



United States Postal Service

# Fiscal Year 2020 Annual Report to Congress

## An Essential Public Service

Fiscal Year 2020 Annual Report

Fiscal Year 2020 Comprehensive Statement  
on Postal Service Operations

Fiscal Year 2020 Performance Report

Fiscal Year 2021 Performance Plan



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*USPS mail handler wearing mask places letters in sorting tray.*

# Report Structure and Purpose

This document consists of the following four reports:

- The Fiscal Year (FY<sup>1</sup>) 2020 Annual Report, including a statement from the United States Postal Service (USPS) Postmaster General and USPS Board of Governors Chairman on our<sup>2</sup> operations.
- The FY 2020 Comprehensive Statement on Postal Service Operations.
- The FY 2020 Annual Performance Report.
- The FY 2021 Annual Performance Plan.

This document's purpose is to provide information to stakeholders. The document fulfills the requirements of the following articles in Title 39 of the United States Code (U.S.C.):

- 414(f), on the reporting of financial information related to special postage stamps (p. 18).

- 416(f), on the reporting of information related to semipostal stamps (p. 18).
- 2401(e), on the submission of a Comprehensive Statement (pp. 12–30).
- 2402, on the submission of an Annual Report (pp. 1–11).
- 2803, on the submission of an Annual Performance Plan (pp. 31–53).
- 2804, on the submission of an Annual Performance Report (pp. 31–53).
- 3652(g), on the submission of the Comprehensive Statement, Annual Performance Report and Annual Performance Plan (pp. 12–53).
- 3686(d), on the reporting of executive compensation in excess of Federal Level Executive 1 (p. 30).

<sup>1</sup> All references to a specific year or "the year" refer to the Postal Service fiscal year ending Sept. 30, 2020. However, specific month and year references pertain to the calendar dates.

<sup>2</sup> The terms "we," "us" and "our" refer to the United States Postal Service.

## FY 2020 Annual Report

### Financial and Operational Highlights

	Totals at Sept. 30			Percent change	
	FY 2020	FY 2019	FY 2018	FY 2020	FY 2019
<i>(in millions, except percentages)</i>					
Total mail and package volume	129,171	142,562	146,402	(9.4)%	(2.6)%
Total revenue with investment and interest income	\$ 73,225	\$ 71,306	\$ 70,783	2.7%	0.7%
Total expenses <sup>1</sup>	\$ 82,401	\$ 80,119	\$ 74,696	2.8%	7.3%
Net loss	\$ (9,176)	\$ (8,813)	\$ (3,913)	4.1%	125.2%
Purchases of property and equipment	\$ 1,810	\$ 1,419	\$ 1,409	27.6%	0.7%
Debt	\$ 14,000	\$ 11,000	\$ 13,200	27.3%	(16.7)%
Capital contributions of U.S. Government	\$ 3,132	\$ 3,132	\$ 3,132	0.0%	0.0%
Deficit since 1971 reorganization	\$ (83,840)	\$ (74,664)	\$ (65,769)	(12.3)%	(13.5)%
Total net deficiency	\$ (80,708)	\$ (71,532)	\$ (62,637)	(12.8)%	(14.2)%
<i>(in actual units indicated, unaudited)</i>					
Number of career employees	495,941	496,934	497,157	(0.2)%	(0.04)%
Number of non-career employees	148,092	136,174	137,290	8.8%	(0.8)%
Total delivery points	161,374,152	159,901,312	158,558,256	0.9%	0.8%
Change in delivery points served	1,472,840	1,343,056	1,229,580	9.7%	9.2%

<sup>1</sup> Includes interest expense

## Letter from the Postmaster General and USPS Board of Governors Chairman

The past year has been extraordinary for the United States Postal Service — presenting unique challenges, revealing hidden strengths and demonstrating our essential role in the life of the nation and in the lives of the American public.

As the Coronavirus 2019 (COVID-19) pandemic spread throughout America's communities, the 644,000 women and men of the Postal Service delivered — demonstrating constant commitment to our mission of service and ensuring that our customers received the medicines, health supplies, benefit checks, financial statements and other important correspondence and goods they depend upon.

We lost 92 of our colleagues to COVID-19 and more than 14,000 employees contracted the disease. This human tragedy continues to confront USPS; we remain intensely focused on ensuring the health and safety of our employees and customers, and in providing staffing resources as we address high rates of absenteeism in hot spots throughout the country.

Amid the tumult of the outbreak, we drew strength from public support, expressed by many thousands of our customers across the nation in the form of handwritten messages of thanks to our employees. Opinion polls also showed the public ranked the Postal Service ahead of all organizations — in the public and private sector — in admiration and response to the pandemic. We are proud as well to be rated as the nation's most trusted government institution.

This report documents that the pandemic had a dramatic impact on our business, as it did throughout the global economy. Mail volumes declined precipitously as marketers restrained from spending and adapted to changes in consumer behaviors. Package volumes rapidly increased as people minimized in-person shopping and ordered goods delivered to their homes.

These offsetting changes in our volume mix helped sustain revenues, but nevertheless created new operational stresses and exacerbated systemic financial imbalances. For the year, we recorded a loss of \$9.2 billion, adding to a decade of losses totaling \$66.8 billion. Absent substantial changes, our financial losses

will continue to widen and our ability to invest in the future of the organization will lessen. Our long-term financial sustainability, burdened by \$116.6 billion in net liabilities, depends upon aggressive management actions, and legislative and regulatory reforms.

During the fiscal year, we began the process of building a portfolio of initiatives capable of providing billions of dollars in annual benefit to our finances. This portfolio will be finalized following the 2020 general election. We began implementing a new organizational structure to enable better visibility, accountability and lines of authority, and better align people and resources to desired outcomes. We also began instituting measures to improve operational precision, to improve performance across the enterprise and produce more reliable and predictable delivery for the public.

We are mindful always that we must build upon the core strengths of the Postal Service: Our mission of public service and our people — who live, work and serve in every community in America. We strive to be the preferred delivery service for the American public, providing world-class affordable and dependable service to every American home and business six and seven days a week — today, tomorrow and for generations to come.

We believe the following defines a positive future for the Postal Service:

- Universal access to the digital economy with enhanced destination and store-front services across the nation;
- The most professional, efficient, trusted and visible delivery services in the marketplace — driven by significantly greater operational precision;
- A winning culture that champions employee advancement, engagement and collaboration; and celebrates diversity and inclusion;
- Innovative, cost-effective platforms to power business customer growth; and
- Greater revenue diversity, revenue growth and financial sustainability.

The Postal Service is uniquely a business with a public service mission, operating without federal appropriations and competing for customers to generate revenues.

As we move forward and bring this vision into greater focus, we embrace that the Postal Service is uniquely a business with a public service mission, operating without federal appropriations and competing for customers to generate revenues. Inherent in this mandate, and to compete in an increasingly dynamic communications and delivery marketplace — in which the mailing and shipping needs of our residential and business customers evolve constantly — requires that we change and improve continually.

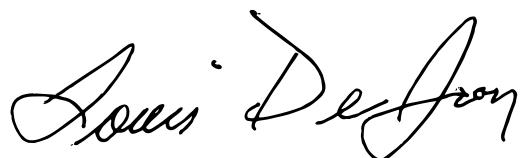
To best serve the public, we must strengthen our role as part of the nation's economic infrastructure, enabling e-commerce and the delivery marketplace to continue

to flourish, providing a robust and efficient marketing and communications channel to support America's businesses, and serving as a strategic partner to companies in nearly every sector of the economy.

To address our urgent financial challenges, to change and improve the organization and to bring greater value to the public and the nation, we are committed to working collaboratively with stakeholders — including the Congress, the Administration, our regulators, customers, unions and the public — who depend on us every day to fulfill our essential and indispensable role.

On behalf of the women and men of the Postal Service — who take great pride in serving the nation and customers reliably, securely, affordably and universally — we hope you find this report informative and useful.

Thank you for your interest in the United States Postal Service.



Louis DeJoy

Postmaster General and Chief Executive Officer



Robert M. Duncan

Chairman, Board of Governors

## United States Postal Service Board of Governors

The Board of Governors of the United States Postal Service is comparable to the board of directors of a publicly held corporation. The Board<sup>3</sup> consists of up to nine Governors appointed by the President of the United States with the advice and consent of the Senate.

The Governors select the Postmaster General, who becomes a member of the Board, and those 10 select the Deputy Postmaster General, who also serves on the Board. The Postmaster General serves at the pleasure of the Governors for an indefinite term, and the Deputy Postmaster General serves at the pleasure of the Governors and the Postmaster General.

As of Sept. 30, 2020, the Board consisted of six appointed Governors and the Postmaster General.



**Robert M. Duncan,  
USPS Board of  
Governors Chairman**

Robert M. Duncan's appointment to the Postal Service Board of Governors by President Donald Trump was confirmed by the Senate in August 2018. Duncan,

of Kentucky, served

the remainder of a seven-year term expiring Dec. 8, 2018. Duncan served in his holdover year during most of calendar year 2019. Duncan was confirmed by the Senate in December 2019 for another seven-year term, which expires Dec. 8, 2025. Duncan was elected chairman of the Board of Governors on Sept. 13, 2018, and was re-elected Chairman on Nov. 14, 2019. Beginning in June 2020, Duncan also served as a member of the Operations Committee.

Duncan is chairman of the board of trustees at Alice Lloyd College, a private four-year liberal arts college in Pippa Passes, Kentucky, and chairman and CEO of the Inez Deposit Bank in Inez, Kentucky. In 2017, Duncan was named the 17th chairman of the President's Commission on White House Fellowships.

Duncan is a former chairman of the board of directors of the Tennessee Valley Authority and former chairman of the Republican National Committee.



**David C. Williams,  
Former USPS Board  
of Governors Vice  
Chairman**

David C. Williams' appointment to the Postal Service Board of Governors by President Donald Trump was confirmed by the Senate in August 2018. Williams,

a native of Illinois, served the remainder of a seven-year term expiring Dec. 8, 2019. Williams was serving in his holdover year until his resignation from the Board on April 30, 2020. Williams was elected vice chairman of the Board on Sept. 13, 2018, and was re-elected Vice Chairman on Nov. 14, 2019. Williams was Chairman of the Operations Committee from October 2019 until April 30, 2020.

Williams is a distinguished professor at the Schar School of Government and Policy at George Mason University in Arlington, Virginia, and a fellow with the National Academy for Public Administration.

Williams is a former Inspector General of the United States Postal Service and former vice chair of the Government Accountability and Transparency Board.



**John M. Barger,  
Governor**

John M. Barger's appointment to the Postal Service Board of Governors by President Donald Trump was confirmed by the Senate on Aug. 1, 2019. Barger is serving the remainder of a term that expires

Dec. 8, 2021. Barger has served as chairman of the Compensation and Governance Committee and as a member of the Strategy and Innovation Committee since September 2019. Beginning in September 2020, Barger began serving as Chairman of the Communications Committee and a member of the Election and the Communication committees.

<sup>3</sup> All "Board" and/or "BOG" references in this document refer to The Board of Governors of the United States Postal Service.

Barger is managing director of NorthernCross Partners, an investment and advisory firm, and serves as a director on a number of company boards, including several involved in e-commerce, logistics and supply chain, data analytics, digital visualization and electronic displays.

Barger served as a board member of the Los Angeles County Employees Retirement Association (LACERA) for seven years, including as chairman of the Board of Retirement, and the Board of Investments.



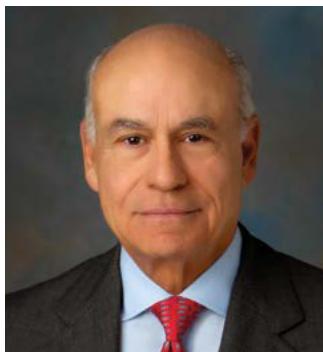
**Ron A. Bloom,  
Governor**

Ron A. Bloom was nominated to serve on the Postal Service Board of Governors by President Donald Trump and was confirmed by the Senate on Aug. 1, 2019. Bloom served the remainder of a seven-year term that

expired Dec. 8, 2020, and is currently in his holdover year that expires Dec. 8, 2021. Bloom has served as the chairman of the Strategy and Innovation Committee and as a member of the Audit and Finance Committee since September 2019. Beginning in September 2020, Bloom began serving as a member of the Election Mail Committee.

Bloom is a vice chairman and managing partner of Brookfield Asset Management, in the Private Equity group. As part of his work at Brookfield, he serves on the board of directors of Westinghouse Electric Company and Clarios.

Bloom is a former vice chairman, U.S. Investment Banking, Lazard.



**Roman Martinez IV,  
Governor**

Roman Martinez IV was appointed to the Postal Service Board of Governors by President Donald Trump and confirmed by the Senate on Aug. 1, 2019. Martinez is serving for the remainder of a seven-year

term that expires Dec. 8, 2024. Martinez has served

as chairman of the Audit and Finance Committee and as a member of the Compensation and Governance Committee since September 2019. Beginning in September 2020, Martinez began serving as a member of the Communications Committee.

Martinez serves on the board of directors of Cigna Corporation; on the board of trustees of New York Presbyterian Hospital; and on the board of overseers of the International Rescue Committee.

Martinez is a former vice chairman of the Investment Advisory Council of the State Board of Administration of Florida and former managing director, Lehman Brothers.



**Donald L. Moak,  
Governor**

Donald L. Moak was appointed to the Postal Service Board of Governors by President Donald Trump and confirmed by the Senate on June 18, 2020. Moak will serve for the remainder of a seven-year

term that expires Dec. 8, 2022. Moak has served as a member of the Operations and Compensation and Governance Committees since August 2020. Starting in September 2020, Moak began serving as chairman of the Election Mail Committee and a member of the Communications Committee.

Moak is the co-founder and Chief Executive Officer of The Moak Group, a public affairs, advocacy and business consulting firm.

Moak is a former Marine Corps captain, Navy fighter pilot, Delta Airlines B-767 pilot and president of the Air Line Pilots Association.



**William D. Zollars,  
Governor**

William D. Zollars was appointed to the Postal Service Board of Governors by President Donald Trump and confirmed by the Senate on June 18, 2020. Zollars will serve for the

remainder of a seven-year term that expires Dec. 8, 2022. Zollars has served as chairman of the Operations Committee and as a member of the Audit and Finance Committee since August 2020.

Zollars currently serves on Board of Directors of Cerner Corporation, ProLogis Inc., C2FO, RedStone Logistics and Main Street Data.

Zollars is the former president and chief executive officer of YRC Worldwide, Inc.



**Louis DeJoy, USPS  
Postmaster General and  
Chief Executive Officer**

Louis DeJoy is the 75th Postmaster General of the United States and the Chief Executive Officer of the world's largest postal organization by mail volume delivered.

Appointed by the Governors of the Postal Service, DeJoy began his tenure as Postmaster General in June 2020. Prior to joining the Postal Service, he spent more than 35 years growing and managing a successful nationwide logistics company.

As chairman and CEO of New Breed Logistics, DeJoy spent decades in collaboration with the U.S. Postal Service, Boeing, Verizon, Disney, United Technologies and other public and private companies to provide supply chain logistics, program management and transportation support. New Breed Logistics was a contractor to the U.S. Postal Service for more than 25 years, supplying logistics support for multiple processing facilities. The company received Quality Supplier Awards from the Postal Service on four separate occasions.

In 2014, New Breed merged with XPO Logistics, with DeJoy serving as CEO of XPO Logistics' supply chain business in the Americas before his retirement in December 2015. He then joined the company's board of directors, where he served until 2018.

As Postmaster General, DeJoy has committed to creating a long-term, viable operating model for the Postal Service that will ensure the organization can fulfill its public service mission while remaining self-sustaining. Since August 2020, DeJoy has served as

a member of the Board of Governors' Strategy and Innovation Committee.

DeJoy is a member of the Board of Trustees at Elon University in North Carolina, and the Fund for American Studies in Washington, DC. He received his Bachelor of Business Administration from Stetson University.



**Megan J. Brennan,  
Former USPS  
Postmaster General and  
Chief Executive Officer**

Megan J. Brennan was the 74th and the first female Postmaster General of the United States and the Chief Executive Officer.

Brennan began her tenure as Postmaster General in February 2015, and also served on the Postal Service Board of Governors. Brennan resigned from her position June 12, 2020.

In the four years prior to serving as Postmaster General, Brennan served as the chief operating officer and executive vice president of the Postal Service, and held prior roles as vice president of both Eastern Area and Northeast Area operations. Brennan began her 33-year Postal Service career as a letter carrier in Lancaster, Pennsylvania.

Brennan earned a Master of Business Administration degree as a Sloan Fellow at the Massachusetts Institute of Technology. She is also an alumna of Immaculata College in Pennsylvania.



**Ronald A. Stroman,  
Former USPS Deputy  
Postmaster General and  
Chief Government  
Relations Officer**

Ronald A. Stroman was named the 20th Deputy Postmaster General (DPMG) in March 2011. As the second-highest ranking Postal Service executive, he served on the Postal Service Board of Governors and on former Postmaster General Megan Brennan's Executive Leadership Team. Stroman resigned from his position June 1, 2020.

Stroman had more than 30 years of professional experience in government, legislative affairs and leadership before becoming DPMG. From 1978 to 1984, he was an attorney with the Department of Housing and Urban Development. He then served as counsel on the Judiciary Committee of the U.S. House of Representatives. He also worked for the Committee on Government Operations and became a minority staff director and counsel for the House Committee on Oversight and Government Reform.

In 1997, Stroman took a director's position with the U.S. Department of Transportation. In 2001, he joined the General Accounting Office as managing director for the Office of Opportunity and Inclusiveness. He returned to the House in 2009, where he served as staff director, Committee on Oversight and Government Reform, before joining the Postal Service.

Stroman earned his Juris Doctorate from Rutgers University Law Center.



