



POSTAL REGULATORY COMMISSION

# Analysis of the Postal Service's FY 2020 Annual Performance Report and FY 2021 Performance Plan

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June 2, 2021

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# CHAPTER I: INTRODUCTION

## A. Background

The Postal Service is required by Title 39 of the United States Code to submit to the Commission an annual performance report for the previous fiscal year and an annual performance plan for the current fiscal year.<sup>1</sup> On December 29, 2020, the Postal Service filed its *fiscal year (FY) 2020 Annual Report to Congress (FY 2020 Annual Report)* in Docket No. ACR2020.<sup>2</sup> The *FY 2020 Annual Report* contains the Postal Service's FY 2020 annual performance report (*FY 2020 Report*) and FY 2021 annual performance plan (*FY 2021 Plan*).<sup>3</sup>

The *FY 2020 Report* and *FY 2021 Plan* discuss the Postal Service's performance goals,<sup>4</sup> which are:

- High-Quality Service—deliver mail and packages on-time
- Excellent Customer Experiences<sup>5</sup>—ensure Postal Service customer satisfaction with services provided through every primary touchpoint or interaction
- Safe Workplace and Engaged Workforce—promote employee safety in the workplace and increase employee satisfaction and engagement

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

<sup>2</sup> See *United States Postal Service Fiscal Year 2020 Annual Report to Congress*; see also Library Reference USPS-FY20-17, December 29, 2020, file "FY2020.Annual.Report.USPS.FY20.17.pdf," (*FY 2020 Annual Report*). On May 14, 2021, the Postal Service filed a revised version of the *FY 2020 Annual Report* that includes FY 2021 High-Quality Service targets. See Notice of the United States Postal Service of Supplements to Annual Compliance Report Folders 17 and NP30—Errata, May 14, 2021; see also Library Reference USPS-FY20-17, file "FY2020 Annual Report.USPS.FY20.17.Rev.5.14.2021.pdf" (*Revised FY 2020 Annual Report*). Unless otherwise noted, this Analysis cites to the initial *Annual Report to Congress* filed on December 29, 2020.

<sup>3</sup> *FY 2020 Annual Report* at 31-57. This Analysis cites to pages from the *FY 2020 Annual Report* when referring to the *FY 2020 Report* and *FY 2021 Plan*.

<sup>4</sup> The Postal Service refers to the performance goals as "corporate performance outcomes." See *id.* at 31.

<sup>5</sup> The *FY 2020 Report* and *FY 2021 Plan* refer to this performance goal as both "Excellent Customer Experience" (singular) and "Excellent Customer Experiences" (plural). See *FY 2020 Annual Report* 31, 33, 36, 56. For consistency, this Analysis refers to this performance goal in the plural form (Excellent Customer Experiences).

- Financial Health—achieve financial stability and improve the Postal Service’s financial position by generating revenue, controlling expenses, and improving efficiency<sup>6</sup>

A performance goal is “a target level of performance expressed as a tangible, measurable objective, against which actual achievement shall be compared, including a goal expressed as a quantitative standard, value or rate[.]” 39 U.S.C. § 2801(3). The *FY 2020 Report* discusses the Postal Service’s progress in meeting its performance goals during FY 2020. The *FY 2021 Plan* describes the Postal Service’s plans for meeting its performance goals in FY 2021.

The Postal Service uses performance indicators or metrics to measure outcomes and assess whether it has achieved the performance goals. *See* 39 U.S.C. § 2801(4). For example, the performance indicators for the High-Quality Service performance goal measure the percentage of various categories of mail delivered on-time. Figure I-1 lists the four performance goals and their corresponding performance indicators in FY 2020:

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<sup>6</sup> *FY 2020 Annual Report* at 31; *see* Responses of the United States Postal Service to Questions 2-3 of Chairman’s Information Request No. 27, April 9, 2021, question 2.b.ii. (April 9 Response to CHIR No. 27). The Postal Service filed an accompanying motion for late acceptance. Motion of the United States Postal Service for Late Acceptance of Responses to Questions 2 and 3 of Chairman’s Information Request No. 27, April 9, 2021 (Motion, CHIR No. 27). The Motion, CHIR No. 27 is granted. *See also* United States Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*, March 23, 2021, at 5, 46 (10-Year Strategic Plan), available at [https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS\\_Delivering-For-America.pdf](https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf). These are the same performance goals the Postal Service used in FY 2019 with minor wording differences. *United States Postal Service FY 2019 Annual Report to Congress* at 18-37; *see* Docket No. ACR2019, Library Reference USPS-FY19-17, December 27, 2019 (*FY 2019 Annual Report*).

**Figure I-1**  
**FY 2020 Performance Goals and Performance Indicators**



Source: *FY 2020 Annual Report* at 33, 37.

For each performance indicator, the Postal Service sets a target in the annual performance plan and provides the result in the annual performance report for that fiscal year.<sup>7</sup> Table I-1 lists the four performance goals, their corresponding performance indicators, results from FY 2017 through FY 2020, and targets for FY 2020 and FY 2021.

<sup>7</sup> See *FY 2020 Annual Report* at 33. The Postal Service did not initially set FY 2021 targets for the High-Quality Service performance indicators in the *FY 2021 Plan*. *Id.* at 33 n.6; see Chapter II, Section C.1.a., *infra*. On May 14, 2021, the Postal Service filed a revised version of the *FY 2020 Annual Report* that includes FY 2021 High-Quality Service targets. Revised *FY 2020 Annual Report* at 33.

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

Performance Goal	Performance Indicator		FY TARGETS		FY RESULTS			
			2021 <sup>b</sup>	2020	2020	2019	2018	2017
High-Quality Service <sup>a</sup>	Single-Piece First-Class Mail	2-Day	87.81%	96.50%	91.47%	92.05%	93.78%	94.72%
		3-5-Day	68.64%	95.25%	78.83%	80.88%	82.48%	85.57%
	Presorted First-Class Mail	Overnight	93.99%	96.80%	94.72%	95.46%	96.00%	96.46%
		2-Day	89.20%	96.50%	92.77%	94.10%	94.92%	95.58%
		3-5-Day	84.11%	95.25%	89.89%	91.95%	91.96%	93.16%
	First-Class Mail Letter and Flat Composite		84.88%	96.00%	89.73%	91.36% <sup>d</sup>	92.07%	93.29%
	USPS Marketing Mail and Periodicals Composite		86.62%	91.80%	88.38%	88.73% <sup>d</sup>	89.26%	91.44%
	Market Dominant Composite <sup>c</sup>		85.86	N/A	89.00	89.86	89.66	91.53
Excellent Customer Experiences	Customer Experience Composite Index <sup>e</sup>		76.90	75.73	72.40	69.04	67.47	88.30
	Business Service Network <sup>e</sup>		97.20%	96.73%	97.33%	96.68%	95.90%	96.25%
	Point of Sale		90.42%	90.42%	87.46%	87.77%	87.98%	88.53%
	Delivery <sup>e</sup>		86.33%	86.33%	80.94%	80.40%	80.47%	83.22
	Customer Care Center <sup>e</sup>		60.03	55.00	60.03	46.94	39.19	86.80%
	Customer 360 <sup>ef</sup>		55.00%	55.00%	40.05%	37.45%	36.73%	3.78%
	Business Mail Entry Unit		96.73%	96.01%	96.72%	96.00%	95.33%	N/A
	USPS.com		73.41%	72.58%	73.41%	72.94%	57.54%	N/A
	Large Business		N/A	N/A	N/A	N/A	72.34%	N/A
Safe Workplace and Engaged Workforce	Total Accident Rate		13.75	15.00	13.09	14.19	15.09	15.43
	Survey Response Rate		51%	51%	33%	38%	42%	46%
	Grand Mean Engagement Score <sup>g</sup>		N/A	N/A	3.29	3.36	3.34	3.25
Financial Health	Deliveries per Total Workhours % Change		N/A <sup>h</sup>	1.50%	0.90%	(0.60)%	(0.50)%	(0.50)%
	Controllable Income (Loss) \$ in billions		(\$5.60)	(\$4.00)	(\$3.75)	(\$3.42)	(\$1.95)	(\$0.81)

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

Target Met Target Not Met

<sup>a</sup> Table I-1 lists targets and results for public performance indicators measuring High-Quality Service for Market Dominant products. The Postal Service filed under seal information for non-public performance indicators measuring High-Quality Service for certain Competitive products. *FY 2020 Annual Report* 33 n.1; see Chapter II, Section C.3., *infra*.

<sup>b</sup> The Postal Service did not initially set FY 2021 High-Quality Service targets in the *FY 2021 Plan*. *FY 2020 Annual Report* at 33 n.6, 35-36. On May 6, 2021, the Postal Service Board of Governors approved FY 2021 High-Quality Service targets, which the Postal Service subsequently filed with the Commission. See Revised *FY 2020 Annual Report* at 36.

<sup>c</sup> The Market Dominant Composite is an additional performance indicator the Postal Service will begin using in FY 2021 to measure High-Quality Service. See Chapter III, Section A.3.c.(2), *infra*.

<sup>d</sup> FY 2019 results do not match results from the *FY 2019 Annual Report* because the Postal Service corrected FY 2019 results after subsequent review. *FY 2020 Annual Report* at 33 n.10.

<sup>e</sup> Results of these performance indicators are not comparable across FYs 2017 through FY 2020. See Chapter III, Section B.3.a., *infra*.

<sup>f</sup> The Customer 360 performance indicator was called Enterprise Customer Care from FY 2017 through FY 2019. *FY 2020 Annual Report* at 37.

<sup>g</sup> The Grand Mean Engagement Score measures overall employee engagement. The Postal Service explained that it does not set targets for the Grand Mean Engagement Score because targets do not incentivize managers to encourage honest survey feedback. See Chapter III, Section C.3.b.(3), *infra*.

<sup>h</sup> The Postal Service did not set a FY 2021 target because it will not use Deliveries per Total Workhours % Change as a performance indicator for measuring progress toward the Financial Health performance goal in FY 2021. *FY 2020 Annual Report* at 52; see Chapter III, Section D.3.a.(3), *infra*.

Source: *FY 2020 Annual Report* at 33, 37; Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request No. 10, February 11, 2021, question 1 (Response to CHIR No. 10); Docket No. ACR2019, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2019 Annual Performance Report and FY 2020 Performance Plan*, June 1, 2020, at 4 (*FY 2019 Analysis*).

## **B. *FY 2021 Plan and FY 2020 Report***

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

### **1. Evaluation of Performance Goals**

The Commission evaluates whether the Postal Service met each performance goal by comparing targets and results for each performance indicator measuring progress toward that goal. It considers the Postal Service to have met a performance goal if the result of each performance indicator for that performance goal meets or exceeds the target established in the applicable performance plan. *FY 2019 Analysis* at 5. The Commission considers the Postal Service to have partially met a performance goal if the Postal Service meets or exceeds some but not all targets for each performance indicator measuring progress toward that goal. The Commission considers the Postal Service to have not met a performance goal if it missed targets for each performance indicator measuring progress toward that goal.

The Commission compared FY 2020 targets and results for each performance indicator. Figure I-2 shows which performance indicators met or exceeded targets for each performance goal and which ones failed to meet targets. Based on this comparison, the Commission finds that in FY 2020:

- The Postal Service did not meet the High-Quality Service performance goal because it missed targets for each performance indicator measuring progress toward that goal.
- The Postal Service partially met the Excellent Customer Experiences performance goal because it met or exceeded targets for four performance indicators but missed targets for the other four performance indicators.
- The Postal Service partially met the Safe Workplace and Engaged Workforce and Financial Health performance goals, which were each measured by two performance indicators. For each of these performance goals, the Postal Service met or exceeded the target for one performance indicator, but missed the target for the other performance indicator.

**Figure I-2**  
**FY 2020 Performance Indicators That Met, Exceeded, or Failed to Meet Targets**



Source: See FY 2020 Annual Report at 33, 37.

The *FY 2020 Report* explains why the Postal Service did not meet or partially met each performance goal. See *FY 2020 Annual Report* at 35-36, 38, 42-44, 52. In FY 2020, the most significant event affecting the Postal Service and the public was the COVID-19 pandemic. At the same time, the COVID-19 pandemic occurred alongside both a decennial census year and a national election which, as a result of the COVID-19 pandemic, featured substantial increases in the number of voters voting by mail. In addition, late in FY 2020 the Postal Service undertook voluntary large-scale operational and structural changes. All of these factors taken together likely affected the ability of the Postal Service to meet some of its performance goals in FY 2020.

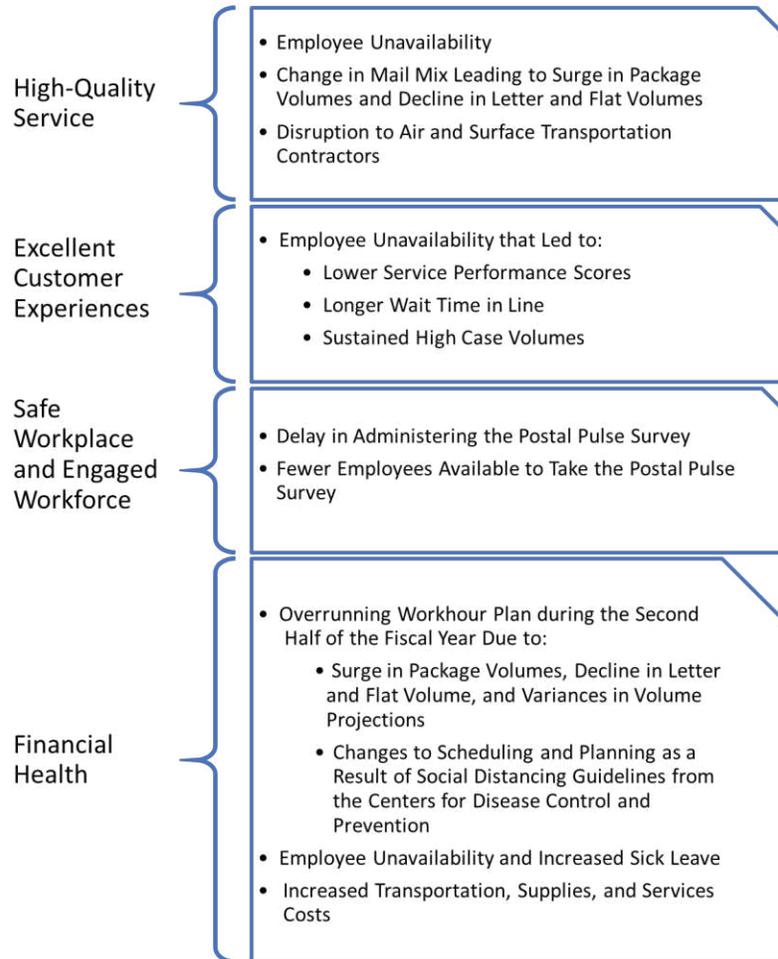
In the *FY 2020 Annual Report* and in responses to information requests, the Postal Service identifies several factors directly related to the COVID-19 pandemic that could have impacted its progress toward each performance goal in FY 2020, which are shown in Figure I-3.

Factors directly related to the COVID-19 pandemic include those that were caused or exacerbated by the COVID-19 pandemic. Factors caused by the COVID-19 pandemic would likely not have happened if the COVID-19 pandemic did not occur. For example, for the Safe Workplace and Engaged Workforce performance goal, if the COVID-19 pandemic had not occurred, the Postal Service likely would not have delayed administering the Postal Pulse survey, and more employees would have been available to take the survey. Factors exacerbated by the COVID-19 pandemic are factors that previously existed but worsened because of the COVID-19 pandemic. For instance, the Postal Service explains that although customer demand has drastically decreased letter and flat volumes since FY 2007, it also recognizes that there was a “sudden, extreme decline” in volumes for these products resulting from the COVID-19 pandemic.<sup>8</sup>

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<sup>8</sup> 10-Year Strategic Plan at 8; *FY 2020 Annual Report* at 52.

**Figure I-3**  
**COVID-Related Factors That May Have Impacted FY 2020 Performance**



Source: *FY 2020 Annual Report* at 35-36, 38, 44, 48-49; *United States Postal Service FY 2020 Annual Compliance Report*, December 29, 2020, at 45, 61 (FY 2020 ACR); Responses of the United States Postal Service to Questions 1-11 of Chairman’s Information Request No. 15, February 18, 2021, questions 1, 5 (Response to CHIR No. 15); Responses of the United States Postal Service to Questions 1-17 of Chairman’s Information Request No. 24, March 18, 2021, question 15.a. (Response to CHIR No. 24); Responses of the United States Postal Service to Questions 1-13 of Chairman’s Information Request No. 25, March 26, 2021, question 13 (Response to CHIR No. 25).

It is difficult to distinguish between factors directly related to the COVID-19 pandemic and unrelated factors that also impacted the Postal Service’s performance in FY 2020 because of the scale, severity, and ubiquity of the COVID-19 pandemic. Chapter III describes in more detail the Postal Service’s explanations for why it did not meet or partially met each performance goal in FY 2020, as well as its plans and timelines for achieving each performance goal in FY 2021.

