well as the Postal Service's rationale for making these changes.

*The Commission recommends that the Postal Service continue to provide this additional information in the FY 2019 ACR by describing any changes made to customer surveys and performance indicator methodologies, providing the rationale for making these changes, and discussing the impact of these changes on FY 2019 results. The Commission also recommends that the FY 2019 ACR include a similar table to the one included in Library Reference USPS-FY18-38 that contains detailed information on the survey methodology and data collection for each customer survey.*

The *FY 2018 Report* explains why FY 2018 targets were not met and describes plans and schedules for meeting FY 2019 targets as required by 39 U.S.C. § 2804(d)(3). See *FY 2018 Annual Report* at 20-21. The Postal Service provides further details on these explanations, plans, and schedules in the FY 2018 ACR. See *FY 2018 ACR* at 53-57. The Commission appreciates the information provided in the FY 2018 ACR and finds that it enhances the explanations, plans, and schedules in the *FY 2018 Report* and *FY 2019 Plan*. The additional information facilitates cross-references among the *FY 2018 Report*, the *FY 2019 Plan*, and the FY 2018 ACR and may help future annual performance reports and annual performance plans comply with section 2804(d)(3).

*In the FY 2019 Report and FY 2020 Plan, if the Postal Service misses one or more targets for the Excellent Customer Experiences performance indicators, the Commission recommends that the Postal Service consider including a cross-reference to the FY 2019 ACR explaining why FY 2019 targets were not met and describing plans and schedules for meeting FY 2020 targets.*

In the sections below, the Commission describes customer survey and performance indicator methodology changes and discusses comparability issues related to the Excellent Customer Experiences performance indicators.

a. Survey and Methodology Changes

In the *FY 2018 Report*, the Postal Service states that it evaluated each survey for effectiveness in measuring overall customer satisfaction. *FY 2018 Annual Report* at 20. The Postal Service explains that to enhance its understanding of customer satisfaction and improve results for FY 2019, it significantly revamped its processes for measuring customer experiences during FY 2018. *FY 2018 ACR* at 48. These changes included revising customer surveys and methodologies for calculating results. *Id.* at 49-57.

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<sup>56</sup> Library Reference USPS-FY18-38, Excel file "CI Composite\_ALL SURVEYS\_ProgramOverview\_2018.xlsx."

The Postal Service states that in FY 2017, it “conducted a qualitative evaluation of the customer survey portfolio to better understand and document the current state of the surveys.” Responses to CHIR No. 2, question 9. As part of this evaluation, the Postal Service examined several metrics for all surveys, such as the number of questions, the response rates, and the number of surveys distributed. *Id.* It also assessed the consistency of comparable metrics across surveys to determine whether the surveys were using the same scales and wording. *Id.* Based on these findings, the Postal Service updated all customer surveys to use consistently-worded Overall Satisfaction questions and a 6-point scale to ensure more comparable results across the surveys in FY 2018.<sup>57</sup>

The Postal Service also changed the CCC survey by reducing the number of questions and automatically routing customers to take the surveys.<sup>58</sup> This change resulted in a six-fold increase in survey response compared to the previous year. *FY 2018 Annual Report* at 20.

*The Commission commends the Postal Service for evaluating and updating the current customer surveys and performance indicator methodologies to ensure quality and consistency and for improving CCC survey response rates. The Commission finds that using consistently-worded Overall Satisfaction questions and a 6-point scale will promote comparability of results in FY 2019 and beyond.*

However, as discussed below, the survey and methodology changes affected the comparability of results for several Excellent Customer Experiences performance indicators in the *FY 2018 Report*. See Chapter 3, section B.3.b., *infra*. Specifically, in FY 2018, the Postal Service changed the methodology for calculating results of the CX Composite Index, BSN, Delivery, CCC, and eCC performance indicators. These methodology changes are discussed below.

#### (1) Customer Experience (CX) Composite Index

The CX Composite Index is a performance indicator that measures overall customer experience.<sup>59</sup> The result is a weighted composite of the component performance indicators. Table III-8 illustrates how the methodology for calculating Customer Experience composite index results changed between FY 2014 and FY 2019.

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<sup>57</sup> *Id.* A 6-point scale means that there are six possible responses to each survey question ranging from “Very Satisfied” to “Very Dissatisfied.” See Library Reference USPS–FY18–38, Excel file “CI Composite\_ALL SURVEYS\_ProgramOverview\_2018.xlsx.”

<sup>58</sup> *FY 2018 Annual Report* at 20; Responses to CHIR No. 2, question 10.

<sup>59</sup> The CX Composite Index was formerly called the Customer Insights Composite Score. *FY 2018 Annual Report* at 19 n.2.

**Table III-8**  
**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: Docket No. ACR2016, Library Reference USPS-FY16-38, December 29, 2016, file "USPS-FY16-38 Preface.pdf," at 2; *FY 2017 Annual Report* at 17-18; Responses to CHIR No. 2, questions 6.b.-c.

Table III-8 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 proposes to remove the Large Business component performance indicator and adjust the weights of the POS and eCC component performance indicators upward to account for the removal of the Large Business component performance indicator.<sup>60</sup>

(a) FY 2018 Methodology

The Postal Service described the FY 2018 CX Composite Index performance indicator result as "a simple weighted average of the component [performance indicator results]." *FY 2017 Annual Report* at 18. The Postal Service calculated the FY 2018 CX Composite Index result in three steps. First, the Postal Service determined the FY 2018 result for each component performance indicator.<sup>61</sup> Second, the Postal Service multiplied the result of each component performance indicator by its respective weight listed in Table III-8, *supra*. Responses to CHIR No. 2, question 6.b. Third, the Postal Service added the weighted results together to arrive at the FY 2018 CX Composite Index result of 67.47. *Id.* Table III-9 illustrates the steps for calculating the FY 2018 CX Composite Index result.

<sup>60</sup> *FY 2018 Annual Report* at 21; *see* Table III-8.

<sup>61</sup> Responses to CHIR No. 2, question 6.b. The FY 2018 result for each component performance indicator was calculated using the Overall Satisfaction question for the corresponding customer survey listed in Table III-4. *See* Chapter 3, section B.1.b., *supra*.

**Table III-9**  
**Customer Experience Composite Index**  
**Methodology for Calculating FY 2018 Result**

<b>Component Performance Indicator</b>	<b>FY 2018 Result</b>		<b>Weight (Percent)</b>		<b>Weighted Result</b>
Business Service Network	95.90	x	10	=	9.59
Point of Sale	87.98	x	10	=	8.80
Delivery	80.47	x	20	=	16.09
Customer Care Center	39.19	x	20	=	7.84
Enterprise Customer Care	36.73	x	15	=	5.51
Business Mail Entry Unit	95.33	x	10	=	9.53
USPS.com	57.54	x	5	=	2.88
Large Business	72.34	x	10	=	7.23
<b>FY 2018 Customer Experience Composite Index Result</b>					<b>67.47</b>

Source: Responses to CHIR No. 2, question 6.b.

(b) FY 2019 Methodology

In FY 2019, the Postal Service will again change the methodology for calculating the CX Composite Index result. It will remove the Large Business performance indicator and adjust the weights of the other component performance indicators accordingly as shown in Table III-8.<sup>62</sup> The Postal Service will also calculate the FY 2019 result using a mapping scale and express the result as a number between 1 and 15. Responses to CHIR No. 21, question 2.b. The steps for calculating the FY 2019 result are described below.

First, the Postal Service will determine FY 2019 results for each component performance indicator. *See* Responses to CHIR No. 2, question 6.c. The Postal Service will use the same methodology used in FY 2018 to calculate FY 2019 results for each component performance indicator except for the eCC performance indicator. *See* Responses to CHIR No. 2, question 6.d.ii. For this performance indicator, the Postal Service will calculate: (1) an eCC Overall Satisfaction Score based on customers' overall satisfaction with the quality of service received in response to their issue; and (2) an eCC Improvement Rate as compared to the same period last year.<sup>63</sup> In a CHIR response, the Postal Service provides the following hypothetical FY 2019 results to show how it plans to calculate the FY 2019 CX Composite Index result:

<sup>62</sup> FY 2018 Annual Report at 21; Responses to CHIR No. 2, question 6.c.

<sup>63</sup> FY 2018 Annual Report at 21; Responses to CHIR No. 21, question 2.a.



**Table III-10**  
**Component Performance Indicators**  
**Hypothetical FY 2019 Results**

Performance Indicator	Hypothetical FY 2019 Result
Business Service Network	95.90
Point of Sale	91.02
Delivery	84.96
Customer Care Center	45.28
eCC Overall Satisfaction Score	37.50
eCC Improvement Rate	10.65
BMEU	95.33
USPS.com	57.54

Source: Responses to CHIR No. 2, question 6.c.

Second, the Postal Service will map each FY 2019 result listed in Table III-10 to a 15-cell matrix to determine a Cell Value between 1 and 15. Responses to CHIR No. 2, question 6.c. The Postal Service provides the 15-cell matrix in a CHIR response. *See id.* Each FY 2019 result will be mapped to the Cell Value that has the number closest to the result without exceeding it. *See id.* Table III-11 shows how each hypothetical FY 2019 component performance indicator result listed in Table III-10 would be mapped to the 15-cell matrix. For example, a FY 2019 Delivery performance indicator result of 84.96 would have a Cell Value of 5.<sup>64</sup> The eCC Overall Satisfaction Score of 37.50 would have a Cell Value of 2, and the eCC Improvement Rate of 10.65 would have a Cell Value of 6.

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<sup>64</sup> The Delivery performance indicator result of 84.96 would be mapped to the number 84.32 in the matrix, which is the number closest to the Delivery result without exceeding it.

**Table III-11**  
**FY 2019 Customer Experience Composite Index Methodology**  
**Mapping of Hypothetical FY 2019 Results to 15-Cell Matrix**

Cell Value	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Delivery	72.95	76.82	81.55	82.75	84.32	86.33	86.58	86.93	87.40	88.00	88.64	89.32	90.08	90.96	92.00
eCC Overall Satisfaction Score	35.00	36.65	38.67	46.50	56.84	70.00	70.25	70.55	70.90	71.30	71.80	72.40	73.10	73.95	75.00
eCC Improvement Rate	2.50	3.70	4.98	6.40	8.05	10.00	11.00	12.20	13.60	15.20	17.20	19.60	22.40	25.80	30.00
Business Service Network	93.85	94.31	94.80	95.35	95.98	96.73	96.85	97.01	97.22	97.50	97.82	98.16	98.54	98.98	99.50
Business Mail Entry Unit	94.60	94.68	94.77	94.88	94.99	95.13	95.28	95.49	95.76	96.12	96.58	97.07	97.62	98.25	99.00
Point of Sale	83.71	85.91	88.59	89.05	89.65	90.42	90.57	90.77	91.05	91.40	92.46	93.58	94.83	96.28	98.00
Customer Care Center	40.00	41.46	43.24	46.18	50.06	55.00	55.75	56.80	58.20	60.00	61.60	63.30	65.20	67.40	70.00
USPS.com	55.00	56.15	57.55	59.41	61.87	65.00	66.50	68.60	71.40	75.00	76.60	78.30	80.20	82.40	85.00

Source: Responses to CHIR No. 2, question 6.c.

Cell Values for the eCC Overall Satisfaction Score and eCC Improvement Rate will be averaged to obtain an eCC Composite Score, which will be used to calculate the FY 2019 CX Composite Index result. Responses to CHIR No. 21, question 2.a. The eCC Improvement Rate will only be applied if it helps the eCC Composite Score. *Id.* Applying the hypothetical results, the eCC Composite Score would weigh the Cell Values for the eCC Overall Satisfaction Score (2) and eCC Improvement Rate (6) equally, and the hypothetical eCC Composite Score would have a Cell Value of 4.<sup>65</sup>

Third, the Postal Service will multiply the Cell Values of the eCC Composite Score and each component performance indicator by their respective weight listed in Table III-8. Responses to CHIR No. 2, question 6.c. This calculation results in Weighted Cell Values for the eCC Composite Score and each component performance indicator. *Id.* Fourth, the Postal Service will add the Weighted Cell Values together to arrive at a number between 1 and 15, rounded to the nearest whole number.<sup>66</sup> This number will be the FY 2019 CX Composite Index result. *Id.* The third and fourth steps are illustrated in Table III-12, which arrives at a hypothetical FY 2019 CX Composite Index result of 5.

<sup>65</sup> See *id.*; See Responses to CHIR No. 2, question 6.c.

<sup>66</sup> Responses to CHIR No. 2, question 6.c.; Responses to CHIR No. 21, question 2.b.

**Table III-12**  
**FY 2019 Customer Experience Composite Index Methodology**  
**Mapping of Hypothetical FY 2019 Results**

<b>Component Performance Indicator</b>	<b>Cell Value</b>		<b>Weight (Percent)</b>		<b>Weighted Cell Value</b>
Business Service Network	4	x	10	=	0.4
Point of Sale	8	x	15	=	1.2
Delivery	5	x	20	=	1.0
Customer Care Center	3	x	20	=	0.6
Enterprise Customer Care Composite Score	4	x	20	=	0.8
Business Mail Entry Unit	7	x	10	=	0.7
USPS.com	2	x	5	=	0.1
<b>FY 2019 Customer Experience Composite Index Result (rounded to the nearest whole number)</b>					<b>5</b>

Source: Responses to CHIR No. 2, question 6.c.; Responses to CHIR No. 21, question 2.