*USPS letter carrier wears mask in vehicle and delivers mail to customer's mailbox.*

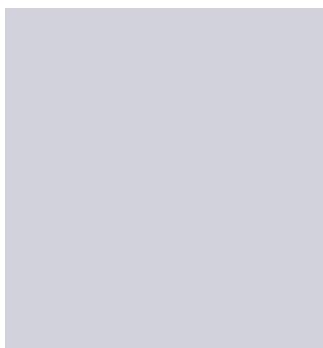
## USPS Executive Leadership Team (ELT)



Postmaster General and  
Chief Executive Officer  
Louis DeJoy



Chief Logistics and  
Processing Operations  
Officer and Executive  
V.P. Isaac Cronkhite



Deputy Postmaster  
General and  
Government Relations  
Officer (*Vacant*)



Chief Commerce and  
Business Solutions  
Officer and Executive  
V.P. Jacqueline Krage  
Strako



Chief Retail and  
Delivery Officer and  
Executive V.P.  
Kristin Seaver



Chief Technology  
Officer and Executive  
V.P. Scott Bombaugh



Chief Logistics and  
Processing Operations  
Officer and Executive  
V.P. David E. Williams



Chief Information  
Officer and Executive  
V.P. Pritha Mehra



**Chief Customer and  
Marketing Officer and  
Executive V.P.  
Steve Monteith**



**Chief Human Resources  
Officer and Executive  
V.P. Douglas Tulino**



**Chief Financial Officer  
and Executive V.P.  
Joseph Corbett**



**General Counsel and  
Executive V.P.  
Thomas Marshall**



**Finance and Strategy  
Senior V.P.  
Luke Grossmann**

# USPS Organizational Chart

Executive Leadership Team (ELT): 12

Officers — non ELT: 34



**POSTMASTER GENERAL  
AND  
CHIEF EXECUTIVE OFFICER**

Louis DeJoy

<p><b>Chief Retail &amp; Delivery Officer &amp; Exec. VP</b> Kristin Seaver</p>	<p><b>Chief Logistics &amp; Processing Operations Officer &amp; Exec. VP</b> David Williams</p>	<p><b>Chief Commerce &amp; Business Solutions Officer &amp; Exec. VP</b> Jacqueline Krage Strako</p>	<p><b>Chief Technology Officer &amp; Exec. VP</b> Scott Bombaugh</p>	<p><b>Chief Information Officer &amp; Exec. VP</b> Pritha Mehra</p>
<p><b>VP Delivery Operations</b> Joshua Colin</p>	<p><b>Chief Logistics &amp; Processing Operations Officer &amp; Exec. VP</b> Isaac Cronkhite</p>	<p><b>VP Facilities</b> Tom Samra</p>	<p><b>VP Engineering Systems</b> Linda Malone</p>	<p><b>VP Chief Information Security Officer</b> Gregory Crabb</p>
<p><b>VP Retail &amp; Post Office Operations</b> Angela Curtis</p>	<p><b>VP Processing &amp; Maintenance Operations</b> Mike Barber</p>	<p><b>VP Transportation Strategy</b> (Vacant)</p>	<p><b>VP Enterprise Analytics</b> Jeffrey Johnson</p>	<p><b>VP Technology Applications</b> Marc McCrary</p>
<p><b>VP Area Retail &amp; Delivery Operations Atlantic</b> Salvatore Vacca</p>	<p><b>VP Logistics</b> Robert Cintron</p>	<p><b>VP Business Solutions</b> (Vacant)</p>	<p><b>VP Innovative Business Technology</b> Gary Reblin</p>	<p><b>VP Network &amp; Compute Technology</b> A/William Koetz</p>
<p><b>VP Area Retail &amp; Delivery Operations Southern</b> Timothy Costello</p>	<p><b>VP Regional Processing Operations Eastern</b> Dane Coleman</p>	<p><b>VP Business Development</b> (Vacant)</p>		
<p><b>VP Area Retail &amp; Delivery Operations Central</b> Krista Finazzo</p>	<p><b>VP Regional Processing Operations Western</b> Larry Munoz</p>			
<p><b>VP Area Retail &amp; Delivery Operations Western Pacific</b> Gregory Graves</p>				

	<b>Chief Postal Inspector</b> Gary Barksdale		<b>VP Government Relations &amp; Public Policy</b> Peter Pastre		<b>VP Corporate Communications</b> Jeffery Adams
	<b>Chief Customer and Marketing Officer &amp; Exec. VP</b> Steven Monteith		<b>Chief Financial Officer &amp; Exec. VP</b> Joseph Corbett		<b>Chief Human Resources Officer &amp; Exec. VP</b> Douglas Tulino
					<b>Deputy Postmaster General &amp; Government Relations Officer</b> (Vacant)
	<b>VP Customer Experience</b> Kelly Sigmon		<b>SVP Finance &amp; Strategy</b> Luke Grossmann		<b>VP Human Resources</b> Simon Storey
	<b>VP Marketing</b> (Vacant)		<b>VP Controller</b> Cara Greene		<b>Judicial Officer</b> A/Alan Caramella
	<b>VP Sales</b> A/Christine Bailey		<b>VP Supply Management</b> Mark Guilfoil		<b>VP Labor Relations</b> Katherine Attridge
	<b>VP Product Solutions</b> Thomas Foti		<b>VP Pricing &amp; Costing</b> Sharon Owens		<b>VP Organization Development</b> Jenny Utterback

As of Nov. 19, 2020

# FY 2020 Comprehensive Statement on Postal Service Operations

## USPS History and Mission Statement

### Our history

The United States Postal Service has a storied history as the institution of our Government guaranteeing safe and secure communication among and between the Government and the American people.

Many are familiar with our history, which began with the Second Continental Congress and Benjamin Franklin in 1775 and continued in 1787 when the Postal Clause of the U.S. Constitution empowered Congress to establish Post Offices and post roads. Congress exercised those powers with the passage of The Post Office Act of 1792, which made postal services a permanent fixture of the Federal Government. The act included provisions to facilitate freedom of the press, ensure the privacy

of personal correspondence and expand the nation's physical infrastructure, all vital to our nation's growth and prosperity.

These principles and objectives endure. While radio, television and the Internet have irrevocably altered our information-gathering habits, postal correspondence remains the most secure and resilient form of communication, providing the American people with a delivery infrastructure vital to our national security.

USPS retains the largest physical and logistical infrastructure of any non-military government institution, providing an indispensable foundation supporting an ever-changing and evolving nationwide communication network. Capitalizing on its expertise in scheduling and high-volume sorting, USPS also serves a vital role enabling digital commerce.

## Our mission

In April 2020, the Board of Governors adopted the following mission statement for the Postal Service to conduct long-range planning and set strategic policy:

- To serve the American people and, through the universal service obligation, bind our nation together by maintaining and operating our unique, vital and resilient infrastructure.
- To provide trusted, safe and secure communications and services between our Government and the American people, businesses and their customers and the American people with each other.
- To serve all areas of our nation, making full use of evolving technologies.

### To meet this mission we will:

- Remain an integral part of the United States Government, providing all Americans with universal and open access to our unrivaled delivery and storefront network.

- Maintain and enhance our reputation and role as a trusted face of the federal government in every community and provide all levels of government with access to our network and services.
- Provide frequent, reliable, safe and secure delivery of mail, packages and other communications to all Americans.
- Use technology, innovation and where appropriate, private sector partnerships, to optimize and adapt our network, operations and business model to meet the changing needs of our customers and delivery recipients, while maintaining our core mission.
- Operate in a modern, efficient and effective manner that allows us to minimize what we charge for our services, consistent with meeting, in a fair way, our obligations to our current and retired employees and other stakeholders.
- Remain an employer of choice, able to attract, retain and develop high quality employees who possess the skills necessary to excel in a rapidly changing business environment.

## Overview of Postal Service Operations

After the passage of the Postal Reorganization Act (PRA), the United States Postal Service began operations July 1, 1971, succeeding the cabinet-level Post Office Department. The PRA established the Postal Service as an “independent establishment of the executive branch of the Government of the United States.”

According to U.S.C. Title 39 subsection 101, “The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by an Act of Congress and supported by its people. The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary and business correspondence of the people. It shall provide prompt, reliable and efficient services to patrons in all areas and shall render postal services to all communities.”

In accordance with the provision of the PRA, the Postal Service fulfills its legal mandate to provide universal services at fair and reasonable prices by offering a variety of postal services to its many customers. Although the Postal Accountability and Enhancement Act (PAEA) classifies the services offered as Market Dominant and Competitive “products,” the term “services” is often used in this report for consistency with other descriptions of services the Postal Service offers.

## Public Opinion

Public interest and opinion of the organization remained strong, particularly during the COVID-19 pandemic. The Harris Poll “Essential 100,” which measures public perception of corporate responses to the pandemic, ranked the Postal Service as the No. #1 most essential company during the COVID-19 pandemic<sup>4</sup>.

According to a poll from the Pew Research Center released in April 2020, 91 percent of respondents held a favorable opinion of the Postal Service, ranking it first among government agencies<sup>5</sup>. Morning Consult, a global data intelligence company, also ranked the Postal Service as the most trusted<sup>6</sup> and most loved<sup>7</sup> brand in America in 2020.

## Services

Services are sold at approximately 31,000 Postal Service-managed Post Offices, stations and branches, plus approximately 3,100 additional Contract Postal Units, Community Post Offices, Village Post Offices and a large network of commercial outlets that sell stamps and services on behalf of the Postal Service. Services are also offered through the website [www.usps.com](http://www.usps.com). Mail deliveries are made to more than 161 million city, rural, PO Box and highway delivery points.

Services include the following:

- **First-Class Mail** — This category includes letters, cards or large envelopes destined for either domestic (up to 13 ounces) or international (up to 4 pounds) delivery. First-Class Mail letters include postcards, correspondence, bills or statements of account and payments.
- **Marketing Mail** — This category includes advertisements and marketing packages weighing less than 16 ounces and meeting the criteria of not being required to be mailed using First-Class Mail service because of their content. Marketing Mail is typically used for direct advertising to multiple delivery addresses. Every Door Direct Mail is one Marketing Mail service: it enables customers to prepare direct mailings without names and

<sup>4</sup> Feider, M. (2020, June 25). *The Harris Poll Releases List of 100 Essential Companies Tied to Corporate Response to COVID-19 Pandemic*. Retrieved Oct. 14, 2020, from <https://theharrispoll.com/harris-poll-100-essential-companies-corporate-response-covid-19/>

<sup>5</sup> Public Holds Broadly Favorable Views of Many Federal Agencies, Including CDC and HHS. (2020, July 02). Retrieved Oct. 14, 2020, from <https://www.pewresearch.org/politics/2020/04/09/public-holds-broadly-favorable-views-of-many-federal-agencies-including-cdc-and-hhs/>

<sup>6</sup> Most Trusted Brands. (2020, Sept. 22). Retrieved Oct. 14, 2020, from <https://morningconsult.com/most-trusted-brands/>

<sup>7</sup> Morning Consult Reveals Most Loved Brands of 2020. (2020, Sept. 22). Retrieved Oct. 14, 2020, from <https://morningconsult.com/2020/07/30/morning-consult-reveals-most-loved-brands-of-2020/>

addresses for distribution to all business and residential customers on individual carrier routes.

- **Periodicals** — This category encompasses the Periodicals class of mail offered for distribution of newspapers, magazines and newsletters that have a required frequency. Customers must receive prior USPS authorization to use this service.
- **Shipping and Packages** — This category includes the following services:

**First-Class Package Service** — Commercial, a shipping option for high-volume shippers of packages that weigh less than 1 pound.

**First-Class Package Service** — Retail, for shipment of boxes, thick envelopes or tubes of 13 ounces or less.

**Package Services** for merchandise or printed matter, such as library and media mail weighing up to 70 pounds.

**Parcel Services** — Parcel Select and Parcel Return services, including “last-mile” products, and USPS Marketing Mail Parcels which provide commercial customers with a means of package shipment.

**Priority Mail**, which is offered as a service both within the U.S. and abroad with domestic, day-specified (non-guaranteed) delivery.

**Priority Mail Express**, which provides overnight to 2 day delivery, with money-back guaranteed service including tracking, proof of delivery and basic insurance up to \$100. Priority Mail Express delivery is offered to most U.S. destinations for delivery 365 days a year.

- **International Mail** — This category offers international mail and shipping services with individual customer contracts and agreements with foreign postal administrations. Priority Mail Express International and Priority Mail International services compete in the e-commerce cross-border business to more than 190 countries. In addition, First-Class Package International Service offers competitive solutions to both retail and commercial mailers for shipping to many countries. Global Express Guaranteed is a co-branded service with FedEx to more than 190 countries. As of Sept. 30, 2020, this product's guarantee was suspended due to the COVID-19 pandemic.

■ **Other** — This broad category includes PO Box services, money orders and USPS Extra Services. PO Box services provide customers an additional method for private and convenient mail delivery. Money orders offer customers a safe, convenient and economical method for payment remittance. Money orders are available for amounts up to \$1,000, can be purchased and cashed at most Post Offices, or deposited or negotiated at financial institutions. USPS Extra Services offer a variety of service enhancements that provide security, proof of delivery or loss recovery. These services include: Certified Mail, Registered Mail, Signature Confirmation, Adult Signature and insurance up to \$5,000. Extra Services are available online, at Post Offices or at USPS self-service kiosks.

Due to the significant declines in Market Dominant services and the surge in Shipping and Packages services during the second half of FY 2020, resulting from the COVID-19 pandemic, revenue from Market Dominant services declined to approximately 58 percent of FY 2020 operating revenues. This represented a significant decline from FY 2019, when Market Dominant services accounted for approximately 66 percent of FY 2019 operating revenue. Such services include, but are not limited to, First-Class Mail, Marketing Mail, Periodicals, Bound Printed Matter parcels, Marketing Mail parcels and Library/Media Mail. Price increases for these services are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers (CPI-U). Price changes were implemented on certain Market Dominant services that averaged increases of 1.9 percent in January 2020, 2.5 percent in January 2019 and 1.9 percent in January 2018.

Competitive services, such as Priority Mail, Priority Mail Express, First-Class Package Service, Parcel Select, Parcel Return Service and some types of International Mail, are not limited by a price cap. By law, the price for each Competitive service must cover its “attributable costs” (meaning the Postal Service’s costs attributed to such service through reliably identified causal relationships). Further, Competitive services collectively must contribute an “appropriate share” to the institutional costs of the Postal Service, which in FY 2020 was 8.8 percent, as determined by the PRC. In general, the Postal Service attempts to set its prices for Competitive services to maximize profitable revenue. The FY 2020 average price increases varied by Competitive services product.

In fulfilling its universal service obligation, USPS provides services to patrons in all areas and communities in the United States. The Postal Service serves rural areas, communities and small towns where Post Offices are not financially self-sustaining and uses a variety of transportation methods to move mail through this large network, including both surface and air transportation.

## Operations

In FY 2020 the Postal Service realigned core business operations in support of its mission and strategy, focusing on what it does best: collect, process, move and deliver mail and packages. This organizational change will capture operating efficiencies by providing clarity and economies of scale that will allow the Postal Service to reduce its cost base and generate new revenue.

The new organizational structure is centered around three operating units:

- **Retail and Delivery Operations** — Focused on accepting and delivering mail and packages efficiently and with a high level of customer satisfaction.
- **Logistics and Processing Operations** — Focused on processing and moving mail and packages efficiently to delivery units within determined service standards.
- **Commerce and Business Solutions** — Focused on leveraging Postal Service infrastructure to enable growth.

As part of the operational realignment, the Postal Service adjusted its Retail and Delivery Operations areas and districts, as well as its Logistics and Processing Operations regions and divisions, to better serve the American public. Image #1 shows the new Retail and Delivery Operations Areas and Districts, and Image #2 shows the new Logistics and Processing Operations Regions and Divisions.