## 2. Observations and Recommendations

When evaluating whether the Postal Service met the performance goals, the Commission may also provide recommendations related to protecting or promoting public policy

objectives in Title 39, 39 U.S.C. § 3653(d). In this Analysis, the Commission provides observations and recommendations for each performance goal. These observations and recommendations are discussed in detail in Chapter III and include the following:

**High-Quality Service:**

- The Commission acknowledges that the Postal Service faced unprecedented and unpredictable challenges as a result of the COVID-19 pandemic and recognizes that these impacts may continue into FY 2021 and beyond.
- The Commission recommends that the Postal Service develop a holistic strategy to lessen the impacts of the COVID-19 pandemic on service performance that addresses the Postal Service's plans to provide effective and timely service for Market Dominant products.
- The Commission recommends that the Postal Service develop targets that balance the need to inspire continuous improvement with the importance of being realistic and achievable. Targets should also take into account operational realities such as the foreseeable occurrence of a number of severe weather events and natural disasters in any given year.

**Excellent Customer Experiences:**

- Based on Customer Experience survey results, the COVID-19 pandemic and organizational restructuring did not appear to have a significant effect on overall customer satisfaction during FY 2020.
- The Commission recommends that the Postal Service continue to use the Net Promoter Score (NPS) to measure and assess customer experience in FY 2021. The Commission also recommends the Postal Service focus its efforts on improving the Customer 360 NPS result to have a higher percentage of Promoters than Detractors.
- The Commission recommends that the Postal Service continue asking open-ended follow-up questions after the NPS or overall satisfaction question on each of the Customer Experience surveys. The Commission also recommends that the Postal Service consider asking non-business customers other follow-up questions to help address their concerns and resolve their issues.

**Safe Workplace and Engaged Workforce:**

- The Commission commends the Postal Service for meeting the Total Accident Rate target for the second time and improving the result for the fourth year in a row.
- If the Survey Response Rate results continue to decline in FY 2021, the Commission recommends that the Postal Service set a more achievable target for FY 2022.

- The Commission recommends that the Postal Service consider measuring employee engagement and experiences by incorporating other metrics and concepts such as Employee Experience, the employee NPS, and employee empowerment.

### **Financial Health:**

- The Commission finds the Postal Service's explanations for missing its FY 2020 Deliveries per Total Workhours (DPTWH) % Change target plausible given the unprecedented and unpredictable challenges faced by the Postal Service as a result of the COVID-19 pandemic.
- Although the Postal Service did not meet the DPTWH % Change target in FY 2020, the Commission recognizes that the Postal Service had a year-over-year improvement in DPTWH, which is notable given the challenges of the COVID-19 pandemic and the fact that the Postal Service has had negative results for the 3 prior fiscal years.
- Given the continuing uncertainties surrounding the ongoing COVID-19 pandemic, the Commission finds the Postal Service's Controllable Income (Loss) target for FY 2021 to be reasonable.

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

## **C. Procedural History**

Since Docket No. ACR2013, the Commission has evaluated whether the Postal Service met its performance goals in reports separate from the *Annual Compliance Determination* (ACD).<sup>9</sup> By issuing separate reports, the Commission provides a more in-depth analysis of the Postal Service's progress toward meeting its performance goals and plans to improve performance in future years. The Commission continues this current practice by issuing its analysis of the *FY 2021 Plan* and *FY 2020 Report* separately from the FY 2020 ACD.<sup>10</sup>

In conducting this review, the Commission designated a Public Representative and invited comments on whether the Postal Service met its performance goals and satisfied applicable

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<sup>9</sup> See Docket No. ACR2013, Postal Regulatory Commission, *Review of Postal Service FY 2013 Performance Report and FY 2014 Performance Plan*, July 7, 2014; Docket No. ACR2014, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2014 Program Performance Report and FY 2015 Performance Plan*, July 7, 2015; Docket No. ACR2015, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2015 Annual Performance Report and FY 2016 Performance Plan*, May 4, 2016 (*FY 2015 Analysis*); Docket No. ACR2016, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2016 Annual Performance Report and FY 2017 Performance Plan*, April 27, 2017 (*FY 2016 Analysis*); Docket No. ACR2017, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2017 Annual Performance Report and FY 2018 Performance Plan*, April 26, 2018 (*FY 2017 Analysis*); Docket No. ACR2018, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2018 Annual Performance Report and FY 2019 Performance Plan*, May 13, 2019 (*FY 2018 Analysis*); Docket No. ACR2019, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2019 Annual Performance Report and FY 2020 Performance Plan*, June 1, 2020 (*FY 2019 Analysis*).

<sup>10</sup> See Annual Compliance Determination Report, Fiscal Year 2020, March 29, 2021 (FY 2020 ACD).

statutory and regulatory requirements.<sup>11</sup> It also sought input on public policy recommendations, strategic initiatives, and other relevant matters. Order No. 5803 at 3.

Several CHIRs were issued seeking clarification of the *FY 2021 Plan* and *FY 2020 Report*.<sup>12</sup> The Postal Service filed responses to all information requests.<sup>13</sup> The Public Representative and the Association for Postal Commerce and Delivery Technology Advocacy Council (PostCom/DTAC) submitted comments,<sup>14</sup> which the Postal Service addressed in reply comments.<sup>15</sup>

The Commission analyzes the *FY 2021 Plan* and *FY 2020 Report* in the following chapters:

- Chapter II analyzes the *FY 2021 Plan* and *FY 2020 Report* for compliance with the legal requirements of 39 U.S.C. §§ 2803 and 2804.
- Chapter III evaluates whether the Postal Service met its four performance goals in FY 2020 and contains related observations and recommendations for each performance goal.
- Chapter IV discusses the Postal Service's strategic initiatives and its new strategic plan for achieving financial sustainability and service excellence during the next 10 years (10-Year Strategic Plan).

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<sup>11</sup> Notice Regarding the Postal Service FY 2020 Annual Performance Report and FY 2021 Annual Performance Plan, January 5, 2021, at 2-3 (Order No. 5803).

<sup>12</sup> Chairman's Information Request No. 2, January 14, 2021 (CHIR No. 2); Chairman's Information Request No. 8, January 29, 2021 (CHIR No. 8); Chairman's Information Request No. 10, February 4, 2021 (CHIR No. 10); Chairman's Information Request No. 15, February 11, 2021 (CHIR No. 15); Chairman's Information Request No. 22, March 2, 2021 (CHIR No. 22); Chairman's Information Request No. 23, March 4, 2021 (CHIR No. 23); Chairman's Information Request No. 24, March 11, 2021 (CHIR No. 24); Chairman's Information Request No. 25, March 19, 2021 (CHIR No. 25); Chairman's Information Request No. 26, March 25, 2021 (CHIR No. 26); Chairman's Information Request No. 27, April 1, 2021 (CHIR No. 27).

<sup>13</sup> Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 2, January 21, 2021 (Response to CHIR No. 2); Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 8, February 5, 2021 (Response to CHIR No. 8); Response to CHIR No. 10; Response to CHIR No. 15; Responses of the United States Postal Service to Questions 1-24 of Chairman's Information Request No. 22, March 9, 2021 (Response to CHIR No. 22); Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 23, March 11, 2021 (Response to CHIR No. 23); Response to CHIR No. 24; Response to CHIR No. 25; Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 26, April 1, 2021 (Response to CHIR No. 26); Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 27, April 7, 2021 (April 7 Response to CHIR No. 27); April 9 Response to CHIR No. 27.

<sup>14</sup> Public Representative Comments on the FY 2020 Performance Report and FY 2021 Performance Plan, March 1, 2021 (PR Comments); Comments of the Association for Postal Commerce and Delivery Technology Advocacy Council on FY2020 Report and FY 2021 Plan, March 1, 2021 (PostCom/DTAC Comments).

<sup>15</sup> Reply Comments of the United States Postal Service, March 15, 2021 (Postal Service Reply Comments). PostCom/DTAC filed a motion for leave to respond to the Postal Service's reply comments. *See* Motion for Leave to Respond and Response of the Association for Postal Commerce and Delivery Technology Advocacy Council Regarding FY2020 Report and FY 2021 Plan, March 19, 2021 (Motion). The Commission's rules do not permit interested persons to submit reply or other responsive comments unless otherwise specified by a Commission order or presiding officer ruling. 39 C.F.R. § 3010.140. Because Order No. 5803 does not provide for responses to reply comments and the Commission does not deem them necessary at this time, the Motion is denied.

# CHAPTER II: COMPLIANCE WITH LEGAL REQUIREMENTS

## A. Legal Requirements

The *FY 2021 Plan* and *FY 2020 Report* must meet the requirements of 39 U.S.C. §§ 2803 and 2804.<sup>16</sup> Section 2803 establishes requirements for the Postal Service’s annual performance plan, which must cover “each program activity set forth in the Postal Service budget,”<sup>17</sup> and must:

- Establish performance goals that define the performance level to be achieved by a program activity
- Express the performance goals in an objective, quantifiable, and measurable form unless an alternative form is used<sup>18</sup>
- Briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources needed to meet the performance goals
- Establish performance indicators to measure or assess each program activity’s relevant outputs, service levels, and outcomes
- Provide a basis for comparing actual program results with established performance goals
- Describe the means to be used to verify and validate measured values

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

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<sup>16</sup> Chapter 28 of Title 39, which includes sections 2803 and 2804, was added by the Government Performance and Results Act (GPRA) of 1993, Pub. L. 103-62, 107 Stat. 285 (1993). Sections 2803 and 2804 were not affected by the GPRA Modernization Act of 2010, which does not apply to the Postal Service. See Pub. L. 111-352, 124 Stat. 3866 (2011).

<sup>17</sup> A “program activity” is “a specific activity related to the mission of the Postal Service[.]” 39 U.S.C. § 2801(5). The Commission discusses program activities below. See Section C.1., *infra*.

<sup>18</sup> See 39 U.S.C. § 2803(b). The Postal Service may use an alternative form if it determines that it is not feasible to express the performance goals for a particular program activity in an objective, quantifiable, and measurable form. *Id.* The alternative form must either: (1) include separate descriptive statements of a minimally effective program and a successful program, with sufficient precision and in such terms to allow for an accurate, independent determination of whether the program activity’s performance meets the criteria of either descriptive statement; or (2) “state why it is infeasible or impractical to express a performance goal in any form for the program activity.” *Id.* §§ 2803(b)(1), (b)(2).

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

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

- Evaluate whether the Postal Service has met the performance goals previously established by the performance plan for that fiscal year
- “[S]et forth the performance indicators established in the Postal Service performance plan, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year”<sup>19</sup>
- Include “actual results for the three preceding fiscal years”
- Evaluate the performance plan for the current fiscal year (in this case, the *FY 2021 Plan*) relative to the performance achieved toward those goals in the year covered by the performance report (in this case, the *FY 2020 Report*)
- If the Postal Service does not meet a performance goal, explain why the goal was not met and describe plans and schedules for achieving the performance goal<sup>20</sup>
- Include summary findings of program evaluations completed during the fiscal year covered by the report

39 U.S.C. § 2804(b)(1), (c), (d).

## B. Comments

The Public Representative and PostCom/DTAC comment on the Postal Service not setting any FY 2021 High-Quality Service targets in the *FY 2021 Plan*. The Public Representative observes that the Postal Service’s decision to not set targets for FY 2021 is inconsistent with its past practice. PR Comments at 7-8. Specifically, she comments that FY 2020 High-Quality Service targets were based on the Postal Service’s long-term goals and were not achievable in the short-term. *Id.* at 8. She asserts that “[t]he Postal Service is changing its own criteria for setting targets” by planning to set FY 2021 targets based on what is achievable in the short-term instead of the long-term. *Id.* She states that the Postal Service

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<sup>19</sup> *Id.* § 2804(b)(1). If performance goals are specified in an alternative form by descriptive statements of a minimally effective program activity and a successful program activity, the annual performance report must describe results of these program activities in relation to these categories, including whether the performance failed to meet the criteria of either category. *Id.* § 2804(b)(2); *see id.* § 2803(b).

<sup>20</sup> *Id.* § 2804(d)(3)(A) and (B). If the performance goal is impractical or infeasible, the annual performance report must explain why and recommend further action. *Id.* § 2804(d)(3)(C).

failed to explain how the COVID-19 pandemic impacts the Postal Service's long-term progress toward the High-Quality Service performance goal, as well as its ability to set achievable long-term targets. *Id.* She concludes that because the Postal Service did not set FY 2021 targets, "[t]he FY 2021 Plan fails to meet the requirement to express performance goals as quantitative targets that can be compared with objectively measured results for each performance indicator." *Id.* at 7.

The Public Representative asserts that the Postal Service could have set FY 2021 targets the same as FY 2020 because "FY 2020 targets are no less meaningful applied to FY 2021 than they were to FY 2020." *Id.* at 8. She points out that the Postal Service was able to set a FY 2021 target for the Customer Experience (CX) Composite Index performance indicator and asserts that the Postal Service did not explain how uncertainty created by the COVID-19 pandemic affected its ability to set some targets but not others. *Id.* at 8-9. She recommends that the Commission require the Postal Service to specify whether High-Quality Service targets are short-term or long-term, explain how much progress it expects to make toward long-term goals during the following year, and provide an estimated date for meeting targets set. *Id.* at 9. She states that without this information, targets will remain moving targets that are not achievable during the fiscal year. *Id.*

PostCom/DTAC assert that the COVID-19 pandemic is not a valid reason for not setting FY 2021 High-Quality Service targets because the COVID-19 pandemic has been ongoing for many months and "[t]he Postal Service ought to have had ample time to analyze baseline service performance from which to set targets for FY 2021." PostCom/DTAC Comments at 6. They point out that if the Postal Service had set FY 2021 targets that were lower than in FY 2020 and more prone to error compared to past years, the Postal Service would have had the opportunity to address accuracy and other issues in the *FY 2021 Annual Report to Congress (FY 2021 Annual Report)*. *Id.*

In its reply comments, the Postal Service responds that it deferred setting FY 2021 High-Quality Service targets to ensure that the targets were meaningful and based on actual operating conditions. Postal Service Reply Comments at 3. It asserts that it could not reliably forecast the COVID-19 pandemic's effect on employee availability and air and surface transportation capacity, which hampered its ability to set targets. *Id.* It explains that it did not retain FY 2020 targets because it is working to formulate meaningful FY 2021 targets that reflect current operational realities caused by the COVID-19 pandemic. *Id.* at 4. The Postal Service clarifies that it set a FY 2021 target for the CX Composite Index because it is a different performance indicator that tracks distinct aspects of the Postal Service's business, and the target is determined by a different set of factors than the High-Quality Service targets. *Id.*

The Postal Service initially stated that it intended to finalize the High-Quality Service performance indicators and targets in FY 2021, Quarter 2.<sup>21</sup> In its reply comments, the Postal Service notes that when setting FY 2021 targets it plans to consider criteria such as past service performance results based on various operating conditions and how long current operating conditions resulting from the COVID-19 pandemic are likely to last. Postal Service Reply Comments at 3. On May 6, 2021, the Postal Service Board of Governors approved FY 2021 High-Quality Service targets, which were filed with the Commission on May 14, 2021. *See Revised FY 2020 Annual Report* at 36.

## C. Commission Analysis

The annual performance plans for FY 2018, FY 2019, and FY 2020 complied with all requirements of 39 U.S.C. § 2803.<sup>22</sup> However, the *FY 2021 Plan* does not comply with 39 U.S.C. § 2803(a)(1) because the Postal Service did not set FY 2021 High-Quality Service targets in the *FY 2021 Plan* and did not include all of the FY 2021 Excellent Customer Experiences targets in the *FY 2021 Plan*.

With regard to compliance with 39 U.S.C. § 2804, the *FY 2020 Report* does not provide comparable results from the past three fiscal years or the required explanations for the performance indicators measuring progress toward the High-Quality Service and Excellent Customer Experiences performance goals. For the new non-public High-Quality Service performance indicators,<sup>23</sup> the *FY 2020 Report* does not comply with 39 U.S.C. § 2804(d)(3) because the Postal Service does not describe plans and schedules for meeting FY 2021 targets. Compliance issues with the *FY 2021 Plan* and *FY 2020 Report* are further discussed below.

### 1. FY 2021 Plan

The *FY 2021 Plan* complies with almost all legal requirements of 39 U.S.C. § 2803. First, the *FY 2021 Plan* must “cover[] each program activity set forth in the Postal Service budget... ” *See* 39 U.S.C. § 2803(a). The Commission previously found that “Postal Service budget” in section 2803(a) means the Postal Service’s operating budget that is part of the Integrated Financial Plan (IFP). *See FY 2016 Analysis* at 13. In the *FY 2019 Analysis*, the Commission stated that to comply with 39 U.S.C. § 2803(a), the *FY 2021 Plan* must “identify all program activities in the FY 2021 IFP and explain how the *FY 2021 Plan* covers each one by relating

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<sup>21</sup> *See id.* at 8; Response to CHIR No. 2, question 1.b.

<sup>22</sup> *See FY 2019 Analysis* at 9; *FY 2018 Analysis* at 9; *FY 2017 Analysis* at 9.