The *FY 2018 Report* states that the Postal Service will calculate the CX Composite Index differently in FY 2019 by “measur[ing] the aggregate variance of customer satisfaction scores across each touchpoint relative to the performance target [established] for each touchpoint.” *FY 2018 Annual Report* at 21. However, the *FY 2018 Report* does not explain how the FY 2019 CX Composite Index result will be calculated. Also, it was unclear from the Postal Service’s explanation in the *FY 2018 Report* that the FY 2019 result would be expressed as a number between 1 and 15, instead of as the sum of weighted results of the component performance indicators as it has been in previous years. Although CHIR responses clarified the methodology for calculating the FY 2019 result, it would have increased the transparency and quality of the *FY 2018 Report* if the Postal Service included more detailed information in the report itself.

As discussed in Chapter 2, continual changes to performance indicators and methodologies for calculating results hamper the Commission’s ability to fulfill its statutory responsibility under 39 U.S.C. § 3653(d) to evaluate whether the Postal Service has met its performance goals. See Chapter 2, section C.4., *supra*. These changes also decrease transparency and make it difficult to evaluate progress year-over-year and over time. *Id.*

*If the Postal Service decides to add a new performance indicator or change the methodology for an existing performance indicator, the Commission recommends that the Postal Service*

*explain these changes and provide the rationale for making them in future annual performance plans and annual performance reports.*

(2) Component Performance Indicators

Table III-13 shows the methodologies used to calculate results of each component performance indicator from FY 2015 through FY 2018.

**Table III-13  
Excellent Customer Experiences  
Component Performance Indicator Methodologies  
FY 2015 through FY 2018**

Component Performance Indicator	FY 2015	FY 2016	FY 2017	FY 2018
<b>Business Service Network</b>	Overall satisfaction with representative	Overall satisfaction with representative	Overall satisfaction with representative	Overall satisfaction with the Business Service Network
<b>Point of Sale</b>	Overall satisfaction with Post Office visit	Overall satisfaction with Post Office visit	Overall satisfaction with Post Office visit	Overall satisfaction with Post Office visit
<b>Delivery</b>	Overall satisfaction with recent delivery (weighted) <sup>a</sup>	Overall satisfaction with recent delivery (weighted) <sup>a</sup>	Composite score based on satisfaction with letter carrier and Post Office Box	Overall satisfaction with recent delivery of mail or packages (unweighted)
<b>Customer Care Center</b>	Overall satisfaction with live agent	Overall satisfaction with live agent	Overall satisfaction with live agent	Composite of satisfaction with live agent and IVR system <sup>b</sup>
<b>Enterprise Customer Care</b>	Not Used	Not Used	Percentage of Cases Reopened	Overall satisfaction with quality of service received
<b>Business Mail Entry Unit</b>	Not Used	Not Used	Not Used	Overall satisfaction with experience at the Business Mail Entry Unit
<b>USPS.com</b>	Not Used	Not Used	Not Used	Overall satisfaction with experience provided by the USPS.com website
<b>Large Business</b>	Not Used	Not Used	Not Used	Overall satisfaction with recent experiences with the Postal Service

Source: Preface at 2-5; FY 2018 ACR at 49-51; Responses to CHIR No. 2, questions 6.d.ii., 6.e., 7-8.

Not Used – performance indicator was not used to measure Excellent Customer Experiences.

<sup>a</sup> FY 2015 and FY 2016 Delivery performance indicator results were weighted 50 percent residential customers and 50 percent small/medium business customers.

<sup>b</sup> The Live Agent survey result is weighted 25 percent, and the IVR system survey result is weighted 75 percent. These numbers are based on relative call volumes. FY 2018 ACR at 50.

Table III-13 shows that the POS performance indicator was the only one with a consistent methodology used to calculate results since FY 2015.<sup>67</sup> The Postal Service introduced the BMEU, USPS.com, and Large Business performance indicators in FY 2018.<sup>68</sup> The Postal Service states that it is removing the Large Business performance indicator in FY 2019 to reduce customer segment survey redundancies, noting that business customer experience is already captured in the expanded BSN and BMEU surveys. *FY 2018 Annual Report* at 21.

*The Commission recommends that the Postal Service continue to use the same methodology for calculating results of the POS, BMEU, and USPS.com performance indicators in FY 2019 and beyond, unless changing the methodology would significantly improve the metric. If the Postal Service decides to change the methodology for calculating a performance indicator result, the Commission suggests that the Postal Service describe the change and provide the rationale for it in future annual performance plans and annual performance reports. The Commission also suggests that the Postal Service explain how the methodology change improves the metric.*

Table III-13 shows that the Postal Service did not use the same methodologies for calculating results of the BSN, Delivery, CCC, and eCC component performance indicators between FY 2017 and FY 2018. These methodology changes are described in more detail below.

#### (a) Business Service Network (BSN)

For the BSN performance indicator, results from FY 2015 through 2017 were calculated based on customers' overall satisfaction with the service provided by the BSN representative.<sup>69</sup> In FY 2018, the Postal Service changed the methodology by calculating the BSN performance indicator result based on customers' overall satisfaction with the BSN.<sup>70</sup> This change was intended to provide an expanded view of how the Postal Service is resolving customer issues serviced by the BSN. *FY 2018 ACR* at 50.

#### (b) Delivery

For the Delivery performance indicator, results from FY 2014 through FY 2016 were calculated based on customers' overall experience with receiving mail or packages.<sup>71</sup>

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<sup>67</sup> The result is based on customers' overall satisfaction with the Post Office visit. The question used to calculate results is, "Thinking about this visit to the Post Office, overall, how satisfied were you?" See Surveys at 2, 6; Library Reference USPS-FY18-38, Excel file "CI Composite\_ALL SURVEYS\_ProgramOverview\_2018.xlsx."

<sup>68</sup> *FY 2017 Analysis* at 38. The questions used to calculate results of these performance indicators are listed in Table III-4, *supra*.

<sup>69</sup> Preface at 3; *FY 2018 ACR* at 50; Responses to CHIR No. 2, question 6.d.ii n.2. The question used to calculate the result was "How satisfied are you with the overall service provided during this interaction [with the BSN Representative]?" See Surveys at 18.

<sup>70</sup> Preface at 3; *FY 2018 ACR* at 50-51. The question used to calculate the result was "How satisfied are you with the overall experience provided by the Business Service Network?" Surveys at 17; Library Reference USPS-FY18-38, Excel file "CI Composite\_ALL SURVEYS\_ProgramOverview\_2018.xlsx."

<sup>71</sup> *FY 2016 Analysis* at 43; Responses to CHIR No. 2, question 8.b. This question asked, "Just thinking about your overall experience with the mail or packages you recently RECEIVED, how satisfied are you with USPS performance?" *FY 2016 Analysis* at 43 n.60.

Results were weighted 50 percent residential customers and 50 percent small/medium business customers. Responses to CHIR No. 2, question 8.b. In FY 2017, the Delivery performance indicator result was a weighted composite measuring satisfaction with customers' letter carriers or Post Office Boxes.<sup>72</sup> In FY 2018, the Postal Service again changed the methodology by calculating the Delivery performance indicator result based on customers' overall satisfaction with receiving mail or packages delivered by the Postal Service.<sup>73</sup> The Commission discussed Delivery performance indicator methodology changes in past analyses of annual performance reports and annual performance plans.<sup>74</sup>

(c) Customer Care Center (CCC)

For the CCC performance indicator, results from FY 2015 through FY 2017 were based on customers' satisfaction with speaking to a live agent.<sup>75</sup> 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 and expressed as the percentage of customers who selected the top four survey responses.<sup>76</sup>

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 "Please tell us how satisfied you were with the overall experience provided by the contact center... ." <sup>77</sup> Second, the Postal Service introduced the IVR system survey, which measures customer satisfaction with the overall experience provided by the IVR system.<sup>78</sup> 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.<sup>79</sup> The FY 2018 CCC performance indicator result is a composite of the weighted results from the Live Agent survey (25 percent) and IVR system survey (75 percent). FY 2018 ACR at 50-51.

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<sup>72</sup> *FY 2017 Annual Report* at 16, 18; FY 2018 ACR at 49-51; Responses to CHIR No. 2, question 8.b. The Commission discussed the methodology for calculating the FY 2017 Delivery performance indicator result in the *FY 2016 Analysis*. See *FY 2016 Analysis* at 43-47.

<sup>73</sup> *FY 2018 Annual Report* at 19; Preface at 4; FY 2018 ACR at 50-51. The question used to calculate the FY 2018 Delivery performance indicator result was "Thinking about your overall experience with receiving mail and/or packages delivered by USPS recently, how satisfied are you?" See Surveys at 26; Library Reference USPS-FY18-38, Excel file "CI Composite\_ALL SURVEYS\_ProgramOverview\_2018.xlsx."

<sup>74</sup> See *FY 2016 Analysis* at 43-47; *FY 2017 Analysis* at 45-46.

<sup>75</sup> Preface at 4; Responses to CHIR No. 10, question 3.c.

<sup>76</sup> *FY 2016 Analysis* at 34-35; Preface at 4; Responses to CHIR No. 10, question 3.c.

<sup>77</sup> Preface at 4; Responses to CHIR No. 10, question 3.c.; see Surveys at 71.

<sup>78</sup> Preface at 4; Responses to CHIR No. 10, question 3.c. This question asks, "Please tell us how satisfied you were with the overall experience provided by the USPS automated system ... ." *Id.*; see Surveys at 75.

<sup>79</sup> Preface at 4; Responses to CHIR No. 10, question 3.c. The Postal Service also describes changes in the survey vendors and number of questions asked. Preface at 4 n.1; Responses to CHIR No. 2, question 10; Responses to CHIR No. 10, questions 2, 3.c.

(d) Enterprise Customer Care (eCC)

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 basing the result on customers' overall satisfaction with the quality of service received in response to their issue.<sup>80</sup>

In FY 2019, the Postal Service will again change the methodology for calculating the eCC performance indicator result. As in FY 2018, the Postal Service will calculate an eCC Overall Satisfaction Score based on customers' overall satisfaction with the quality of service received in response to their issue.<sup>81</sup> The Postal Service will also calculate an eCC Improvement Rate as compared to the same period last year. *FY 2018 Annual Report* at 21. The Postal Service will use the eCC Overall Satisfaction Score and eCC Improvement Rate to calculate the FY 2019 CX Composite Index result.<sup>82</sup>

b. Comparability Issues

As discussed in Chapter 2, the customer survey and performance indicator methodology changes described above resulted in two legal compliance issues related to the Excellent Customer Experiences performance goal. Each issue is discussed below.

(1) Target and Result

The *FY 2018 Report* does not comply with 39 U.S.C. § 2804(b)(1) because the FY 2018 CCC performance indicator target and result listed in the *FY 2018 Report* are not comparable. The FY 2018 target was based on satisfaction with live agents only, whereas the FY 2018 result measured satisfaction with both live agents and the IVR system. Responses to CHIR No. 10, question 2. The *FY 2018 Report* does not explain why providing a comparable FY 2018 result is not feasible.

The Postal Service is changing the methodology for calculating FY 2019 results of the CX Composite Index and eCC performance indicators. *See* Chapter 3, section B.3.a., *supra*. The FY 2019 eCC performance indicator target is expressed using the FY 2019 methodology. *FY 2018 Annual Report* at 17 n.6. However, the FY 2019 target for the CX Composite Index performance indicator (80.00) is expressed using the FY 2018 methodology. *See id.* at 17.

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<sup>80</sup> Preface at 4; FY 2018 ACR at 50-51. The question used to calculate the FY 2018 eCC performance indicator result was "Overall, how satisfied are you with the quality of service received in response to the issue?" *See* Surveys at 38, 42; Library Reference USPS-FY18-38, Excel file "CI Composite\_ALL SURVEYS\_ProgramOverview\_2018.xlsx."

<sup>81</sup> *FY 2018 Annual Report* at 21; Responses to CHIR No. 21, question 2.a. This is the same methodology used to calculate the FY 2018 eCC performance indicator result.

<sup>82</sup> *See* Chapter 3, section B.3.a.(1), *supra*. The Postal Service states that the eCC Improvement Rate will only be applied if it helps improve the eCC Composite Score. Responses to CHIR No. 21, question 2.a.

*To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2019 result for each performance indicator must be comparable to the target set in the FY 2019 Plan. To be comparable, the FY 2019 result for the eCC performance indicator must be expressed using the FY 2019 methodology based on customers' overall satisfaction with the quality of service received in response to their issue and an improvement rate. The FY 2019 result for the CX Composite Index performance indicator must be expressed using both the FY 2018 and FY 2019 methodologies to ensure that the FY 2019 targets and results are comparable. As 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. See Chapter 2, section C.2.a., supra.*

## (2) Comparable Three-Year Results

The *FY 2018 Report* does not comply with 39 U.S.C. § 2804(c) for the Excellent Customer Experiences performance goal because it lacks comparable results for FYs 2015, 2016, 2017, and 2018 for the BSN, Delivery, CCC, and eCC performance indicators. See Chapter 2, section C.2.b., supra. In the *FY 2017 Analysis*, the Commission stated that comparable results must be calculated and expressed using the same performance indicator methodology. *FY 2017 Analysis* at 15. If comparable results cannot be provided, the Commission directed that the *FY 2018 Report* explain why results are not directly comparable across these fiscal years. *Id.* In that case, the *FY 2018 Report* was required to either explain how to compare results between the old and new methodologies or explain why making this comparison is not feasible. *Id.*

Although the *FY 2018 Report* does not provide comparable CX Composite Index results for FYs 2015 through FY 2018, the *FY 2018 Report* does provide results of each component performance indicator, which may be compared across these fiscal years. However, the *FY 2018 Report* does not provide comparable results for the BSN, Delivery, CCC, and eCC component performance indicators. It also does not explain why providing comparable results is not feasible.