Image #1: USPS – Retail and Delivery Operations Areas, Districts

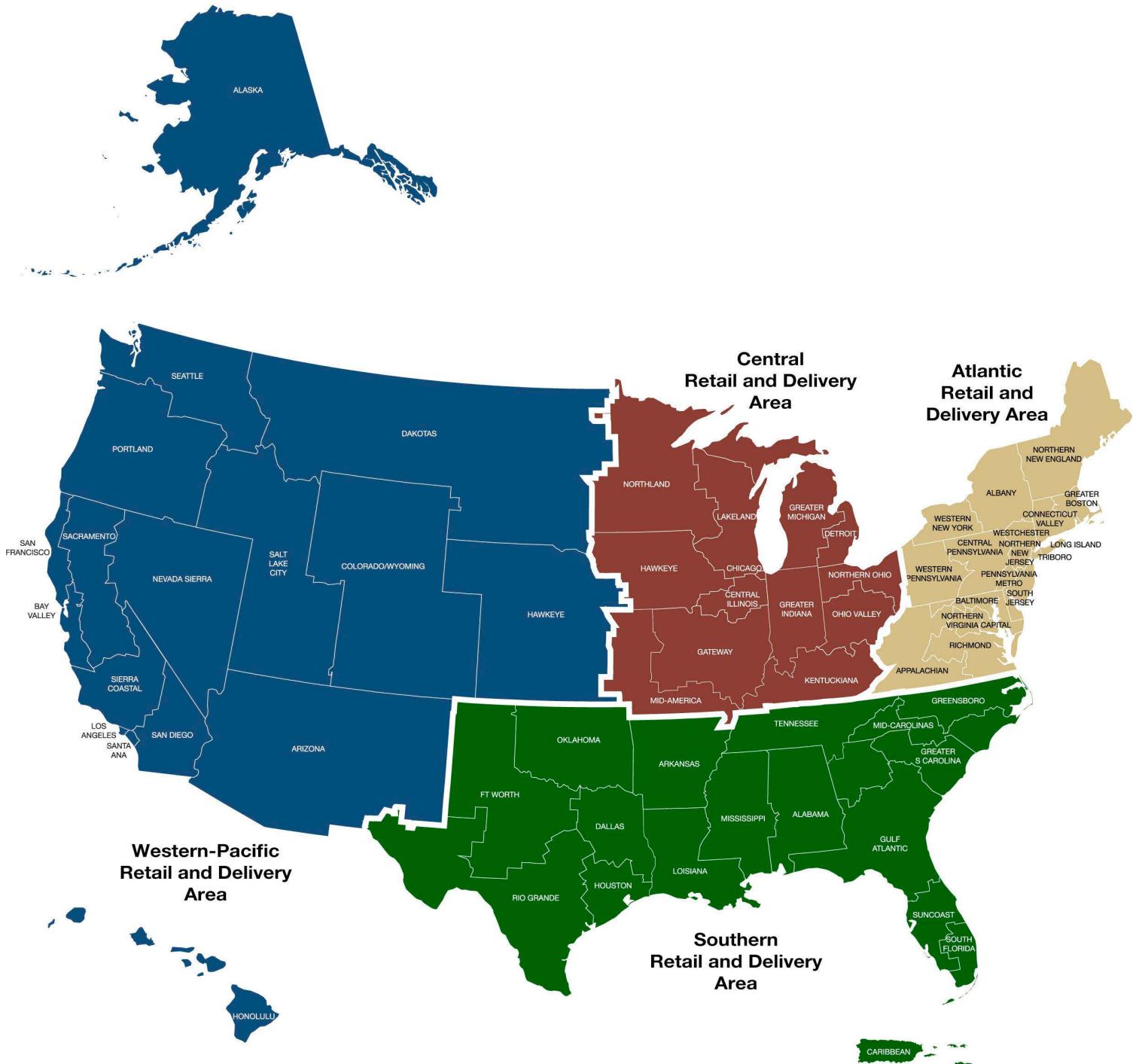
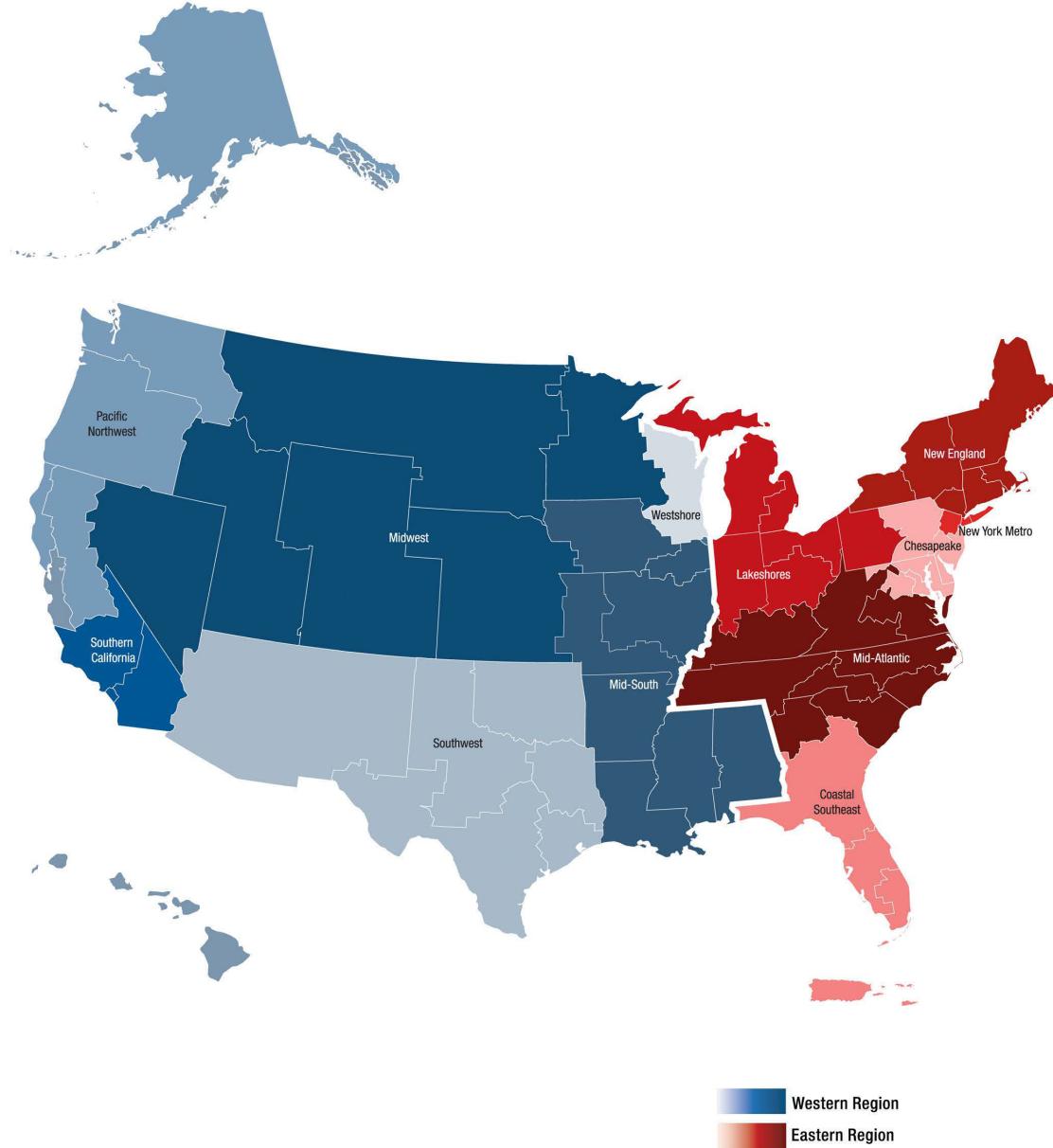


Image #2: USPS – Logistics and Processing Operations Regions, Divisions



## Postal Rates

Postal rates are established to be fair, equitable and affordable. Prices and fees are reviewed and approved by the Governors and are subject to a review process by the Postal Regulatory Commission (PRC). In FY 2020, the retail price of \$0.55 for a First-Class Mail 1-ounce stamp continued to be one of the lowest letter-mail postage rates in the industrialized world.

### Global Bargain\*



\*Postage prices are nominal prices, not adjusted for purchasing power parity.  
Exchange rates are as of Oct. 14, 2020.

## Semipostal Stamps

Semipostal stamps are postage stamps with a postage value equal to the First-Class Mail single-piece, 1-ounce stamp rate in effect at the time of purchase, plus an amount to fund a designated cause. By law, revenue from sales of semipostal stamps, less the postage paid and the reasonable costs incurred by the Postal Service, is distributed to designated agencies to support the approved cause(s).

Semipostal stamps are either congressionally mandated or issued through discretionary authority granted to the Postal Service through the Semipostal Authorization Act, Pub.L.106-253. Under this act, the Postal Service may issue and sell semipostal fundraising stamps to advance such causes as it considers to be "in the national public interest and appropriate." The law specified that USPS can issue up to five new semipostal fundraising stamps over a 10-year period, with each stamp to be sold for no more than two years.

In August 2020, the Postal Service used the Federal Register process to initiate a rule change removing the limitations of both the two-year rule and the specific number of semipostal stamps able to be issued over the 10-year period. The rule change became effective Oct. 5, 2020.

In FY 2020, the Postal Service sold four semipostal stamps: the congressionally mandated *Breast Cancer Research* semipostal stamp, the congressionally mandated *Save Vanishing Species* semipostal stamp, and, under the Postal Service's discretionary authority, both the *Alzheimer's* semipostal stamp and the *Healing PTSD* semipostal stamp.



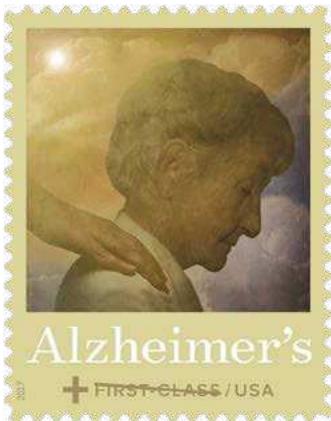
The *Breast Cancer Research* semipostal stamp generated approximately \$1.6 million in funds in excess of the postage value in FY 2020. As of Sept. 30, 2020, and since the stamp's inception, the Postal Service had distributed approximately \$63 million, or 70 percent of the proceeds, to the National Institutes of Health within the

Department of Health and Human Services and approximately \$27 million, or 30 percent of the proceeds, to the Breast Cancer Research Program within the Department of Defense.

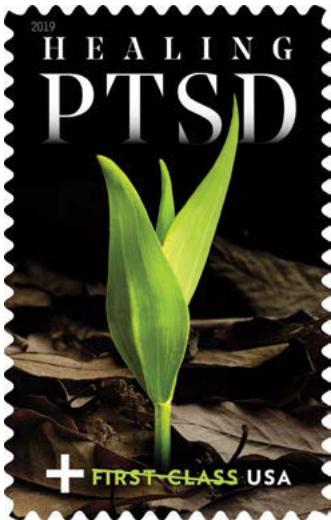


The *Save Vanishing Species* semipostal stamp generated approximately \$358,000 in funds in excess of the postage value in FY 2020. As of Sept. 30, 2020, and since the stamp's inception, USPS had distributed approximately \$6 million,

100 percent of the funds collected in excess of the postage value, to the U.S. Fish and Wildlife Service to support its Multinational Species Conservation Fund.



The Alzheimer's semipostal stamp generated approximately \$71,000 in funds in excess of the postage value in FY 2020. As of Sept. 30, 2020, and since the stamp's inception, the Postal Service had distributed approximately \$1 million, 100 percent of proceeds, to the National Institute on Aging within the U.S. Department of Health and Human Services.



The Healing PTSD semipostal stamp generated approximately \$1.0 million in funds in excess of the postage value in FY 2020. Funds raised will be distributed to the U.S. Department of Veterans Affairs to help treat those affected by post-traumatic stress disorder (PTSD).

## Sustainability

The Postal Service is committed to making a positive impact in the communities it serves and will strive to improve its environmental sustainability performance as it works to invest in future platforms. The Postal Service remains committed to being a sustainability leader by creating a culture of conservation throughout the organization and by driving efficiencies in sustainable business practices with customers, suppliers, the mailing industry and government agencies.

**Solar Power.** The Postal Service is committed to increasing conservation efforts with the installation of on-site renewable energy projects at multiple facilities, including at the South Jersey Mail Processing Center in New Jersey. This large solar project adds to the Postal Service's solar energy portfolio and includes the installation of more than 13,000 solar panels, which is enough electricity to power more than 650 homes each year.

**Green Energy Purchases.** The Postal Service is exploring the use of renewable energy certificates. Electricity contract suppliers in 13 states will now provide 25 percent of their power from renewable energy sources, including wind power, hydro power and solar installations. As a result, the Postal Service will consume more than 880,000 megawatts of green power over a four-year period.

**Hydrogen Fuel Cells.** The Postal Service is committed to accelerating the path of innovation and to investing in the future through initiatives such as using hydrogen fuel cells to replace lead acid batteries in powered industrial vehicles. Building on previous success at the Washington Network Distribution Center mail processing facility, four facilities are now under review for expansion of the technology, and USPS is constantly working to determine the practicality of regular use of hydrogen fuel cells in additional locations.

**Recycled Materials.** USPS Priority Mail and Priority Mail Express corrugated boxes are recyclable and meet Sustainable Forestry Initiative or Forest Stewardship Council Certification standards. The Postal Service partners with the organization How2Recycle to help customers understand how to properly recycle postal products. How2Recycle is a labeling system that gives consumers clear recycling instructions.

**Environmentally Preferable Products.** The Postal Service is committed to using environmentally preferable products where possible. The Postal Service continues to promote the integration of sustainability into its supply chain by increasing the use of sustainability contract clauses when working with suppliers, increasing availability of these products through the internal online catalog, and taking steps toward increased accountability by improving the USPS' supplier tracking and reporting system.

**USPS BlueEarth.** The Postal Service helps customers reduce waste, increase recycling and improve their carbon footprints through several USPS BlueEarth programs:

- *USPS BlueEarth Secure Destruction* is a mail service that reduces costs for handling return-to-sender First-Class Mail letters for business customers who use Intelligent Mail barcode technology. Mail that is undeliverable can be intercepted, inspected and handled in a secure manner by the Postal Service rather than returning it to the sender. In FY 2020, the

service intercepted and securely handled more than 143 million pieces of undeliverable First-Class Mail letters that would have otherwise been returned to the sender.

- *USPS BlueEarth Federal Recycling Program* enables federal agencies to recycle small electronics and used toner cartridges. Participating agencies can get online reports on their recycling activity and the disposition of each item recycled.
- *USPS BlueEarth Carbon Accounting Service* provides major mailers an online report of the emissions produced due to their mailing and shipping activity. This information can be used for their corporate inventory or to purchase carbon credits to offset and provide carbon neutral shipping for their customers.

**National Recycling Operation.** This program transports materials — primarily paper, cardboard and plastic — from Post Offices to central hubs for recycling, using available space in USPS vehicles. The Postal Service encourages recycling initiatives across the organization to increase recycling performance and improve the organization's bottom line at the same time.

The Postal Service is "Putting its Stamp on a Greener Tomorrow" by taking sustainable actions and integrating environmental business practices into day-to-day operations. Additional information on the Postal Service's sustainability efforts is available in the 2020 Annual Sustainability Report, available at [www.usps.com/green](http://www.usps.com/green).

### **Commitment to a Safe and Secure Network to Prevent Illicit Drug Distribution and Delivery**

The Postal Service works aggressively to prevent the flow of illicit drugs through the mail and takes all practical measures to ensure the safety and security of USPS employees and the American people. As the law enforcement arm of the Postal Service, the United States Postal Inspection Service (USPIS) leads efforts to eliminate opioids and other illicit drugs from the mail by investigating mail-related crime and working closely with other law enforcement agencies to share intelligence, coordinate cases and conduct joint enforcement operations. USPIS employs a

whole-of-government approach that relies heavily on interagency cooperation, specifically with Customs and Border Protection, Homeland Security Investigations, the Drug Enforcement Administration, the Federal Bureau of Investigation and the White House's Office of National Drug Control Policy. These national partners, among others, help USPIS advance efforts to increase employee safety, awareness and engagement; expand and enhance intelligence and analytics capabilities; identify and invest in new tools and technologies; and enhance law enforcement capacity, capabilities and readiness.

As America's most trusted brand, the Postal Service is always working to keep that trust, and the Inspection Service is committed to protecting the sanctity of U.S. Mail from the threat of illicit activity.

### **COVID-19 Pandemic Response**

In March 2020, the Postal Service established the COVID-19 Response Command team to ensure proactive management of the pandemic's effect on employees, operations and customers. The COVID-19 Response Command team monitored the daily effects of the pandemic, identifying potential and actual impacts throughout the nation. The Command team developed and issued policies, plans and procedures to ensure continued high-quality service to the public, with employee and customer safety at the forefront. The team also established a COVID-19 Supplies Command Center to ensure that Postal Service facilities had adequate supplies to keep employees safe and meet ongoing facility cleaning needs throughout the pandemic.

Core responsibilities of the COVID-19 Response Command team included:

- Reinforcing proper workplace behaviors in accordance with guidance issued by the Centers for Disease Control and Prevention (CDC) on social distancing, face coverings and hand-washing etiquette.
- Updating cleaning policies consistent with CDC guidance.
- Updating leave policies to comply with the Families First Coronavirus Response Act.

- Expanding telework for employees able to perform their jobs remotely.
- Issuing stand-up talks, articles, videos and other communications — including special COVID-19 intranet and extranet webpages — to ensure employees had the latest information.
- Maintaining steady communication with residential customers and business mailers, regarding postal facility disruptions and delivery impacts, through USPS Service Alerts at [about.usps.com/newsroom/service-alerts/](https://about.usps.com/newsroom/service-alerts/).

The Postal Service is proud of its ability to provide a trusted, valued service to the American public, while safeguarding its employees and customers during an ongoing national public health emergency.

## National Preparedness

The Postal Service National Preparedness function ensures that plans, procedures and protocols are in place to respond to emergencies that could disrupt operations, and provides tools and resources to enable senior and field management to respond and resume operations quickly, safely and efficiently. National Preparedness coordinates actions with management when employees and property are affected by natural disasters or national emergencies, working to minimize disruptions to employees, operations and customers. The Postal Service's commitment to resuming mail delivery as soon as safely possible after disruptions would not be possible without the National Preparedness team and the resilience of USPS employees and the USPS network. The Postal Service takes its mission of providing universal service across the nation seriously and strives to keep communities connected and deliver a sense of normalcy, even during local, regional or national disruptions to service.

## Commitment to Diversity

The Postal Service defines diversity as “the richness of cultures, perspectives, experiences and backgrounds.” USPS recognizes the value of a diverse workforce and is one of the leading employers of both minorities and women.

Minorities comprise 49% and women comprise 46% of the total workforce. Further, minorities comprise 39% and women comprise 40% of senior USPS management positions. The Postal Service is also a leading employer of veterans with approximately 11% of its workforce comprised of veterans, nearly double the national average employment rate for veterans (5.8%) according to the Bureau of Labor Statistics<sup>8</sup>.

In May 2020, The Pew Research Center recognized USPS as “more racially and ethnically diverse than the U.S. labor force

as a whole, according to Census Bureau data from 2018<sup>9</sup>. Approximately half of USPS employees are non-Hispanic white compared with 78% of the overall U.S. workforce. More than a quarter of Postal Service workers are Black (27%), 12% are Hispanic and 7% are Asian. In contrast, according to 2018 Census Bureau data, Black Americans make up 13% of the national workforce, Hispanics 17% and Asian Americans 6%<sup>9</sup>.

The Postal Service was ranked the top federal agency for multicultural business opportunities for the ninth consecutive year by Omnikal, a social media and networking organization. USPS received the 2020 Omni50 Award for its efforts to do business with companies led by women and minorities and for supporting opportunities for small businesses and entrepreneurs<sup>10</sup>.