<sup>23</sup> *See FY 2020 Annual Report* at 33. In FY 2020, the Postal Service also measured progress toward the High-Quality Service performance goal using several non-public performance indicators for Competitive products, which are discussed below. The *FY 2021 Plan* did not initially set FY 2021 targets for the two non-public performance indicators the Postal Service will use for this goal in FY 2021. The Postal Service subsequently filed FY 2021 targets with the Commission on May 14, 2021. *See* Section C.3., *infra*.

each program activity to one or more performance goals or indicators.” *FY 2019 Analysis* at 11.

In the *FY 2021 Plan*, the Postal Service explains that FY 2021 targets for each performance indicator are aligned with the FY 2021 IFP, which includes the Postal Service’s planned revenue and expenses for FY 2021. *FY 2020 Annual Report* at 31. The Postal Service states that it set all performance indicator targets “to be achievable given the planned expenses in the IFP.” *Id.* The Postal Service explicitly defines “program activity” as a “budget item contributing to controllable income [loss] outlined in the IFP.” *Id.* Controllable Income (Loss), a performance indicator for the Financial Health performance goal, is calculated as total revenue less controllable expenses. *Id.* The *FY 2021 Plan* identifies the program activities contributing to the Controllable Income (Loss) performance indicator as controllable expenses, which consist of compensation and benefits, transportation, depreciation, supplies and services, and rent, utilities, and other controllable expenses, including interest expense. *Id.* at 31, 46 n.5. The *FY 2021 Plan* includes information for each program activity in a table listing total revenue and controllable expenses for FY 2020 and planned revenue and expenses for FY 2021. *See id.* at 46.

The *FY 2021 Plan* discusses the IFP, defines “program activity,” and identifies the program activities in the FY 2021 IFP. The Postal Service complies with the Commission’s directive to relate the program activities to the performance goals by linking the program activities to the Controllable Income (Loss) performance indicator.

*For these reasons, the Commission finds that the FY 2021 Plan complies with 39 U.S.C. § 2803(a) by “covering each program activity set forth in the Postal Service budget...” To comply with 39 U.S.C. § 2803(a) next year, the FY 2022 Annual Performance Plan (FY 2022 Plan) must identify all program activities in the FY 2022 IFP and explain how the FY 2022 Plan covers each one by relating each program activity to one or more performance goals or indicators.*

Second, the *FY 2021 Plan* must “express [performance] goals in an objective, quantifiable, and measurable form unless an alternative form is used under [section 2803](b)[.]” *See* 39 U.S.C. § 2803(a)(2). Section 2803(a)(2) requires the *FY 2021 Plan* to express performance goals as quantitative targets that can be compared with objectively measured results for each performance indicator unless an alternative form is used under section 2803(b). *FY 2016 Analysis* at 10. The *FY 2021 Plan* meets this requirement because each

target listed in the *FY 2021 Plan* is expressed in a measurable form, such as a percentage or dollar amount.<sup>24</sup>

Third, the *FY 2021 Plan* must “briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals[.]” See 39 U.S.C. § 2803(a)(3). The *FY 2021 Plan* meets this requirement by explaining what resources are necessary to meet each performance goal. For example, to meet the High-Quality Service performance goal in FY 2021, the Postal Service states it will improve product flow within the ground transportation network, use machines efficiently through optimized run-plans, and drive service performance improvement efforts to focus on reducing collection and delivery failures. *FY 2020 Annual Report* at 36.

Fourth, the *FY 2021 Plan* must “establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity[.]” See 39 U.S.C. § 2803(a)(4). Performance indicators are metrics established by the Postal Service for measuring progress toward each performance goal.<sup>25</sup> The *FY 2021 Plan* meets this requirement because each performance goal has at least one performance indicator that evaluates outputs, service levels, and outcomes. For example, the Safe Workplace and Engaged Workforce performance goal uses two performance indicators to measure workplace safety and employee engagement. See *FY 2020 Annual Report* at 41-44.

Fifth, the *FY 2021 Plan* must “provide a basis for comparing actual program results with the established performance goals[.]” See 39 U.S.C. § 2803(a)(5). The *FY 2021 Plan* meets this requirement by listing the performance indicators that will provide a basis for comparing FY 2021 results with the targets established in the *FY 2021 Plan*. See *FY 2020 Annual Report* at 33.

Sixth, the *FY 2021 Plan* must “describe the means to be used to verify and validate measured values.” See 39 U.S.C. § 2803(a)(6). Section 2803(a)(6) requires the Postal Service to explain how it verifies and validates targets and results for each performance indicator using objective measurement systems.<sup>26</sup> The *FY 2021 Plan* meets this requirement by, for example, explaining that it uses customer survey scores to verify and validate targets and results for the performance indicators measuring progress toward the Excellent Customer Experiences performance goal. See *FY 2020 Annual Report* at 36-37.

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<sup>24</sup> See *FY 2020 Annual Report* at 33. As discussed below, the Postal Service did not set FY 2021 High-Quality Service targets in the *FY 2021 Plan* and did not include all of the Excellent Customer Experiences targets in the *FY 2021 Plan*. See Section C.1.a., b., *infra*. Not including all targets in the annual performance plan impedes the Commission’s ability to evaluate whether performance goals are expressed as quantitative targets.

<sup>25</sup> Specifically, a performance indicator is “a particular value or characteristic used to measure output or outcome[.]” 39 U.S.C. § 2801(4).

<sup>26</sup> *FY 2019 Analysis* at 12. As discussed below, the Postal Service did not set FY 2021 High-Quality Service targets in the *FY 2021 Plan*. See Section C.1.a., *infra*. Not including all targets in the annual performance plan impedes the Commission’s ability to understand how the Postal Service plans to verify and validate targets and results using objective measurement systems for the High-Quality Service performance goal.

*The Commission finds that the FY 2021 Plan complies with 39 U.S.C. §§ 2803(a)(2) through 2803(a)(6).*

The *FY 2021 Plan* must also “establish performance goals to define the level of performance to be achieved by a program activity[.]” 39 U.S.C. § 2803(a)(1). Section 2803(a)(1) requires the *FY 2021 Plan* to set forth the performance goals and establish targets for each performance indicator the Postal Service will use to evaluate performance during FY 2021. *See FY 2016 Analysis* at 10.

The *FY 2021 Plan* includes FY 2021 targets for each performance indicator the Postal Service will use to evaluate performance during FY 2021 for two of its performance goals (Safe Workplace and Engaged Workforce and Financial Health). *See FY 2020 Annual Report* at 33. For the Financial Health performance goal, the *FY 2021 Plan* sets a FY 2021 target for the Controllable Income (Loss) but not the Deliveries per Total Workhours % Change (DPTWH % Change) performance indicator. *See id.* The *FY 2021 Plan* explains that the Postal Service will no longer use this performance indicator in FY 2021. *Id.* at 52. Thus, setting a FY 2021 target for this performance indicator is not necessary to comply with 39 U.S.C. § 2803(a)(1).

*The Commission finds that the FY 2021 Plan complies with 39 U.S.C. § 2803(a)(1) for the Safe Workplace and Engaged Workforce and Financial Health performance goals.*

For the other two performance goals (High-Quality Service and Excellent Customer Experiences), the Postal Service has failed to include FY 2021 targets for each performance indicator in the *FY 2021 Plan*. Compliance issues with 39 U.S.C. § 2803(a)(1) related to these performance goals are discussed below.

a. Failure to Set FY 2021 High-Quality Service Targets

The Commission previously stated that the Postal Service should provide a reasoned explanation in the annual performance plan if it did not set a target for one or more performance indicators. *FY 2019 Analysis* at 11. In the *FY 2021 Plan*, the Postal Service states that it did not set FY 2021 targets for the High-Quality Service performance indicators “due to the significant ongoing effects stemming from the COVID-19 pandemic on employee availability as well as surface and air transportation capacity.” *FY 2020 Annual Report* at 35-36. The Postal Service explains how employee availability and surface and air transportation capacity affected by the COVID-19 pandemic created challenges for setting FY 2021 targets. Response to CHIR No. 2, question 1.a. It notes that the Postal Service will seek to finalize the FY 2021 targets in FY 2021, Quarter 2. *Id.* question 1.b. On May 6, 2021, the Postal Service Board of Governors approved FY 2021 High-Quality Service targets, which were filed with the Commission on May 14, 2021, leaving insufficient time for a more

robust Commission review and receipt of public comments. *See Revised FY 2020 Annual Report* at 36.

The Public Representative and PostCom/DTAC critique the lack of FY 2021 High-Quality Service targets in the *FY 2021 Plan*.<sup>27</sup> The Postal Service responds that it deferred setting targets so it could set meaningful targets based on actual operating conditions. Postal Service Reply Comments at 3.

Section 2803(a)(1) requires the *FY 2021 Plan* to set forth the performance goals and establish targets for each performance indicator the Postal Service will use to evaluate performance during FY 2021. *See FY 2016 Analysis* at 10. The Postal Service elected not to include targets for the High-Quality Service performance goal in the *FY 2021 Plan*. Although the Postal Service subsequently provided FY 2021 targets, they should have been included in the *FY 2021 Plan* to comply with section 2803(a)(1).

*For this reason, the Commission finds that the FY 2021 Plan does not comply with 39 U.S.C. § 2803(a)(1) for the High-Quality Service performance goal.*

The Commission acknowledges that the COVID-19 pandemic is a unique circumstance that significantly affected and continues to affect the Postal Service's operating conditions. It is important to note, targets that might be appropriate under these unusual circumstances may no longer be appropriate as such circumstances begin to change. The Commission applauds the Postal Service for striving to set realistic and achievable targets, an objective the Commission has emphasized in past Commission reports, but hopes these targets will increase as conditions begin to improve. *See, e.g., FY 2019 Analysis* at 30. At the same time, the Commission notes that the purpose of setting targets at the beginning of the fiscal year is to set the tone for the Postal Service's performance during the fiscal year and to signal to mailers and employees the level of service performance that is expected. The Commission also notes that because the COVID-19 pandemic began in March 2020, the Postal Service had insight into the COVID-19 pandemic's effects on service performance by the time the *FY 2021 Plan* was issued in December 2020. Thus, the Commission questions the Postal Service's strategy of setting targets for FY 2021 service performance after more than half of FY 2021 has elapsed.

The Public Representative recommends that the Commission require the Postal Service to specify whether High-Quality Service targets are short-term or long-term, explain how much progress it expects to make toward long-term goals during the following year, and provide expected dates for meeting targets set. PR Comments at 9. The language of Title 39 implies that annual performance plan targets should be achievable in the short-term during

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<sup>27</sup> PR Comments at 8-9; PostCom/DTAC Comments at 6.

the next fiscal year. The Postal Service must prepare an annual performance plan each year, and the Commission must evaluate annually whether the Postal Service has met the performance goals. 39 U.S.C. §§ 2803(a), 3653(d). Also, 39 U.S.C. § 2804(d)(2) requires the *FY 2020 Report* to evaluate the *FY 2021 Plan* “relative to the performance achieved toward the performance goals” in FY 2020. As discussed below, section 2804(d)(2) requires the *FY 2020 Report* to compare FY 2021 targets with FY 2020 results, which is a year-over-year comparison. *See* Section C.2.d., *infra*. Long-term targets are more appropriate in the Postal Service's strategic plan, which covers a longer period. *See* 39 U.S.C. § 2802(b). Describing the criteria the Postal Service considers when setting High-Quality Service targets in the annual performance plan and clarifying whether targets are achievable in the short-term or long-term would provide more transparency into how the Postal Service sets targets.

*The Commission finds that the FY 2021 Plan does not comply with 39 U.S.C. § 2803(a)(1) because the Postal Service did not set any FY 2021 High-Quality Service targets in the FY 2021 Plan. To comply with 39 U.S.C. § 2803(a)(1) next year, the FY 2022 Plan must contain all of the FY 2022 targets for each performance indicator the Postal Service plans to use in FY 2022. If the FY 2022 Plan does not set a FY 2022 target for one or more performance indicators, the Postal Service should provide a reasoned explanation for not setting targets in the FY 2022 Plan. The Commission encourages the Postal Service to include targets in future annual performance plans.*

*In the FY 2022 Plan, the Commission recommends that the Postal Service explain how it sets targets for each performance indicator, including the criteria it considers. The Commission also recommends that the Postal Service clarify whether targets are achievable in the short-term or long-term.*

b. Failure to Include All FY 2021 Excellent Customer Experiences Targets in the *FY 2021 Plan*

In FY 2020, the Postal Service measured progress toward the Excellent Customer Experiences performance goal using eight performance indicators: the CX Composite Index and the seven CX surveys that are used to calculate the CX Composite Index result.<sup>28</sup> The *FY 2021 Plan* includes a FY 2021 target for the CX Composite Index, but does not include targets for the CX survey performance indicators. The Postal Service confirms that it will continue to use the CX surveys as performance indicators and provides the FY 2021 target

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<sup>28</sup> *See FY 2019 Annual Report* at 20. The CX survey performance indicators are Business Service Network (BSN), Point of Sale (POS), Delivery, Customer Care Center (CCC), Customer 360 (C360) (previously called Enterprise Customer Care), Business Mail Entry Unit (BMEU), and USPS.com. *FY 2020 Annual Report* at 36. In a library reference, the Postal Service refers to the BMEU survey as either “Bulk Mail Entry Unit” or “Business Mail Entry Unit.” Library Reference USPS-FY20-38, December 29, 2020, file “USPS-FY20-38 Preface.pdf,” at 1-2. The survey name is “Business Mail Entry Unit.” *See FY 2020 Annual Report* at 37; Library Reference USPS-FY20-38, folder “USPS-FY20-38” file “CX\_Surveys\_FY20.docx,” at 3.

for each one in a CHIR response.<sup>29</sup> The Commission previously found that the annual performance plan and annual performance report “must contain all information necessary to show compliance with 39 U.S.C. 2803 and 2804.” *FY 2016 Analysis* at 9.

*Because the FY 2021 Plan does not contain all of the Excellent Customer Experiences performance indicator targets, the FY 2021 Plan does not comply with 39 U.S.C. § 2803(a)(1) for this performance goal.*

## 2. FY 2020 Report

The *FY 2020 Report* complies with most of the requirements of 39 U.S.C. § 2804. It reviews the Postal Service's efforts to achieve the performance goals in FY 2020, compares FY 2021 targets with FY 2020 results for each performance indicator, and includes summary findings of program evaluations completed during FY 2020 as required by sections 2804(d)(1), (2), and (4). *See* Section C.2.d., *infra*. However, for the High-Quality Service and Excellent Customer Experiences performance goals, the *FY 2020 Report* does not comply with 39 U.S.C. § 2804(c) because it does not contain comparable results from the past three fiscal years or the required explanations. For the non-public High-Quality Service performance indicators, the *FY 2020 Report* also does not comply with 39 U.S.C. § 2804(d)(3) because the Postal Service does not describe plans and schedules for meeting FY 2021 targets.

### a. Comparable FY 2020 Targets and Results

The annual performance report must “set forth the performance indicators established in the Postal Service performance plan, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year.” 39 U.S.C. § 2804(b)(1). Section 2804(b)(1) requires results expressed in the annual performance report to be comparable with targets set in the annual performance plan for that fiscal year. *FY 2016 Analysis* at 16. In the *FY 2019 Analysis*, the Commission stated that to comply with section 2804(b)(1), the *FY 2020 Report* “must set forth the same performance indicators and targets as the [FY 2020 Annual Performance Plan (FY 2020 Plan)] and compare FY 2020 targets and results for each performance indicator.” *FY 2019 Analysis* at 13.

The Commission also directed that the *FY 2020 Report* express results for each performance indicator that are comparable to the targets the Postal Service set in the *FY 2020 Plan*. *Id.* The Commission stated, “if a comparable FY 2020 result cannot be provided, the *FY 2020 Report* must explain why and either: (1) explain how to compare results between the current and former methodologies; or (2) explain why making this comparison is not feasible.” *Id.* at 14. The Commission also recommended that the Postal

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<sup>29</sup> Response to CHIR No. 2, question 2; Response to CHIR No. 10, question 1.

Service maintain the same performance indicators, methodologies, and targets once they are set in the applicable annual performance plan. *Id.*

The *FY 2020 Report* lists the same performance indicators and targets as the *FY 2020 Plan* and compares FY 2020 targets and results for each performance indicator.<sup>30</sup> The Postal Service confirms that the FY 2020 target and result for each performance indicator are comparable. Response to CHIR No. 2, question 3.a.