*To comply with 39 U.S.C. § 2804(c) next year for the Excellent Customer Experiences performance goal, the FY 2019 Report must include comparable results for each component performance indicator. Comparable results must be calculated and expressed using the same performance indicator and methodology. If comparable results cannot be provided, 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.*

*Specifically, the FY 2019 Report must include comparable FY 2018 and FY 2019 results for the BMEU and USPS.com performance indicators and comparable POS performance indicator results for FYs 2016 through FY 2019. For the Delivery and CCC performance indicators, the FY 2019 Report could comply with 39 U.S.C. § 2804(c) by explaining why*



*providing comparable results for these performance indicators is not feasible.<sup>83</sup> For the BSN performance indicator, the FY 2019 Report could include comparable results based on customers' overall satisfaction with the service provided by the BSN representative.<sup>84</sup> For the eCC performance indicator, the FY 2019 Report could include comparable FY 2017, FY 2018, and FY 2019 results based on customers' overall satisfaction with the quality of service received in response to their issue.<sup>85</sup>*

The Commission observes that the FY 2018 ACR discusses the impact of methodology changes on FY 2017 and FY 2018 results for the BSN and Delivery performance indicators. FY 2018 ACR at 53-55. To comply with 39 U.S.C. 2804(c) next year, if comparable results for a performance indicator cannot be provided, the Postal Service may include the required explanations in the FY 2019 ACR and include a cross-reference in the *FY 2019 Report*.

## C. Safe Workplace and Engaged Workforce

### 1. Background

In FY 2018, 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.

*Total Accident Rate.* In FY 2018, the Postal Service continued using the Total Accident Rate as a performance indicator to measure progress toward improving employee safety. *FY 2018 Annual Report* at 21. 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. This number is then divided by the annual number of exposure hours. *Id.* The Total Accident Rate formula is:

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

*Id.*; Responses to CHIR No. 13, question 5.

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<sup>83</sup> The Postal Service provides these explanations in CHIR responses. See Responses to CHIR No. 2, question 8.b.; Responses to CHIR No. 10, questions 2, 3.c.

<sup>84</sup> See Responses to CHIR No. 10, question 3.b.; Table I-1, *supra*.

<sup>85</sup> See Responses to CHIR No. 2, question 7.b.ii.; Table I-1, *supra*. The Postal Service does not need to include the FY 2016 result because the eCC performance indicator was introduced in FY 2017.

The Total Accident Rate result yields an annual accident frequency per 100 employees. *FY 2018 Annual Report* at 21. 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.<sup>86</sup>

The Total Accident Rate result improved from 15.43 in FY 2017 to 15.09 in FY 2018. *FY 2018 Annual Report* at 17. The Postal Service reports that it reduced the total number of accidents for the fourth year in a row. *Id.* at 21. The Postal Service asserts that the total number of accidents “for FY[ ]2018 decreased more than 3.5 percent compared with FY[ ]2017, while the employee base declined by 1.5 percent. *Id.* at 22. Also, the number of recordable and non-recordable accidents declined by 5.08 and 2.33 percent, respectively.<sup>87</sup> However, the Postal Service did not meet the FY 2018 target of 15.00. *FY 2018 Annual Report* at 22.

The FY 2019 Total Accident Rate target is the same as FY 2018. *Id.* at 17. The Postal Service explains that it will meet this target by continuing to focus on prevention strategies and taking a more proactive approach toward employee safety through efforts designed to address the most frequent workplace hazards, such as dog bites, extreme weather, distracted driving, and improper lifting. *Id.* at 22. The Postal Service states it will focus on the importance of leadership and maintaining a culture of safety. *Id.* It describes safety initiatives such as establishing effective accident reduction plans, enlisting the cooperation and support of its employees, and addressing motor vehicle accidents through training, engineering controls, and consistent communication. *Id.* The Postal Service also states it will continue to recognize postal leaders who demonstrate exceptional commitment to creating a safe work environment. *Id.*

*Survey Response Rate.* The Postal Service measures employee engagement using the Postal Pulse survey, which evaluates overall satisfaction and 12 elements of employee engagement.<sup>88</sup> Figure III-1 is a copy of the FY 2018 Postal Pulse survey.

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<sup>86</sup> *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.*

<sup>87</sup> *Id.* “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.

<sup>88</sup> *Id.* The Postal Pulse survey was developed by Gallup, Inc. and is also called the “Gallup Q12” survey. See “Gallup Q12 and Employee Engagement FAQs: Frequently Asked Questions About Employee Engagement and the Engagement Survey” (available at: <https://liteblue.usps.gov/emp-engagement/pdf/Employee-Engagement-FAQs.pdf>).

**Figure III-1  
FY 2018 Postal Pulse Survey**

## THE POSTAL PULSE

**SURVEY INSTRUCTIONS**

Please carefully follow the steps below when completing this survey.

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

**EXAMPLE**

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

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

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

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

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

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

		Strongly Disagree	1	2	3	4	Strongly Agree	5		Don't Know/ Does Not Apply
		▼	▼	▼	▼	▼	▼	▼		▼
1. I know what is expected of me at work. ....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
2. I have the materials and equipment I need to do my work right.....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
3. At work, I have the opportunity to do what I do best every day. ....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
4. In the last seven days, I have received recognition or praise for doing good work. ....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
5. My supervisor, or someone at work, seems to care about me as a person.....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
6. There is someone at work who encourages my development.....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
7. At work, my opinions seem to count. ....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
8. The mission or purpose of my company makes me feel my job is important. ....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
9. My fellow employees are committed to doing quality work. ....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
10. I have a best friend at work.....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
11. In the last six months, someone at work has talked to me about my progress. ....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
12. This last year, I have had opportunities at work to learn and grow.....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

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**THANK YOU for your participation!**

Source: Responses to CHIR No. 10, question 4.a.

As shown in Figure III-1, 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) ask employees to rate their level of satisfaction with the Postal Service as a place to work. The remaining questions (Questions 1-12) measure elements of employee engagement. Engaged employees are

“involved in, enthusiastic about and committed to their work and contribute to their organization in a positive manner.”<sup>89</sup> In FY 2018, the Postal Pulse survey included a comment box to increase the opportunity for employees to voice their opinions and to help identify additional employee engagement insights and actions. *FY 2018 Annual Report* at 22.

The Postal Service measures progress toward improving employee engagement using the Survey Response Rate, which measures “the level of participation of all potential respondents during each survey administration.” *Id.* To increase employee engagement in FY 2018, more than 47,000 executives, managers, and non-bargaining employees across the Postal Service participated in the employee engagement training, which included an instructor-led training “Creating an Engaging Workplace at USPS.” *Id.* In FY 2018, the Survey Response Rate result was 42 percent, which did not meet the “stretch” target of 75 percent. *Id.*

The FY 2019 Survey Response Rate target is 51 percent. *Id.* To meet this target, the *FY 2019 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, evaluate, and address engagement strengths and areas of opportunity specific to improving their local work environments. *Id.* The Postal Service states that it “will continue to showcase employee success stories by recognizing our Engagement Leader of the Year award recipients, recognizing teams that have created great work environments, and sharing employee work team tips in daily news articles published across the Postal Service.” *Id.*

## 2. Comments

The Public Representative comments that the Postal Service missed the FY 2018 targets for both the Total Accident Rate and the Survey Response Rate, although she notes that the Total Accident Rate result improved marginally from FY 2017. PR Comments at 7. Thus, she concludes that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2018. *Id.*

In its reply comments, the Postal Service acknowledges that it did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2018. Postal Service Reply Comments at 4. However, it notes that it has continued making steady progress in reducing accidents year-over-year. *Id.* It states that the FY 2018 Total Accident Rate result improved by 7.3 percent compared to FY 2015, with nearly 3,000 fewer accidents overall. *Id.* For the Survey Response Rate, the Postal Service asserts that it sets targets that are challenging relative to baseline performance in an effort to continuously improve. *Id.*

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<sup>89</sup> 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>).

### 3. Commission Analysis

In FY 2018, the Postal Service missed both targets set for the Total Accident Rate and the Survey Response Rate performance indicators. *FY 2018 Annual Report* at 22. Thus, the Commission finds that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2018.

As discussed in Chapter 2, the *FY 2018 Report* does not explain why the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2018 as required by 39 U.S.C. § 2804(d)(3). See Chapter 2, section C.2.c., *supra*. To comply with 39 U.S.C. § 2804(d)(3) next year, if the Postal Service misses the FY 2019 target for the Total Accident Rate or the Survey Response Rate, the FY 2019 Report must explain why and describe plans and schedules for meeting the FY 2020 targets.

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-14 shows the total number of accidents, exposure hours, and results from FY 2015 through FY 2018, which the Postal Service provides in a CHIR response.<sup>90</sup>

**Table III-14**  
**Total Accident Rate Results**  
**FY 2015 through FY 2018**

Year	Total Number of Accidents	Exposure Hours	Total Accident Rate Result
FY 2015	91,214	1,120,507,680	16.28
FY 2016	92,698	1,149,874,427	16.12
FY 2017	90,972	1,156,278,327	15.74
FY 2018	88,531	1,161,947,567	15.24

Source: Responses to CHIR No. 13, question 5.

As Table III-14 shows, the Total Accident Rate result improved for the third year in a row. Between FY 2015 and FY 2018, the total number of accidents decreased despite an increase in exposure hours. The Postal Service states that to improve workplace safety in

<sup>90</sup> Responses to CHIR No. 13, question 5. The Postal Service notes that the Total Accident Rate results provided in its Responses to CHIR No. 13 differ from the results reported in the *FY 2018 Annual Report* because numbers change weekly due to late reporting. *Id.* Each data set is current as of the date the data were pulled. *Id.* The Commission reiterates its recommendation that the Postal Service consider using a workplace safety performance indicator for which results are final and not revised after the end of the fiscal year. See *FY 2016 Analysis* at 57.

FY 2019, it recognizes postal leaders who have demonstrated exceptional commitment to creating a safe work environment. *FY 2018 Annual Report* at 22. In a CHIR response, the Postal Service explains that to continue to make workplace safety a core value, it strives to eliminate workplace hazards and embrace the philosophy that every accident is preventable. Responses to CHIR No. 16, question 1. To monitor and recognize performance, the Postal Service states that it is utilizing “a Safety Intervention and Recognition Program designed to assist the field to improve overall performance and share best practices.” *Id.*

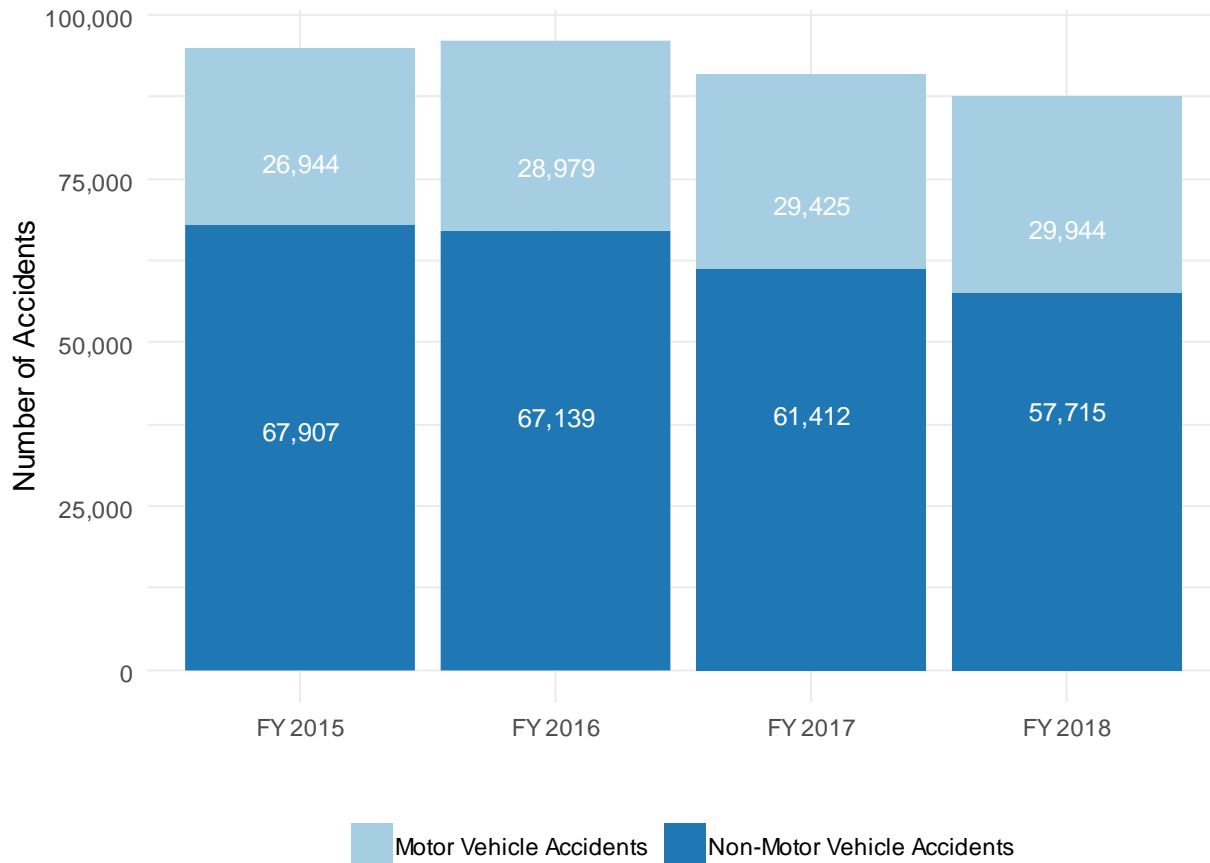
The Postal Service explains that “[d]istricts and [a]reas performing at a Total Accident Rate of less than 12 percent are commended for their efforts and play a greater role in coaching and mentoring their peers who may be struggling.” *Id.* To gather innovative ideas and engagement opportunities, the Postal Service states that its safety headquarters staff will contact these high-performing districts and areas to complete a best practices template. *Id.* This template will then be distributed to all locations so that these practices can be adopted and replicated. *Id.* High performing areas and districts will also be featured in internal news articles where safety culture ideas and best practices will be shared on a national scale. *Id.* The Postal Service notes that its safety headquarters will also arrange for a certificate to be signed by the Chief Operating Officer and Chief Human Resources Officer honoring successful safety leadership. *Id.*