<sup>8</sup> Table 5. Employed persons 18 years and over by industry, class of worker, sex, veteran status and period of service, 2019 annual averages. (2020, April 22). Retrieved Nov. 09, 2020, from <https://www.bls.gov/news.release/vet.t05.htm>

<sup>9</sup> DeSilver, D., & Schaeffer, K. (2020, May 14). The state of the U.S. Postal Service in 8 charts. Retrieved Nov. 05, 2020, from <https://www.pewresearch.org/fact-tank/2020/05/14/the-state-of-the-u-s-postal-service-in-8-charts/>

<sup>10</sup> Omni50 Top Government Agencies: USPS: SBA: Defense Dept. (2020, March 12). Retrieved Oct. 14, 2020, from <https://www.omnikal.com/2020/02/announcing-americas-top-25-government-agencies-for-multicultural-business-opportunities-2-2-2/>



A masked USPS employee scans a package for delivery.

# Key Financial and Operating Statistics

## Financial History Summary

(in millions)

	FY 2020	FY 2019	FY 2018
Operating results			
Total revenue <sup>1</sup>	\$ 73,133	\$ 71,154	\$ 70,660
Operating expenses			
Compensation and benefits <sup>2</sup>	48,730	47,519	46,525
Retirement benefits <sup>3</sup>	6,964	6,197	5,877
Retiree health benefits	4,660	4,564	4,481
Workers' compensation	2,903	3,504	4
Transportation	8,814	8,184	7,861
All other operating expenses	10,116	9,911	9,697
Loss from operations	\$ (9,054)	\$ (8,725)	\$ (3,785)
Investment and interest income (expense), net	(122)	(88)	(128)
<b>Net loss</b>	<b>\$ (9,176)</b>	<b>\$ (8,813)</b>	<b>\$ (3,913)</b>
Financial position			
Cash and cash equivalents <sup>4</sup>	\$ 14,358	\$ 8,795	\$ 10,061
Property and equipment, net	14,567	14,352	14,616
All other assets <sup>5</sup>	6,979	2,486	2,011
<b>Total assets</b>	<b>\$ 35,904</b>	<b>\$ 25,633</b>	<b>\$ 26,688</b>
Retiree health benefits	\$ 51,865	\$ 47,205	\$ 42,641
Workers' compensation liability	20,074	18,529	16,409
Debt	14,000	11,000	13,200
Retirement benefits	11,583	8,385	5,707
All other liabilities <sup>5</sup>	19,090	12,046	11,368
<b>Total liabilities</b>	<b>\$ 116,612</b>	<b>\$ 97,165</b>	<b>\$ 89,325</b>
<b>Total net deficiency</b>	<b>\$ (80,708)</b>	<b>\$ (71,532)</b>	<b>\$ (62,637)</b>

<sup>1</sup> Includes other non-operating income such as sale of land and buildings, sale of miscellaneous equipment and sale of motor vehicles.

<sup>2</sup> Excludes Federal Employees Retirement Systems (FERS) normal costs, amortization of unfunded retirement benefits, retiree health benefits and workers' compensation.

<sup>3</sup> Includes FERS normal costs and amortization of unfunded retirement benefits.

<sup>4</sup> Cash and cash equivalents are unrestricted.

<sup>5</sup> In FY 2020, All other assets and All other liabilities include approximately \$4.5 billion of operating right-of-use assets and approximately \$4.6 billion of corresponding operating lease liabilities, respectively, as a result of adopting ASC 842 on Oct. 1, 2019. See Form 10-K Note 2 – Recent Accounting Pronouncements, Recently Adopted Pronouncement and Note 15 – Leases for further details.

## Revenue, Pieces and Weight Statistics

(in millions of units indicated, unaudited)

	FY 2020	FY 2019	FY 2018
First-Class Mail <sup>1</sup>			
Revenue	\$ 23,778	\$ 24,431	\$ 24,948
Number of pieces	52,624	54,936	56,712
Weight, pounds	2,644	2,780	2,869
Marketing Mail <sup>2</sup>			
Revenue	\$ 13,909	\$ 16,359	\$ 16,512
Number of pieces	64,143	75,653	77,270
Weight, pounds	5,715	6,917	7,402
Shipping and Packages <sup>3</sup>			
Revenue	\$ 28,537	\$ 22,783	\$ 21,467
Number of pieces	7,323	6,165	6,149
Weight, pounds	15,859	12,568	12,118
International Mail			
Revenue	\$ 2,400	\$ 2,474	\$ 2,630
Number of pieces	729	855	941
Weight, pounds	433	476	504
Periodicals			
Revenue	\$ 1,024	\$ 1,194	\$ 1,277
Number of pieces	4,006	4,635	4,994
Weight, pounds	1,283	1,572	1,744
U.S. Postal Service Mail <sup>4</sup>			
Number of pieces	321	284	293
Weight, pounds	109	101	114
Free Matter for the Blind <sup>5</sup>			
Number of pieces	25	34	43
Weight, pounds	10	13	15
Other services – revenue <sup>5</sup>	\$ 3,475	\$ 3,895	\$ 3,788
<b>Postal Service totals</b>			
<b>Operating revenue</b>	<b>\$ 73,123</b>	<b>\$ 71,136</b>	<b>\$ 70,622</b>
<b>Number of pieces</b>	<b>129,171</b>	<b>142,562</b>	<b>146,402</b>
<b>Weight, pounds</b>	<b>26,053</b>	<b>24,427</b>	<b>24,766</b>

*Note:* The Postal Service has reclassified the totals for certain mail categories in prior years to conform to classifications used in the current year.

<sup>1</sup> Excludes First-Class Mail Parcels.

<sup>2</sup> Excludes Marketing Mail Parcels.

<sup>3</sup> See Shipping and Packages and Other Services Statistics table on the following page.

<sup>4</sup> No revenue is received or recorded for this category of mail.

<sup>5</sup> By law, the Postal Service is required to offer below-cost postage prices to certain categories of mailers including blind individuals. Congress reimbursed the Postal Service for revenue it had forgone by offering these below-cost postage prices.

## Shipping and Packages and Other Services Statistics

(in millions of units indicated, unaudited)

	FY 2020	FY 2019	FY 2018
Priority Mail Express			
Revenue	\$ 697	\$ 716	\$ 752
Number of pieces	24	26	28
Weight, pounds	29	28	30
First-Class Packages <sup>1</sup>			
Revenue	\$ 6,236	\$ 4,465	\$ 3,878
Number of pieces	1,848	1,398	1,279
Weight, pounds	696	532	497
Priority Mail <sup>2</sup>			
Revenue	\$ 11,831	\$ 9,728	\$ 9,342
Number of pieces	1,272	1,097	1,085
Weight, pounds	3,472	2,937	2,837
Parcel Select Mail and Marketing Mail Parcels			
Revenue	\$ 8,739	\$ 6,849	\$ 6,451
Number of pieces	3,536	2,947	3,026
Weight, pounds	10,322	7,593	7,182
Parcel Return Service Mail			
Revenue	\$ 202	\$ 204	\$ 220
Number of pieces	72	75	89
Weight, pounds	181	199	229
Package Services			
Revenue	\$ 832	\$ 821	\$ 824
Number of pieces	571	622	642
Weight, pounds	1,159	1,279	1,343
<b>Total shipping and packages</b>			
<b>Revenue</b>	<b>\$ 28,537</b>	<b>\$ 22,783</b>	<b>\$ 21,467</b>
<b>Number of pieces</b>	<b>7,323</b>	<b>6,165</b>	<b>6,149</b>
<b>Weight, pounds</b>	<b>15,859</b>	<b>12,568</b>	<b>12,118</b>
Other services			
Certified Mail			
Revenue	\$ 597	\$ 653	\$ 678
Number of articles	168	187	198
Return Receipts			
Revenue	\$ 280	\$ 314	\$ 327
Number of articles	120	138	144
USPS Tracking			
Revenue	\$ 1	\$ 1	\$ 1
Number of articles	1,565	5,422	5,338
PO Box Services revenue	\$ 1,095	\$ 1,037	\$ 999
Money Orders			
Revenue	\$ 146	\$ 148	\$ 147
Number of articles	77	81	83
Insurance			
Revenue	\$ 93	\$ 78	\$ 79
Number of articles	17	14	15
Shipping and mailing supplies			
Revenue	\$ 135	\$ 107	\$ 109
Number of articles	60	53	54
Miscellaneous other services revenue	\$ 1,128	\$ 1,557	\$ 1,448
<b>Total other services revenue</b>	<b>\$ 3,475</b>	<b>\$ 3,895</b>	<b>\$ 3,788</b>

*Note: The Postal Service has reclassified the totals for certain mail categories in prior years to conform to classifications used in the current year.*

<sup>1</sup> Includes First-Class Mail Parcels, First-Class Package Services — Retail and First-Class Package Services — Commercial.

<sup>2</sup> USPS Retail Ground (formerly Standard Post) is a non-expedited, retail-only product and is now classified as Competitive (as is the expedited Priority Mail service). Even though USPS Retail Ground is priced identically to Priority Mail for Zones 1-4, its service standards are not identical since it is not an expedited service.

## Post Offices and Delivery Points

(in actual units indicated, unaudited)

	FY 2020	FY 2019	FY 2018
Post Offices, stations and branches			
Postal Service-managed			
Post Offices	26,362	26,362	26,365
Classified stations, branches and carrier annexes	4,968	4,960	4,959
<b>Total Postal Service-managed</b>	<b>31,330</b>	<b>31,322</b>	<b>31,324</b>
Contract Postal Units	2,094	2,175	2,240
Village Post Offices	590	667	743
Community Post Offices	437	449	465
<b>Total offices, stations and branches</b>	<b>34,451</b>	<b>34,613</b>	<b>34,772</b>
Residential delivery points			
City	84,233,373	83,739,561	83,279,977
Rural	45,320,604	44,425,454	43,591,733
PO Box	16,015,289	15,985,189	15,960,945
Highway Contract	3,050,749	3,001,015	2,959,424
<b>Total residential delivery</b>	<b>148,620,015</b>	<b>147,151,219</b>	<b>145,792,079</b>
Business delivery points			
City	7,789,025	7,734,259	7,709,827
Rural	1,736,436	1,707,145	1,673,267
PO Box	3,146,028	3,226,893	3,301,930
Highway Contract	82,648	81,796	81,153
<b>Total business delivery</b>	<b>12,754,137</b>	<b>12,750,093</b>	<b>12,766,177</b>
<b>Total delivery points</b>	<b>161,374,152</b>	<b>159,901,312</b>	<b>158,558,256</b>
Change in delivery points	1,472,840	1,343,056	1,229,580

## Number of Routes by Type of Delivery

(in actual units indicated, unaudited)

Route	FY 2020	FY 2019	FY 2018
City	142,018	142,672	143,358
Rural	79,900	79,404	78,737
Highway Contract Route	9,661	9,731	9,748
<b>Total</b>	<b>231,579</b>	<b>231,807</b>	<b>231,843</b>

## Postal Vehicle Inventory

(in actual units indicated, unaudited)

Vehicle type	FY 2020	FY 2019	FY 2018
Delivery and collection (0.5–2.5 tons)	207,945	204,274	208,133
Mail transport (tractors and trailers)	5,719	5,481	5,566
Mail transport (5–11 tons) <sup>1</sup>	2,782	3,460	2,389
Administrative and other	6,697	6,925	7,196
Service (maintenance)	5,464	5,858	6,398
Inspection Service and law enforcement	2,934	2,942	2,920
<b>Total</b>	<b>231,541</b>	<b>228,940</b>	<b>232,602</b>

<sup>1</sup> Previously referred to as Mail transport (3-9 tons)

## Real Estate Inventory

(in actual units indicated, unaudited)

Real estate inventory	FY 2020	FY 2019	FY 2018
Owned properties	8,440	8,393	8,362
Owned interior square feet	193,867,670	193,355,127	192,842,955
Leased properties	23,050	23,118	23,147
Leased interior square feet	78,860,472	79,027,452	79,047,136
GSA <sup>1</sup> /other government properties	291	292	294
GSA/other government interior square feet	1,732,001	1,792,744	1,797,769

<sup>1</sup> General Services Administration.

## Real Estate Inventory Actions

(in actual units indicated, unaudited)

Real estate inventory actions	FY 2020	FY 2019	FY 2018
Lease actions (alternate quarters, new leases and renewals)	5,414	4,410	4,667
Property disposals <sup>1</sup>	5	8	14
New construction <sup>2</sup>	98	76	77
Repair and alteration projects	61,483	59,864	58,653
Repair and alteration expense project totals (in thousands, rounded)	\$ 268,000	\$ 240,000	\$ 215,000
Repair and alteration capital projects	4,312	4,428	4,464
Repair and alteration capital project totals (in thousands, rounded)	\$ 555,000	\$ 519,000	\$ 483,400

<sup>1</sup> Total partial and complete property sales (does not include non-property sales such as right-of-ways/easements, sale of rights, defaults, installment payments, etc.).

<sup>2</sup> Includes the build-out of pre-existing spaces that the Postal Service did not previously own (alternate quarters), the new construction of leased or owned space and the expansion of existing spaces.

## Employees

(actual numbers, unaudited)

	FY 2020	FY 2019	FY 2018
Headquarters and HQ-related employees			
Headquarters	3,477	3,311	3,254
Headquarters – field support units	3,425	3,447	3,491
Inspection Service – field	2,399	2,441	2,389
Inspector General	1,017	1,031	1,029
<b>Total HQ and HQ-related employees</b>	<b>10,318</b>	<b>10,230</b>	<b>10,163</b>
Field employees			
Area offices	923	946	899
Postmasters/installation heads	13,667	13,729	13,742
Supervisors/managers	25,189	25,581	25,590
Professional administration and technical personnel	4,792	4,752	4,672
Clerks (including nurses)	119,171	121,573	121,622
Mail handlers	36,721	36,939	37,535
City delivery carriers	167,934	166,343	168,199
Motor vehicle operators	9,189	8,742	8,411
Rural delivery carriers – full-time	74,255	73,165	70,852
Building and equipment maintenance personnel	28,675	29,751	30,219
Vehicle maintenance employees	5,107	5,183	5,253
<b>Total field employees</b>	<b>485,623</b>	<b>486,704</b>	<b>486,994</b>
<b>Total career employees</b>	<b>495,941</b>	<b>496,934</b>	<b>497,157</b>
Non-career employees			
Casuals	10,261	849	879
Postal support employees	25,778	26,251	26,386
Non-bargaining temporary	341	339	285
Rural part-time	58,747	58,224	59,183
Postmaster relief and leave replacements	1,959	2,021	2,168
City carrier assistant	38,079	42,121	42,115
Mail handler assistant	12,927	6,369	6,274
<b>Total non-career employees</b>	<b>148,092</b>	<b>136,174</b>	<b>137,290</b>
<b>Total employees</b>	<b>644,033</b>	<b>633,108</b>	<b>634,447</b>



*A masked retail associate hands a masked customer a panel of stamps.*

## Executive Compensation

Federal law requires the Postal Service to provide compensation and benefits to employees at a level comparable to the private sector. The Postal Service will continue to pursue this goal for all of its employees. In addition, the organization supports, develops and provides a wide range of tools and development resources that assist employees in reaching their full potential.

The Board of Governors establishes executive officer compensation and benefits, subject to the requirements and limitations of federal law. Although USPS governing law provides that executives should be compensated at a level comparable to the private sector, the Postal Service does not have the resources to achieve this level of compensation. Compensation for executive officers remains significantly below that of similarly ranked senior executives in the private sector.

In most circumstances, the Postal Service cannot compensate its executives more than the rate for Level 1 of the Executive Schedule (\$213,600 in calendar year 2019). Under certain programs, bonuses or other rewards can be awarded, which raise the level of compensation beyond this limit; however, compensation is still limited by federal law.

Performance-based payments for FY 2018 were paid in Calendar Year (CY) 2019. Performance-based payments were determined by the Postal Service Board of Governors.

In accordance with legal reporting requirements, the following table reports CY 2019 compensation information including 1) Postal Service executives compensated in excess of Federal Executive Level 1 in CY 2019 and 2) the amount of bonus or other payments that caused pay to exceed Level 1 of the Executive Schedule in CY 2019. The terms “bonus or other payment” in the second column of the table are statutory terms that represent various amounts which are a part of an executive’s total compensation; these amounts are predicated on the Postal Service’s maintenance of a performance appraisal system that makes meaningful distinctions based on relative performance.

Executive Name	CY 2019 Bonus or Other Payment	CY 2019 Reportable Earnings in Excess of CAP I
Megan J. Brennan	\$ 78,092	\$ 77,367
Eric D. Chavez	19,660	19,660
Joseph Corbett	47,478	47,478
Isaac S. Cronkhite	20,862	20,862
Michael J. Elston	718	2,396
Luke T. Grossmann	16,290	16,290
Thomas J. Marshall	45,418	45,419
Pritha Mehra	5,548	5,589
Shaun E. Mossman	8,885	19,107
Abelardo P. Munoz Jr.	8,885	8,885
Gary C. Reblin	7,485	7,485
Tom A. Samra	8,885	8,885
Kristin A. Seaver	47,478	47,479
Jacqueline K. Strako	47,478	47,479
Ronald A. Stroman	69,266	69,267
David E. Williams Jr.	47,478	47,478

*Note: Legislation requires reporting compensation in the last full calendar year. This timeframe does not align with the Postal Service's fiscal year, which is from October to September.*

# FY 2020 Performance Report and FY 2021 Performance Plan

## Corporate-wide Goals and Targets

The Postal Service is a self-supporting, independent federal agency and the only delivery service that reaches every address in the United States. Everyone living in the United States and its possessions and territories — regardless of their location — has access to postal products and services and pays the same price for a First-Class postage stamp.

The Postal Service puts information and technology at the center of its business strategies. We are speeding the pace of innovation, developing mobile and digital tools to play a larger role in the daily digital lives of customers, and using one of the world's most advanced tracking and information systems to speed the flow of mail and packages throughout our network. USPS leverages the information derived from robust scanning and tracking systems to add value to the senders and receivers of mail and packages — and to create new products and services, spurring growth in the mailing industry.

The Postal Service continues to play an indispensable role as a driver of commerce and as a provider of delivery services that connect Americans to one another — reliably, affordably and securely — and to every residential and business address.