*The Commission finds that the FY 2020 Report complies with 39 U.S.C. § 2804(b)(1). To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2021 Annual Performance Report (FY 2021 Report) must set forth the same performance indicators and targets as the FY 2021 Plan and compare FY 2021 targets and results for each performance indicator.*

*As previously discussed, the Postal Service did not set any FY 2021 High-Quality Service targets in the FY 2021 Plan and did not include all of the FY 2021 Excellent Customer Experiences targets in the FY 2021 Plan. See Section C.1., supra. To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2021 Report must include the FY 2021 targets for the High-Quality Service performance indicators that were submitted to the Commission in a much delayed filing on May 14, 2021, as well as all of the FY 2021 targets for the Excellent Customer Experiences performance indicators that were provided in Response to CHIR No. 10, question 1.*

*Also, the FY 2021 result for each performance indicator must be comparable to the target set in the FY 2021 Plan or provided by the Postal Service. If a comparable FY 2021 result cannot be provided, the FY 2021 Report must explain why and either: (1) explain how to compare results between the current and former methodologies; or (2) explain why making this comparison is not feasible. The Commission recommends that the Postal Service not change performance indicators, methodologies, or targets once they are set for a given fiscal year.*

#### b. Comparable Three-Year Results

The annual performance report must also “include actual results for the three preceding fiscal years” as required by 39 U.S.C. § 2804(c). The Commission previously found that “actual results” under section 2804(c) must be comparable across the three preceding fiscal years. *See FY 2016 Analysis* at 18. In the *FY 2019 Analysis*, the Commission stated that “[t]o comply with 39 U.S.C. § 2804(c) next year, the *FY 2020 Report* must include comparable results for each performance indicator for, at a minimum, FYs 2017, 2018, 2019, and 2020. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology.” *FY 2019 Analysis* at 16. If comparable results cannot be provided, the Commission directed that the Postal Service explain in the *FY 2020*

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<sup>30</sup> Compare *FY 2020 Annual Report* at 33, 37, with *FY 2019 Annual Report* at 20.

*Report* why results are not directly comparable across these fiscal years. *Id.* The Commission also directed the Postal Service to explain in the *FY 2020 Report* either how to compare results between the current and former methodologies or explain why making this comparison is not feasible. *Id.*

The *FY 2020 Report* includes comparable results for FYs 2017, 2018, 2019, and 2020 for the Financial Health and Safe Workplace and Engaged Workforce performance goals, but not the High-Quality Service and Excellent Customer Experiences performance goals.<sup>31</sup> Comparability issues with the High-Quality Service and Excellent Customer Experiences performance goals are discussed below.

*The Commission finds that the FY 2020 Report complies with 39 U.S.C. § 2804(c) for the Safe Workplace and Engaged Workforce and Financial Health performance goals. To comply with 39 U.S.C. § 2804(c) next year, the FY 2021 Report must include comparable results for each performance indicator for, at a minimum, FYs 2018, 2019, 2020, and 2021. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. If comparable results cannot be provided for any performance indicator, the FY 2021 Report must explain why results are not directly comparable across the applicable fiscal years. In that case, the FY 2021 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible. The FY 2021 Report may include cross-references to library references, CHIR responses, or other documents containing this information.*

*High-Quality Service.* In FY 2019, the Postal Service began using an internal Service Performance Measurement (SPM) system to measure progress toward the High-Quality Service performance goal.<sup>32</sup> The former external measurement system used a different methodology for calculating service performance results than the current SPM system. Response to CHIR No. 2, question 4.b.i. Consequently, FY 2019 and FY 2020 results measured by the current SPM system are not comparable with results from FY 2017 and FY 2018, which were calculated using the former measurement system. *See id.* The Postal Service explains that High-Quality Service results from both measurement systems are statistically valid, but will not align precisely. *Id.*

In the *FY 2019 Analysis*, the Commission stated that for the High-Quality Service performance goal to comply with 39 U.S.C. § 2804(c), “the *FY 2020 Report* must describe the methodological differences between the former and current measurement systems and

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<sup>31</sup> Response to CHIR No. 2, question 4.a.

<sup>32</sup> *United States Postal Service FY 2018 Annual Report to Congress* at 19; see Docket No. ACR2018, Library Reference USPS-FY18-17, December 28, 2018 (*FY 2018 Annual Report*). The Commission approved the use of an internal SPM system in FY 2018. See Docket No. PI2015-1, Order Approving Use of Internal Measurement Systems, July 5, 2018 (Order No. 4697); Docket No. PI2015-1, Errata to Order No. 4697, August 21, 2018 (Order No. 4771).

explain why results are not directly comparable across FYs 2017, 2018, 2019, and 2020.” *FY 2019 Analysis* at 15. The Commission also directed that the *FY 2020 Report* “either explain how to compare results between the current and former measurement systems or explain why making this comparison is not feasible.” *Id.*

The *FY 2020 Report* does not provide comparable High-Quality Service results for the seven public performance indicators because the Postal Service calculated FY 2017 and FY 2018 results using the former measurement system, and FY 2019 and FY 2020 results using the new internal SPM system. *See FY 2020 Annual Report* at 33 n.4. The *FY 2020 Report* does not comply with the Commission’s directive to describe methodological differences between the former and current measurement systems. Also, the *FY 2020 Report* neither explains how to compare results between the former and current measurement systems nor explains why making this comparison is not feasible.

The Postal Service states that FY 2019 and FY 2020 results are not available from the former measurement system. Response to CHIR No. 2, question 4.b.ii. It explains that three library references filed in ACR dockets describe the methodologies used to calculate results for FYs 2017 through 2020 and explain the differences between the former and current measurement systems.<sup>33</sup> However, this information was not included or referenced in the *FY 2020 Report*. As the Commission previously stated, the annual performance plan and annual performance report “must contain all information necessary to show compliance with 39 U.S.C. §§ 2803 and 2804.” *FY 2016 Analysis* at 9. For example, the *FY 2020 Report* could have included a cross-reference to the CHIR response and library references containing this information.

*For these reasons, the Commission finds that the FY 2020 Report does not comply with 39 U.S.C. § 2804(c) for the High-Quality Service performance goal. To comply with 39 U.S.C. § 2804(c), the FY 2021 Report must describe the methodological differences between the former and current measurement systems and explain why results are not directly comparable across FYs 2018, 2019, 2020, and 2021. Also, the FY 2021 Report must either explain how to compare results between the current and former measurement systems or explain why making this comparison is not feasible. The FY 2021 Report may include cross-references to CHIR responses, library references, or other documents containing this information.*

In FY 2020, First-Class Mail Letter and Flat (FCLF) Composite and USPS Marketing Mail and Periodicals Composite were two performance indicators measuring progress toward the

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<sup>33</sup> *Id.*; see Docket No. ACR2018, Library Reference USPS-FY18-29, December 28, 2018; Docket No. ACR2019, Library Reference USPS-FY19-29, December 27, 2019; Library Reference USPS-FY20-29, December 29, 2020.

High-Quality Service performance goal. *See FY 2020 Annual Report* at 33. In FY 2021, the Postal Service states it will replace both of these performance indicators with the Market Dominant Composite performance indicator, which contains all Market Dominant products weighted by their proportion of total measured volume.<sup>34</sup> If the Postal Service replaces a performance indicator, it must provide 3 years of comparable results using either the former or replacement performance indicator. In this case, the Postal Service must provide 3 years of comparable results using either the replacement performance indicator (Market Dominant Composite) or one of the former performance indicators (FCLF Composite or USPS Marketing Mail and Periodicals Composite). The Postal Service confirms it will continue to report results for the FCLF Composite and USPS Marketing Mail and Periodicals Composite in addition to the Market Dominant Composite performance indicator. Postal Service Reply Comments at 5. It states the *FY 2021 Report* will provide results for FYs 2018, 2019, 2020, and 2021 for each of these performance indicators. Response to CHIR No. 15, question 9.b.i.

*Excellent Customer Experiences.* For the Excellent Customer Experiences performance goal, the Commission stated in the *FY 2019 Analysis* that the *FY 2020 Report* must include comparable results for each performance indicator that are calculated and expressed using the same performance indicator and methodology across FYs 2017, 2018, 2019, and 2020. *FY 2019 Analysis* at 16. If comparable results could not be provided, the Commission directed that “the *FY 2020 Report* must explain why results are not directly comparable across the applicable fiscal years. In that case, the *FY 2020 Report* must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible.” *Id.* In the *FY 2019 Analysis*, the Commission provided examples showing how the Postal Service could provide 3 years of comparable results or the required explanations for each Excellent Customer Experiences performance indicator with non-comparable results. *Id.* at 47-50.

The *FY 2020 Report* does not provide comparable results for FYs 2017, 2018, 2019, and 2020 for five performance indicators measuring progress toward the Excellent Customer Experiences performance goal: CX Composite Index, Business Service Network (BSN), Delivery, Customer Care Center (CCC), and Customer 360 (C360). These performance indicators use different methodologies for calculating results across these fiscal years.<sup>35</sup> Although the *FY 2020 Report* identifies some methodological differences, the *FY 2020*

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<sup>34</sup> *See id.* at 33 n.3, 34. The Commission discusses the Market Dominant Composite performance indicator in the High-Quality Service subchapter. *See* Chapter III, Section A.3.c.(2), *infra*.

<sup>35</sup> *See FY 2020 Annual Report* at 37 nn. 2, 3; Response to CHIR No. 2, question 4.a.; *FY 2019 Analysis* at 46. Methodologies for calculating Excellent Customer Experiences results are discussed in Chapter III. *See* Chapter III, Section B.3.a., *infra*.

*Report* neither explains how to compare results across the different methodologies nor explains why making this comparison is not feasible.<sup>36</sup>

*Thus, the Commission finds that the FY 2020 Report does not comply with 39 U.S.C. § 2804(c) for the Excellent Customer Experiences performance goal.*

If the Postal Service uses the same methodologies for calculating Excellent Customer Experiences results in FY 2021, results for the BSN, Delivery, CCC, and C360 performance indicators would be comparable across FYs 2018, 2019, 2020, and 2021. *See* Chapter III, Section B.3.a.(2), Table III-6, *infra*. For the CX Composite Index, the Postal Service provides comparable results for FYs 2018, 2019, and 2020. Response to CHIR No. 2, question 4.b.ii. If the *FY 2021 Report* includes these results and expresses the FY 2021 result using the same methodology, the *FY 2021 Report* would comply with 39 U.S.C. § 2804(c) for the CX Composite Index.

In FY 2021, the Postal Service states it will use the same CX surveys to calculate results for the Excellent Customer Experiences performance indicators. Response to CHIR No. 25, question 3.b. It confirms that the *FY 2021 Report* will contain comparable results for FYs 2018 through 2021 for each CX survey performance indicator except for the CCC performance indicator. Response to CHIR No. 26, question 1. The CCC performance indicator is a weighted composite based on results of the Live Agent and Interactive Voice Response (IVR) system surveys. *FY 2020 Annual Report* at 37 n.2. In FY 2020, the Postal Service calculated the CCC performance indicator result by weighting the Live Agent survey result 25 percent and the IVR system survey result 75 percent. Response to CHIR No. 25, question 3.a. The Postal Service states it is still reviewing possible changes to the methodology for calculating the CCC performance indicator result in FY 2021 by, for example, adjusting the weights assigned to the Live Agent and IVR system survey results. Response to CHIR No. 26, question 1. It asserts that if it changes the methodology in FY 2021, it could also recalculate results for FYs 2018 through 2020 using the revised methodology for comparison purposes. *Id.*

*If the Postal Service changes the methodology for calculating the CCC performance indicator result in FY 2021, the Postal Service must provide comparable results for FYs 2018 through 2021 to comply with 39 U.S.C. § 2804(c). For example, the FY 2021 Report could express results for FYs 2018 through 2020 using the FY 2021 methodology to comply with 39 U.S.C. § 2804(c). As an alternative, the FY 2021 Report could express results for FYs 2018 through*

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<sup>36</sup> *See FY 2020 Annual Report* at 37. The *FY 2020 Report* includes a cross-reference to historical comparability information that the Postal Service provided in Docket No. ACR2018. *Id.* at 37 n.12; *see* Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-14 of Chairman's Information Request No. 2, January 28, 2019, question 6.d.ii. However, this cross-reference was not sufficient to comply with 39 U.S.C. § 2804(c) because it does not include the required explanations.

*2021 using the FY 2020 methodology by weighting the Live Agent result 25 percent, and the IVR system survey result 75 percent.*

c. Goals Not Met

The Commission determines whether the Postal Service has met a performance goal by comparing the result of each performance indicator to the target set in the applicable performance plan for that fiscal year. *FY 2019 Analysis* at 5. The Commission considers the Postal Service to have met a performance goal if the result of each performance indicator for that goal meets or exceeds the target established in the applicable performance plan. *Id.*

If a performance goal has not been met, the annual performance report must explain why the Postal Service did not meet the goal and describe the plans and schedules for achieving the goal. 39 U.S.C. § 2804(d)(3). Because the Postal Service missed one or more FY 2020 targets for each performance goal, the *FY 2020 Report* must explain why and describe plans and schedules for meeting FY 2021 targets. For each public performance indicator that did not meet its FY 2020 target, the Postal Service in the *FY 2020 Report* explains why and describes plans and schedules for achieving the target in FY 2021. *See FY 2020 Annual Report* at 34-52. The Postal Service provides more detailed explanations, plans, and schedules in the FY 2020 ACR.<sup>37</sup>

*The Commission finds that the FY 2020 Report complies with 39 U.S.C. § 2804(d)(3) for each public performance indicator because it explains why performance goals were not met and describes plans and schedules for meeting the goals in FY 2021. To comply with 39 U.S.C. § 2804(d)(3) next year, for each FY 2021 target that is not met, the FY 2021 Report must both explain why and describe plans and schedules for meeting FY 2022 targets.*

d. Other Annual Performance Report Requirements

The *FY 2020 Report* meets other requirements of 39 U.S.C. § 2804. First, the annual performance report must review the Postal Service's success in achieving its performance goals by stating whether the Postal Service met targets for each performance goal in FY 2020. 39 U.S.C. § 2804(d)(1). The *FY 2020 Report* provides this information both in a table comparing targets and results and in the text of the report. *See FY 2020 Annual Report* at 33-52. For each performance indicator, the *FY 2020 Report* also includes a table listing the FY 2020 target, FY 2020 result, the difference between the target and result, and whether the FY 2020 target was met. *See id.* at 34, 37, 41-42, 48, 52. These tables enhance the *FY 2020 Report* by allowing the reader to easily evaluate whether the Postal Service met FY 2020 targets.

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<sup>37</sup> United States Postal Service *FY 2020 Annual Compliance Report*, December 29, 2020, at 44-54 (FY 2020 ACR).

Second, the annual performance report must “evaluate the performance plan for the current fiscal year relative to the performance achieved towards the performance goals in the fiscal year covered by the report[.]” 39 U.S.C. § 2804(d)(2). Section 2804(d)(2) requires the *FY 2020 Report* to evaluate the *FY 2021 Plan* relative to the performance achieved toward the performance goals during FY 2020. This provision requires the *FY 2020 Report* to compare FY 2021 targets with FY 2020 results for each performance indicator the Postal Service will use during FY 2021. *See FY 2016 Analysis* at 15. The *FY 2020 Report* provides this information in a table comparing FY 2020 results with FY 2021 targets for each of the performance indicators measuring progress toward the Safe Workplace and Engaged Workforce and Financial Health performance goals.<sup>38</sup>

Third, the annual performance report must “include the summary findings of those program evaluations completed during the fiscal year covered by the report.” 39 U.S.C. § 2804(d)(4). “Program evaluations” are “assessment[s], through objective measurement and systematic analysis, of the manner and extent to which Postal Service programs achieve intended objectives.” *Id.* § 2801(6). Section 2804(d)(4) requires the *FY 2020 Report* to include summary findings of program evaluations completed during FY 2020 that evaluate how programs helped the Postal Service meet targets in FY 2020. *See FY 2017 Analysis* at 16.

The *FY 2020 Report* meets this requirement by, for example, including summary findings of a program evaluation describing how the Postal Service met the FY 2020 target for the USPS.com performance indicator. *See FY 2020 Annual Report* at 39. The *FY 2020 Report* states that the Postal Service implemented several changes to its website, such as optimizing the online store for mobile use and allowing customers to use their mobile devices to order postal products, stamps, and merchandise. *Id.*

*The Commission finds that the FY 2020 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).*

### 3. Non-Public Performance Indicators

The annual performance plan may include a non-public annex covering program activities or parts of program activities relating to the avoidance of interference with criminal prosecution or matters otherwise exempt from public disclosure under 39 U.S.C. § 410(c). 39 U.S.C. § 2803(d). In FY 2020, the Postal Service measured progress toward the High-Quality Service performance goal using several non-public performance indicators for Competitive products. *FY 2020 Annual Report* at 33 n.1. To comply with 39 U.S.C. §§ 2803

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<sup>38</sup> *See FY 2020 Annual Report* at 33. As previously discussed, the Postal Service did not set FY 2021 High-Quality Service targets in the *FY 2021 Plan* and did not include all of the Excellent Customer Experiences targets in the *FY 2021 Plan*. *See* Section C.1.a., b., *supra*. Not including all targets in the annual performance plan impedes the comparison of results and targets for each performance indicator.

and 2804 in FY 2020, the *FY 2019 Analysis* directed the Postal Service to file under seal with the FY 2020 ACR: “(1) FY 2020 and FY 2021 targets; (2) comparable FY 2020 targets and results; and (3) comparable results from FYs 2017 through 2020” for each non-public performance indicator. *FY 2019 Analysis* at 20. The Commission further stated that “[i]f the Postal Service does not meet a FY 2020 target, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2021 target.” *Id.* The Commission stated that the FY 2020 ACR should continue to identify the library reference that contains this information. *Id.*

The *FY 2021 Plan* and *FY 2020 Report* state that the Postal Service is providing non-public service performance data for certain Competitive products as part of the non-public annex of the ACR. *FY 2020 Annual Report* at 33 n.1. The Postal Service filed information on non-public performance indicators in the preface to Library Reference USPS-FY20-NP30 and identified this library reference in the FY 2020 ACR.<sup>39</sup> The Postal Service confirms that for each non-public performance indicator, the *FY 2020 Report* contains comparable FY 2020 targets and results, as well as comparable results from FYs 2017 through 2020. Response to CHIR No. 2, questions 5.a., c. For each non-public performance indicator that did not meet the FY 2020 target, the Postal Service provides an explanation. Library Reference USPS-FY20-NP30, Preface at 4-5.