*The Commission commends the Postal Service for improving the Total Accident Rate result for the third year in a row despite an increase in exposure hours. The Commission finds that the FY 2019 Total Accident Rate target of 15.00 is reasonable and achievable given the Postal Service’s FY 2018 performance and improvement since FY 2015. The Commission finds that the Postal Service’s plans for improving workplace safety, such as recognizing high performing districts and areas and sharing best practices, are reasonable steps to take to improve the Total Accident Rate result in FY 2019.*

## (2) Motor Vehicle Accidents

The Total Accident Rate includes both motor vehicle and non-motor vehicle accidents. Figure III-2 shows the number of motor vehicle and non-motor vehicle accidents from FY 2015 through FY 2018.

**Figure III-2**  
**Motor Vehicle and Non-Motor Vehicle Accidents**  
**FY 2015 through FY 2018**



Source: FY 2018 Annual Report at 22; Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-14 of Chairman's Information Request No. 9, question 9.a.i., February 1, 2018; Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 16, question 5, February 15, 2018.

As Figure III-2 shows, motor vehicle accidents represented approximately 28 percent of the total number of accidents in FY 2015, increasing to 34 percent of total accidents in FY 2018. The number of non-motor vehicle accidents declined significantly from 67,907 in FY 2015 to 57,715 in FY 2018. The number of motor vehicle accidents increased slightly between FY 2017 and FY 2018, and has increased over each prior fiscal year since FY 2015. In a CHIR response, the Postal Service attributes this increase to a number of factors, including an increase in newer or less experienced drivers, an increase in miles driven for delivery, and an increase in drivers struck by customer vehicles while stopped to make delivery. Responses to CHIR No. 16, question 3.a. Another factor contributing to the overall increase in FY 2018 was an increase in instances related to failing to check proper clearance, which resulted in sideswiping accidents and property damage to the vehicle fleet. *Id.*

To reduce the number of motor vehicle accidents in FY 2019 and beyond, the Postal Service states that it continues to evaluate new methods of initial driver training and refresher training. *Id.* question 3.b. It notes that it is “developing a Safety Dashboard that will provide safety data to the field level users.” *Id.* By using existing delivery management tools and outside data sources, the Postal Service asserts that it will “become more proactive in addressing risk by reviewing driver behaviors, road conditions, and other demographic points of interest to rate the potential risk of accidents occurring.” *Id.*

The Postal Service also describes a “[P]rofessional [D]riving [A]cademy that will increase the length of training and employ more hands-on experience with each vehicle, as well as use virtual reality tools such as driver simulators and iPad activities.” *Id.* The Postal Service notes that it completed a course content and skills assessment in late FY 2018 as well as piloted a testing with safety instructors and newly hired employees in early FY 2019. *Id.* question 4.a. Pilot test results and findings are being incorporated into course materials and will be presented to the Postal Service’s union partners for review during FY 2019, Quarter 3. *Id.* The target implementation date for the new Professional Driving Academy is set for FY 2019, Quarter 4. *Id.* The final training will include knowledge and skills testing to evaluate the driver’s understanding of the materials and ability to put those teachings into practice behind the wheel of a vehicle. *Id.* Educational psychologists will be monitoring each graduate of the Professional Driving Academy over time to assess their accident history and to ensure that these training efforts help reduce the number of motor vehicle accidents. *Id.*

*The Commission commends the Postal Service for continued development of the Professional Driving Academy to help reduce the number of motor vehicle accidents. The Commission recommends that the FY 2019 Report describe the implementation of the Professional Driving Academy and discuss any impact that it has had in FY 2019 on preventing or reducing the number of motor vehicle accidents.*

Once drivers are behind the wheel, the Postal Service asserts that it will increase its focus on quality driver observations by management to address unsafe driving behaviors before accidents occur. *Id.* question 3.b. The Postal Service states that it is leveraging information technology solution services to automate these quality driver observations. *Id.* question 4.b. It explains that quality driver observations are currently done in paper form and provide little access for analysis. *Id.* In FY 2018, this information was retained in folders at each local facility with no national database, analytics, tracking, or reporting of the required observations. *Id.*

The Postal Service describes a new database that will be used to input data and responses from quality driver observations and provide a hybrid or native mobile application that would automate the observation process. *Id.* Also, it notes that the “data obtained from the mobile application will provide notifications and reporting tools” to “allow access to reporting metrics and observation tracking on any Postal Service electronic device



(workstation, tablet, or smartphone).” *Id.* Preliminary field testing is scheduled for FY 2019, Quarter 2 with an estimated release date of April 2019. *Id.*

*The Commission commends the Postal Service for creating a quality driver observation electronic database. Replacing driver observations recorded on paper appears likely to help address unsafe driving behaviors and prevent or reduce the number of motor vehicle accidents by making it easier to track information and share best practices. The Commission recommends that the FY 2019 Report describe the process and implementation of the automated quality driver observations and discuss any impact that these observations have on preventing or reducing the number of motor vehicle accidents in FY 2019.*

b. Engaged Workforce

In FY 2018, 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.

(1) Survey Response Rate

The Survey Response Rate “measures the level of participation of all potential respondents during each survey administration.” *FY 2018 Annual Report* at 22. In a CHIR response, the Postal Service explains how the Postal Pulse survey was administered during FY 2018. It states “[s]urveys were distributed to the employee’s work location for on-the-clock administration,” and that a “second copy of the survey was mailed to the employee’s home.” Responses to CHIR No. 10, question 4.b.

The Survey Response Rate was calculated by dividing the number of returned surveys (with duplicates removed) by the number of employees who received a survey.<sup>91</sup> The number of employees who received a survey was adjusted after the survey administration period ended to subtract the number of employees who separated from the Postal Service during the survey administration period. Responses to CHIR No. 10, question 4.c. In FY 2018, the Postal Service states that the number of returned surveys was 245,458 and the adjusted number of employees was 588,025, which yielded a Survey Response Rate of 42 percent. Response to CHIR No. 26.

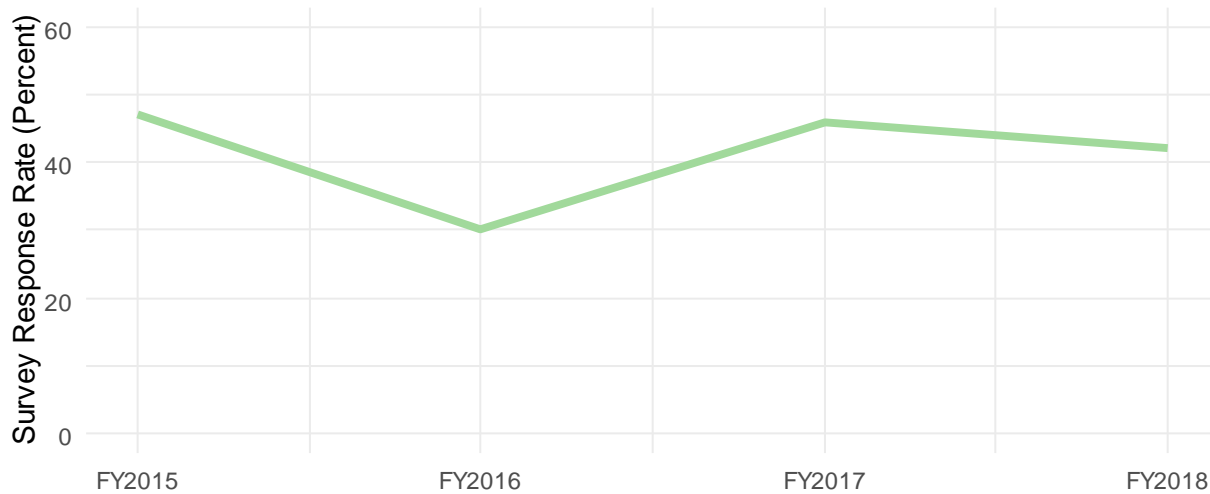
*The Commission finds that the Postal Service’s explanation clarifies how the Postal Pulse survey was administered and how the Postal Service calculates the Survey Response Rate results. The Commission recommends that the Postal Service include this information in future annual performance reports.*

Figure III-3 shows the Survey Response Rate results from FY 2015 through FY 2018. In FY 2018, the Survey Response Rate result was 42 percent, which is 4 percentage points less than the FY 2017 result.

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<sup>91</sup> *Id.* question 4.c.; Response to CHIR No. 26.

**Figure III-3**  
**Survey Response Rate Results**  
**Postal Pulse Survey, FY 2015 through FY 2018**



Source: *FY 2018 Annual Report* at 17.

The FY 2018 Survey Response Rate result did not meet the FY 2018 target of 75 percent. *See FY 2018 Annual Report* at 17. In the *FY 2017 Plan*, the Postal Service stated that the FY 2018 target was “a stretch goal in excess of results to date to emphasize the importance of this measure.” *FY 2017 Annual Report* at 14 n.6. In the *FY 2017 Analysis*, the Commission recommended that if the Postal Service does not meet the FY 2018 target, the Postal Service should set a more realistic and achievable target for FY 2019. *FY 2017 Analysis* at 61.

For FY 2019, the Postal Service set a target of 51 percent. *FY 2018 Annual Report* at 22. This target is more reasonable and achievable considering the results in FY 2017 and FY 2018. *The Commission commends the Postal Service for setting a more realistic and achievable Survey Response Rate target in the FY 2019 Plan.*

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. In FY 2018, 598,003 federal employees took the survey for a governmentwide response rate of approximately 41 percent, which is similar to the FY 2018 Survey Response Rate result of 42 percent.<sup>92</sup> In FY 2018, the response rate of Large Agencies (those with between 10,000 and 74,999 employees) was 51 percent, which is the same as the FY 2019 target. *Id.*

<sup>92</sup> See 2018 Federal Employee Viewpoint Survey Governmentwide Management Report, at 3 (available at: <https://www.opm.gov/fevs/reports/governmentwide-reports/governmentwide-management-report/governmentwide-report/2018/2018-governmentwide-management-report.pdf>).

(2) Grand Mean Engagement Score

Besides the Survey Response Rate, the Postal Service uses the Grand Mean Engagement Score to measure employee engagement, although it is not a performance indicator for the Safe Workplace and Engaged Workforce performance goal. *FY 2018 Annual Report* at 22. The mean score is the average score for each question on the Postal Pulse survey, expressed on a scale of 1 to 5. The Grand Mean Engagement Score is the average of the mean scores for Questions 1 through 12 on the Postal Pulse survey, expressed on a scale of 1 to 5. *FY 2017 Annual Report* at 20. Table III-15 depicts the Grand Mean Engagement Score results, as well as the mean scores for each question on the Postal Pulse survey, for FYs 2015, 2016, 2017, and 2018.