To provide reliable, efficient, trusted and affordable universal delivery service, the Postal Service established the following four strategic areas of focus:

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

To assess the organization's efforts in achieving these strategies, USPS measures performance through progress against corporate performance outcomes as follows:

- High-Quality Service
- Excellent Customer Experience

- A Safe Workplace and Engaged Workforce
- Financial Health

For each of these outcomes, the following subsections describe both the outcomes and measures used to assess organizational progress, provide the FY 2020 performance report, and layout the FY 2021 plan, including indicator targets. The following table shows corporate performance from FY 2017-FY 2020 and targets for FY 2020-FY 2021 for each outcome.

These targets are aligned with the FY 2021 Integrated Financial Plan (IFP), which includes planned revenue and expenses for FY 2021. Every fiscal year, USPS develops a budget and plan intended to be sufficient for field offices to meet their targeted financial and non-financial performance outcomes. The Postal Service designs all corporate-wide targets to be achievable given the planned expenses in the IFP.

The Postal Service measures "Controllable Income (Loss)" as one of its indicators for the outcome "Financial Health." This measure is based on planned expenditures and revenues for every program activity (i.e., budget item contributing to controllable income [loss]) outlined in the IFP. Controllable income (loss) is a non-GAAP (United States generally accepted accounting principles) measure defined as total revenue less controllable expenses. Controllable expenses consist of compensation and benefits; transportation; depreciation; supplies and services; and rent, utilities and other controllable expenses. They do not include non-controllable expenses, discussed in detail later in this document. The subsection "Controllable Income (Loss)" details planned revenues and expenditures for FY 2021. This plan yields a target controllable loss for FY 2021, which is stated as the organizations target for the FY 2021 IFP, for the reasons discussed in that subsection.

In day-to-day business operation, USPS focuses on costs within management control, such as salaries and transportation. The Postal Service calculates controllable income (loss) by excluding items the

organization cannot control, such as Postal Service Retiree Health Benefits Fund (PSRHB) actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluations and discount rate changes, retirement

expenses caused by actuarial revaluations and adjustments for non-recurring items. Controllable income (loss) should not be considered a substitute for net income (loss) and other GAAP reporting measures.



A masked USPS employee moves mail in a Processing and Distribution Center.

## FY 2020-FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes

Corporate Performance Outcome	Measure	FY 2021 Target	FY 2020 Actual	FY 2020 Target	FY 2019 Actual	FY 2018 Actual	FY 2017 Actual
High-Quality Service <sup>1</sup>	Single-Piece First-Class Mail						
	Two-day	TBD <sup>6</sup>	91.47	96.50	92.05	93.78	94.72
	Three-to-five-day	TBD <sup>6</sup>	78.83	95.25	80.88	82.48	85.57
	Presort First-Class Mail						
	Overnight	TBD <sup>6</sup>	94.72	96.80	95.46	96.00	96.46
	Two-day	TBD <sup>6</sup>	92.77	96.50	94.10	94.92	95.58
	Three-to-five-day	TBD <sup>6</sup>	89.89	95.25	91.95	91.96	93.16
	First-Class Mail Letter and Flat Composite (FCLF) <sup>2</sup>	TBD <sup>6</sup>	89.73	96.00	91.36 <sup>10</sup>	92.07	93.29
	Marketing Mail and Periodicals Composite	TBD <sup>6</sup>	88.38	91.80	88.73 <sup>10</sup>	89.26	91.44
	Market Dominant Composite <sup>3,4,5</sup>	TBD <sup>6</sup>	89.00	NA	89.86	89.66	91.53
Excellent Customer Experiences	Customer Experience Composite Index <sup>7</sup>	76.90	72.40	75.73	69.04	67.47	88.30
Safe Workplace and Engaged Workforce	Total Accident Rate	13.75	13.09	15.00	14.19	15.09	15.43
	Engagement Survey Response Rate <sup>8</sup>	51%	33%	51%	38%	42%	46%
Financial Health <sup>9</sup>	Controllable Income (Loss, \$ in billions)	(5.60)	(3.75)	(4.00)	(3.42)	(1.95)	(0.81)
	Deliveries per Total Work Hours, Percent Change	NA	0.90	1.50	(0.60)	(0.50)	(0.50)

Note: NA indicates that either no data was collected or no target was set for the relevant indicator and year.

<sup>1</sup> The Postal Service is providing nonpublic service performance data for certain competitive products as part of the Nonpublic Annex in the Annual Compliance Report proceeding conducted by the Postal Regulatory Commission (PRC).

<sup>2</sup> For the FY 2017-FY 2020 actuals and FY 2020 target, the Postal Service reports the First-Class Mail Letter and Flat Composite (FCLF) in lieu of the First-Class Composite, which was reported in previous Annual Reports to Congress. FCLF Composite does not include First-Class Mail parcels. FCLF Composite numbers are based on the externally-measured quarterly service performance data filed with the PRC pursuant to Part 3055 of U.S.C. Title 39; they do not include mitigating factors used internally for compensatory purposes. Additionally, service measurement adjustments altered one previously reported end-of-year actual (FY 2017 First-Class Mail Letter and Flat Composite), which is accurately reflected in this table.

<sup>3</sup> In FY 2021, High-Quality Service will report Market Dominant Composite, which includes all First-Class Mail, Marketing Mail, Periodicals, Flats, Bound Printed Matter Parcels, Marketing Mail Parcels and Library/Media Mail. This metric replaces both the First-Class Mail Letter and Flat (FCLF) Composite and Marketing Mail and Periodicals Composite, which were reported in previous Annual Reports to Congress.

<sup>4</sup> The FY 2020 Actual and FY 2019 Actual scores are sourced from the Service Performance Measurement (SPM) system. In FY 2017-FY 2018, data was sourced from legacy SPM systems (e.g. External First-Class Measurement System and Intelligent Mail Accuracy and Performance System).

<sup>5</sup> FY 2017-FY 2020 actuals are provided for comparability purposes only. Market Dominant Composite is a new indicator that will be included in FY 2021.

<sup>6</sup> Due to the ongoing COVID-19 pandemic and its impact on Postal Service employees and contracted transportation, USPS is unable to establish service targets at this time. Postal Service management will reevaluate conditions for setting FY 2021 service targets later in the fiscal year.

<sup>7</sup> In FY 2019-FY 2021, the Customer Experience Composite Index is based on survey responses from the following touchpoints: Business Service Network, Point of Sale, Delivery, Customer Care Center, C360 a customer relationship management platform, usps.com and Business Mail Entry Units.

<sup>8</sup> For FY 2017-FY 2020 actuals and FY 2020-FY 2021 targets, the Postal Service used the Postal Pulse survey.

<sup>9</sup> The FY 2021 Integrated Financial Plan information contained in this document will be revised if needed upon approval by the Board of Governors.

<sup>10</sup> FY 2019 Actual scores were corrected after subsequent review.

## High-Quality Service

The Postal Service is committed to “...bind the Nation together through the personal, educational, literary and business correspondence of the people. [We] shall provide prompt, reliable and efficient services to patrons in all areas and shall render postal services to all communities”<sup>11</sup>. This forms the core of USPS operations.

To measure performance relative to its mission, the Postal Service evaluates its delivery service performance continuously using Service Performance Measurement. This internal measurement system provides data from the time mail is deposited in a Postal Service facility to when a USPS employee delivers it to a home, business or PO Box.

The Postal Service operates a highly complex network of distribution and delivery facilities interconnected by multiple modes of transportation across the country. The Postal Service measures service performance at the product level against specific service standards. The integrated nature of the Postal Service’s network and the commingling of products during processing and delivery results in operational performance being reflected across multiple products at the same time and to varying degrees.

The annual service performance measures are reported as a cumulative score throughout the year and are volume weighted. Service performance during the first half of the year — when mail volume is highest — sets the pace for the remainder of the year.

In FY 2020 the Postal Service measured service performance in the following categories:

**Single-Piece First-Class Mail.** The measures for this category represent the performance of single-piece First-Class Mail letters, postcards and flats throughout the fiscal year. The indicators show the estimated percent of total mail by service standard (two-day and three-to-five-day) that was delivered to customers on time.

**Presort First-Class Mail.** The measures for this category represent the performance of commercial presorted First-Class Mail letters, postcards and flats delivered throughout the fiscal year. The indicators show the estimated percent of total mail by service standard (overnight, two-day and three-to-five-day) that was delivered on time.

<sup>11</sup> U.S.C. Title 39

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

This category represents the weighted average of the performance of single-piece First-Class Mail and Presort First-Class Mail across all service standards, weighted by volume.

**Marketing Mail and Periodicals Composite.** This category is a composite indicator of the percent of all Marketing Mail and Periodicals that was delivered within the service standard established during the year. This includes Marketing Mail letters, Marketing Mail flats and Periodicals. Approximately two-thirds of mail volume in this composite is Marketing Mail letters, while the remainder is Marketing Mail flats and Periodicals.

**Market Dominant Composite.** This category is a composite indicator containing all Market Dominant products weighted by their actual proportion of total measured volume. This includes all First-Class Mail, Marketing Mail, Periodicals, Flats, Bound Printed Matter Parcels, Marketing Mail Parcels and Library/Media Mail. The Market Dominant Composite score is generated by dividing the total volume by the number of pieces delivered on time.

## FY 2020 Performance Report

The following table includes both FY 2020 Actuals (unmitigated and preliminary) and FY 2020 Targets for the High-Quality Service metrics.

Metric	FY 2020 Actual	FY 2020 Target	Delta (pp <sup>1</sup> )	FY 2020 Target (Met/Not Met)
Single-Piece First-Class Mail Two-Day	91.47	96.50	(5.03)	Not Met
Single-Piece First-Class Mail Three-to-Five-Day	78.83	95.25	(16.42)	Not Met
Presort First-Class Mail Overnight	94.72	96.80	(2.08)	Not Met
Presort First-Class Mail Two-day	92.77	96.50	(3.73)	Not Met
Presort First-Class Mail Three-to-Five-Day	89.89	95.25	(5.36)	Not Met
First-Class Mail Letter and Flat Composite	89.73	96.00	(6.27)	Not Met
Marketing Mail and Periodicals Composite	88.38	91.80	(3.42)	Not Met

<sup>1</sup> PP refers to the percentage point difference between FY 2020 Actuals and FY 2020 Targets.

While the Postal Service did not meet any of the service performance targets in FY 2020, a snapshot view of the full year of service performance would not adequately describe the service provided to customers. FY 2020 service performance can best be viewed as a year of two distinct phases: the pre-COVID-19 pandemic period covering the first half of the year, and the COVID-19 period covering the second half of the year.

While service performance during the first half of the year was below target, there was noticeable improvement. Three service performance categories — First-Class Mail Letter and Flat Composite, First-Class Mail three-to-five day and Marketing Mail — achieved notable service improvements compared to the same period last year.

First-Class Mail Letter and Flat Composite performance improved year-over-year by 1.90 percent and 1.85 percent in the first and second quarters respectively, while the First-Class Mail three-to-five day service segment experienced the largest performance improvement of all First-Class products. For the first half of the year, First-Class Mail three-to-five day performance improved by nearly 2.5 percentage points compared to the same period last year.

Marketing Mail performance for the first and second quarters of the fiscal year improved 4.38 percent and 3.07 percent, respectively, compared to the same periods last year.

Beginning in March 2020 and continuing throughout the second half of the fiscal year, the COVID-19 pandemic affected USPS processing, transportation, retail and delivery operations, leading to a decrease in overall service performance. Employee availability rates dropped significantly across the organization, due to COVID-19 exposure, illness or need to quarantine. As a result, several major metropolitan areas operated with less than 80 percent of their employees for extended periods of time. Multiple mail processing facilities operated with less than 70 percent of their employees, with larger retail and delivery units operating with less than 50 percent of their employees for extended periods of time.

In delivery operations, employee availability affected the Postal Service's ability to deliver mail. While the number of deliveries affected changed from day to day, at its

peak the lack of sufficient delivery employees impacted over 735,000 deliveries. On many days, more than 200,000 deliveries were affected.

Aside from employee availability, imposed shelter-in-place orders prevented normal retail operations. Nearly 100 retail offices were closed or operated with reduced hours in FY 2020. At the height of the pandemic, more than 360 alternate access offices were closed or operating with reduced hours. The location and operating hours of impacted offices fluctuated based on local orders and circumstances, even as the overall number of offices affected eventually stabilized.

As the pandemic proliferated throughout the country, Postal Service contracted resources were also negatively affected, including surface and air contracted transportation. Highway Contract Route drivers, who are contracted to provide surface transportation of mail, recorded hundreds of contract failures daily, with some districts experiencing failures for extended periods.

The effects of COVID-19 severely disrupted air transportation around the world, which negatively impacted USPS transportation and delivery operations. The pandemic shut down the commercial air industry, immediately eliminating air capacity and depriving access to the air network. In some cases, this accounted for nearly 80 percent reduction of the planned USPS air capacity. Mail that was typically transported by the air network was diverted to the surface transportation network, resulting in service delays from longer transportation times.

*Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.*

## FY 2021 Performance Plan

The Market Dominant Composite is a new FY 2021 High-Quality Service indicator. This composite includes all First-Class Mail, Marketing Mail, Periodicals, Flats, Bound Printed Matter Parcels, Marketing Mail Parcels and Library/Media Mail.

As of the date of this report's publication, USPS management determined to not establish targets for FY 2021 High-Quality Service metrics due to the significant ongoing effects stemming from the COVID-19

pandemic on employee availability as well as surface and air transportation capacity. USPS management will establish service targets later in the fiscal year, if pandemic conditions warrant.

In FY 2021, the national presidential election is scheduled for Nov. 3, 2020. Leading up to Election Day, the Postal Service has committed to the proper handling and timely delivery of Election Mail as the organization's number one priority. To support that commitment, extraordinary measures to ensure Election Mail is prioritized and delivered on-time have been instituted. These extraordinary measures include, but are not limited to, expedited handling of all election mail irrespective of mail class or postage paid, extra deliveries when needed and special pickups to deliver blank ballots to voters or completed ballots to boards of elections.

After the 2020 presidential election, the Postal Service will build upon peak holiday plans that were successfully implemented in FY 2020, including robust processing, transportation and delivery operations to support what is expected to be a record of package volume processed and delivered during the holiday season.

In an effort to operate more efficiently and better serve customers, the Postal Service instituted an Operations organizational realignment in late FY 2020. The new organizational structure will allow postal leadership to focus on priorities and establish clear communication channels to drive service performance improvements through a direct line of accountability, improved communication and oversight and quicker implementation of strategies and initiatives. The new alignment will allow for more focus on what the Postal Service does best — collect, process, move and deliver mail and packages.

The Postal Service will continue to improve product flow within the ground transportation network throughout FY 2021. This will simplify routing decisions and improve ground reach while eliminating many of the longest (and also lowest-performing) surface trips to improve network capability and service performance. These changes are expected to have positive impacts on the three-to-five-day service.

Processing operations will continue to focus on improving service. Machines will be efficiently utilized through optimized run-plans to achieve efficiency. Near

real-time analytics will be used to identify mail at risk of service failure and take proactive measures to prevent these failures. Benchmark targets will be set to reduce cycle time, improve throughputs and maintain first-in, first-out integrity.

The Postal Service will also focus on fostering employee collaboration and engagement to deliver high service performance, by working to establish a diverse culture that promotes inclusion to keep USPS competitive in the marketplace. The Postal Service will build capability, competency and confidence for its employees by equipping them with the best technology and providing meaningful, actionable data to improve daily performance management. Additionally, USPS will continue to hire and use additional non-career employees to supplement employee absenteeism due to COVID-19, and to support the timely delivery of higher package volumes.

Further, the Postal Service will continue to drive service performance improvement efforts with a focus on reducing first- and last-mile (collection and delivery) failures by conducting national service reviews in field operations. These reviews contain an assessment of potential failure modes and mitigation strategies to improve service performance.

*Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance*

## Excellent Customer Experience

Excellent customer experience is foundational to the Postal Service's success. To evaluate Postal Service customers' satisfaction with services provided, customers are surveyed at every primary interaction point. USPS refers to these interactions as "touchpoints." The Customer Experience (CX) Composite Index provides a comprehensive view of the customer's experience across the most frequently used customer-facing channels. The CX Composite Index is comprised of seven component surveys: Customer Care Center (CCC), usps.com, Business Mail Entry Unit (BMEU), Business Service Network (BSN), Point of Sales (POS), Delivery and Customer 360 (C360). These surveys are defined below.

To calculate the FY 2020 CX Composite Index score, the Postal Service multiplies each customer

touchpoint's raw overall satisfaction score by its respective weighting and adds the products. This total represents the CX Composite Index score for the year.

The following describes each component within the CX Composite Index:

**Business Service Network (BSN) Survey.** The BSN provides nationwide support to qualified business customers on service issues, information and requests. The BSN survey measures businesses' satisfaction with the overall experience provided by the BSN. The national weighting of the BSN score used to calculate the CX Composite Index is 10 percent.

**Point of Sale (POS) Survey.** The POS survey measures customers' overall satisfaction with their experiences at retail locations. The national weighting of the POS score used to calculate the CX Composite Index is 15 percent.

**Delivery Survey.** The Delivery survey measures the overall satisfaction of residential and small/medium business customers' delivery experience, including both street address and PO Box deliveries. The national weighting of the Delivery score used to calculate the CX Composite Index is 20 percent.

**Customer Care Center (CCC) Survey.** The CCC survey measures customer satisfaction for customers who call the Customer Care Center. The national weighting of the CCC score used to calculate the CX Composite Index is 20 percent.

**Customer 360 (C360) Survey.** In August 2019, the Postal Service launched a new customer relationship management platform called Customer 360 (C360) to resolve issues more efficiently. For better alignment and clarity in reporting, the Postal Service renamed this customer touchpoint from the former "Enterprise Customer Care (eCC)" to the current "Customer 360" in the FY 2020 annual report. The C360 survey measures satisfaction with issue resolution for customers who file service requests with the Postal Service. The national weighting of the C360 score used to calculate the CX Composite Index is 20 percent.