In FY 2021, the Postal Service will no longer use the non-public performance indicators from FY 2020.<sup>40</sup> Initially, the Postal Service planned to use one new Competitive products’ non-public performance indicator in FY 2021, but did not set a FY 2021 target for that performance indicator or describe plans and schedules for meeting this target.<sup>41</sup> The Postal Service Board of Governors subsequently approved FY 2021 High-Quality Service targets on May 6, 2021. Revised *FY 2020 Annual Report* at 36. The Postal Service filed FY 2021 targets for two new Competitive products’ non-public performance indicators with the Commission on May 14, 2021, but does not describe plans or schedules for meeting these targets in FY 2021. Library Reference USPS-FY20-NP30, Revised Preface at 8.

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<sup>39</sup> Library Reference USPS-FY20-NP30, December 29, 2020, folder “USPS-FY20-NP30,” file “NONPUBLIC Preface USPS-FY20-NP30.pdf,” at 3-5 (Library Reference USPS-FY20-NP30, Preface); FY 2020 ACR at 3 n.4. On May 14, 2021, the Postal Service filed a revised version of Library Reference USPS-FY20-NP30 that includes FY 2021 targets for the Competitive products’ non-public performance indicators. See Library Reference USPS-FY20-NP30, May 14, 2021, file “NONPUBLIC Preface USPS-FY20-NP30.Rev.5.14.2021,” at 8 (Library Reference USPS-FY20-NP30, Revised Preface).

<sup>40</sup> Initially, the Postal Service reported it intended to use one new non-public performance indicator to measure service performance for Competitive products. *Id.* Thereafter, in a CHIR response, the Postal Service identified three non-public performance indicators for Competitive products: Priority Mail Composite, First-Class Packages Composite, and Parcel Select – Destination Delivery Unit. April 9 Response to CHIR No. 27, question 2.b.iv. From the Postal Service’s May 14, 2021 filing with the Commission, it now appears that the Postal Service intends to use two non-public performance indicators in FY 2021. Library Reference USPS-FY20-NP30, Revised Preface at 8.

<sup>41</sup> On March 9, 2021, the Postal Service confirmed that it had not yet set the FY 2021 target for the Competitive products’ non-public performance indicator. Response to CHIR No. 22, question 21.a. Although the Postal Service provided a FY 2021 target in the non-public library reference filed with the FY 2020 ACR, the Postal Service stated that this target “was provided in error and should not be relied upon as the official target” of the Competitive products’ non-public performance indicator. *Id.*

*For the new Competitive products' non-public performance indicators, the FY 2021 Plan does not comply with 39 U.S.C. § 2803(a)(1) because the Postal Service initially did not set FY 2021 targets. See Section C.1.a., supra. The FY 2020 Report complies with 39 U.S.C. §§ 2804(b)(1) and 2804(c) because the Postal Service provides comparable FY 2020 targets and results as well as comparable results from the past three fiscal years. See Sections C.2.a., b., supra. The FY 2020 Report does not comply with 39 U.S.C. § 2804(d)(3) because the Postal Service does not describe plans and schedules for meeting the FY 2021 targets for the new Competitive products' non-public performance indicators.*

*To ensure that the FY 2022 Plan and FY 2021 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Commission recommends that the FY 2021 Report explain where the non-public service performance information can be found, such as by stating that the Postal Service is providing non-public service performance data for certain Competitive products as part of the non-public annex of the FY 2021 ACR. For the new Competitive products' non-public performance indicators, the Postal Service must file under seal with the FY 2021 ACR: (1) FY 2022 and FY 2021 targets; (2) comparable FY 2021 targets and results; and (3) comparable results from FYs 2018 through 2021. If the Postal Service does not meet one or both of the FY 2021 targets, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2022 target(s). The FY 2021 ACR should continue to identify the library reference that contains this information.*

#### 4. FY 2021 Performance Indicator Changes

The Commission previously recommended that the Postal Service describe any performance indicator or methodology changes in the *Annual Report to Congress* and analyze the impact of methodology changes on results. See *FY 2016 Analysis* at 18. The Commission also recommended that the Postal Service provide the rationale for making these changes. *FY 2019 Analysis* at 21.

In the *FY 2021 Plan*, the Postal Service states it will begin using the Market Dominant Composite as an additional performance indicator for measuring High-Quality Service.<sup>42</sup> The Postal Service also notes it will no longer use DPTWH % Change as a performance indicator for the Financial Health performance goal. *FY 2020 Annual Report* at 52. In a CHIR

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<sup>42</sup> *FY 2020 Annual Report* at 33 n.3. In FY 2021, the Postal Service will also evaluate progress toward the High-Quality Service performance goal using two new non-public performance indicators measuring service performance for Competitive products. See Section C.3., *supra*.

response, the Postal Service provides the rationale for making these changes.<sup>43</sup> Including these explanations in the *FY 2021 Plan* would have provided greater transparency into the Postal Service's process for changing performance indicators and methodologies for calculating targets and results.

As previously discussed, the Postal Service is also considering changing the methodology for calculating the FY 2021 CCC performance indicator result. *See* Section C.2.b., *supra*.

*To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service limit the number of changes to performance indicators and methodologies. If the Postal Service plans to add or change any performance indicators or methodologies in FY 2022, the Commission recommends that the FY 2022 Plan describe these changes, provide the rationale for making them, and analyze the impact of these changes on results. To help ensure compliance with 39 U.S.C. § 2804(c), the Commission recommends that the Postal Service implement a performance indicator or methodology change for at least three consecutive fiscal years before revising it unless the change is clearly not beneficial or effective.*

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<sup>43</sup> The Postal Service explains that adding the Market Dominant Composite performance indicator "was aimed at achieving simplification and focus for all market dominant mail" measured by this composite. Response to CHIR No. 8, question 2.a. It states that it discontinued using DPTWH % Change as a performance indicator because "[t]his metric is too vulnerable to the changing mail mix, erosion of delivery coverage[,] and delivery point expansion." *Id.*, question 3.a. In Chapter III, the Commission discusses the addition of the Market Dominant Composite performance indicator for the High-Quality Service performance goal and the removal of DPTWH % Change as a performance indicator for the Financial Health performance goal. *See* Chapter III, Sections A.3.c.(2); D.3.a.(3), *infra*.

# CHAPTER III: EVALUATION OF PERFORMANCE GOALS

In this chapter, the Commission discusses each performance goal individually. It evaluates whether the Postal Service met the performance goals in FY 2020 as required by 39 U.S.C. 3653(d). The Commission also makes related observations and recommendations for each performance goal.

## A. High-Quality Service

### 1. Background

In FY 2020, the Postal Service measured service performance using an internal SPM that provides data from the time when a mailpiece is first scanned (either at the collection point by the carrier or during the first processing operation on mail processing equipment) to the time when the carrier scans the mailpiece at the delivery point.<sup>44</sup> For most Market Dominant products, the Postal Service sets a service standard for the number of days allowed for delivery of a mailpiece considered to be on-time. Service performance results are expressed as the percentage of mail meeting the applicable service standard.

The Postal Service uses the percentage of selected and combined mail products delivered on-time to assess whether its performance meets the High-Quality Service performance goal.<sup>45</sup> To evaluate progress toward the High-Quality Service performance goal in FY 2020, the Postal Service used seven public performance indicators measuring service performance for Market Dominant products:

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

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<sup>44</sup> See *FY 2020 Annual Report* at 34.

<sup>45</sup> The Postal Service also reports service performance on all Market Dominant products in the ACR. 39 U.S.C. § 3652(a)(2)(B)(i). Service performance measurement reporting in the ACR is independent of service performance measurement reporting in annual performance plans and annual performance reports under 39 U.S.C. §§ 2803 and 2804. The reporting of these service performance measurements in the *FY 2020 Annual Report* does not meet the same class- or group-specific granular reporting criteria as the service performance measurements required in the Commission's rules for purposes of the ACR. See 39 C.F.R. §§ 3055.20 through 3055.24. For instance, the Single-Piece First-Class Mail and the Presorted First-Class Mail performance indicators in the *FY 2020 Annual Report* combine service performance results for different products. By contrast, the ACR requires the Postal Service to disaggregate service performance results by mail subject to the Overnight, 2-Day, or 3-5-Day service standards by First-Class Mail product. See, e.g., 39 C.F.R. § 3055.20(a).

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

The Single-Piece First-Class Mail performance indicators measure the performance of Single-Piece First-Class Mail letters, postcards, and flats throughout the fiscal year. *FY 2020 Annual Report* at 34. Results are expressed as the estimated percentage of Single-Piece First-Class Mail by service standard (2-Day and 3-5-Day) delivered on-time. *Id.*

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

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

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

In FY 2020, the Postal Service also used three non-public performance indicators to measure service performance for some Competitive products. *See* Chapter II, Section C.3., *supra*. The Postal Service filed results from FYs 2015 through 2020 for these non-public performance indicators in a library reference. Library Reference USPS-FY20-NP30, Preface at 3. In FY 2021, the Postal Service will use two new non-public performance indicators to measure service performance for Competitive products. Library Reference USPS-FY20-NP30, Revised Preface at 8. The new performance indicators aggregate Competitive products' data at a higher level compared to the non-public performance indicators used in FY 2020. As previously discussed, the Postal Service initially did not set FY 2021 targets for these performance indicators, but subsequently provided them to the Commission on May 14, 2021. *See* Chapter II, Section C.3., *supra*.

In FY 2020, the Postal Service failed to meet any of its targets for the public Market Dominant performance indicators. *FY 2020 Annual Report* at 35. Additionally, the Postal

Service also failed to meet its FY 2020 targets for the non-public Competitive products performance indicators. *See id.*

The Postal Service explains that while it did not meet any of its service performance targets in FY 2020, a “snapshot” view of the full year does not adequately describe the service provided to its customers. *Id.* Instead, the Postal Service contends that “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.” *Id.* It explains that while it was making strides toward improving service performance in the first half of FY 2020, the “pandemic affected USPS processing, transportation, retail and delivery operations, leading to a decrease in overall service performance.” *Id.* Explanations for missing FY 2020 targets are discussed in more detail below. *See Section A.3.b., infra.*

Table III-1 shows service performance results for each High-Quality Service performance indicator disaggregated by quarter for FY 2019 and FY 2020.

**Table III-1**  
**Public High-Quality Service Performance Indicators**  
**Comparison of FY 2020 and FY 2019 by Quarter (%)**

High-Quality Service Performance Indicators		FY 2019 and FY 2020 Targets <sup>a</sup>	FY 2020 Results				FY 2019 Results			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	96.50	91.88	93.00	92.38	88.24	89.53	91.55	93.90	93.97
	3-5-Day	95.25	78.18	83.31	81.37	72.06	72.11	79.67	86.55	87.78
Presorted First-Class Mail	Overnight	96.80	94.41	95.87	95.70	92.75	94.68	94.80	96.30	96.20
	2-Day	96.50	93.50	94.41	93.25	89.64	92.79	93.30	95.25	95.27
	3-5-Day	95.25	91.25	92.55	90.67	84.63	89.90	90.43	93.61	94.10
First-Class Mail Letter and Flat Composite		96.00	90.37	92.18	90.82	85.58	88.47	90.33	93.38	93.76
USPS Marketing Mail and Periodicals Composite		91.80	88.90	91.18	88.70	85.34	84.57	88.21	90.93	91.79
Market Dominant Composite <sup>b</sup>		N/A	89.50	91.66	89.73	85.43	N/A	N/A	N/A	N/A

N/A – Not Provided

<sup>a</sup> The Postal Service used the same targets in FY 2019 and FY 2020.

<sup>b</sup> The Market Dominant Composite is an additional performance indicator the Postal Service will begin using in FY 2021. *FY 2020 Annual Report* at 33 n.5. There are no targets or FY 2019 quarterly results. FY 2020 quarterly results are shown for comparison purposes.

Source: Response to CHIR No. 22, question 23; Response to CHIR No. 24, question 5; *FY 2019 Annual Report* at 20.

Service performance for nearly all of the High-Quality Service performance indicators improved during FY 2020, Quarters 1 and 2 compared to the same period last year (SPLY). Table III-1 illustrates that, beginning in FY 2020 Quarter 3, there was a decline in service performance for all indicators compared to both FY 2020, Quarter 2 and SPLY. However, the most severe decline in service performance occurred between FY 2020 Quarters 3 and 4, rather than Quarters 2 and 3. For example, in FY 2020, Quarter 4, results for the

Single-Piece First-Class Mail (3-5-Day) performance indicator declined by 9.31 percentage points compared to FY 2020, Quarter 3 (and 15.72 percentage points compared to SPLY), whereas the declines were only 1.94 percentage points and 5.18 percentage points when comparing FY 2020, Quarter 3 to FY 2020, Quarter 2 and SPLY. Similarly, the FCLF Composite performance indicator declined by 5.24 percentage points in FY 2020, Quarter 4 compared to the previous quarter (and 8.18 percentage points compared to SPLY), whereas the declines were 1.36 percentage points and 2.56 percentage points respectively for the same Quarter 3 comparisons.

In explaining the decline in service performance that occurred between FY 2020 Quarters 3 and 4, the Postal Service states that, starting in the weeks following July 10, 2020, “the Postal Service’s renewed efforts to reduce the number of unnecessary trips contributed in some part to a short-term decrease in on-time service performance due to the failure of processing schedules to align with transportation schedules.” Response to CHIR No. 25, question 13. According to the Postal Service, “[o]ther factors that negatively impacted on-time service performance results during this time period were the spike in COVID-19 in July, along with ongoing employee availability challenges resulting from the pandemic.” *Id.* Moreover, the Postal Service notes that “factors that may have had some impact include ongoing challenges of adjusting to a decline in the volume of letter and flat mail and an increase in package mail volumes.” *Id.*

Accordingly, service performance in FY 2020 was affected not only by the COVID-19 pandemic, but by other unusual occurrences as well, such as various operational initiatives, corporate reorganization, and an increase in election and census mailings. An extended discussion of the various events of FY 2020 and their effects on service performance can be found in the FY 2020 ACD. *See* FY 2020 ACD at 99-150.

Beginning in FY 2021, the Postal Service will use the Market Dominant Composite as an additional performance indicator to measure High-Quality Service. *FY 2020 Annual Report* at 33 n.5. The Market Dominant Composite performance indicator is a composite consisting of all Market Dominant products weighted by their actual proportion of total measured volume. *Id.* at 34. It includes all First-Class Mail, USPS Marketing Mail, Periodicals, Bound Printed Matter Flats, Bound Printed Matter Parcels, and Library/Media Mail.<sup>46</sup> The Market Dominant Composite result is generated by dividing the total volume by the number of pieces delivered on-time. *FY 2020 Annual Report* at 34. Where provided by the Postal Service, Market Dominant Composite results have been included in this Analysis for the sake of comparison.

Unlike in other years, the Postal Service failed to provide FY 2021 targets in its *FY 2021 Plan*. *See* *FY 2020 Annual Report* at 35-36; *see also* CHIR No. 22, question 21. As previously discussed, the Postal Service filed FY 2021 High-Quality Service targets with the

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<sup>46</sup> *Id.*; Response to CHIR No. 8, question 2.b.

Commission on May 14, 2021. This issue is explored in more detail in Chapter II, Section C.1.a., *supra*.

To improve High-Quality Service in FY 2021, the Postal Service states that it plans to continue its organizational restructuring to “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.” *FY 2020 Annual Report* at 36. Additionally, the Postal Service notes that it will “continue to improve product flow within the ground transportation network” and continue to focus on improving service through its processing operations, including maintaining first-in, first-out (FIFO) integrity. *Id.* It also notes that, leading up to the national presidential election, it “committed to the proper handling and timely delivery of Election Mail as the organization’s number one priority.” *Id.* These plans are discussed in detail in Section A.3.c., *infra*.

## 2. Comments

The Public Representative observes that not only did the Postal Service fail to meet any of its High-Quality Service targets in FY 2020, but for the third year in a row results declined for each performance indicator. PR Comments at 4-5. She also notes that, as in previous years, the highest gap in FY 2020 between target and result was for the Single-Piece First-Class Mail (3-5-Day) performance indicator. *Id.* at 5. She concludes that the Postal Service failed to meet the High-Quality Service performance goal for FY 2020, and notes that the Postal Service relied “primarily on the negative impacts of the pandemic” to explain this failure. *Id.* at 6.