**Table III-15  
Postal Pulse Survey  
Mean Scores and Grand Mean Engagement Scores  
FY 2015 through FY 2018**

Postal Pulse Survey Question	FY 2015	FY 2016	FY 2017	FY 2018
	<b>Question-Specific Mean Score</b>			
Q0. How satisfied are you with the Postal Service as a place to work?	3.44	3.52	3.49	3.59
<b>Grand Mean Engagement Score (Average of Mean Scores<sup>a</sup> for Questions 1-12)</b>	3.16	3.24	3.25	3.34
	<b>Question-Specific Mean Score</b>			
Q1. I know what is expected of me at work.	4.20	4.22	4.22	4.28
Q2. I have the materials and equipment I need to do my work right.	3.52	3.55	3.53	3.58
Q3. At work, I have the opportunity to do what I do best every day.	3.63	3.68	3.68	3.77
Q4. In the last seven days, I have received recognition or praise for doing good work.	2.60	2.70	2.75	2.86
Q5. My supervisor, or someone at work, seems to care about me as a person.	3.29	3.33	3.37	3.46
Q6. There is someone at work who encourages my development.	2.86	2.93	2.98	3.08
Q7. At work, my opinions seem to count.	2.71	2.84	2.81	2.92
Q8. The mission or purpose of my company makes me feel my job is important.	3.42	3.54	3.50	3.60
Q9. My fellow employees are committed to doing quality work.	3.40	3.46	3.38	3.42
Q10. I have a best friend at work.	2.84	2.94	3.02	3.07
Q11. In the last six months, someone at work has talked to me about my progress.	2.62	2.71	2.73	2.85
Q12. This last year, I have had opportunities at work to learn and grow.	2.92	3.04	3.03	3.14
<sup>a</sup> 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: Responses 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, question 12, February 1, 2018; 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-15 shows that both the Grand Mean Engagement Score and mean score for each question improved between FY 2015 and FY 2018.<sup>93</sup> The mean score for Question 1 was the highest and was also the only question to have a mean score more than four points. This indicates that Postal Service employees are clear about what is expected of them at

<sup>93</sup> Mean scores for some questions dropped slightly between FY 2016 and FY 2017 before increasing in FY 2018.

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.

In FY 2017, the lowest scores on the Postal Pulse survey were for Questions 4, 7, and 11 concerning employee recognition or praise, the importance of employee opinions, and receiving feedback on progress. 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.”<sup>94</sup> 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.

In FY 2018, these questions continued to have the lowest mean scores, but were improved by at least 0.11 points. In the *FY 2017 Analysis*, the Commission recommended that the Postal Service consider “whether changes to its performance evaluation process and additional supervisor training may help improve the lowest scoring questions.” *FY 2017 Analysis* at 63. In FY 2018, the Postal Service reports that it provided employee engagement training to more than 47,000 executives, managers, and other leaders. *FY 2018 Annual Report* at 22. This training may have helped improve the mean scores for these questions. Also, as discussed below, the Postal Service introduced a comment box feature to the Postal Pulse survey in FY 2018. *Id.* This feature may have helped improve the mean score for Question 7 by helping employees feel as though their opinions and input matter.

*The Commission commends the Postal Service for improving both the Postal Pulse survey Grand Mean Engagement Score and the mean scores for each question between FY 2015 and FY 2018. The Commission acknowledges the Postal Service’s progress in improving mean scores for the lowest scoring questions on the Postal Pulse survey and encourages the Postal Service to continue taking steps to improve mean scores for all questions. The Postal Service’s plans for recognizing Engagement Leader of the Year award recipients and teams that have created great work environments may improve the mean score for Question 4 related to recognition or praise for doing good work.*

In FY 2018, the Postal Pulse survey included a comment box to increase the opportunity for employees to voice their opinions and to help identify additional employee engagement insights and actions. *Id.* In a CHIR response, the Postal Service describes the three most common types of comments received:

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<sup>94</sup> 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>).

- Work Environment – perceptions about facilities, co-workers, and conditions conducive to a positive workflow.
- Leadership – positive and negative impressions about immediate supervision and upper management.
- Operational Concerns – suggestions about how to improve the efficiency or effectiveness of work processes.

Responses to CHIR No. 13, question 6.a. Comments in these areas were separated by district, area, and headquarters, with comments provided to each commenter’s respective manager or vice-president. *Id.* at 6.b. The Postal Service states that this process “will allow each localized leadership team to spread awareness and address each employee’s comment.” *Id.* To help with these efforts, the Postal Service also created a leadership coaching platform offering leaders advice, tips, and tools for making and executing actions plans. *Id.*

*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 insight. Acknowledging and addressing employee comments may help improve the mean score for Question 7 concerning employee opinions. The Commission suggests that the FY 2019 Report describe the most common types of comments received in FY 2019 and how the Postal Service will use them to improve employee engagement in FY 2020.*

## D. Financial Health

### 1. Background

In FY 2018, 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 2018 Annual Report at 17.*

*DPTWH % Change.* The Postal Service 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. *Id.* at 29. 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 Services uses DPTWH to calculate DPTWH % Change, which measures the Postal Service’s efficiency as 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

Commission explains the methodology for calculating the DPTWH % Change result in the *FY 2016 Analysis*.<sup>95</sup>

*Controllable Income (Loss)*. The results of this performance indicator are calculated as the Postal Service's total revenue minus controllable expenses and one-time accounting adjustments. *FY 2018 Annual Report* at 15. 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 26.

Controllable expenses consist of compensation and benefits; Postal Service Retiree Health Benefit Fund (RHBF) normal cost; transportation; depreciation; supplies and services; and rent, utilities, and other controllable expenses. *Id.* at 15, 26-27. Controllable expenses exclude non-controllable expenses, or expenses that do not reflect the Postal Service's operational decisions and are subject to large fluctuations that are outside of the Postal Service's control. *Id.* at 23-24. Non-controllable expenses include:

- Re-evaluations of the RHBF normal cost by the Office of Personnel Management
- Amortization of the Postal Service's unfunded liability to the RHBF
- 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
- 2016 change in accounting estimate of "Deferred revenue – prepaid postage liability" for Forever stamps

*Id.* at 23-24, 28.

Consistent with historical practice, the Commission has published a separate financial analysis of the Postal Service's FY 2018 financial results and 10-K statement.<sup>96</sup> That analysis provides a detailed evaluation of the Postal Service's financial status by examining volume, revenue, and costs trends as well as the Postal Service's sustainability, liquidity, activity, and financial solvency.

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<sup>95</sup> *FY 2016 Analysis* at 70-71. This performance indicator was previously called DPTWH % SPLY. *FY 2017 Annual Report* at 24 n.5.

<sup>96</sup> Docket No. ACR2018, Financial Analysis of the United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2018, April 19, 2019.

## 2. Comments

The Public Representative makes three observations with regard to the Financial Health performance goal. First, she notes that the Postal Service failed to meet FY 2018 targets for both the DPTWH % Change and Controllable Income (Loss) performance indicators. PR Comments at 7-8. She, therefore, states that the Postal Service failed to meet this performance goal. *Id.* at 8. Second, she notes a discrepancy in the *FY 2018 Report* regarding the FY 2019 target for the DPTWH % Change performance indicator. *Id.* Third, specific to the Postal Service's FY 2019 DPTWH % Change target, she asserts that "[i]t is doubtful that after two years of 0.5 percent decreases, the Postal Service would increase DPTWH by such a significant amount." *Id.* For this reason, she "urges the Postal Service to reduce this target... to a more reasonable level." *Id.*

In its reply comments, the Postal Service addresses the Public Representative's first observation by asserting that the failure to meet its target for the Controllable Income (Loss) performance indicator was "primarily attributable to higher-than-expected compensation and benefit expenses driven mainly by workhour overruns." Postal Service Reply Comments at 5. In addition, the Postal Service states "[t]ransportation cost increases, primarily for highway routes, further contributed to the higher-than-planned expenses." *Id.* With regard to the Public Representative's second observation, the Postal Service acknowledges the existence of a typographical error for the FY 2018 DPTWH % Change target listed in the *FY 2018 Report*, and confirms the correct target of 1.4 percent. *Id.* In reply to the Public Representative's third observation, the Postal Service asserts that "[t]he target[ ] for DPTWH % Change... [is] based on the approved Integrated Financial Plan (IFP) for FY 2019[,]" which "target[s] a reduction of 8 million hours, primarily from increased operational efficiencies in mail processing, delivery, and customer services." *Id.* The Postal Service maintains that "[it] is important [for its] Pay for Performance targets [to] reflect [the] approved financial plan." *Id.*

## 3. Commission Analysis

In FY 2018, 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 2018.*

In the *FY 2017 Analysis*, the Commission recommended that the Postal Service continue to use full year Sunday delivery stops when calculating the DPTWH % Change result. *FY 2017 Analysis* at 68. The Commission stated that for the *FY 2018 Report* to comply with 39 U.S.C. § 2804(c), the Postal Service must calculate and express DPTWH % Change results using the same methodology, including full year Sunday delivery stops for, at a minimum, FYs 2015, 2016, 2017, and 2018. *Id.* If comparable results could not be provided, the Commission directed that the *FY 2018 Report* explain how to compare results between the old and new methodologies, or explain why making this comparison is not feasible. *Id.* The Postal Service



addressed this issue by providing comparable results for all of these fiscal years in the *FY 2018 Report*.<sup>97</sup>

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).<sup>98</sup> Table III-16 illustrates how the Postal Service calculates DPTWH % Change:

**Table III-16**  
**Deliveries per Total Workhours, % Change Calculation**  
**Results and Targets**

	FY 2015 Result	FY 2016 Result	FY 2017 Result	FY 2018 Target	FY 2018 Result	FY 2019 Target
Workhours (millions)	1,127.9	1,157.6	1,163.9	1,141.0	1,169.6	1,161.0
Less adjustment to workhours based on earned workload (millions)	15.4	18.0	(5.4)	(4.0)	(5.4)	(4.9)
Adjusted workhours (millions)	1,112.4	1,139.6	1,169.3	1,145.0	1,175.0	1,165.9
Total deliveries (millions)	46,829	47,366	47,604	47,835	47,825	48,358
Deliveries per total workhours (unadjusted)	41.5	40.9	40.9	41.9	40.9	41.7
Deliveries per total workhours (adjusted)	42.1	41.6	40.7	41.8	40.7	41.5
Deliveries per total workhours, % change	0.2%	0.1%	(0.5)%	2.1%	(0.5)%	1.4%

Source: *FY 2018 Annual Report* at 29; Postal Service Reply Comments at 5.

The FY 2018 target for the DPTWH % Change performance indicator was an increase of 2.1 percent over the FY 2017 result. *FY Annual Report* at 29. The FY 2018 result is a decrease of 0.5 percent from the FY 2017 result—2.6 percentage points lower than the FY 2018 target. *Id.*

In its *FY 2018 Plan*, the Postal Service asserted that it intended to meet the FY 2018 target by “captur[ing] work hour reductions from declining mail volume and from operational initiatives to improve efficiency.” *FY 2017 Annual Report* at 25. Observing that “workhours are a critical part of the DPTWH % Change formula,” the Postal Service identified its plans

<sup>97</sup> Responses to CHIR No. 10, question 3.d.i.; see *FY 2018 Annual Report* at 17.

<sup>98</sup> *FY 2018 Annual Report* at 29. The Commission has recommended in the past that the Postal Service measure productivity improvements using the Total Factor Productivity (TFP) index, rather than DPTWH % Change. See, e.g., *FY 2016 Analysis* at 73. The Postal Service has indicated that it favors the DPTWH % Change metric over TFP because DPTWH % Change can be calculated in a more timely manner and is easier to understand and target at the area and district levels. *FY 2018 Annual Report* at 29 n.4.

to deploy multiple initiatives to achieve workhour targets by the end of FY 2018.<sup>99</sup> The Postal Service stated that, while “not specifically focused with the goal of meeting the particular DPTWH % Change target,” these initiatives would produce “a whole host of benefits,” including “progress towards meeting [the DPTWH % Change] target.” *Id.* Specifically, the Postal Service identified its plans to deploy: new workhour scheduling software to better align workhours to workload; the realignment of equipment to match workload and volume; new plant material handling systems and enhancements; new machines to improve delivery unit package sorting efficiencies; and new software and operating procedures to increase carrier vehicle package loading efficiencies. *Id.* These initiatives were part of a “wide range of efforts to control workhours.” *Id.*

In the *FY 2018 Report*, the Postal Service explains that it missed the FY 2018 DPTWH % Change target because it overran its workhour plan. *FY 2018 Annual Report* at 29. It observes that in FY 2018, package volume and delivery points increased while letters and flats volumes decreased. *Id.* In a CHIR response, the Postal Service acknowledges that, in contrast with the FY 2017 volume changes, the FY 2018 changes in volume were neither sudden nor unexpected. Responses to CHIR No. 13, question 8.a. The Postal Service explains that in FY 2018 the volumes of more highly automated letter- and flat-shaped mailpieces declined, while the volumes of more labor intensive package-shaped mailpieces increased. *Id.* question 8.b. The Postal Service states that the simultaneous increase “in package volume and an expanding delivery network led to an increase in [the use of] overtime and low cost non-career [work]hours, in an attempt to improve service.”<sup>100</sup> In addition, the Postal Service notes that rural carrier hours increased in FY 2018, even though the Postal Service’s *FY 2018 Plan* had contemplated a workhour reduction. Responses to CHIR No. 13, question 8.b.

The FY 2019 target for the DPTWH % Change performance indicator is a 1.4 percent increase over the FY 2018 result.<sup>101</sup> This target would represent a reduction of approximately 8 million workhours from the actual total workhours observed in FY 2018.<sup>102</sup> The Postal Service asserts that this 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.” *FY 2018 Annual Report* at 29. In response to a CHIR, the Postal Service acknowledges that its plans for meeting the FY 2019 target are similar to its plans for meeting the FY 2018 target, which it did not meet. Responses to CHIR No. 13, question 9. Nevertheless, the Postal

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<sup>99</sup> Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-6 of Chairman’s Information Request No. 19, February 23 2018, question 5.