**usps.com Survey.** The usps.com survey measures customer satisfaction with the USPS website. The national weighting of the usps.com score used to calculate the CX Composite Index is 5 percent.

**Business Mail Entry Unit (BMEU) Survey.** The BMEU survey measures business customers' overall

satisfaction with their experience at the BMEU. The national weighting of the BMEU score used to calculate the CX Composite Index is 10 percent.

## FY 2020 Performance Report

The following table includes both FY 2020 Actuals and FY 2020 Targets for the Excellent Customer Experience metrics.

Metric	FY 2020 Actual	FY 2020 Target	Delta (pp) <sup>5</sup>	FY 2020 Target (Met/Not Met)
CX Composite Index <sup>1</sup>	72.40	75.73	(3.33)	Not Met
BSN	97.33	96.73	0.60	Met
POS	87.46	90.42	(2.96)	Not Met
Delivery	80.94	86.33	(5.39)	Not Met
CCC <sup>2</sup>	60.03	55.00	5.03	Met
C360 <sup>3</sup>	40.05	55.00	(14.95)	Not Met
usps.com <sup>4</sup>	73.41	72.58	0.83	Met
BMEU <sup>4</sup>	96.72	96.01	0.71	Met

<sup>1</sup> In FY 2019-FY 2021, the Customer Experience Composite Index is based on BSN, POS, Delivery, CCC, C360, usps.com and BMEU.

<sup>2</sup> The FY 2018-FY 2020 actuals and FY 2020-FY 2021 targets are based on satisfaction with both live agents and the interactive voice response telephone system, while the FY 2017 actuals are based on satisfaction with live agents only.

<sup>3</sup> The Customer 360 (C360) metric replaced the Enterprise Customer Care (eCC) metric in FY 2021. The metric definition did not change. The C360 FY 2018-FY 2020 actuals and FY 2020-FY 2021 targets are based on overall customer satisfaction with the resolution quality received as compared to the same period last year, while the FY 2017 actuals were based on the percentage of cases that were reopened.

<sup>4</sup> The usps.com and BMEU performance indicators were added to the Customer Experience Composite Index in FY 2018.

<sup>5</sup> PP refers to the percentage point difference between FY 2020 actuals and FY 2020 targets.

In FY 2020, the Postal Service improved its overall CX Composite Index score (72.40 percent) from FY 2019 (69.04 percent), including improvements in six of seven CX touchpoint scores, but did not achieve the FY 2020 CX Composite Index target (75.73 percent).

The Postal Service continued to evolve and improve its measurement, reporting and evaluation of customers' experiences in FY 2020. However, the overall satisfaction question was carried forward from FY 2019 and was included within each FY 2020 CX Composite Index subcomponent survey for year-to-year comparability. As such, all FY 2020 CX Composite Index scores are comparable to FY 2019 <sup>12</sup>.

<sup>12</sup> For additional comparability information, reference the United States Postal Service FY 2018 Annual Compliance Review response to question 6d in the Chairman's Information Request No. 2 for historical Customer Experience-related comparability information on the PRC's website: [prc.gov/dockets/document/108111](http://prc.gov/dockets/document/108111)

The Postal Service identified additional opportunities to assess the customer experience in FY 2020. For example, in the C360 and Delivery surveys, new questions were added and existing questions were updated to better capture customer sentiment in those two interaction points.

BSN, CCC, usps.com and BMEU met their respective FY 2020 targets, with CCC achieving a dramatic improvement in its score compared to last fiscal year. POS, Delivery and C360 did not achieve their respective FY 2020 targets. Since C360 and Delivery missed their target by a large margin, the Postal Service was unable to meet its overall CX Composite score target, as each of these two components were weighted 20 percent of the overall CX Composite Index.

The following sections address FY 2020 actual scores, FY 2020 targets, accomplishments achieved throughout the year, and other related information for each CX touchpoint metric.

**BSN Survey.** In FY 2020, the Postal Service achieved a score of 97.33 percent, slightly higher than its target of 96.73 percent. BSN customers identified issue resolution as their primary issue. In FY 2020, a closed-loop feedback process was created, giving customers the ability to directly email the BSN team to let the team know of dissatisfaction with the issue resolution process. Additionally, BSN score reports are shared with USPS areas, and improvement plans are created for districts with low scores.

**POS Survey.** In FY 2020, the Postal Service achieved an overall satisfaction score of 87.46 percent, lower than its target of 90.42 percent. The fiscal year target was not met largely due to unforeseen consequences resulting from the COVID-19 pandemic. To protect the safety of its customers and employees, the Postal Service adopted the following procedures at retail locations in response to customer feedback:

- Limit the number of customers in retail facilities to no more than 10 at a time.
- Place markings on the floor to maintain the CDC's 6-foot social distancing recommendation.
- Install cough and sneeze barriers at the retail counters.

**Delivery Survey.** In FY 2020, the Postal Service achieved a score of 80.94 percent, lower than its target

of 86.33 percent. Challenges from the COVID-19 pandemic, including high employee absenteeism which affected service scores, contributed to impacts in customer experience scores in FY 2020.

Throughout the COVID-19 pandemic, the Postal Service continued its efforts to provide world-class customer experience. One of the initiatives piloted in FY 2020 to improve customer experience was Mobile Delivery Device (MDD) Geo Alert. The MDD Geo Alert was designed to enhance the customer experience and reduce complaints related to mail delivery. National deployment is scheduled for FY 2021.

**CCC Survey.** In FY 2020, the Postal Service achieved a score of 60.03 percent, — an improvement of 13.09 points compared to the FY 2019 actual score (46.94), — and exceeded its FY 2020 target of 55.00 percent. The Postal Service achieved this result by focusing on reducing wait time to speak to a live agent, enhancing self-serve options in the interactive voice response system (IVR) and providing consistent quality interactions. Frequently asked questions (FAQs) on usps.com were enhanced to reduce the need for customers to contact the call center, short message service was expanded as a self-service option in the IVR and virtual hold technology was optimized to shorten wait times.

**C360 Survey.** In FY 2020, the Postal Service achieved a score of 40.05 percent, lower than its target of 55.00 percent. While the C360 actual score did not meet its FY 2020 target, performance improved by 2.60 percentage points from the FY 2019 actual score (37.45). The primary reasons customers cited were that their issues were not adequately resolved and that they were not contacted quickly by case managers.

To help resolve issues more efficiently, a state-of-the-art customer relationship management system was implemented at the end of FY 2019 to simplify the case management process. Throughout FY 2020, enhancements were made to the system that streamlined case management for certain inquiry types and increased visibility with additional real-time reports. Further, additional training was provided to employees to more efficiently use the system for handling customer cases. Although these improvements were made, COVID-19 resulted in sustained high case volumes and higher-than-expected employee unavailability to help resolve customers' issues.

**usps.com Survey.** In FY 2020, the Postal Service achieved a score of 73.41 percent, exceeding its target of 72.58 percent. To address customer needs and improve the digital experience, the Postal Service implemented several changes to its website, including optimizing the “Postal Store” for mobile-use experiences and allowing customers to use their mobile devices to order USPS products, stamps and merchandise. The website content pages and applications were refreshed or redesigned and enhanced for search engine optimization, and the [usps.com](#) Help section was updated to make it easier for customers to self-help on the site if they have questions.

**BMEU Survey.** In FY 2020, the Postal Service achieved a score of 96.72 percent, exceeding its target of 96.01 percent. Customers cited issue resolution and positive employee attitudes as the two primary drivers of satisfaction. To drive improvement, new training was offered to BMEU personnel on how to create and deliver world-class customer experience.

Job aids were updated to make it easier for employees to use them. Additionally, coaching and mentoring was provided to ensure employees have the resources they need to deliver superior issue resolution performance.

*Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.*

## FY 2021 Performance Plan

In FY 2021, delivering excellent customer experiences across multiple channels will continue to be a priority for the Postal Service. This includes improving customer engagement, making it easier for employees to deliver excellent customer service, enhancing how customer experiences are measured in a timely manner and providing a consistent customer experience across all channels.

In FY 2021, the Postal Service will include the same touchpoints as the FY 2020 CX Composite Index and keep their weighted values as-is in the CX Composite Index.

The Postal Service will continue to improve how it measures customer experience by ensuring questions accurately measure both customer sentiment and attributes of customer satisfaction across the surveys. The Postal Service will empower its workforce to prevent undesirable customer experiences by providing actionable data to help them resolve customer pain points and improve the customer experience.

*Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.*



A masked employee thoroughly cleans the floor of a Post Office, adhering to CDC guidelines.



# Safe Workplace and Engaged Workforce

## Employee Safety

Employee safety is a top priority for the Postal Service. For the sixth consecutive year, the Postal Service reduced its total number of accidents. Prevention is the guiding principle for both occupational safety and health-related legislation and the underlying philosophy of the USPS Safety Program. To avoid accidents and occupational diseases, USPS has adopted standard requirements for safety and health protection at the workplace and has established compliance protocols to ensure effective implementation.

Risk assessment and management are fundamental to preventing and controlling risks to safety and health in the workplace. This includes accounting for all relevant risks, checking the efficacy of the safety measures adopted, documenting the outcomes of the assessment and reviewing and updating the assessment regularly.

In FY 2020, a new risk emerged — the COVID-19 pandemic — which pressed the Safety Program to evaluate pandemic-related risks and implement controls to protect employees and contribute to reducing the disease's spread. The Postal Service marshaled all possible resources to meet the challenges posed by the pandemic. Early in the pandemic, the organization established a dedicated USPS COVID-19 Command Response leadership team to direct employee, operational, business and customer continuity efforts during this extraordinary time. USPS followed guidance from CDC and other public health authorities, and continues to provide employees with the most up-to-date information. USPS will continue to meet its responsibility of protecting employees so they can continue fulfilling their indispensable role of serving the American people.

The Postal Service's safety performance is measured using a total accident rate metric. The total accident rate is calculated by multiplying the total number of accidents per year by the approximate number of annual work hours per employee (2,000), multiplied by 100. This number is then divided by the annual number of exposure hours.

The total accident rate formula is:

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

This rate uses the same calculation developed by the Occupational Safety and Health Administration (OSHA) for OSHA Illness and Injury (I&I) rates, but expands it to include accidents that do not result in medical expenses, days away from work, or restrictions from performing full duty. Using the total accident rate is an industry best practice that enables the Postal Service to design targeted prevention strategies to eliminate accidents and reduce the severity of impact on both employees and the organization.

### FY 2020 Performance Report

In FY 2020, the total accident rate was 13.09 — exceeding the target for the year, which was 15.00. This resulted in a 7.9 percent total accident rate reduction compared to FY 2019. The following table includes both the FY 2020 Actual and FY 2020 target for the corporate safety metric.

Metric	FY 2020 Actual	FY 2020 Target	Delta	FY 2020 Target (Met/ Not Met)
Total Accident Rate	13.09	15.00	(1.91)	Met

The Postal Service was able to meet its FY 2020 target by continuing the Safety Intervention and Recognition program that tracked district-level performance each month. Any district identified as having a high accident rate or showing a trend toward an increasing accident rate was targeted for intervention. The program required the district to create an action plan that identified root cause(s) and to implement activities to mitigate the hazards associated with these accidents. Proactive leadership engagement resulted in a safer work environment.

In FY 2020, the Postal Service enhanced its new safety database, the Informed Mobility Safety Observation Tool, which automated data and response input from safety-related workplace observations and made it possible for any manager or supervisor to use the system, regardless of whether they had a Postal Service-issued mobile device. The implementation of the automated quality safety observations helped prevent accidents in FY 2020 by providing management insight into common unsafe behaviors.

The Postal Service also made forecasting and trend data available to all levels of the organization, which was critical to its success in achieving its FY 2020 total accident rate target. One of the platforms used in FY 2020 was the Safety Dashboard, which provided

daily information on current performance levels and spotlighted areas of opportunity. Additionally, the Delivery Management System recorded unsafe driving behaviors using the Mobile Delivery Devices (MDDs carried by city and rural carriers). The MDDs track reversing incidents, U-turns, left turns, speeding and rapid decelerations. This data allowed a local manager or supervisor insight into safety concerns in their office and provided an opportunity for them to proactively address safety issues and behaviors before an accident may have occurred.

Overall, the total accident count for FY 2020 decreased more than 10 percent compared to FY 2019. Additionally, motor vehicle accidents decreased by more than 9 percent compared to FY 2019.

The table below shows accidents by type in FY 2020 and FY 2019.

#### Accident Count by Type

Accident Type	FY 2020	FY 2019 <sup>2</sup>	Percent Change
OSHA I&I	31,434	36,257	(13.03)%
Non-Recordable	49,468	53,751	(7.97)%
Motor Vehicle <sup>1</sup>	26,110	28,927	(9.74)%
Total	107,012	118,935	(10.02)%

<sup>1</sup> Motor vehicle accidents are included in both the OSHA I&I and non-recordable accident counts.

<sup>2</sup> FY 2019 accident counts by type may differ from reported accident totals in previous Annual Reports to Congress due to either coding changes or additional claims being submitted after the end of the fiscal year.

Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.

#### FY 2021 Performance Plan

The FY 2021 target for the total accident rate is 13.75. The Postal Service will continue proactive safety and prevention efforts to achieve the target. Outreach efforts will be concentrated on the most frequent workplace hazards, including dog bites; distracted driving; extreme weather events; and slip, trip and fall injuries.

The Postal Service will also focus on equipping local leaders with the tools and awareness training needed to maintain a culture of safety. Field leadership will use improved tools, enabling them to analyze and forecast accident trends and implement proactive safety efforts as soon as possible. The cooperation and support of employees will be crucial to establish effective accident reduction action plans and promote early safety interventions within processing facilities and Post Offices.

The Postal Service will also continue to leverage its delivery management systems, such as the Informed Mobility Safety Observation Tool, to increase understanding of motor vehicle accident risks, including unsafe driving behaviors and dangerous roads, and ensure the safety of all employees.

Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.

#### Employee Engagement

The Postal Service aims to provide employees with an engaged workplace, one in which teams, individuals and leaders thrive and perform at high levels. Research shows that higher levels of employee engagement correlate to healthier work environments, successful teams and positive business outcomes for organizations.

To measure the level of engagement at the Postal Service, the organization administers the Postal Pulse survey. This survey instrument, developed by Gallup, Inc. is administered annually to all employees. Postal Pulse results identify a grand mean score, along with the survey response rates, which serve as the corporate measure of progress.

The grand mean score assesses overall engagement levels of surveyed respondents. The survey response rate identifies the level of participation of all potential respondents during each survey administration.

#### FY 2020 Performance Report

In FY 2020, the Postal Pulse survey response rate was 33 percent, which was lower than both the FY 2020 target of 51 percent and the FY 2019 response rate of 38 percent. The following table includes both FY 2020 Actual and FY 2020 Target for the corporate Employee Engagement metric.

Metric	FY 2020 Actual	FY 2020 Target	Delta (pp)	FY 2020 Target (Met/Not Met)
Engagement Survey Response Rate	33%	51%	(18)	Not Met

The survey has always been a snapshot in time, and the FY 2020 survey response rate is a reflection of current events both external and internal to USPS. The FY 2020 response rate is not benchmarked against past performance. Previously, survey administration was done in the second quarter of the fiscal year; in



Three masked USPS employees converse near the dock of a Processing and Distribution Center.

FY 2020, it was delayed to the fourth quarter, due to a nationwide focus on keeping employees safe while continuing to provide essential services to the American public during the pandemic. During the fourth quarter, the survey took place amidst not only the pandemic, but also the advent of Political and Election Mail season, the re-alignment of core operations and during periods of high employee absenteeism. Any of these issues may have served as a detriment to the resources needed to execute the promotion and completion of the Postal Pulse employee survey.

In FY 2020, the Postal Service continued to evaluate employees' perception of local improvements made during the year based on previous survey feedback. During the FY 2020 Postal Pulse survey administration, a comment box asked employees to provide direct feedback regarding positive changes seen in the workplace. This language was added as a result of FY 2019 employee feedback, which requested more positivity in the workplace. Additionally, this survey revision reinforced the idea that employee feedback aligns with future initiatives. More than 79,000 employees responded with comments. After response, employee comments are aggregated to ensure confidentiality and shared with USPS leaders at all levels of the organization to directly influence workplace improvements.

To further drive local improvements in employee engagement, employees in mid-level leadership roles were provided with additional training throughout FY 2020 that focused on developing relationships based on the elements of engagement. The Next Level Connection process, a one-on-one conversation between supervisors and employees designed to assess and address employee engagement needs, was implemented in FY 2019 and was a primary tool in driving employee engagement in FY 2020. To increase FY 2020 survey participation rates, one new survey question was included to measure the effectiveness of the Next Level Connection process (see below).

- “My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs.” — a closed response on a 1-to-5 scale

In FY 2020, 46,000 employees strongly agreed (responded with a 5) that the one-on-one conversation occurred with their leader. The grand mean score, which measures the overall engagement levels of surveyed respondents, was 3.29, a decrease from FY 2019 (3.36). FY 2020 marked the first decline in grand mean score throughout the 7 administrations of the survey. The decrease does not meet the threshold to be considered “meaningful,” measured as any delta of .10 or greater. Given the challenges that the Postal

Service faced in FY 2020, avoiding a meaningful decline can be considered an achievement. The USPS survey score measures the degree to which an employee can agree that their needs (e.g. basic, emotional and social) are being met in the workplace. Even with the comprehensive USPS response to COVID-19, the disruptive and uncertain nature of doing business amidst a pandemic would influence the perception of employee's experiences at the Postal Service. It is noteworthy that the percentage of engaged employees and the number of top quartile teams still show overall improvements in the workplace environment since the first survey results.

Without a benchmark to compare, it is difficult to know how much of the result change is attributed to the unique challenges of FY 2020. The Postal Service is committed to the long-term nature of organizational culture change and will take assertive short-term actions to prevent future erosion of its engagement progress thus far.

*Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.*

### FY 2021 Performance Plan

The Postal Service will continue to target a 51 percent response rate for the Postal Pulse survey in FY 2021. To meet this aggressive target, the Postal Service will focus on supporting and expanding the Next Level Connection process across all levels of the organization. This will provide the necessary training and tools to all employee leaders to allow them to identify, assess and address engagement strengths and areas of opportunity specific to their local work environments. Employees will use the USPS integrated HR platform “HERO” to document these critical conversations. This accountability feature is new for FY 2021.

The Postal Service’s ongoing commitment to employee engagement and leadership has enabled more than 50,000 leaders to complete the instructor-led “Creating an Engaging Workplace at USPS” training over the past four years and supported “Engagement Matters,” a training course designed for bargaining unit employees with responsibility for leading other bargaining unit employees, which was rolled out in FY 2019. The Postal Service will continue to provide these workshops in a virtual classroom experience.

Further, established engagement activities, including active one-on-one engagement coaching and a weekly published newsletter with tips and articles on engagement best practices, will continue in order to increase engagement throughout the Postal Service.

Finally, new employee-focused direct mail campaigns and internal communications will be used to share survey response results more quickly, allowing local leaders to review results with their teams and implement goal-oriented action plans to improve employee engagement.

*Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.*

### Financial Health

The Postal Service’s FY 2020 financial results were significantly impacted by the COVID-19 pandemic, which increased customer demand for package delivery services while exacerbating ongoing declines in traditional mail services. In addition, the Postal Service’s ability to manage its cost structure was challenged due to staffing shortages, transportation shortages and increased expenditures for personal protective equipment (PPE) and cleaning supplies. The short-term effects of the pandemic, including the unexpected growth in revenue in FY 2020, do not alter the long-term systemic challenges facing the organization: declines in mail volume and growth in both network delivery requirements and legacy retirement and retiree health benefit costs.

First-Class Mail and Marketing Mail continued to provide the majority of the Postal Service’s operating revenue in FY 2020. As a percentage of operating revenue, First-Class Mail and Marketing Mail combined represented 51.5 percent, 57.3 percent and 58.7 percent for the years ended Sept. 30, 2020, 2019 and 2018, respectively. The COVID-19 pandemic significantly shifted the typical mail mix in FY 2020, which accelerated a steep decline in Market Dominant services and increased a surge in Shipping and Packages services during the second half of the year. Combined First-Class Mail and Marketing Mail volume represented 90.4 percent, 91.6 percent and 91.5 percent in FY 2020, FY 2019 and FY 2018, respectively.

Consumer and business responses to the COVID-19 pandemic resulted in a surge in package volume, beginning in late March 2020. As a result, FY 2020 Shipping and Packages revenue surpassed those of First-Class Mail for the first time, representing 39.0 percent of operating revenue, compared to First-Class Mail, which represented 32.5 percent. Further, the Shipping and Packages business generated 5.7 percent of Postal Service volume in FY 2020, compared to 4.3 percent in FY 2019.

Although revenue and volume have historically been closely linked to the strength of the U.S. economy and customer utilization of the mail, FY 2020 was heavily influenced by the COVID-19 pandemic. Despite increased uncertainty, the Postal Service continued to proactively target opportunities to grow its business throughout FY 2020. The Postal Service continued to focus on its customers' needs and has increased its investment in mail and package innovation. However, USPS also recognizes that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing that may be offered to its customers, and the speed with which the organization can bring new products to market.

The Postal Service anticipates that the volume of First-Class Mail will continue to decline in future years with the ongoing migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on First-Class Mail revenue and volume, the Postal Service has focused on providing new services and innovations with Marketing Mail. The Postal Service has expanded service offerings, such as Informed Delivery, which enables customers to preview mail and packages scheduled to arrive as a means of merging digital and physical mail.

Within the Shipping and Packages business, the Postal Service has focused on growing e-commerce and implementing marketing campaigns to increase business. By offering day-specific delivery, improved tracking, text alerts and up to \$50 or \$100 of free insurance included on most Priority Mail packages based on applicable barcodes, the Postal Service has demonstrated its responsiveness to its customers.

In FY 2020 and years prior, the Postal Service implemented price increases on various Market Dominant and Competitive services to remain competitive within the industry. However, these price

increases have not fully offset the organization's losses due to overall mail volume decline.

## Controllable Income (Loss)

As noted in prior years, the Postal Service's financial results remain significantly affected by expenses that are not reflective of operational decisions and are subject to large fluctuations outside the organization's control. The Postal Service uses controllable income (loss), rather than net income (loss), as its principal indicator to assess its financial performance, as net income includes the effects of factors (such as interest rate changes) that cannot be controlled or influenced by management.

## Non-Controllable Expenses

Non-controllable expenses include: revaluations of the Postal Service Retiree Health Benefits Fund (PSRHB) normal cost by the Office of Personnel Management (OPM); the amortization of the Postal Service's unfunded PSRHB liabilities; the amortization of unfunded liabilities for the Postal Service's participation in the Federal Employees Retirement System (FERS) and Civil Service Retirement System (CSRS); and non-cash expenses related to changes in the liability for participation in the federal workers' compensation program. These items are excluded from the calculation of controllable income (loss).

Fluctuations in non-controllable expenses are caused by changes in interest rates for workers' compensation and by changes in actuarial assumptions related to other retirement plans. The Postal Service can only marginally influence these expenses over the long term by changing the number of employees or compensation rates, but this effect is very small and gradual compared to the effect of external factors. For example, a 1 percent increase in the discount rate would cause a decrease in the Sept. 30, 2020, workers' compensation liability and related expense by approximately \$2.3 billion. Similarly, a 1 percent decrease in the discount rate would cause an increase in the Sept. 30, 2020, workers' compensation liability and related expense by approximately \$2.9 billion.

The following table includes revenue, controllable income (loss) and net income (loss) and shows planned revenues and expenses by category for FY 2021 and FY 2020, as well as actual data for FY 2017-FY 2020.

## Revenue and Expenses

(in billions, unaudited)

	FY 2021 Plan (IFP) <sup>1</sup>	FY 2020 Actual	Actual vs Plan	FY 2020 Plan (IFP)	FY 2019 Actual	FY 2018 Actual	FY 2017 Actual
First-Class Mail	\$ 22.8	\$ 23.8	\$ (0.6)	\$ 24.4	\$ 24.4	\$ 25.0	\$ 25.7
Marketing Mail	12.0	13.9	(2.1)	16.0	16.4	16.5	16.6
Shipping and Packages	29.2	28.5	4.9	23.6	22.8	21.5	19.5
International	2.2	2.4	0.0	2.4	2.5	2.6	2.6
Periodicals	0.9	1.0	(0.2)	1.2	1.2	1.3	1.4
Other <sup>2</sup>	3.8	3.6	(0.6)	4.2	4.0	3.9	3.9
<b>Total Revenue</b>	<b>\$ 70.9</b>	<b>\$ 73.2</b>	<b>\$ 1.4</b>	<b>\$ 71.8</b>	<b>\$ 71.3</b>	<b>\$ 70.8</b>	<b>\$ 69.7</b>
Salaries and Benefits <sup>3</sup>	49.5	50.0	0.6	49.4	48.9	47.9	47.0
FERS Normal Cost	4.1	3.8	0.0	3.8	3.5	3.5	3.5
PSRHB <sup>4</sup> Normal Cost	3.9	4.0	0.0	4.0	4.0	3.7	2.8
Transportation	8.7	8.8	0.3	8.5	8.2	7.9	7.2
Depreciation	1.7	1.7	0.0	1.7	1.7	1.7	1.7
Supplies and Services	3.1	3.1	0.3	2.8	2.8	3.0	3.0
Rent, Utilities and Other <sup>5</sup>	5.5	5.6	(0.1)	5.7	5.6	5.3	5.3
<b>Controllable Expenses</b>	<b>\$ 76.5</b>	<b>\$ 77.0</b>	<b>\$ 1.2</b>	<b>\$ 75.8</b>	<b>\$ 74.7</b>	<b>\$ 72.8</b>	<b>\$ 70.5</b>
<b>Controllable Income (Loss)</b>	<b>\$ (5.6)</b>	<b>\$ (3.8)</b>	<b>\$ 0.2</b>	<b>\$ (4.0)</b>	<b>\$ (3.4)</b>	<b>\$ (2.0)</b>	<b>\$ (0.8)</b>
PSRHB <sup>4</sup> Normal Cost Actuarial Revaluation and Amortization	0.0	0.1	0.1	0.0	0.2	(0.1)	(0.5)
PSRHB <sup>4</sup> Unfunded Liability Amortization	(0.9)	(0.8)	0.1	(0.9)	(0.8)	(0.8)	(1.0)
FERS Unfunded Liability Amortization	(1.4)	(1.3)	(0.2)	(1.1)	(1.1)	(1.0)	(0.9)
CSRS Unfunded Liability Amortization	(1.8)	(1.8)	(0.2)	(1.6)	(1.6)	(1.4)	(1.7)
Workers' Comp. Fair Value and Other Non-Cash Adjustments	0.0	(1.6)	(1.6)	0.0	(2.1)	1.4	2.2
<b>Non-Controllable Items</b>	<b>\$ (4.1)</b>	<b>\$ (5.4)</b>	<b>\$ (1.8)</b>	<b>\$ (3.6)</b>	<b>\$ (5.4)</b>	<b>\$ (1.9)</b>	<b>\$ (1.9)</b>
<b>Net Income (Loss)</b>	<b>\$ (9.7)</b>	<b>\$ (9.2)</b>	<b>\$ (1.6)</b>	<b>\$ (7.6)</b>	<b>\$ (8.8)</b>	<b>\$ (3.9)</b>	<b>\$ (2.7)</b>

*Note: Due to rounding, numbers presented throughout this table may not add up precisely to totals provided elsewhere in this report and percentages may not precisely reflect the absolute figures.*

<sup>1</sup> The FY 2021 IFP information contained in this document will be revised if needed upon approval by the Board of Governors.

<sup>2</sup> Includes investment and interest income, gain or loss on sale and income from the out-lease of property.

<sup>3</sup> Previously labeled "Compensation and Benefits" in prior year Annual Reports to Congress and included FERS Normal Cost. Excludes PSRHB<sup>4</sup> 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 workers' compensation cash expenses.

<sup>4</sup> Total PSRHB<sup>4</sup> normal cost expense in FY 2020 was \$3.9 billion, which included a \$0.1 billion non-controllable benefit due to revised actuarial assumptions. The PSRHB<sup>4</sup> unfunded liability amortization expense in FY 2020 was \$0.8 billion.

<sup>5</sup> Includes interest expense.



A masked rural letter carrier delivers mail to a neighborhood cluster box.

## FY 2020 Performance Report

In FY 2020, the Controllable Income (Loss) was \$(3.75) billion, which was less than the FY 2020 target of \$(4.00) billion. The following table includes both the FY 2020 Actual and FY 2020 Target for the Controllable Income (Loss) metric.

Metric	FY 2020 Actual	FY 2020 Target	Delta	FY 2020 Target (Met/ Not Met)
Controllable Income (Loss) (\$ in billions)	(3.75)	(4.00)	0.25	Met

The major factors that affect the organization's controllable loss include overall customer demand; the mix of postal services and contribution associated with those services; volume of mail and packages processed through the network, and the Postal Service's ability to manage its cost structure in line with the shifting volume mix; an increasing number of delivery points; increased leave, transportation and supplies and services costs associated with the COVID-19 pandemic; and legacy costs for retirement and retiree health benefits.

In FY 2020, total revenue, including interest and investment income, was \$73.2 billion. Total expenses, including interest expense, were \$82.4 billion, resulting in a net loss of \$9.2 billion. This was \$1.6 billion more than the \$7.6 billion net loss planned in the FY 2020 IFP. The higher-than-anticipated net loss was primarily due to \$1.9 billion of unfavorable non-cash adjustments to the workers' compensation liability arising from lower interest (discount) rates. Other contributing expenses included higher than planned personnel compensation and pandemic-related expenses.

**Revenue.** Revenue includes: funds received from the sale of postage, mailing and shipping services; passports; PO Box rentals; gain or loss on sale and income from the leasing of property; and interest and investment income. The Postal Service's FY 2020 total revenue of \$73.2 billion was \$1.4 billion more than planned, due to a surge in package volumes in the last seven months of the fiscal year, as a result of the pandemic.

First-Class Mail primarily consists of single-piece and presorted letters and postcards. Revenue from First-Class Mail was \$23.8 billion, \$0.6 billion below plan, mainly due to lower-than-expected volume. The

majority of the shortfall to plan occurred in the second half of FY 2020, as a result of the economic slowdown due to the pandemic.

Marketing Mail consists of mail weighing less than 16 ounces, and that is not required to use First-Class Mail service. Marketing Mail is typically used for direct advertising to multiple delivery addresses. Marketing Mail may include advertising, newsletters, catalogs, small marketing parcels and other printed matter. Revenue from Marketing Mail was \$13.9 billion, \$2.1 billion below the planned amount, primarily due to lower-than-expected volume. As was the case with First-Class Mail, the vast majority of the shortfall to plan occurred in the second half of FY 2020.

Shipping and Packages consist largely of Competitive services that can be priced to reflect current market conditions. These include Priority Mail and Priority Mail Express, business-oriented services such as Parcel Select and Parcel Return, First-Class Mail parcels and certain other package delivery services. Revenue from Shipping and Packages was \$28.5 billion, \$4.9 billion more than the planned amount, due to the surge in volumes resulting from the pandemic.

International Mail includes services that enable both domestic and international customers to send mail and packages through either standard or express delivery options to other countries. The majority of International Mail revenue is generated from outbound services that allow customers in the U.S. to send mail and packages to other countries. Revenue from International Mail was \$2.4 billion, in line with plan.

Periodicals mail is comprised primarily of newspapers, magazines and other periodic publications whose primary purpose is transmitting information to an established list of subscribers or requesters. Revenue from Periodicals was \$1.0 billion, \$0.2 billion below plan. Declines in hard-copy reading and advertising shifts away from print have depressed this segment for several years; financial pressures on publishers brought about by the pandemic exacerbated this trend in FY 2020.

Other revenue includes ancillary services, such as Certified Mail, PO Box services, Return Receipt services and money order and passport services. Other revenue was \$3.6 billion, \$0.6 billion lower than the FY 2020 plan.

**Controllable Expenses.** The Postal Service's ability to affect its amount of controllable expenses is limited by various legal requirements, including the universal service obligation, collective bargaining agreements and the obligation to participate in federal benefits programs. This section describes the various categories of controllable expenses and their performance in FY 2020.

Salaries and benefits expenses include salaries, health benefit expenses for active employees and workers' compensation cash outlays. These expenses were \$50.0 billion, \$0.6 billion more than the FY 2020 plan. Included in this was more than \$0.3 billion due to additional overtime hours needed for higher Shipping and Packages volumes during the second half of the year, contractual wage increases and new paid leave categories provided during the second half of the year, including negotiated sick leave provided to bargaining-unit employees, and new sick leave as provided by the Families First Coronavirus Response Act (FFCRA). The FFCRA authorized new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act (FMLA)-protected unpaid and paid leave if a school or child care facility is closed. For the year ending Sept. 30, 2020, the Postal Service incurred \$278 million in expense associated with FFCRA leave.

FERS normal cost expense is the expense the organization incurs to fund retirement benefits for active employees. The normal cost of \$3.8 billion was in line with the planned amount.

PSRHB normal cost expense is the expense the organization incurs to fund retirement health benefits for active employees. The normal cost of \$3.9 billion was \$0.1 billion below the planned amount; however, this difference is considered a non-controllable benefit, as it is the result of differences between amounts forecast and OPM's final calculation, due to revised actuarial assumptions. The controllable portion of PSRHB normal costs was \$4.0 billion.

Transportation expenses include the contractual costs incurred to transport mail and other products between Postal Service facilities, including highway, air and international transportation contracts, plus contract delivery services. Transportation expenses do not include the compensation and benefits of employees responsible for transporting mail and other products between facilities or to delivery points. The non-

personnel costs of transportation to delivery points, excluding contract delivery services, are included in rent, utilities and other expenses. Total transportation expenses were \$8.8 billion, \$0.3 billion more than plan, primarily due to increased transportation costs due to significant package volume growth and a sharp reduction in available commercial air lift capacity resulting from the COVID-19 pandemic.

Depreciation expense allocates the cost of long-lived assets to the periods in which they are used. These assets include items such as buildings, equipment, vehicles, leasehold improvements and capitalized software. Depreciation expense in FY 2020 was \$1.7 billion, in line with the IFP estimate.

Supplies and services expenses include minor equipment, spare parts, furniture, services, cost of sales, office supplies and cleaning supplies and PPE. Supplies and services expenses in FY 2020 were \$3.1 billion, \$0.3 billion above plan, largely due to additional expenditures for cleaning and PPE required to keep Postal Service employees and customers safe during the pandemic.

Rent, utilities and other expenses include the cost of leasing buildings, utilities, building repairs and alterations, vehicle fuel, information technology, interest expense and all other miscellaneous items. These items collectively cost \$5.6 billion, which was \$0.1 billion below plan, primarily due to lower-than-expected vehicle fuel expense.

*Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.*

#### **FY 2021 Performance Plan<sup>13</sup>**

In FY 2021, the Postal Service anticipates a \$5.6 billion controllable loss, in which reductions in work hours, salaries and benefits and non-personnel expenses (to be achieved in spite of inflationary and contractual cost increases and an anticipated increase in the FERS normal cost) are not enough to offset the anticipated decline in revenue.

**Revenue.** Revenue is expected to decrease by \$2.3 billion compared to FY 2020. This decrease is expected to be driven primarily by declines in First-Class Mail, Periodicals and Marketing Mail volumes

<sup>13</sup> The FY 2021 IFP information contained in this document will be revised if needed upon approval by the Board of Governors.