The Public Representative comments that she does not support the Postal Service’s introduction of its new Market Dominant Composite performance indicator. *Id.* at 9. She asserts that this new indicator is a composite and as such, “provides less transparency, as improvement in one category can mask a deterioration in another.” *Id.* She also states that “frequent changes to indicators hamper the Commission’s ability to evaluate [service] performance over time.” *Id.*

PostCom/DTAC point out that the Postal Service failed to meet its service performance targets in FY 2020, claiming that “this is as much the rule as it is the exception.” PostCom/DTAC Comments at 1. They also assert that service performance is worse than the performance indicators suggest and is obscured by the fact that: (1) the Postal Service’s targets are highly aggregated; (2) compliance with service standards is only measured from the time a mailpiece has an acceptance scan, thus not reflecting any delays in unloading; and (3) measurement does not include mailpieces that are lost. *Id.* at 2-3.

PostCom/DTAC also oppose the new Market Dominant Composite performance indicator and view it as “an attempt to further obfuscate the Postal Service’s performance.” PostCom/DTAC Comments at 4. PostCom/DTAC claim that service performance reporting is “too opaque.” *Id.* at 3. Specifically, they assert that despite the Postal Service possessing

detailed service performance data, the Commission allows the Postal Service to report only highly edited, aggregated, and infrequent data. *Id.* at 3-5. They suggest that the Commission should reform its reporting requirements to include a variety of more specific and specialized data. *Id.* at 6. PostCom/DTAC also identify several operational and structural changes that they believe led to a measurable decline in service performance and necessitated the filing of advisory opinions with the Commission.<sup>47</sup>

PostCom/DTAC conclude that the “Commission must initiate a proceeding to explore better alternatives to performance measurement and enforcement than the ACR process provides.” *Id.* at 9. Specifically, they assert that the Commission “should open a rulemaking to develop a new service performance review process that will allow the Commission to address service failures in closer to real time and take meaningful corrective action.” *Id.* at 10.

In its reply comments, the Postal Service asserts that the additional Market Dominant Composite performance indicator “will drive focus and streamline analysis and reporting, and that it will not overemphasize certain indicators at the expense of others.” Postal Service Reply Comments at 6. It stresses that it will continue to report the preexisting, disaggregated service performance indicators that it reported in the past. *Id.* at 5. Thus, according to the Postal Service, “[t]he new Market Dominant Composite is not designed to withhold or disguise information; rather, it is informed by the desire to maximize efficiency.” *Id.*

With regard to PostCom/DTAC’s comments, the Postal Service asserts that these comments focused “in particular on the Postal Service’s failure to meet Market Dominant service standards,” and therefore would have been more properly addressed “in connection with the compliance aspects of this docket.” *Id.* at 6. The Postal Service addresses PostCom/DTAC’s request for more detail and different performance reporting data, saying:

This wish-list ranges from the redundant to the inordinate, reduplicating certain of the Postal Service’s current reporting practices and demanding others that it could not feasibly implement on a wide scale. For instance, the Postal Service already reports volume excluded from measurement as well as percentage of volume by reason for exclusion (footnote omitted); it is therefore unclear what [PostCom/DTAC’s] specific request for additional reporting on exclusion might realistically achieve. Nor is it obvious why [PostCom/DTAC request] ‘scan to home data’ when the Postal Service already provides data to mailers through IV-Mail Tracking and Reporting (MTR) of the Logical Delivery Event (LDE), which is triggered when the carrier breaks the geofence of the delivery point. And while [PostCom/DTAC] no doubt ha[ve their] reasons to demand scan data

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<sup>47</sup> *Id.* at 7-8. For its part, the Postal Service asserts that it has already addressed these arguments in other contexts. Postal Service Reply Comments at 11. As explained above, these changes, as well as their impact, are discussed in detail in the FY 2020 ACD. See FY 2020 ACD at 118-134.

captured on Single Piece First-Class Mail pieces at the point of delivery, the provision of such data would impose new burdens and costs on the Postal Service without adding any obvious improvements to existing reporting requirements.

*Id.* at 6-7.

The Postal Service states that PostCom/DTAC's general criticism of its historical service performance is "devoid of context." *Id.* at 9. Specifically, the Postal Service notes "claiming that service has been 'dismal' over the past decade solely on the basis that targets have not been met neglects to recognize that the Postal Service has had a history of establishing aggressive 'stretch' targets." *Id.* The Postal Service contends:

[T]he persistent gap between service targets and service performance is a consequence of numerous factors that [PostCom/DTAC fail] to recognize, including a lack of investment in the network due to years of financial stress (caused in significant part by the price cap system, as the Commission found in the 10-year review), and the fact that the standards are misaligned.

*Id.* at 10.

The Postal Service, in response to PostCom/DTAC's suggestion that the Commission should open a rulemaking docket, asserts that "considering whether to change the regulatory process around service performance at this time is wholly premature" for two reasons: (1) the COVID-19 pandemic presented "an anomalous year" of service performance; and (2) the Postal Service is "soon to publish a strategic plan, a central focus of which will be on addressing the long-standing gap between the service targets and service results, in order to create more reliable and predictable service that meets the service expectations of . . . customers."<sup>48</sup>

### 3. Commission Analysis

In FY 2020, the Postal Service missed all targets for the public performance indicators related to Market Dominant products that measure progress toward the High-Quality Service performance goal. *FY 2020 Annual Report* at 35. It also missed all of its targets for the non-public performance indicators related to Competitive products. *See Library Reference USPS-FY20-NP30, Preface* at 3.

*The Commission finds that the Postal Service did not meet the High-Quality Service performance goal in FY 2020.*

Below, the Commission provides observations and recommendations related to the Postal Service's explanations for its failure to meet the High-Quality Service performance goal:

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<sup>48</sup> *Id.* at 11-12. The strategic plan discussed in the Postal Service's reply comments is the 10-Year Strategic Plan, which the Postal Service issued after filing reply comments. *See Chapter IV, Section A.2., infra.*

notably, the COVID-19 pandemic and other significant network disruptions. The Commission also provides discussion and recommendations concerning the Postal Service’s plans to meet the High-Quality Service performance goal in FY 2021.

a. Observations on Results and Targets

Last year, due to the implementation of the internal SPM system in FY 2019, the FY 2019 results for the public performance indicators were not comparable to prior years, thus inhibiting an analysis of whether service performance improved or declined. *FY 2019 Analysis* at 27-28. Because FY 2020 is the second year that service performance results were measured using the internal SPM system, the Commission can compare service performance results from FY 2019 and FY 2020.

Table III-2 compares FY 2020 results with FY 2020 targets and shows the percentage point performance gap between the target and the result. It also displays the results from FY 2019. None of the FY 2020 targets were met. The largest percentage point performance gap—more than 16 percentage points—occurred for Single-Piece First-Class Mail (3-5-Day). The smallest percentage point gap—slightly more than 2 percentage points—occurred for Presorted First-Class Mail (Overnight). Moreover, results decreased for every performance indicator from FY 2019 to FY 2020.

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

High-Quality Service Performance Indicator		FY 2020			FY 2019
		Target	Result	Percentage Point Performance Gap	Result
Single-Piece First-Class Mail	2-Day	96.50	91.47	-5.03	92.05
	3-5-Day	95.25	78.83	-16.42	80.88
Presorted First-Class Mail	Overnight	96.80	94.72	-2.08	95.46
	2-Day	96.50	92.77	-3.73	94.10
	3-5-Day	95.25	89.89	-5.36	91.95
First-Class Mail Letter and Flat Composite		96.00	89.73	-6.27	91.36
USPS Marketing Mail and Periodicals Composite		91.80	88.38	-3.42	88.73
Market Dominant Composite		N/A <sup>a</sup>	89.00	N/A	89.86

Target Not Met

<sup>a</sup>The Market Dominant Composite performance indicator did not have a FY 2020 target because it is an additional performance indicator the Postal Service will begin to use in FY 2021. Results are shown for comparison purposes.

Source: *FY 2020 Annual Report* at 33-34.

As mentioned previously, PostCom/DTAC suggest the Commission establish a rulemaking proceeding “to explore better alternatives to performance measurement and enforcement than the ACR process provides,” while the Postal Service states such a proceeding would be premature and unwarranted. PostCom/DTAC Comments at 9; Postal Service Reply

Comments at 11-12. PostCom/DTAC's recommendations fall outside of the scope of the Commission's review of the Postal Service's *FY 2020 Report* and *FY 2021 Plan*. See 39 U.S.C. § 3653(d). As the Commission has emphasized in the past, any interested person may submit a petition to initiate a new rulemaking proceeding or to change the data required by the Commission's reporting requirements.<sup>49</sup>

b. Explanations for Missing Targets in FY 2020

(1) Network Disruption – COVID-19 Pandemic

The Postal Service observes that, beginning in March 2020 and continuing throughout the second half of the fiscal year, the COVID-19 pandemic significantly affected its operations, leading to a decrease in overall service performance. *FY 2020 Annual Report* at 35. One effect of the COVID-19 pandemic was that “[e]mployee availability rates dropped significantly across the organization, due to COVID-19 exposure, illness, or need to quarantine.” *Id.* As a result, the Postal Service states “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[,]” and some large retail and delivery units “operat[ed] with less than 50 percent of their employees for extended periods of time.” *Id.* The Postal Service explains that employee absences in these types of “hot spots” can have ripple effects on service performance more broadly. For instance, if site A does not have sufficient resources to clear its own mail, it will delay mail destined for sites B, C, and D.<sup>50</sup>

In addition, if mail carriers are unavailable, Last Mile delivery may be impacted, which also necessarily affects service performance. *Id.* In this regard, the Postal Service notes that “[w]hile the number of deliveries affected changed from day to day, at its peak the lack of sufficient delivery employees impacted more than 735,000 deliveries. On many days, more than 200,000 deliveries were affected.” *FY 2020 Annual Report* at 35. Such days occurred throughout the COVID-19 pandemic, but were particularly prevalent in April and July of 2020 and in February of 2021. See Response to CHIR No. 22, question 16.b.

In order to mitigate the effects of high employee absenteeism because of the COVID-19 pandemic, the Postal Service, along with the postal unions, executed Memoranda of Understanding to allow the Postal Service to exceed the current caps on the number of non-career employees. Response to CIR No. 1, question 2.a. Postal Service employee data indicate the top categories with increases in non-career employees in FY 2020 compared to FY 2019 were “Casual” non-career employees and Mail Handler Assistants. *FY 2020*

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<sup>49</sup> See 5 U.S.C. § 553(e) (“Each agency shall give an interested person the right to petition for the issuance, amendment, or repeal of a rule”); see also 39 C.F.R. § 3010.201(b) (allowing interested persons to request the initiation of a proceeding before the Commission); 39 U.S.C. § 3652(e)(2)(A)(B)(C) (allowing interested persons to request the Commission initiate a proceeding “to improve the quality, accuracy, or completeness of Postal Service data . . . [when] the quality of service data has become significantly inaccurate or can be significantly improved” or when “such revisions are, in the judgment of the Commission, otherwise necessitated by the public interest”); 39 C.F.R. § 3050.11 (implementing 39 U.S.C. § 3652(e)(2)).

<sup>50</sup> See Responses of the United States Postal Service to Questions 1-21 of Commission Information Request No. 1, January 15, 2021, question 1.a. (Response to CIR No. 1).

*Annual Report* at 28. The total increase in non-career employees between FY 2019 and FY 2020 was nearly 12,000. *See id.* According to the Postal Service, the current Memoranda of Understanding were scheduled to continue through March 27, 2021. Response to CIR No. 1, question 2.c.

In the FY 2020 ACD, the Commission provides further discussion and analysis related to reduced employee availability due to the COVID-19 pandemic and its effects on service performance in FY 2020. FY 2020 ACD at 102-108.

In addition to facing issues with employee availability, the Postal Service was forced to adopt changes to accomplish social distancing in processing and distribution plants. For instance, “[p]lants were instructed to identify areas of operation where more than 10 people were working closely together and determine new layout/work assignments for the designated area(s) that allowed for social distancing.” Response to CHIR No. 22, question 19.a. Similarly, “[s]ervice talks were given either in small, socially distanced groups or over a loudspeaker system.” *Id.* The Postal Service notes that while these changes may have impacted gatherings within the plants, they “likely had a minimal impact on operations.” *Id.* question 19.b.

The Postal Service adds that “[a]s the pandemic proliferated throughout the country, Postal Service contracted resources were also negatively affected, including surface and air contracted transportation.” *FY 2020 Annual Report* at 35. In terms of air transportation, the Postal Service points out that the COVID-19 pandemic severely disrupted the air transportation industry generally, which in turn “negatively impacted USPS transportation and delivery operations.” *Id.* The Postal Service explains that by shutting down the commercial air industry, the COVID-19 pandemic immediately eliminated air capacity and deprived the Postal Service of access to the air network. *Id.* Moreover, the Postal Service notes it “experienced Terminal Handling Service (THS) provider impacts due to COVID-19 impacts on” the providers’ staffing, which led to mail not being either processed or staged for flights. *See* Response to CIR No. 1, question 3.a. It asserts both the lack of air capacity and the issues with THS providers negatively affected service performance. *See id.*

The Postal Service attempted to address the challenges caused by reduced air capacity by diverting “[m]ail that was typically transported by the air network . . . to the surface transportation network, resulting in service delays from longer transportation times.” *FY 2020 Annual Report* at 35. Moreover, according to the Postal Service, surface transportation was also impacted by the effects of the COVID-19 pandemic for several reasons. *See* Response to CIR No. 1, question 3.a. First, as mentioned above, “dramatically fewer commercial air flights were and are being scheduled than before the pandemic,” causing a significant volume of mail to be diverted to surface transportation. *Id.* According to the Postal Service, this has caused a shortage in surface transportation, which has led to “late arriving trips and cancelled trips altogether.” *Id.* Second, it states “COVID-19 has impacted the availability of drivers due to drivers either being sick from COVID-19 or being quarantined.” *Id.* Third, it notes that “with more people either working from home

or being home due to businesses being closed, there has been an increase in the online ecommerce package business.” *Id.* In support, the Postal Service points to a 37 percent increase in Priority Mail volume in FY 2020, Quarter 3 and a 35 percent increase in FY 2020, Quarter 4, relative to SPLY. *Id.* question 3.b. Additionally, First-Class Package Service volume increased in those same quarters by 77 percent and 60 percent, respectively, compared to the same quarters in FY 2019. *Id.*

The Postal Service indicates that it has instituted two efforts to mitigate the COVID-19 pandemic effects on surface transportation. *See* Response to CIR No. 1, question 4.a. According to the Postal Service, because it has no influence over the number of drivers or capacity of its suppliers, both efforts focus on reducing the number of trips needed. *Id.* The Postal Service states “[f]irst, the Postal Service is putting emphasis on making sure that all available volume is dispatched on trucks to reduce the number of extra trips that are needed. Second, for the extra trips due to COVID-19 increased package volume, the Postal Service is utilizing its Surface Transportation Center [STC] network to maximize the utilization of trips.” *Id.*

In the Postal Service’s 10-Year Strategic Plan, which was released on March 23, 2021, the Postal Service states that going forward, it intends to “shift volume from an unreliable and costly air network to a better managed surface network.” 10-Year Strategic Plan at 30. This will involve capitalizing and improving on the Postal Service’s surface network by optimizing its long-haul and 2-Day surface transportation, eliminating extra and late trips, optimizing local truck routes, and adopting a “performance-based highway contracting” system. *Id.* The new plan also calls for shifting a portion of First-Class Mail and First-Class Package Service volume from air to surface transportation, as well as “diversifying the [Postal Service’s] mix of air carriers and enhancing carrier contract management.” *Id.* The Postal Service also intends to “deploy a state-of-the-art platform for end-to-end execution of a unified logistics operation,” which should “transform [its] transportation operations.” *Id.*

In the FY 2020 ACD, the Commission provides further discussion and analysis related to the Postal Service’s transportation challenges due to the COVID-19 pandemic and their effects on service performance in FY 2020.<sup>51</sup>

In addition to employee availability and transportation challenges, the mail mix entered into the Postal Service’s network changed in FY 2020 with package volumes increasing and letter- and flat-shaped volumes decreasing.<sup>52</sup> Figure III-1 shows the percentage

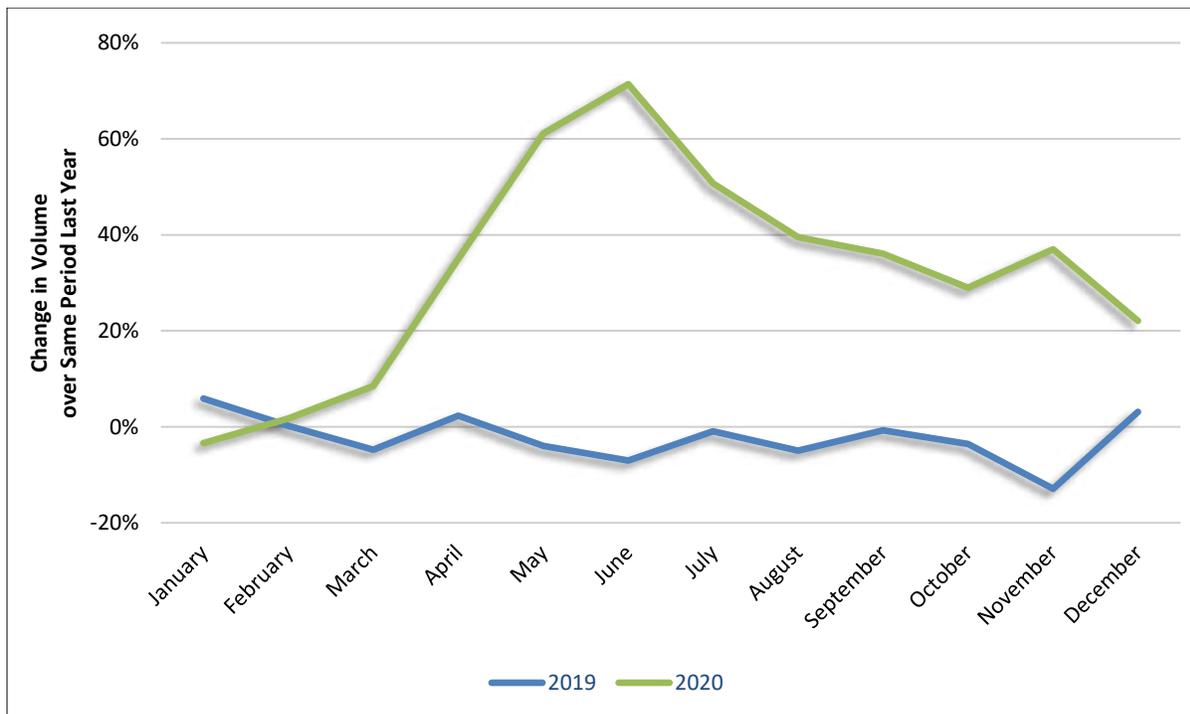
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<sup>51</sup> *See* FY 2020 ACD at 108-116. The Commission also provides detailed discussion regarding the root causes of failure points in mail processing and transportation. *See, e.g., id.* at 168-178, 190-193.