<sup>100</sup> *Id.*; *FY 2018 Annual Report* at 29. The Postal Service’s delivery network grew by over 1.2 million delivery points in FY 2018. *Id.*; see FY 2018 ACD at 202-04 (discussing changes in the number of delivery points in FY 2018).

<sup>101</sup> *FY 2018 Annual Report* at 29. Although a different target is listed on page 16 of the *FY 2018 Annual Report*, the Postal Service confirms that the FY 2019 target is 1.4 percent. Responses to CHIR No. 13, question 7.

<sup>102</sup> *FY 2018 Annual Report* at 29; Responses to CHIR No. 13, question 7.

Service maintains that “the circumstances are different from FY 2018,” because “[t]he FY 2019 [IFP] calls for a less aggressive workhour stretch target than the FY 2018 [IFP],” and “to the extent that [FY 2018’s] increases in workhour usage were partially a result of rural growth, that factor is cycling out.” *Id.*

Noting that the additional workhours used in FY 2018 were aimed at improving service performance, the Postal Service asserts that continuing efforts to improve service performance are refocused on data-driven processes designed to address issues without significantly generating additional workhours.<sup>103</sup> Furthermore, it asserts that “[w]orkhour run rates are improving as the Postal Service better matches workhours to its mix of volume.” Responses to CHIR No. 13, question 9.

*The Commission recommends that the Postal Service continue its efforts to leverage data-driven processes to improve service performance without having to use additional workhours. In the FY 2019 Report, the Commission recommends that the Postal Service explain the outcome of this and other efforts designed to reduce workhours in FY 2019 and discuss the impact that these efforts have on FY 2019 DPTWH % Change results.*

The FY 2019 DPTWH % Change target of 1.4 percent is more realistic than the FY 2018 target. However, the Postal Service’s historical performance with regard to this performance indicator suggests that meeting the FY 2019 target will present significant challenges. The Postal Service’s plans for meeting the FY 2019 target may improve the DPTWH % Change result if the Postal Service is able to effectively leverage data-driven processes to address service performance issues without generating a significant number of additional workhours. These processes may help detect potential problems before additional workhours are required to resolve them. However, the Commission remains concerned because the Postal Service’s plans do not address the other identified causes of workhour overruns that are expected to continue into the foreseeable future: declining letters and flats volumes, increasing packages volumes, and increasing delivery points.

*If the Postal Service does not meet the FY 2019 DPTWH % Change target, the Commission recommends that the FY 2019 Report describe plans and timelines for meeting the FY 2020 target that are designed to address the causes of workhour overruns identified by the Postal Service: declining letters and flats volumes, increasing packages volumes, and increasing delivery points.*

Although not used as performance indicators, the Postal Service also includes results for TFP and labor productivity. *FY 2018 Annual Report* at 30. The Postal Service explains that it uses DPTWH % Change as the applicable performance indicator because, compared with the TFP index, DPTWH % Change is easier to understand and target at the area and district levels, and it can be calculated in a timelier manner. *Id.* at 29 n.4. The Commission

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<sup>103</sup> *Id.* These data-driven processes, such as MCV and the new SPM system, are described in Chapter 3, section A.3.b., *supra*.

appreciates the Postal Service providing this information, as suggested in the *FY 2017 Analysis*. *FY 2017 Analysis* at 67. 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.*

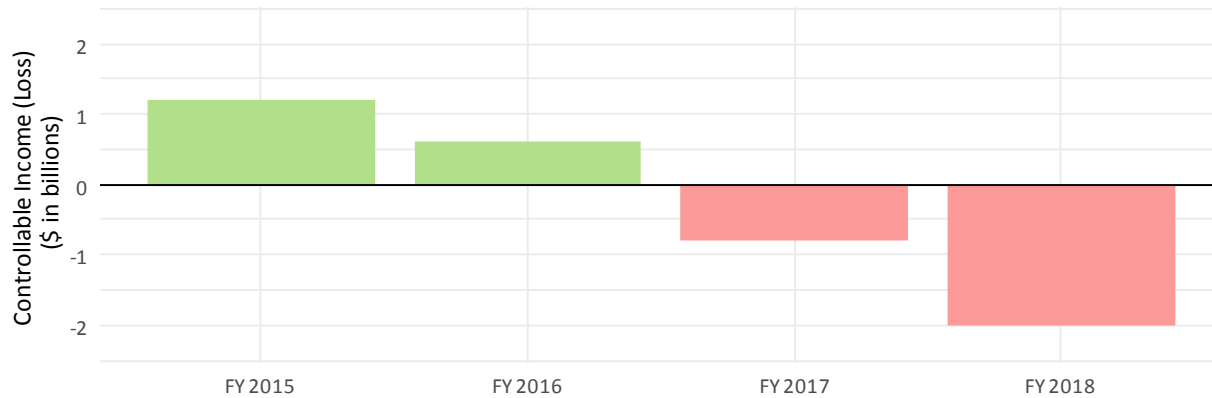
b. Controllable Income (Loss)

As with the *FY 2017 Report*, the *FY 2018 Report* provides a thorough explanation of each component that makes up the Controllable Income (Loss) performance indicator. *See FY 2017 Analysis* at 70. The *FY 2018 Report* includes a helpful table showing revenue and expenses from the IFP and describes each category of revenue and controllable expenses. *See FY 2018 Annual Report* at 23-27. It explains why the FY 2018 Controllable Income (Loss) target was not met and provides the rationale for setting the FY 2019 target. *See id.* It also includes a section on non-controllable expenses, which also impact the Postal Service's financial results. *See id.* at 28. This information improves the transparency and utility of the *FY 2018 Report* by helping interested persons better understand the components of the Controllable Income (Loss) and how the Postal Service calculates targets and results.

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

In FY 2018, Controllable Income (Loss) was \$(2.0) billion, which was \$(0.6) billion more than the FY 2018 target of \$(1.4) billion. *Id.* at 26. Figure III-4 shows the Controllable Income (Loss) results for FY 2015 through FY 2018.

**Figure III-4**  
**Controllable Income (Loss) Results**  
**FY 2015 through FY 2018**



Source: FY 2018 Annual Report at 17.

The Postal Service states that it designs all performance indicator targets to be achievable given the planned finances in the IFP. *Id.* at 15. The *FY 2018 Report* includes a table listing the components of Controllable Income (Loss). *Id.* at 25. Table III-17 lists planned revenue and expenses for FY 2018 and FY 2019, as well as results from FY 2015 through FY 2018.

**Table III-17**  
**Integrated Financial Plan**  
**Revenue and Expenses (\$ in Billions)**  
**Results and Targets**

	FY 2015 Result	FY 2016 Result	FY 2017 Result	FY 2018 Target	FY 2018 Result	FY 2019 Target
<b>Revenue</b>						
First-Class Mail	27.2	26.6	25.7	24.8	25.0	24.2
USPS Marketing Mail	16.9	17.6	16.6	16.2	16.5	16.8
Shipping and Packages	15.0	17.3	19.5	21.4	21.5	23.1
International Mail	2.7	2.7	2.6	2.7	2.6	2.9
Periodicals	1.5	1.5	1.4	1.3	1.3	1.2
Other <sup>a</sup>	3.5	3.7	3.9	3.8	3.9	3.9
<b>Subtotal Revenue</b>	<b>66.8</b>	<b>69.4</b>	<b>69.7</b>	<b>70.2</b>	<b>70.8</b>	<b>72.1</b>
Temporary Exigent Surcharge	2.1	1.1	—	—	—	—
<b>Total Revenue</b>	<b>68.9</b>	<b>70.5</b>	<b>69.7</b>	<b>70.2</b>	<b>70.8</b>	<b>72.1</b>
<b>Controllable Expenses</b>						
Compensation and benefits <sup>b</sup>	51.8	53.2	50.5	50.7	51.4	52.5
RHBF normal cost	—	—	2.8	3.5	3.7	4.0
Transportation	6.6	7.0	7.2	7.3	7.9	8.3
Depreciation	1.8	1.7	1.7	1.7	1.7	1.7
Supplies and services	2.7	2.8	3.0	3.0	3.0	3.0
Rent, utilities and other <sup>c</sup>	4.8	5.2	5.3	5.4	5.3	5.7
<b>Total Controllable Expenses</b>	<b>67.7</b>	<b>69.9</b>	<b>70.5</b>	<b>71.6</b>	<b>72.8</b>	<b>75.2</b>
<b>Controllable Income (Loss)</b>	<b>1.2</b>	<b>0.6</b>	<b>(0.8)</b>	<b>(1.4)</b>	<b>(2.0)</b>	<b>(3.1)</b>
<b>Non-Controllable Expenses</b>						
RHBF pre-funding	(5.7)	(5.8)	—	—	—	—
RHBF normal cost actuarial revaluation	—	—	(0.5)	—	(0.1)	—
RHBF unfunded liability amortization	—	—	(1.0)	(1.2)	(0.8)	(1.1)
FERS unfunded liability amortization	(0.2)	(0.2)	(0.9)	(0.9)	(1.0)	(1.0)
CSRS unfunded liability amortization	—	—	(1.7)	(1.7)	(1.4)	(1.4)
Workers' comp. fair value and other non-cash adjustments	(0.4)	(1.3)	2.2	—	1.4	—
Deferred revenue — prepaid postage change in estimate	—	1.1	—	—	—	—
<b>Total Non-Controllable Expenses</b>	<b>(6.3)</b>	<b>(6.2)</b>	<b>(1.9)</b>	<b>(3.8)</b>	<b>(1.9)</b>	<b>(3.5)</b>
<b>Net Income (Loss)</b>	<b>(5.1)</b>	<b>(5.6)</b>	<b>(2.7)</b>	<b>(5.2)</b>	<b>(3.9)</b>	<b>(6.6)</b>

<sup>a</sup> Includes investment and interest income, gain or loss on sale and income from the outlease of property.

<sup>b</sup> Excludes RHBF pre-funding, normal cost, amortization, and actuarial revaluation; non-cash adjustments to workers' compensation liabilities; and FERS and CSRS unfunded liabilities amortization, which are excluded from controllable expenses. Includes RHBF premiums (FY 2015 and FY 2016) and workers' compensation cash expenses.

<sup>c</sup> Includes interest expense.

Source: FY 2018 Annual Report at 25.

The top market dominant contributors to the Postal Service's operating revenue in FY 2018 were First-Class Mail and USPS Marketing Mail. *Id.* at 23. Total revenue in FY 2018 was \$70.8 billion, which was \$0.6 billion more than planned. *Id.* at 26. First-Class Mail revenue was \$25.0 billion, which was \$0.2 billion above the *FY 2018 Plan*, mainly due to higher-than-expected presorted letters and postcards volume. *Id.* First-Class Mail represented 35.4 percent of revenue. *Id.* at 23, 25. USPS Marketing Mail revenue was \$16.5 billion, \$0.3 billion above the *FY 2018 Plan*, due to higher-than expected volume. *Id.* at 26. USPS Marketing Mail represented 23.3 percent of revenue. *See id.* at 25.

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 26. Shipping and Packages revenue was \$21.5 billion, \$0.1 billion above the *FY 2018 Plan*, "due to continued e-commerce growth and the successful implementation of various marketing and sales campaigns." *Id.* Shipping and Packages represented 30.5 percent of revenue. *Id.* at 23. Smaller revenue sources included International Mail (which represented 3.7 percent of revenue), Periodicals (which represented 1.8 percent of revenue), and other revenue sources (which represented 5.5 percent of revenue). *See id.* at 25.

Total expenses in FY 2018 totaled \$74.7 billion. *Id.* at 26. Compensation and benefits expenses totaled \$51.4 billion, which was \$0.7 billion above the *FY 2018 Plan*. *Id.* Transportation expenses totaled \$7.9 billion, which was \$0.6 billion above the *FY 2018 Plan*. *Id.* at 27. The RHBF normal cost totaled \$3.7 billion, which was \$0.2 billion above the *FY 2018 Plan*. *Id.* Other, less significant, expense categories included depreciation (which totaled \$1.7 billion, in line with the *FY 2018 Plan*), supplies and services (which totaled \$3.0 billion, in line with the *FY 2018 Plan*), and rent, utilities, and other expenses (which totaled \$5.3 billion, \$0.1 billion less than the *FY 2018 Plan*). *Id.*

With total revenue of \$70.8 billion and total expenses amounting to \$74.7 billion, the Postal Service incurred a net loss in FY 2018 of \$3.9 billion. *Id.* at 26. However, the Postal Service only considers \$2.0 billion of the \$3.9 billion net loss to have been controllable. *Id.*

The Postal Service attributes its failure to meet its FY 2018 Controllable Income (Loss) target to higher-than-expected compensation and benefits expenses and transportation costs. *Id.* With regard to compensation and benefits expenses, the Postal Service asserts that they were higher than expected "largely due to contractual wage adjustments and additional work hours, driven by the more labor-intensive shipping and packages business as well as growth in [the Postal Service's] delivery network." *Id.* at 26-27. With regard to transportation costs, the Postal Service asserts that they were higher than expected "largely due to the nationwide shortage of long-haul truck drivers, highway contract rate increases and rising fuel costs." *Id.* at 27. The Postal Service asserts that it does not consider the portion of the RHBF normal cost that was above the *FY 2018 Plan* to have been a controllable expense, because the excess amount resulted from an actuarial revaluation. *Id.*

The Controllable Income (Loss) target for FY 2019 is a \$3.1 billion loss, which anticipates “revenue growth of \$1.3 billion [being] more than offset by inflationary and contractual cost increases and an anticipated increase in the controllable portion of the [RHBF] normal cost.” *Id.*

The Postal Service states that it expects revenue to increase by \$1.3 billion in FY 2019 due primarily to increases in Shipping and Packages, International Mail, and USPS Marketing Mail. *Id.* However, the Postal Service also expects controllable expenses to increase. *Id.* Compensation and benefits expenses are expected to increase by \$1.1 billion, primarily due to contractually-required wage increases and cost-of-living adjustments of \$0.6 billion and increases in the RHBF normal cost of \$0.5 billion. *Id.* The Postal Service plans to mitigate the increase in compensation and benefits expenses by employing a larger portion of newer, less expensive employees, and reducing workhours through increased efficiency. *Id.* Planned increases in controllable expenses also include a \$0.4 billion increase in transportation expenses due to growth in packages volume and inflationary pressures, as well as a \$0.4 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.* In response, the Postal Service asserts that it is focused on providing new services and innovations in USPS Marketing Mail. *Id.* at 23. 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.”<sup>104</sup> The Postal Service “believe[s] these service offerings will help to stabilize USPS Marketing Mail volume.” *FY 2018 Annual Report* at 23.