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A masked letter carrier walks down the street holding mail to be delivered.

as the pandemic accelerates the downward trend of First-Class and Periodicals volumes. Marketing Mail is expected to see somewhat depressed volumes and a downward shift due to accelerated electronic diversion and the ongoing effects of the pandemic. Overall, revenue for these three categories of mail is expected to decline by \$3.0 billion, despite a proposed January 2021 CPI-U price increase.

Shipping and Packages revenue is estimated to increase by \$0.7 billion because of price increases and higher volumes, particularly in the first half of the fiscal year. International revenue is estimated to decrease by \$0.2 billion. Other revenue is estimated to increase by \$0.2 billion.

**Controllable Expenses.** Salaries and benefits expenses are planned to decrease by \$0.5 billion in FY 2021 due to fewer work hours, despite wage increases resulting from contractual general increases and cost-of-living (COLA) adjustments. FERS normal cost expense is expected to increase by \$0.3 billion over FY 2020, in line with the increased employer compensation rate required by OPM. Transportation expenses are estimated to decrease by \$0.1 billion, largely due to lower expected spending for chartered air transportation. Depreciation expenses and supplies and services expenses are expected to remain flat compared to FY 2020. Rent, utilities and other expenses are expected to decrease by \$0.1 billion.

*Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.*

**Non-Controllable Expenses.** The Postal Service's FY 2020 IFP included \$4.0 billion for PSRHBH normal cost as part of controllable expenses, based on projections from OPM. The actual amount billed by OPM was \$3.9 billion; the \$0.1 billion difference was reflected as an offset to non-controllable expenses. There is no plan for a normal cost revaluation expense, as the organization cannot predict calculation changes by OPM.

OPM calculates the PSRHBH amortization expense to allow the Postal Service to pay down its unfunded liability obligations in the PSRHBH program. The FY 2020 IFP included \$0.9 billion in expenses, based on the most recent OPM data available at the time of IFP publication. The actual billed amount in FY 2020 was \$0.8 billion. This lower amortization requirement

primarily resulted from a lower-than-estimated number of career postal employees enrolled in FEHB. Based on the latest available information, the FY 2021 IFP includes a \$0.9 billion expense for PSRHBH unfunded liability amortization.

OPM calculates both FERS and CSRS amortization payments to allow the Postal Service to pay down its unfunded liability obligations to the FERS and CSRS programs. These expenses are considered to be non-controllable because the amount depends on actuarial assumptions, including interest and inflation rates, over which the organization has no control. FY 2020 planned expenses for FERS and CSRS amortization were \$1.1 billion and \$1.6 billion, respectively, based on the most recent data available at the time of IFP publication. The actual charged amounts in FY 2020 were \$1.3 billion and \$1.8 billion, respectively. The difference between the actual amount and the plan was primarily due to changes in discount, inflation, wage and COLA rates used by OPM in calculating the amount of the payment. The FY 2021 IFP includes CSRS and FERS amortization expenses equal to their actual FY 2020 values.

GAAP requires the Postal Service to record its Sept. 30, 2020, workers' compensation liability based on the prevailing interest rates on that date. The adjustment to the liability is non-controllable, as it is a function of events taking place in the general economy and well outside the organization's control. The Postal Service does not plan for this adjustment in its IFP, as it cannot predict future interest rates. In FY 2020, the Postal Service recorded a \$1.6 billion net non-controllable portion of workers' compensation expense, due primarily to the unfavorable impact that increasing interest rates has on its workers' compensation liability.

**Return to Long-Term Stability.** For the Postal Service to effectively leverage the best available technologies and solutions to enhance its operations and services, and best serve its customers by providing reliable postal services, the organization will continue to take aggressive management actions to control costs, increase efficiency and return to long-term financial stability. However, the Postal Service needs both Congress and the PRC to make necessary statutory and regulatory business model changes to assist internal efforts. The Postal Service is relying on Congress to enact effective Postal Service reform legislation, the centerpiece of which must be a requirement that postal retirees enroll in Medicare. This

is a near-universal practice for those businesses that still provide retiree health benefits and would ensure that the Postal Service's retiree health benefits program aligns with private-sector best practices.

Also critical to solving the organization's long-term financial challenges is the 10-year statutory review of the system for regulating rates and classes for Market Dominant services that the PRC began in 2017. Changes to the current pricing system are necessary because the current regulatory structure restricts the Postal Service's ability to adjust prices of Market Dominant services. This current model is predicated on a price cap that does not take changes in Postal Service volumes and costs into account. As the past 13 years have illustrated, this system is not suitable for ensuring the Postal Service's continued ability to provide prompt and reliable universal services, and to meet its other statutory obligations in a self-sufficient manner. The Postal Service needs a structure that gives the organization the ability to set prices at levels necessary to ensure its financial stability.

### **Deliveries per Total Work Hours, Percent Change<sup>14</sup>**

Deliveries per total work hours (DPTWH) is a measure of the organization's overall efficiency. It is calculated by multiplying the total possible deliveries by the number of delivery days and dividing that product by total work hours.

The Postal Service adjusts work hours to reflect changes in workload compared to the prior year. This adjustment accounts for changes in the network size (the addition of delivery points), changes in the number of non-Sunday delivery days, and changes in the mix of mail types (for example, a package usually contributes much more to workload than a letter or flat). The adjustment ensures that DPTWH is comparable from year to year.

Finally, the percent change in DPTWH is calculated by comparing the current year DPTWH (based on adjusted work hours) with prior year DPTWH (based on unadjusted work hours). In FY 2020, the Postal Service recorded adjusted work hours of 1,180.6 million (adjusted for earned workload) and made 48,994 million deliveries.

### **FY 2020 Performance Report**

The following table includes both FY 2020 Actual and FY 2020 Target for the corporate DPTWH, Percent Change metric.

Metric	FY 2020 Actual	FY 2020 Target	Delta	FY 2020 Target (Met/ Not Met)
DPTWH, Percent Change	0.90	1.50	(0.60)	Not Met

While delivery points grew, and package volume increased sharply in FY 2020, letter and flat volumes decreased significantly. The number of deliveries grew by approximately 724 million, which was driven by the addition of about 1.5 million new delivery points. There were also two additional delivery days in FY 2020 (304) as compared to FY 2019 (302). One additional delivery day was because FY 2020 was a leap year. The second additional delivery day in FY 2020 accounted for the delivery day difference from the national day of mourning in FY 2019 to honor former President George H.W. Bush on Dec. 5, 2018.

The FY 2020 plan anticipated a 1.50 percent improvement in DPTWH. However, in FY 2020 DPTWH increased by 0.90 percent. The Postal Service missed its DPTWH target due to overrunning the work hour plan. Work hour overruns occurred mainly in the second half of the fiscal year due to the sudden, extreme increases in package volume, as well as the sudden, extreme decline in letter and flat volume caused by the COVID-19 pandemic.

*Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.*

### **FY 2021 Performance Plan**

Starting in FY 2021, the DPTWH metric will no longer be tracked as a corporate indicator. Total Factor Productivity (TFP), Labor Productivity and other operational productivity measures will continue to be monitored internally to drive real-time performance.

*Reference the FY 2020–FY 2021 Targets and FY 2017–FY 2020 Actuals for Corporate-wide Performance Outcomes table on page 33 for historical performance.*

<sup>14</sup> The FY 2021 IFP information contained in this document will be revised if needed upon approval by the Board of Governors.

## Other Productivity Measures

Total Factor Productivity (TFP) measures how efficiently the organization uses its resources. An increase in TFP indicates that the ratio of work completed to the resources used is increasing, and the organization is operating more efficiently. Work completed depends on three primary components: the number of delivery points, mail volume weighted by product type and miscellaneous output (such as other services the organization provides, including passport services).

TFP for FY 2020 was -1.0 percent. TFP had increased significantly between FY 2009 and FY 2015, but began declining in FY 2016. The decrease in TFP in FY 2020 was primarily attributable to sharp increases in transportation costs (loss of commercial air lift and surge in package volume) related to the COVID-19 pandemic. Supplies and services also contributed to the TFP reduction as significant costs were incurred for personal protective equipment and cleaning supplies due to COVID-19.

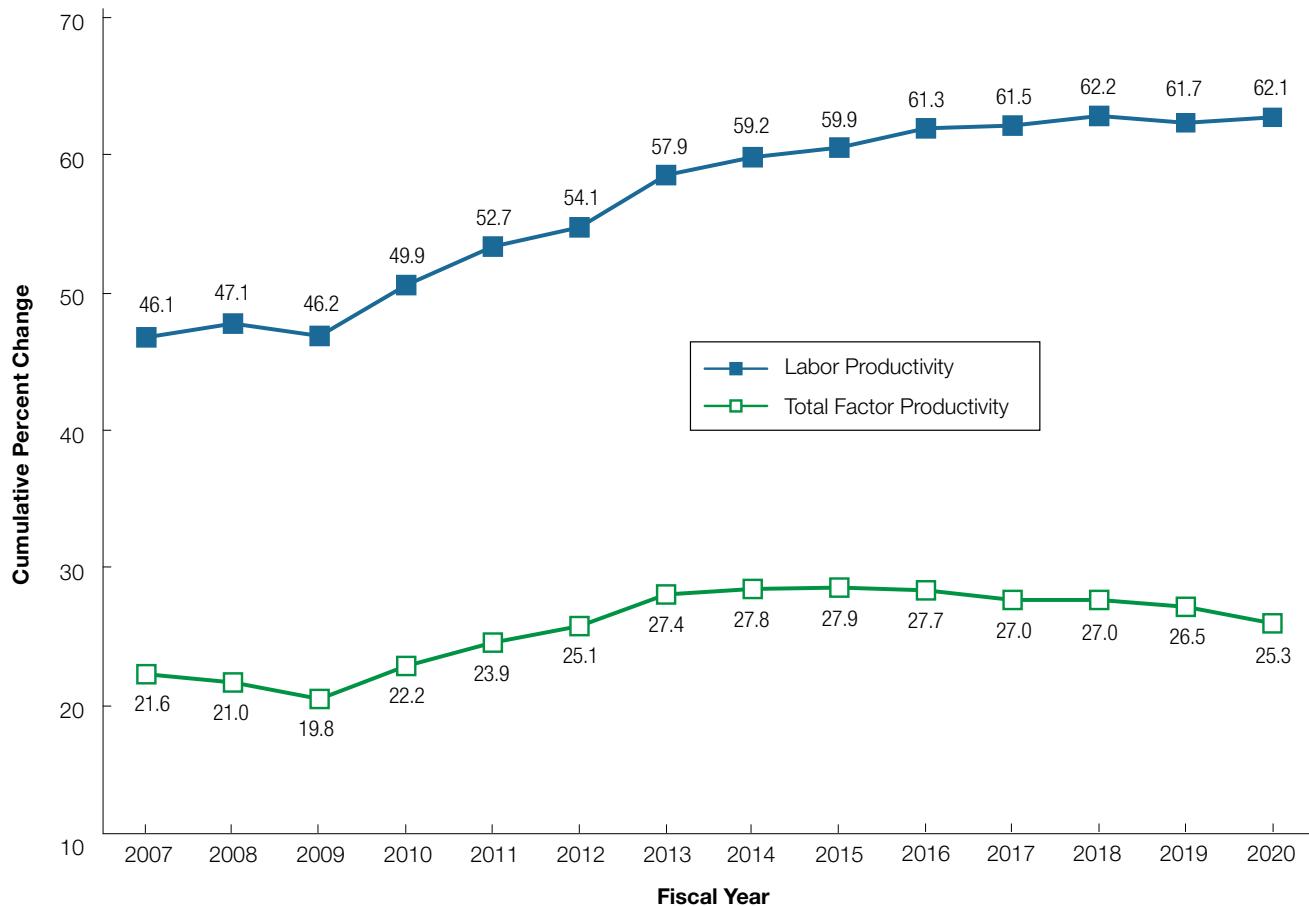
Labor productivity measures the efficiency of labor. An increase in the labor productivity index indicates that more workload is being handled per unit of labor. In FY 2020, labor productivity increased 0.2 percentage point, marking the tenth time in the last eleven years that USPS labor productivity has been positive.

For both TFP and labor productivity, resource usage is based on the constant-dollar amounts of labor, capital and materials used. Because some productivity improvements take years for the effects to be realized, it is more informative to consider changes in TFP and labor productivity over a period of years, rather than year to year.

The following chart<sup>15</sup> starts with the cumulative TFP and labor productivity improvement from FY 1971 to FY 2007 and then shows the cumulative change each year since FY 2007.

<sup>15</sup> FY 2019 TFP and labor productivity were recast after the final Cost and Revenue Analysis (CRA) was issued in January 2020. FY 2020 TFP and labor productivity is preliminary until the CRA report is released in January 2021.

**Total Factor Productivity and Labor Productivity, Cumulative Percent Change FY 2007 to Present (Base Year FY 1971)**





A masked mail handler wearing gloves moves mail from one sorting tray to another.

## Strategic Initiatives

The Postal Service has established strategic goals as described in its FY 2020-FY 2024 Five-Year Strategic Plan. To help achieve these goals, the organization has implemented a portfolio of strategic initiatives and a rigorous portfolio management process. This process is based on well-established methods to apply strategic and financial rigor to decision making and navigate significant organizational changes.

Each strategic initiative has a specific set of measures to track performance aligned to optimize short-term performance and build long-term capabilities. The portfolio of initiatives is dynamic and changes as priorities and resources change, and as programs are completed or adjusted based on external events.

The changes to the initiatives from FY 2020 to FY 2021 fall into the following categories:

- Refined: Initiative was modified to achieve greater alignment with organizational goals and the current business environment.
- New: Initiative was established to prioritize present organizational goals and strategies.

The following table shows how the strategic initiatives started in FY 2020 and planned for FY 2021 align to the strategies from the FY 2020-FY 2024 Five-Year Strategic Plan, as well as to the corporate-wide performance metrics. Note: The strategic initiatives identified in the USPS Five-Year Strategic Plan for FY 2020-FY 2024 are subject to change by the Board of Governors as changes in strategy become necessary or business conditions warrant.

*A masked retail associate completes a USPS customer transaction in a Post Office.*



## FY 2020 and FY 2021 Strategic Initiatives Matrix

Accessible Matrix

Strategies from the FY 2020–2024 Five-Year Strategic Plan	FY 2020 Strategic Initiatives	FY 2020 Corporate Outcomes Supported				Change from FY 2020 to FY 2021	FY 2021 Strategic Initiatives	FY 2021 Corporate Outcomes Supported			
		High-Quality Service	Excellent Customer Experiences	Safe Workplace and Engaged Workforce	Financial Health			High-Quality Service	Excellent Customer Experiences	Safe Workplace and Engaged Workforce	Financial Health
Deliver World-Class Customer Experience	Build a World-Class Customer Experience	X	X	X		Refined	Build a World-Class Customer Experience	X	X	X	
Equip, Empower, Connect and Engage Employees	Improve Employee Experience			X	X	Refined	Improve Employee Experience			X	X
Innovate Faster to Deliver Value	Accelerate Innovation to Maximize Business Value	X	X	X	X	Refined	Accelerate Innovation to Maximize Technology Infrastructure	X	X	X	X
	Accelerate Innovation to Create Customer Value and Increase Profitability	X	X		X	Refined	Accelerate Innovation to Create Mailing Customer Value and Increase Profitability			X	X
	Build Platform to Grow Profitable Packages Business	X	X		X	Refined	Build Platform to Grow a Profitable Packages Business			X	X
	Optimize Network Platform			X		Refined	Rationalize the Processing and Transportation Network	X			X
Invest in Our Future Platforms	Delivery Structure Optimization	X	X		X	Refined	Rationalize the Retail and Delivery Network	X	X	X	X
Support the Legislative and Regulatory Changes to Enable This Vision						New	Legislative and Regulatory Change Initiatives				X

The following portfolio of initiatives will support the Postal Service's FY 2021 strategic goals:

**Build a World-Class Customer Experience.** This initiative aims to improve the 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.

**Improve Employee Experience.** This initiative seeks to improve organizational performance by creating an environment where employees are enabled, involved in, committed and motivated to do their best work. This initiative 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 Technology Infrastructure.** This initiative will leverage technology, information and insights to improve or transform business operations and processes. This will enable USPS to: reduce corporate cyber risk; modernize information technology infrastructure; leverage automation and material handling to reduce processing costs; to implement the next generation delivery fleet; and manage a portfolio of emerging and future technology innovations.

**Accelerate Innovation to Create Mailing Customer Value and Increase Profitability.** This initiative seeks to 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. This will improve customer perceptions and the value of the mailbox; accelerate mail innovation pilots and concepts; grow the Informed Delivery Platform; and develop plans to support long-term mail strategies.

### **Build Platform to Grow a Profitable Package**

**Business.** This initiative aims to build the product portfolio and supporting infrastructure needed to grow the packages business of the future. This seeks to increase package revenue and contribution by meeting ever-changing customer expectations, increasing efficiency while decreasing costs and offering competitive package products and services.

### **Rationalize the Processing and Transportation Network.**

This initiative will evaluate and rationalize the processing and transportation networks and infrastructure to increase operating efficiency, reduce costs and provide reliable and consistent service.

**Rationalize the Retail and Delivery Network.** This initiative will evaluate and rationalize the retail and delivery networks and infrastructure to provide reliable and consistent service, increase operating efficiency and reduce costs.

**Legislative and Regulatory Change Initiatives.** These initiatives require significant legislative and regulatory change in three key areas: reforms to the price cap regulations to allow USPS greater pricing flexibility for its products and services, financial support through the appropriations process, and liability restructuring and cost reductions for long-term benefits obligations.



A masked highway contract driver leans out the left side of a USPS truck on his way to transport mail and packages.

## Additional Information

For more information on our services, products, programs and policies, visit [usps.com](http://usps.com).

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## Year References

All references to a specific year or “the year” refer to the Postal Service fiscal year ending Sept. 30. However, specific month and year references pertain to the calendar dates.

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Four masked USPS employees look at the camera in front of three USPS delivery vehicles.