<sup>52</sup> *See* Response to CIR No. 1, questions 3.a., b.; Response to CHIR No. 2, question 1.a.; Responses of the United States Postal Service to Questions 1-26 of Chairman’s Information Request No. 3, January 22, 2021, questions 14.b., 22.a., 24.a. (Response to CHIR No. 3); Responses of the United States Postal Service to Questions 1-16 of Chairman’s Information Request No. 11, February 11, 2021, question 14.a. (Response to CHIR No. 11); Responses of the United States Postal Service to Questions 1-8 of Chairman’s Information Request No. 16, February 19, 2021, question 3.c. (Response to CHIR No. 16).

change in volume for Competitive products for each month in calendar year (CY) 2019 and CY 2020 when compared to the same month of the prior year. Figure III-1 shows that beginning in April 2020, Competitive product volumes increased substantially each month compared to the same month in CY 2019.

**Figure III-1**  
**Total Competitive Products**  
**Change in Volume over Same Period Last Year (%)**



Source: Response to CHIR No. 15, question 5.

The Postal Service notes that the sharp increase in package volumes had an impact on service performance. *See* Response to CHIR No. 3, question 24.a. Packages, in contrast to letters and flats, may require manual processing, especially if they are oversized. Response to CHIR No. 15, question 2.a. Packages may also occupy more space during transit. *Id.* However, the Postal Service is unable to specifically describe the steps that the field units took to balance the increased package volumes or quantify the impact those volumes had on service performance. *See* Response to CHIR No. 3, question 22. It does explain that, in order to mitigate the impact of increased package volumes on service performance, the Postal Service hired additional employees, utilized overtime, placed “mail on [the] earliest possible dispatch,” and added additional transportation and delivery trips.<sup>53</sup>

<sup>53</sup> Responses of the United States Postal Service to Questions 1-7, 10-20 of Chairman’s Information Request No. 6, February 4, 2021, question 19.a. (February 4 Response to CHIR No. 6).

In the FY 2020 ACD, the Commission provides further discussion and analysis related to the changes in the mail mix experienced by the Postal Service in FY 2020. FY 2020 ACD at 116-118.

The Postal Service also faced challenges related to the prioritization of certain types of mail during the COVID-19 pandemic. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) states that “during the COVID-19 emergency, the Postal Service—(1) shall prioritize delivery of postal products for medical purposes[.]”<sup>54</sup> The Postal Service notes this was challenging due to the fact that “[t]here are presently no distinct elements or descriptors, nor specifications or processes ([Domestic Mail Manual] or otherwise) that allow the Postal Service to recognize items as medical versus non-medical.” February 4 Response to CHIR No. 6, question 16.c. Nevertheless, the Postal Service notes that the vast majority of these items fall under the Competitive products category and, “to the extent that personnel in the field had some tangible basis to view particular mail pieces as likely constituting a pharmaceutical shipment,” the Postal Service tried to expedite the handling of such mailpieces. *Id.* question 16.a., d. Though the Postal Service notes that there is no reason to believe the treatment of these mailpieces affected service performance for Market Dominant products, it explains that it intends to continue to prioritize the delivery of medical products through a dialogue with, and focus on, its pharmaceutical customers. *Id.* question 16.b., e.

*The Commission acknowledges that the Postal Service faced unprecedented and unpredictable challenges as a result of the COVID-19 pandemic. It also recognizes that these impacts may continue into FY 2021 and beyond. As a result, the Commission recommends that the Postal Service develop a holistic strategy to lessen the impacts of the COVID-19 pandemic on service performance. This strategy should address the Postal Service’s plans to provide effective and timely service for Market Dominant products. The Commission recommends that this strategy be communicated to the general public shortly after its development. The Commission also recommends that the Postal Service consider designing a product or strategy to differentiate medical products from other types of packages and mail in an effort to expedite their handling and processing as required by the CARES Act.*

## (2) Network Disruptions – Operational Changes

The Postal Service also instituted several national operational changes in FY 2020, including: (1) 57 initiatives referred to as “Do It Now FY Strategies,” which were intended to achieve an estimated savings of 64 million workhours; (2) an increased focus on adhering to its operational schedules and eliminating unnecessary late and extra trips to transport mail; and (3) a pilot to reduce overtime at a limited number of offices, referred to as the Expedited to the Street Afternoon Sortation Initiative.<sup>55</sup> These operational

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<sup>54</sup> Pub. L. 116-136 § 6001(c)(1), 134 Stat. 281, 505 (2020), available at <https://www.congress.gov/116/plaws/publ136/PLAW-116publ136.pdf>.

<sup>55</sup> See United States Postal Service, Office of Inspector General, Report No. 21-014-R21, *Deployment of Operational Changes*, November 6, 2020, at 5, 7, Appendix B at 20-22 (OIG Report No. 21-014-R21), available at <https://www.uspsaig.gov/sites/default/files/document-library-files/2020/21-014-R21.pdf>.

initiatives were criticized for slowing mail delivery during the summer of 2020. *See, e.g.*, OIG Report No. 21-014-R21 at 8. Though the Postal Service has disputed many of these criticisms, it acknowledges that at least the “implementation of the late and extra trips policy had a temporary and unintended impact on service in July [2020].” Response to CHIR No. 11, question 12.a.; *see also* OIG Report No. 21-014-R21, Appendix E at 26-27.

In the FY 2020 ACD, the Commission provides further discussion and analysis related to the operational changes implemented in FY 2020, and issues directives regarding future initiatives that are reasonably foreseeable to impact service performance results. FY 2020 ACD at 118-134, 148-150. Specifically, the Commission expresses concern at the gap between the Postal Service management’s expectations and the actual impact on service performance results caused by the late and extra trips policy and notes this may have been a result of the Postal Service’s failure to conduct an analysis or study prior to implementation. *Id.* at 149. As such, the Commission directs the Postal Service to file with the Commission a service performance impact analysis for initiatives that are planned for implementation on or before the issuance of the next ACD and are reasonably foreseeable to impact service performance results. *Id.* at 149-50.

### (3) Network Disruption - Other Sources

In addition to the COVID-19 pandemic, the Postal Service observes there were other events that caused network disruptions and likely affected High-Quality Service results in FY 2020. These events include weather events such as tropical storms, hurricanes and winter storms, as well as natural disasters such as wildfires. Response to CHIR No. 10, question 5.a. In response to an information request, the Postal Service provides a detailed list of these events. *Id.* question 5.b. The Postal Service states that it is unable to determine the exact effects on service performance results caused by any of these events in FY 2020. *Id.* It does note, however, that “[w]hen typical disruptions such as storms occurred while the Postal Service was already contending with COVID-19, the ability to operate was further hampered by an increased strain on employee availability and the ability to keep facilities open.” Response to CHIR No. 22, question 22.

The Postal Service states that, although it “has plans in place for emergency situations, there are so many moving parts that virtually every phase of mail processing can be impacted during an emergency.” Response to CHIR No. 10, question 5.b. For instance, “[w]hen a processing facility cannot be used, mail must be redirected to other facilities, which includes the task of reworking all transportation routes.” *Id.* In emergencies, “[e]mployees are often asked to report to different facilities and to process mail that is not usually handled at their facility.” *Id.* The Postal Service states that because it “operates on a 24-hour clock – when one operation is disrupted, there is a ripple effect on other operations.” *Id.*

In order to address major network disruptions, the Postal Service conducts Continuity of Operations (COOP) planning. *Id.* The Postal Service explains that the mail processing COOP

plan is centered on a given facility's ability to process mail during emergencies. *Id.* Each mail processing facility's COOP plan involves the

[D]eliberate and preplanned movement of originating and destinating mail to an alternate facility to enable the continuation of essential mail processing functions. The plan includes the preparation of alternate reporting sites for employees, identified offload sites for mail processing by mail type, and specific procedures to be followed so that critical mail processing operations can be maintained in the event of any emergency, or threat of emergency.<sup>56</sup>

Moreover, in the *FY 2019 Annual Report*, the Postal Service indicated that it was developing a "Disruptive Events" initiative, which would "use data to identify and flag mail pieces impacted by unexpected events, such as weather, outside of the Postal Service's control." *See FY 2019 Annual Report* at 23. According to the Postal Service, this initiative would "enable [the Postal Service] to more accurately quantify impacts from these events and diagnose service failures." *Id.* The Commission was supportive of this initiative and its potential benefits and recommended that the Postal Service provide an update on its progress in the *FY 2020 Annual Report. FY 2019 Analysis* at 32.

As the Commission has stated before, severe weather and natural disasters are, at least to a certain extent, predictable and foreseeable annual occurrences that need to be adequately prepared for and incorporated into the Postal Service's targets. *See id.* at 29. Moreover, because reported service performance results are aggregated nationwide, isolated local events, while they can be expected to have some ripple effect on the Postal Service's network, generally should not be sufficient to reduce annual nationwide performance scores. At the same time, however, the Commission recognizes there are some weather events and natural disasters, particularly when they affect large geographical areas that have the potential to be disruptive to the Postal Service's network. There will always be a certain element of unforeseeability in these situations, which is why it is important that targets be set at a reasonable level.

In the *FY 2019 Analysis*, the Commission recommended that the Postal Service's service performance targets should "take into account operational realities" such as the aforementioned natural disasters. *FY 2019 Analysis* at 30. Nevertheless, as the Public Representative observed, the Postal Service instead retained the FY 2019 targets for FY 2020.<sup>57</sup> The Postal Service explains it did not factor these network disruptions into its targets because of their "unplanned nature" and because it "has had a history of establishing aggressive 'stretch' targets, which have not taken impact events into account."

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<sup>56</sup> *Id.* The Postal Service states that, in response to the COVID-19 pandemic it "did not direct facilities to activate individualized COOP plans," noting that "[t]he COOP process is designed for situations where employees are available but the facility is not[.]" whereas during the COVID-19 pandemic, the Postal Service was faced with the opposite problem. Response to CHIR No. 22, question 18.a. However, the Postal Service does note that "sections of the COOP plan pertinent to moving mail were likely invoked at the local level." *Id.*

<sup>57</sup> *See* Docket No. ACR2019, Public Representative Comments on the FY 2019 Performance Report and FY 2020 Performance Plan, February 28, 2020, at 7.

Response to CHIR No. 24, question 6.a. The Commission remains concerned that the Postal Service did not take network disruptions into account when setting its FY 2020 service performance targets.

The Postal Service asserts that for FY 2021, “actual performance and disruptions will be included in the target setting.” *Id.* question 6.b. It states that “[t]argets are being developed to be attainable under current conditions and circumstances” and that “[e]vents such as natural disasters, weather impacts, and the ongoing COVID-19 pandemic are [being] evaluated and considered while targets are established.” *Id.* As previously discussed, the Postal Service filed FY 2021 High-Quality Service targets with the Commission on May 14, 2021. *See Revised FY 2020 Annual Report* at 36; Chapter II, Section C.1.a., *supra*. FY 2021 targets for the public performance indicators are shown in Table I-1, *supra*.

The Postal Service states it “delayed setting targets in order to ensure that it could set meaningful targets that would account for the ongoing and unprecedented impacts of the COVID-19 global pandemic on the Postal Service.” *Revised FY 2020 Annual Report* at 36. The Postal Service further states “[b]oth service performance achieved through the first half of the fiscal year and the ongoing effects of the COVID-19 global pandemic were considered in setting the service performance targets.” *Id.* The Postal Service acknowledges that service performance “in the first half of the year suffered due to multiple challenges” and that “[t]he Postal Service will have to achieve substantial improvement in service performance across all products over the second half of the year in order to meet its . . . targets.” *Id.* The Commission observes that FY 2021 targets are considerably lower than FY 2020 targets and thus do appear to take actual performance and disruptions into account.

Despite the positive development of the Postal Service adopting targets that are more realistic and achievable, the Commission is concerned the Postal Service has suspended the Disruptive Events initiative “due to resource constraints and competing priorities.” Response to CHIR No. 15, question 11.a. The Commission acknowledges that, given the existence of the COVID-19 pandemic, the Postal Service was forced to make difficult decisions regarding the allocation of its resources and attention. Nevertheless, the Disruptive Events initiative—with its purpose of accurately quantifying the effects of network disruptions and diagnosing corresponding service failures—would have presumably proven useful in responding to the COVID-19 pandemic and developing appropriate targets that account for foreseeable annual disruptions outside of the Postal Service’s control.

*As in years past, the Commission recommends the Postal Service develop targets that balance the need to inspire continuous improvement with the importance of being realistic and achievable. Targets should also take into account operational realities such as the foreseeable occurrence of a number of severe weather events and natural disasters in any given year. The Commission also recommends that the Postal Service restart the Disruptive Events initiative and report on its progress in the FY 2021 Report. If it does not, the*

*Commission further recommends that the Postal Service explain why it has not done so in the FY 2021 Report.*

c. Plans for Improving High-Quality Service

(1) Internal Organizational Restructuring

In a further effort to improve service performance, the Postal Service, in late FY 2020, restructured its operations into separate “functions for retail and delivery on the one hand and processing and logistics on the other.” See FY 2020 ACR at 39. The Postal Service states that this new organizational structure is designed to establish clearer lines of accountability, thus “better enabl[ing] service performance improvements, enhanc[ing] communications and oversight, and ensur[ing] quicker implementation of strategies and initiatives.” *Id.*

The Postal Service explains that “[t]he legacy structure had field support functions self-contained within operations[,]” and that “[a]s a result, there was duplication around support functions, as well as a lack of focus and line of sight on core business functions.” Response to CIR No. 1, question 9. Under that structure, “[p]lanning and execution were decentralized in 7 [A]reas and 67 [D]istricts[,] with “all aspects of operations (retail, delivery, and processing)” retaining that structure. *Id.* In other words, leadership for each District managed “both operations (Processing, Logistics, Delivery, Retail) and business functions (Human Resources, Finance, Marketing, and Information Technology)[,]” resulting in “leadership roles where the range of responsibilities was simply too broad, making it difficult for one leader to execute strategies across all mission critical functions.” 10-Year Strategic Plan at 15-16.

The Postal Service contends its new organizational structure will allow “each of these core business units to focus on excellence within their function, enhanced organizational line-of-sight, and separated planning and execution functions.” Response to CIR No. 1, question 9. The Postal Service concludes that this structure will lead to improved service performance. *Id.*

*The Commission cautions the Postal Service that such a restructuring—in the absence of other affirmative, targeted initiatives—may not adequately improve service performance results, especially in light of the decreases in results seen in recent years. The Commission recommends that the Postal Service develop metrics to measure and evaluate whether and how the organizational restructuring improves service performance, accountability, and communications in FY 2021 and beyond. See FY 2020 ACD at 146.*

The Postal Service states that its FY 2020 restructuring created a new dedicated Letter/Flat Mail group within the new operating unit of Logistics and Processing Operations.<sup>58</sup> Although the idea of this group—designated as the Headquarters In-Plant

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<sup>58</sup> Library Reference USPS-FY20-29, December 29, 2020, PDF file “USPS-FY20-29.Preface.pdf,” at 3.