The Postal Service notes that while it continues to experience strong performance in Shipping and Packages, this line of business constituted only 4.2 percent of the Postal Service’s total volume in FY 2018, and the costs to process and deliver shipping and packages services is higher per-piece than First-Class Mail. *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.*

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<sup>104</sup> *FY 2018 Annual Report* at 23; see also Response to CHIR No. 2, question 13.b.



# 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<sup>105</sup>

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 2018 Annual Report* at 31.

In FY 2018, the Postal Service implemented a portfolio of 8 strategic initiatives to achieve its strategic goals. *Id.* at 32; *FY 2017 Analysis* at 75. The *FY 2018 Report* includes a table comparing FY 2018 and FY 2019 strategic initiatives and explaining how they changed between FY 2018 and FY 2019. *See FY 2018 Annual Report* at 32. This table also shows how the strategic initiatives align with the strategic goals and performance goals. *Id.*

Table IV-1 compares FY 2018 and FY 2019 strategic initiatives and links each one to a strategic goal. The “Change from FY 2018” column identifies how the strategic initiative changed between FY 2018 and FY 2019:

- Continued — Strategic initiative continued into FY 2019 with minimal changes from FY 2018.
- Refined — Strategic initiative was modified to achieve greater alignment with organizational goals and the current business environment.
- Combined — Strategic initiative was combined with one or more similar strategic initiatives to more accurately reflect the current business environment and provide greater alignment organizationally.

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<sup>105</sup> *FY 2018 Annual Report* at 15; see Future Ready: United States Postal Service Five-Year Strategic Plan, Fiscal Years 2018 to 2021 (available at: <http://about.usps.com/strategic-planning/five-year-strategic-plan-2017-2021.pdf>).

As shown in Table IV-1, the Postal Service continued three strategic initiatives, refined four strategic initiatives, and combined one strategic initiative for FY 2019. The Postal Service will implement seven strategic initiatives in FY 2019.

**Table IV-1  
Comparison of FY 2018 and FY 2019 Strategic Initiatives**

Strategic Goal	FY 2018 Strategic Initiatives	Change from FY 2018	FY 2019 Strategic Initiatives
Deliver a World-Class Customer Experience	Build a World-Class Customer Experience	Continued	Build a World-Class Customer Experience
	Build a World-Class International Platform	Combined <sup>a</sup>	
Equip, Empower, and Engage Employees	Build a World-Class Employee Experience	Refined	Improve Employee Experience
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 Maximize Revenue and Profit	Refined	Accelerate Innovation to Create Customer Value and Maximize Revenue and Profitability
Invest in Our Future Platforms	Optimize Network Platform	Continued	Optimize Network Platform
	Delivery Structure Rationalization	Refined	Delivery Structure Optimization
	Build a World-Class Package Platform	Refined	Build Platform to Grow Profitable Packages Business

<sup>a</sup> Combined with Accelerate Innovation to Maximize Business Value.  
Source: FY 2018 Annual Report at 31-32.

In a CHIR response, the Postal Service provides a public description of each FY 2019 strategic initiative, which is listed in Table IV-2.

**Table IV-2**  
**FY 2019 Strategic Initiative Descriptions**

Strategic Initiative	Description
Build a World-Class Customer Experience	Improve customer experience by addressing key pain points along the customer journey, fostering a customer centric culture through employee engagement, and using customer sentiment data to provide actionable insights for operational improvements. Key performance indicators including overall satisfaction, customer-reported, and select operational metrics will be used to monitor performance and refine activities.
Improve Employee Experience	Improve organizational performance by creating an environment where the employees are enabled, involved in, committed, and motivated to do their best work. Aligns with the Strategic Human Resources Plan and contains activities to improve the employee experience and implement an organization that attracts and retains a diverse, high-performing, and engaged workforce.
Accelerate Innovation to Maximize Business Value	Leverage technology, information, and insights to improve or transform business operations or processes. Identify and prioritize roadmaps to manage a portfolio of business/industry partnerships that drive speed and positive business impact.
Accelerate Innovation to Create Customer Value and Maximize Revenue and Profitability	Increase revenue, customer satisfaction, and engagement through Sales, Brand Marketing, Pricing, Product Enhancements, and Innovations programs that sustain the value of the mailbox, accelerate innovation, and grow Informed Delivery adoption by mailers and households.
Optimize Network Platform	Evaluate and right-size the mail processing infrastructure to increase operating efficiency, reduce costs, and provide reliable and consistent service.
Delivery Structure Optimization	Redefine city and rural routes, improve first mile acceptance processes, enhance the customer experience with package delivery, and finalize selection of the next generation delivery vehicles.
Build Platform to Grow Profitable Packages Business	Build the product portfolio and supporting infrastructure needed to grow the packages 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.

Source: Responses to CHIR No. 2, question 14.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.<sup>106</sup> 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.<sup>107</sup> Besides illustrating the change between FY 2018 and FY 2019 strategic initiatives, the *FY 2018 Report* also explains how each strategic initiative relates to the four performance goals. Table IV-3 and Table IV-4 list the FY 2018 and FY 2019 strategic initiatives and show how each one relates to the performance goals.

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

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

Source: *FY 2018 Annual Report* at 32.

<sup>106</sup> Docket No. ACR2016, Response of the United States Postal Service to Question 1 of Chairman’s Information Request No. 25, March 10, 2017.

<sup>107</sup> *FY 2018 Annual Report* at 15. The Postal Services refers to the performance goals as “corporate performance outcomes.” *Id.*

**Table IV-4**  
**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	•	•		•
Optimize Network Platform	•			•
Delivery Structure Optimization	•	•		•
Build Platform to Grow Profitable Packages Business	•	•		•

Source: *FY 2018 Annual Report* at 32.

The Postal Service explains that “[e]ach strategic initiative has a specific set of measures to track performance aligned to achieve both short-term performance and build long-term capabilities.” *FY 2018 Annual Report* at 31. 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 for each strategic initiative the Postal Service will use to track performance in FY 2019, as well as FY 2018 targets and results.<sup>108</sup> The Postal Service also explains how the strategic initiatives relate to the performance indicators. *Id.*

## B. Commission Analysis

None of the comments discuss the strategic goals or strategic initiatives. Last year, the Postal Service adopted two key Commission recommendations on strategic initiatives. The Postal Service included information on strategic initiatives in the *FY 2017 Report* and linked them to both the strategic goals and performance goals. *See FY 2017 Analysis* at 78. 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. *Id.* The Commission found that adopting these recommendations improved the discussion compared to past years. *Id.*

The Postal Service retained these improvements by describing the strategic initiatives in the *FY 2018 Report*, linking each FY 2018 and FY 2019 strategic initiative to the strategic

<sup>108</sup> Responses to CHIR No. 2, question 14.a.; *see* Library Reference USPS–FY18–NP33, January 28, 2019.

goals and performance goals, and using unique performance measures for each strategic initiative.

*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.*

In the *FY 2017 Analysis*, the Commission observed that the relationship between the strategic initiatives and performance goals was not clear and that the strategic initiatives appear more related to the strategic goals. *Id.* at 79. It recommended that the Postal Service evaluate the current connection between strategic initiatives and performance goals. *Id.* The Commission stated that if strategic initiatives continue to support the performance goals, the Postal Service should continue including strategic initiatives in annual performance reports. *Id.* In that case, the Commission suggested that the *FY 2018 Report* explain how strategic initiatives relate to the Postal Service's performance goals and performance indicators and include a table showing changes between FY 2018 and FY 2019 strategic initiatives that link each one to the performance goals. *Id.* The Commission also recommended that the Postal Service briefly describe each strategic initiative without revealing non-public information.<sup>109</sup>

The Postal Service adopted the Commission's recommendation. The *FY 2018 Report* includes a table showing how the strategic initiatives relate to the strategic goals and performance goals and how the strategic initiatives changed between FY 2018 and FY 2019. *FY 2018 Annual Report* at 32. In a filing under seal, the Postal Service explains the connection between strategic initiatives and performance indicators. *See* Library Reference USPS-FY18-NP33. In a CHIR response, the Postal Service also provides a public description of each FY 2019 strategic initiative. Responses to CHIR No. 2, question 14.c.

Information about strategic initiatives provided in the *FY 2018 Report* and in Docket No. ACR2018 illustrate the connection among strategic initiatives, performance goals, and performance indicators. The public descriptions of strategic initiatives provided in the Responses to CHIR No. 2, question 14 help explain what the strategic initiatives are and how they relate to the performance goals and performance indicators. For example, the Improve Employee Experience strategic initiative helps create an environment where employees are enabled, involved in, committed, and motivated to do their best work. *See* Table IV-2, *supra*. This strategic initiative relates to the Safe Workplace and Engaged Workplace performance goal and the Engagement Survey Response Rate performance indicator.

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<sup>109</sup> *Id.* The Commission also stated that if the Postal Service determines that there is minimal connection between strategic initiatives and performance goals, the Postal Service should replace the discussion of strategic initiatives with a description of individual programs supporting the performance goals. *Id.* at 79-80.

*The Commission recommends that the FY 2019 Report provide the same information for FY 2019 by explaining how FY 2019 and FY 2020 strategic initiatives relate to the strategic goals and performance goals. The Commission suggests that the FY 2019 Report include a table similar to the one in the FY 2018 Report showing changes between FY 2019 and FY 2020 strategic initiatives. See FY 2018 Annual Report at 32. The Commission recommends that the Postal Service include public descriptions of the strategic initiatives in the FY 2019 Report to help interested persons understand what the strategic initiatives are and how they relate to the performance goals.*

*The Commission also recommends that in Docket No. ACR2019, the Postal Service file FY 2019 performance measures, targets, and results for each strategic initiative, as well as a table illustrating how the strategic initiatives relate to each performance indicator. See Library Reference USPS–FY18–NP33.*

# Appendix: Commission Findings and Recommendations

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

- *The Commission finds that the FY 2019 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 2020 annual performance plan (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. Chapter 2 at 10.*
- *The Commission finds that the FY 2019 Plan complies with 39 U.S.C. § 2803(a)(1) because the FY 2019 Plan sets targets for each performance indicator the Postal Service will use in FY 2019 or explains why a target is not set. In future annual performance plans, if the Postal Service does not set a target for a performance indicator, the Commission recommends that the Postal Service continue to provide a reasoned explanation for not setting a target. Id. at 11.*
- *The Commission finds that the FY 2019 Plan complies with 39 U.S.C. § 2803. Id. at 12.*
- *The FY 2018 CCC target and result listed in the FY 2018 Report are not comparable, and the FY 2018 Report does not explain why providing a comparable FY 2018 result is not feasible. Thus, the Commission finds that the FY 2018 Report does not comply with 39 U.S.C. § 2804(b)(1) for the Excellent Customer Experiences performance goal. Id. at 13.*
- *To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2019 annual performance report (FY 2019 Report) must set forth the same performance indicators and targets as the FY 2019 Plan and compare FY 2019 targets and results for each performance indicator. The FY 2019 result for each performance indicator must be comparable to the target set in the FY 2019 Plan. Id. at 14.*
- *For the Excellent Customer Experiences performance goal, the FY 2019 result for the eCC performance indicator must be expressed using the FY 2019 methodology based on customers’ overall satisfaction with the quality of service received in response to their issue and an improvement rate. The FY 2019 result for the CX Composite Index*



*performance indicator must be expressed using both the FY 2018 and FY 2019 methodologies to ensure that the FY 2019 target and result are comparable. Id.*

- *As 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. The Commission recommends that the Postal Service not change performance indicators, methodologies, or targets once they are set in the applicable annual performance plan. Id.*
- *The FY 2018 Report does not contain comparable results for FYs 2015, 2016, 2017, and 2018 for several performance indicators that measure progress toward the High-Quality Service and Excellent Customer Experiences performance goals. The FY 2018 Report does not explain why providing comparable results is not feasible. Thus, the Commission finds that the FY 2018 Report does not comply with 39 U.S.C. § 2804(c) for these performance goals. Id. at 16.*
- *To 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. As an alternative, if comparable results cannot be provided for any performance indicator, 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.*
- *Specifically, for the High-Quality Service performance goal, 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. In that case, 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. at 17.*
- *For the Excellent Customer Experiences performance goal, the FY 2019 Report must include comparable results for each component performance indicator. Id.*
- *The Commission finds that the FY 2018 Report does not comply with 39 U.S.C. § 2804(d)(3) for the High-Quality Service and Safe Workplace and Engaged Workforce performance goals. To comply with 39 U.S.C. § 2804(d)(3) next year, for each FY 2019*

*target that is not met, the FY 2019 Report must both explain why and describe plans and schedules for meeting FY 2020 targets. If the Postal Service misses a FY 2019 target for a non-public performance indicator, the Postal Service must provide the explanation, plans, and schedules for meeting the FY 2020 target in a non-public annex. See Chapter 2, section C.3., infra. Id.*

- *The Commission reiterates that “plans and schedules” for meeting performance goals under 39 U.S.C. § 2804(d)(3)(B) must be designed to meet applicable performance indicator targets. FY 2017 Analysis at 17. These plans and schedules must also include specific timelines if they fall outside of the fiscal year covered by the annual performance plan. Id. at 18.*
- *The Commission finds that the FY 2018 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4). Id.*
- *The Commission finds that Library Reference USPS–FY18–NP30 complies with the Commission's directive to file under seal with the FY 2018 ACR: (1) FY 2018 and FY 2019 targets; and (2) comparable results from FY 2015 through FY 2018 for each non-public performance indicator. The FY 2019 Plan complies with 39 U.S.C. § 2803 by setting measurable FY 2019 targets for each non-public performance indicator the Postal Service will use in FY 2019. See Chapter 2, section C.1., supra. The FY 2018 Report complies with 39 U.S.C. §§ 2804(b)(1) and (c) by setting forth comparable FY 2018 targets and results and including comparable results from the past three fiscal years. See Chapter 2, sections C.2.a., b., supra. The FY 2018 Report does not comply with 39 U.S.C. § 2804(d)(3) with respect to the non-public performance indicators because the Postal Service does not explain why it did not meet FY 2018 targets. See Chapter 2, section C.2.c., supra. Id. at 19-20.*
- *To ensure that the FY 2020 Plan and FY 2019 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Commission recommends that the FY 2019 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 2019 ACR. For each non-public performance indicator, the Postal Service must file under seal with the FY 2019 ACR: (1) FY 2019 and FY 2020 targets; and (2) comparable results from FYs 2016 through 2019. If 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. The FY 2019 ACR should continue to identify the library reference that contains this information. Id. at 20.*

- *In the FY 2020 Plan and FY 2019 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. Id. at 20-21.*
- *To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service limit the number of performance indicator or methodology changes made. The Commission recommends that the Postal Service implement a performance indicator or methodology change for three consecutive fiscal years before revising it unless the change is clearly not beneficial or effective. If the Postal Service decides to add a new performance indicator or change the methodology for an existing performance indicator, the Commission recommends that the Postal Service explain these changes and provide the rationale for making them in future annual performance plans and annual performance reports. Id. at 21.*

### **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 2018. Chapter 3 at 22.*

### **High-Quality Service:**

- *The Commission finds that the Postal Service did not meet the High-Quality Service performance goal in FY 2018. Id. at 27.*
- *Consequently, the FY 2018 Report does not comply with 39 U.S.C. § 2804(c) for the High-Quality Service performance goal. Id. at 28.*
- *To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2019 result for each performance indicator must be comparable to the target set in the FY 2019 Plan. As an alternative, if comparable FY 2019 results cannot be provided, the FY 2019 Report must explain why and either: (1) explain how to compare results between the new SPM system and former measurement system; or (2) explain why making this comparison is not feasible. Id.*
- *To 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. As an alternative, if comparable results cannot be provided for any High-Quality Service performance indicator, 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 new SPM system and former measurement system, or explain why making this comparison is not feasible. Id.*

- *To comply with 39 U.S.C. § 2804 (d)(3) next year, if the Postal Service misses one or more FY 2019 targets for the non-public performance indicators measuring progress toward the High-Quality Service performance goal, the Postal Service must explain why and describe plans and schedules for meeting FY 2020 targets. Id.*
- *Given the continuous recurring nature of this issue, the Commission recommends that the Postal Service explore how to adapt its operations to account for seasonal demand changes in a way that does not negatively impact service performance. Id. at 31.*
- *In the FY 2019 Report, the Commission recommends that the Postal Service explain in more detail the impact of any network-wide job realignment and bidding process undertaken in FY 2019 on High-Quality Service performance indicator results in FY 2019. Id. at 32.*
- *The Commission recommends that the Postal Service strive to develop targets that balance the need to inspire continuous improvement with the importance of setting targets that are realistic and achievable. Id.*
- *The Commission finds that the Postal Service's plans for improving High-Quality Service are reasonable steps for improving High-Quality Service performance indicator results in FY 2019. The Commission observes that the Postal Service's initiative to identify mail impacted by unforeseen events that are outside of the Postal Service's control appears likely to help the Postal Service more accurately determine the extent to which weather-related events affect its service performance results. In the FY 2019 Report, the Commission recommends that the Postal Service explain the outcome of this and other initiatives designed to improve High-Quality Service and discuss the impact that these initiatives have on FY 2019 results. Id. at 34.*

### **Excellent Customer Experiences:**

- *The Commission finds that the Postal Service partially met the Excellent Customer Experiences performance goal in FY 2018, by meeting only one of the nine targets. Id. at 42.*
- *The Commission recommends that the Postal Service continue to provide this additional information in the FY 2019 ACR by describing any changes made to customer surveys and performance indicator methodologies, providing the rationale for making these changes, and discussing the impact of these changes on FY 2019*

*results. The Commission also recommends that the FY 2019 ACR include a similar table to the one included in Library Reference USPS-FY18-38 that contains detailed information on the survey methodology and data collection for each customer survey. Id. at 43.*

- *In the FY 2019 Report and FY 2020 Plan, if the Postal Service misses one or more targets for the Excellent Customer Experiences performance indicators, the Commission recommends that the Postal Service consider including a cross-reference to the FY 2019 ACR explaining why FY 2019 targets were not met and describing plans and schedules for meeting FY 2020 targets. Id.*
- *The Commission commends the Postal Service for evaluating and updating the current customer surveys and performance indicator methodologies to ensure quality and consistency and for improving CCC survey response rates. The Commission finds that using consistently-worded Overall Satisfaction questions and a 6-point scale will promote comparability of results in FY 2019 and beyond. Id. at 44.*
- *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. Id. at 49-50.*
- *The Commission recommends that the Postal Service continue to use the same methodology for calculating results of the POS, BMEU, and USPS.com performance indicators in FY 2019 and beyond, unless changing the methodology would significantly improve the metric. If the Postal Service decides to change the methodology for calculating a performance indicator result, the Commission suggests that the Postal Service describe the change and provide the rationale for it in future annual performance plans and annual performance reports. The Commission also suggests that the Postal Service explain how the methodology change improves the metric. Id. at 51.*
- *To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2019 result for each performance indicator must be comparable to the target set in the FY 2019 Plan. To be comparable, the FY 2019 result for the eCC performance indicator must be expressed using the FY 2019 methodology based on customers' overall satisfaction with the quality of service received in response to their issue and an improvement rate. The FY 2019 result for the CX Composite Index performance indicator must be expressed using both the FY 2018 and FY 2019 methodologies to ensure that the FY 2019 targets and results are comparable. As 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, See Chapter 2, section C.2.a., supra. Id. at 54.*

- *To comply with 39 U.S.C. § 2804(c) next year for the Excellent Customer Experiences performance goal, the FY 2019 Report must include comparable results for each component performance indicator. Comparable results must be calculated and expressed using the same performance indicator and methodology. If comparable results cannot be provided, 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.*
- *Specifically, the FY 2019 Report must include comparable FY 2018 and FY 2019 results for the BMEU and USPS.com performance indicators and comparable POS performance indicator results for FYs 2016 through FY 2019. For the Delivery and CCC performance indicators, the FY 2019 Report could comply with 39 U.S.C. § 2804(c) by explaining why providing comparable results for these performance indicators is not feasible. For the BSN performance indicator, the FY 2019 Report could include comparable results based on customers' overall satisfaction with the service provided by the BSN representative. For the eCC performance indicator, the FY 2019 Report could include comparable FY 2017, FY 2018, and FY 2019 results based on customers' overall satisfaction with the quality of service received in response to their issue. (footnotes omitted) Id. at 54-55.*

### **Safe Workplace and Engaged Workforce:**

- *The Commission finds that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2018. Id. at 59.*
- *To comply with 39 U.S.C. § 2804(d)(3) next year, if the Postal Service misses the FY 2019 target for the Total Accident Rate or the Survey Response Rate, the FY 2019 Report must explain why and describe plans and schedules for meeting the FY 2020 targets. Id.*
- *The Commission commends the Postal Service for improving the Total Accident Rate result for the third year in a row despite an increase in exposure hours. The Commission finds that the FY 2019 Total Accident Rate target of 15.00 is reasonable and achievable given the Postal Service's FY 2018 performance and improvement since FY 2015. The Commission finds that the Postal Service's plans for improving workplace*

*safety, such as recognizing high performing districts and areas and sharing best practices, are reasonable steps to take to improve the Total Accident Rate result in FY 2019. Id. at 60.*

- *The Commission commends the Postal Service for continued development of the Professional Driving Academy to help reduce the number of motor vehicle accidents. The Commission recommends that the FY 2019 Report describe the implementation of the Professional Driving Academy and discuss any impact that it has had in FY 2019 on preventing or reducing the number of motor vehicle accidents. Id. at 62.*
- *The Commission commends the Postal Service for creating a quality driver observation electronic database. Replacing driver observations recorded on paper appears likely to help address unsafe driving behaviors and prevent or reduce the number of motor vehicle accidents by making it easier to track information and share best practices. The Commission recommends that the FY 2019 Report describe the process and implementation of the automated quality driver observations and discuss any impact that these observations have on preventing or reducing the number of motor vehicle accidents in FY 2019. Id. at 63.*
- *The Commission finds that the Postal Service's explanation clarifies how the Postal Pulse survey was administered and how the Postal Service calculates the Survey Response Rate results. The Commission recommends that the Postal Service include this information in future annual performance reports. Id.*
- *The Commission commends the Postal Service for setting a more realistic and achievable Survey Response Rate target in the FY 2019 Plan. Id. at 64.*
- *The Commission commends the Postal Service for improving both the Postal Pulse survey Grand Mean Engagement Score and the mean scores for each question between FY 2015 and FY 2018. The Commission acknowledges the Postal Service's progress in improving mean scores for the lowest scoring questions on the Postal Pulse survey and encourages the Postal Service to continue taking steps to improve mean scores for all questions. The Postal Service's plans for recognizing Engagement Leader of the Year award recipients and teams that have created great work environments may improve the mean score for Question 4 related to recognition or praise for doing good work. Id. at 67.*
- *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 insight. Acknowledging and addressing employee comments*

*may help improve the mean score for Question 7 concerning employee opinions. The Commission suggests that the FY 2019 Report describe the most common types of comments received in FY 2019 and how the Postal Service will use them to improve employee engagement in FY 2020. Id. at 68.*

### **Financial Health:**

- *The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2018. Id. at 70.*
- *The Commission recommends that the Postal Service continue its efforts to leverage data-driven processes to improve service performance without having to use additional workhours. In the FY 2019 Report, the Commission recommends that the Postal Service explain the outcome of this and other efforts designed to reduce workhours in FY 2019 and discuss the impact that these efforts have on FY 2019 DPTWH % Change results. Id. at 73.*
- *If the Postal Service does not meet the FY 2019 DPTWH % Change target, the Commission recommends that the FY 2019 Report describe plans and timelines for meeting the FY 2020 target that are designed to address the causes of workhour overruns identified by the Postal Service: declining letters and flats volumes, increasing packages volumes, and increasing delivery points. Id.*
- *The Commission recommends that future annual performance reports continue to include information on both the TFP index and other productivity measures. Id. at 74.*
- *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. Id.*

### **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. Chapter 4 at 84.*
- *The Commission recommends that the FY 2019 Report provide the same information for FY 2019 by explaining how FY 2019 and FY 2020 strategic initiatives relate to the strategic goals and performance goals. The Commission suggests that the FY 2019 Report include a table similar to the one in the FY 2018 Report showing changes*



*between FY 2019 and FY 2020 strategic initiatives. See FY 2018 Annual Report at 32. The Commission recommends that the Postal Service include public descriptions of the strategic initiatives in the FY 2019 Report to help interested persons understand what the strategic initiatives are and how they relate to the performance goals. Id. at 85.*

- *The Commission also recommends that in Docket No. ACR2019, the Postal Service file FY 2019 performance measures, targets, and results for each strategic initiative, as well as a table illustrating how the strategic initiatives relate to each performance indicator. See Library Reference USPS–FY18–NP33. Id.*