Support Letter and Flat, Planning and Implementation Group—was conceived in late FY 2020, it “was not configured, enabled and fully operational until quarter two of FY 2021.” Response to CIR No. 1, question 11.a. The Postal Service notes this group “has been intently focused on strategically stabilizing all letter and flat shaped-based products[,]” mainly by “moving away from one, unachievable, universal operating plan to creating site-by-site specific, achievable operating plans.” *Id.* The Postal Service asserts this will result in service performance improvement across all letter and flat-shaped products. *Id.*

*The Commission finds the Postal Service’s creation of a working group focused on letter and flat-shaped mailpieces is a reasonable attempt to address the ongoing issues with service performance for these products. However, as discussed in the FY 2020 ACD, the Postal Service has not established specific metrics to evaluate the efficacy of this group’s actions. FY 2020 ACD at 147. The Commission recommends that the Postal Service develop specific goals and a realistic timeframe for taking specific measureable steps for achievement of the group’s objectives (such as developing and implementing site-specific operating plans for certain percentages of facilities by a certain date). See id.*

## (2) Additional Market Dominant Composite Performance Indicator

The Postal Service explains that in FY 2021, it will begin reporting an additional High-Quality Service performance indicator, called the Market Dominant Composite.<sup>59</sup> The Postal Service explains this additional performance indicator will be “measured using a composite score of all classes, shapes and service standards.” Response to CHIR No. 8, question 2.b. It states that “[t]o accomplish this, performance scores will be calculated by (the total all on-time pieces for all classes, shape and services standards) divided by (the total pieces in measurement for all classes, shape and services standards)[,]” and that no weighting will be applied for the calculation. *Id.* Though it explains it will be introducing the Market Dominant Composite in FY 2021, the Postal Service nevertheless provides results for this performance indicator for FY 2017 through FY 2020. *See id.* at 33 nn.4, 5.

The Postal Service explains that the change to the Market Dominant Composite was made in order to promote “simplification and focus” for all of the included market dominant mail and maintains that it will confer several benefits: it will “enable[] the organization to drive focus, streamline the conversations and reporting, and avoid having one indicator improve at the expense of another.” Response to CHIR No. 8, question 2.a. It asserts that in past instances where it has shifted to composite scores, the change has led to an increased “focus on the relative processes that drive improvement for the relative service categories.” Response to CHIR No. 22, question 20. It also confirms it will continue to

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<sup>59</sup> In the *FY 2021 Plan*, the Postal Service initially stated that the Market Dominant Composite will replace both the FCLF Composite and USPS Marketing Mail and Periodicals Composite. *FY 2020 Annual Report* at 33 n.3. The Postal Service subsequently clarified that it will continue to report results for the FCLF Composite and USPS Marketing Mail and Periodicals Composite in addition to the Market Dominant Composite performance indicator. Postal Service Reply Comments at 5.

report the existing High-Quality Service performance indicators: Single-Piece First-Class Mail (2-Day and 3-5-Day), Presorted First-Class Mail (Overnight, 2-Day, and 3-5-Day), FCLF Composite, and USPS Marketing Mail and Periodicals Composite. Response to CHIR No. 15, question 9.a.

The Public Representative as well as PostCom/DTAC oppose the additional Market Dominant Composite performance indicator. PR Comments at 9; PostCom/DTAC Comments at 4. The Postal Service responds that the additional Market Dominant Composite performance indicator is not intended to withhold or disguise information, but rather is informed by the desire to maximize efficiency. Postal Service Reply Comments at 5.

Given that the volumes for each class, shape, and service standard vary greatly, and because the Postal Service states the Market Dominant Composite will not be weighted, the Commission is concerned that results will be driven primarily by the products with the greatest volumes and will therefore not reflect the service performance of the products with less volume. The Commission has expressed concern with composite performance indicators in the past, most recently when addressing the current FCLF Composite and USPS Marketing Mail and Periodicals Composite:

The Commission acknowledges that the Postal Service has the discretion to choose the performance indicators that measure progress toward its performance goals. However, the Commission agrees that the FCLF and the [USPS] Marketing Mail and Periodicals Composite performance indicators may provide little insight into the performance of flats given the weighting by volume and the disparity in flat and letter volumes. By combining letters and flats in the composite measures, the 'measured' volumes reflect service performance of letters rather than flats. The relatively stronger performance of letters raises results for the entire composite. The generally lower performance results for flats are masked as flats volume comprises a low percentage of the composite data.<sup>60</sup>

The Commission is similarly concerned that a focus on the additional Market Dominant Composite performance indicator will necessarily result in less insight into lower volume products while overemphasizing the performance of products with greater volumes. The Commission does appreciate, however, that the Postal Service intends to continue to use its more disaggregated High-Quality Service performance indicators, such as those for Single-Piece First-Class Mail and Presorted First-Class Mail. *See* Response to CHIR No. 15, question 9.a.

*In the FY 2021 Report, the Commission recommends that the Postal Service discuss how combining many different Market Dominant products with potentially different service performance results affected the FY 2021 result of the Market Dominant Composite*

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<sup>60</sup> FY 2017 Analysis at 33.

*performance indicator, including by indicating which products' performance were primarily reflected in the results. The Commission also recommends that the Postal Service consider including supporting workpapers containing the inputs for and the calculation of the FY 2021 High-Quality Service performance indicator results to the extent they are not included elsewhere in its ACR filings. Additionally, the Commission recommends that the Postal Service consider creating composites based strictly on product shape or class, as these may retain the benefits of simplification and focus sought by the Postal Service while ensuring that incongruous products are not being compared.*

(3) First-In, First-Out (FIFO)

The FIFO method of mail management is a mechanism in which mail is processed in the order that it is received; “[f]ailure to process mail in FIFO order can lead to service failures.” Response to CHIR No. 24, question 4. The Postal Service explains it promotes FIFO “by tasking sites with creating and maintaining one-way staging lanes (i.e., ‘swim lanes’)” and instructing its employees “that mail be placed in the swim lane from the back and pushed forward as new containers arrive[,]” which “ensures that the oldest containers are first in line to be processed.” Response to CHIR No. 24, question 3.a. The Postal Service also asserts it “uses color coding for [USPS] Marketing Mail as a tool of visual management to ensure the oldest containers are processed first[,]” and inspects its work via Lean Mail Processing audits. *Id.*

Nevertheless, as the Postal Service explains, FIFO order is sometimes “not feasible due to facility constraints.” *Id.* For instance, “[s]wim lanes require an aisle on either side, and some sites do not have enough space to accomplish this.” *Id.* Additionally, the Postal Service notes that “efforts to maintain FIFO order can be hampered by the total volume of mail in a building.” *Id.* According to the Postal Service, “[i]f the volume is such that the swim lanes are completely full, containers must be staged anywhere a place can be found, and FIFO order may be sacrificed.” *Id.*

The Postal Service notes that, for the above reasons, spatial concerns—including increased mail volume—have historically been the most significant obstacles to maintaining FIFO order. *Id.* question 3.b. For example, the Postal Service explains the sharp increase in package volume that occurred in FY 2020 “made it more difficult to maintain FIFO order because swim lanes filled up, and mail had to be staged wherever a place could be found.” *Id.* question 3.c. The Postal Service states it “intends to reinforce its existing standard work instructions in FY 2021 to ensure that the FIFO method of mail management is followed” and “will continue to monitor this via Continuous Improvement, service improvement teams, and Lean Mail Processing.” *Id.* question 4.

*The Commission notes the effects of the COVID-19 pandemic—particularly the recent surge in package volumes—may continue into FY 2021 and beyond. As such, the Commission recommends that the Postal Service reevaluate its current FIFO practices and guidance in an effort to create a system that ensures that processing in FIFO order occurs in instances where facilities are faced with a lack of space.*

#### (4) Election Mail Performance

A presidential election occurred in FY 2021.<sup>61</sup> The Postal Service states that “extraordinary measures to ensure Election Mail [was] prioritized and delivered on-time [were] instituted[,]” including “expedited handling of all election mail irrespective of mail class or postage paid, extra deliveries when needed and special pickups to deliver blank ballots to voters or completed ballots to boards of elections.” *FY 2020 Annual Report* at 36. The Postal Service states that, although it did not generate a formal, written, national plan, it:

[D]id engage in extensive planning to ensure operational preparedness in advance of the 2020 primary elections and made adjustments leading into the general election to address areas of opportunity and anticipated increases in Election Mail volume. This included updating and issuing standard operating procedures, stand-up talks, and other guidance documents, as well as holding trainings and conducting webinars to discuss best practices and common issues, among other things.

February 4 Response to CHIR No. 6, question 11.b.

On August 18, 2020, the Postmaster General reiterated the Postal Service’s “critical role” and commitment to delivering Election Mail, and stated that on October 1, 2020, the Postal Service would “engage standby resources in all areas of [its] operations, including transportation, to satisfy any unforeseen demand.”<sup>62</sup> Additionally, on August 21, 2020, the Postal Service Board of Governors established a bipartisan Election Mail Committee to oversee the Postal Service’s support of the mail-in voting process.<sup>63</sup> Further, the Postmaster General expanded the Postal Service’s pre-existing Election Mail Task Force to include leaders of the four major postal unions and the leaders of management associations to review the Postal Service’s plans.<sup>64</sup>

Multiple preliminary injunctions were issued by federal courts against the Postal Service in September and October 2020. *See* FY 2020 ACD at 130, 138. On September 21, 2020, the United States District Court for the Southern District of New York issued a preliminary injunction requiring the Postal Service to develop a guidance memorandum concerning its

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<sup>61</sup> FY 2021 began on October 1, 2020 and runs through September 30, 2021.

<sup>62</sup> United States Postal Service, Postal News, Postmaster General Louis DeJoy Statement, August 18, 2020, available at <https://about.usps.com/newsroom/national-releases/2020/0818-postmaster-general-louis-dejoy-statement.pdf>.

<sup>63</sup> United States Postal Service, Postal News, USPS Board of Governors Announces Bipartisan Election Mail Committee, August 21, 2020, available at <https://about.usps.com/newsroom/national-releases/2020/0821-bog-announces-bipartisan-election-mail-committee.pdf>.

<sup>64</sup> United States Postal Service, Postal News, Statement on Inaugural Meeting of the Postal Service’s Expanded Election Mail Task Force, September 3, 2020, available at <https://about.usps.com/newsroom/national-releases/2020/0903-usps-statement-on-election-mail-task-forcemeeting.pdf>.

treatment of Election Mail.<sup>65</sup> On September 21 and 25, 2020, respectively, Postal Service management disseminated two written memoranda across the nation clarifying its operational instructions concerning its treatment of Election Mail and describing the additional resources that the Postal Service would dedicate to delivery of Election Mail beginning on October 1, 2020.<sup>66</sup>

After the election occurred, the Postal Service issued its analysis of its performance during the election.<sup>67</sup> In its 2020 Post-Election Analysis, the Postal Service observed that “[a] record 159 million voters cast ballots in the 2020 general election – 22 million more than in 2016 – and the turnout percentage was the highest in a U.S. election since 1900.” 2020 Post-Election Analysis at 2. The Postal Service reported that 97.9 percent of ballots mailed from voters to election officials were delivered within 3 days, with 99.7 percent of ballots mailed from voters delivered within 5 days. *Id.* at 19. On average, ballots were delivered to voters in 2.1 days and were returned from voters to election officials in 1.6 days. *Id.*

The Postal Service explains that, in order to achieve these results, it took many extraordinary measures, including “checking every mailbox on every street throughout the nation for ballots being sent to election officials – regardless of whether [the Postal Service was] delivering mail to a particular customer.” *Id.* at 2, 17. Moreover, it took the additional “extraordinary step of collecting and processing mail on the Sunday before election day.” *Id.* at 2. Finally, the Postal Service asserted that when it identified ballots at risk of arriving late, it “engaged in additional steps such as utilizing [the] Priority Mail Express network, at no additional cost to the customer; bypassing [the] processing network entirely to accelerate local delivery of ballots; and making additional deliveries and special trips to help ensure that ballots arrived on time to be counted.” *Id.* at 2-3.

The Postal Service notes it cannot quantify the impact that these extraordinary measures had on the High-Quality Service results of non-Election Mail. Response to CHIR No. 22, question 24.a. For instance, in some cases, “efforts to accelerate Election Mail might impede performance of non-election mail as they were competing for scarce resources due to the pandemic.” *Id.* On the other hand, “[i]n other instances, other mail might travel along with Election Mail and thus benefit from these extraordinary measures.” *Id.* The Postal Service acknowledges some non-Election Mail USPS Marketing Mail volumes may

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<sup>65</sup> *Jones v. United States Postal Serv.*, No. 20 Civ. 6516 (VM), 488 F.Supp.3d 103, 135 (S.D.N.Y. Sept. 21, 2020) (“Plaintiffs have identified a profound and troubling lack of standards and uniformity with regard to USPS’s handling of Election Mail.”).

<sup>66</sup> United States Department of Justice, September 25, 2020 Letter, *Jones v. United States Postal Serv.*, No. 20 Civ. 6516 (VM), ECF Document #58 (describing that the Postal Service issued the memoranda on September 21, 2020 and September 25, 2020); Memorandum from the United States Postal Service, Chief Retail and Delivery and Chief Logistics and Processing Operations to Officers, PCES [Postal Career Executive Service], and Pay Band Managers, Clarifying Operational Instructions, September 21, 2020, ECF Document #58-4; Memorandum from United States Postal Service, Chief Retail and Delivery and Chief Logistics and Processing Operations to Officers, PCES [Postal Career Executive Service], and Pay Band Managers, Additional Resources for Election Mail Beginning October 1, September 25, 2020, ECF Document #58-5.

<sup>67</sup> United States Postal Service, 2020 Post-Election Analysis: *Delivering the Nation’s Election Mail in an Extraordinary Year*, December 28, 2020 (2020 Post-Election Analysis), available at [https://about.usps.com/newsroom/national-releases/2020/USPS\\_PostElectionAnalysis\\_12\\_28\\_20.pdf](https://about.usps.com/newsroom/national-releases/2020/USPS_PostElectionAnalysis_12_28_20.pdf).

have incurred delays as a result of the prioritization of Election Mail. *See* Response to CHIR No. 3, question 22.c.

In the FY 2020 ACD, the Commission provides further discussion and analysis related to Election Mail and its effects on service performance in 2020. FY 2020 ACD at 134-139.

*The Commission recommends that the Postal Service continue conducting post-election reviews to identify lessons learned for use as a reference in future elections. See id. at 139.*

#### (5) Service Standards and Targets

In its 10-Year Strategic Plan, the Postal Service explains generally that it has “failed to meet service commitments to [its] customers for many of [its] mail and package products.” 10-Year Strategic Plan at 14. It explains that “[t]his is due to both unattainable service standards and a lack of operational precision. Processing and transportation functions do not currently occur on-schedule, resulting in delayed product to [Postal Service] carriers and to [Postal Service] customers.” *Id.* According to the Postal Service, these issues will only become worse, as “[i]ncreased package volume, a dispersed processing network causing products to travel excess mileage, and an extremely distributed collection process to pick up increasingly smaller mail volume make it impossible to meet . . . current service standards, or do so at a reasonable cost.” *Id.*

The Postal Service states that it intends “to modify existing service standards for First-Class Mail Letters and Flats from a current 1- to 3-day service standard within the continental United States to a one-to-five-day service standard.” *Id.* at 26. According to the Postal Service, “[t]his will also require adjustments to the service standards for full network Periodicals (which travel with First-Class Mail)” as well as for First-Class Packages. *Id.* at 26-27. It states that these changes would allow the Postal Service to move “First-Class Mail and First-Class Packages to a more predictable and reliable surface network.” *Id.* at 27.

On April 21, 2021, the Postal Service filed a request that the Commission issue an advisory opinion pursuant to 39 U.S.C. § 3661 regarding its proposed changes to service standards for First-Class Mail and Periodicals.<sup>68</sup> This docket is currently pending before the Commission.<sup>69</sup>

As explained above, service performance reporting in the ACR is independent of service performance reporting in annual performance plans and annual performance reports under 39 U.S.C. §§ 2803 and 2804. *See* n.45, *supra*. The Postal Service’s 10-Year Strategic Plan appears to propose changes to the service standards applied in the ACR.

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<sup>68</sup> Docket No. N2021-1, United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, April 21, 2021, at 1.

<sup>69</sup> Docket No. N2021-1, Notice and Order on the Postal Service’s Request for an Advisory Opinion on Changes in the Nature of Postal Services, April 23, 2021, at 19-20 (Order No. 5875).

Nevertheless, because the performance indicators utilized in the annual performance plan and annual performance report are within the Postal Service's discretion, the Postal Service's proposed changes may very well impact the FY 2021 High-Quality Service performance indicators as well.

*The Commission recommends that, should the Postal Service change its service standards for First-Class Mail Letters and Flats, full network Periodicals, and/or First-Class Package Service during FY 2021, the Postal Service should discuss how these changes impacted the performance indicators for the High-Quality Service goal in the FY 2021 Report. Moreover, should the Postal Service make these changes, the Commission emphasizes that the Postal Service should include comparable results for FYs 2018 through 2021, as required by 39 U.S.C. § 2804(c), or explain why comparable results cannot be provided. See Chapter II, Section C.2.b., supra.*

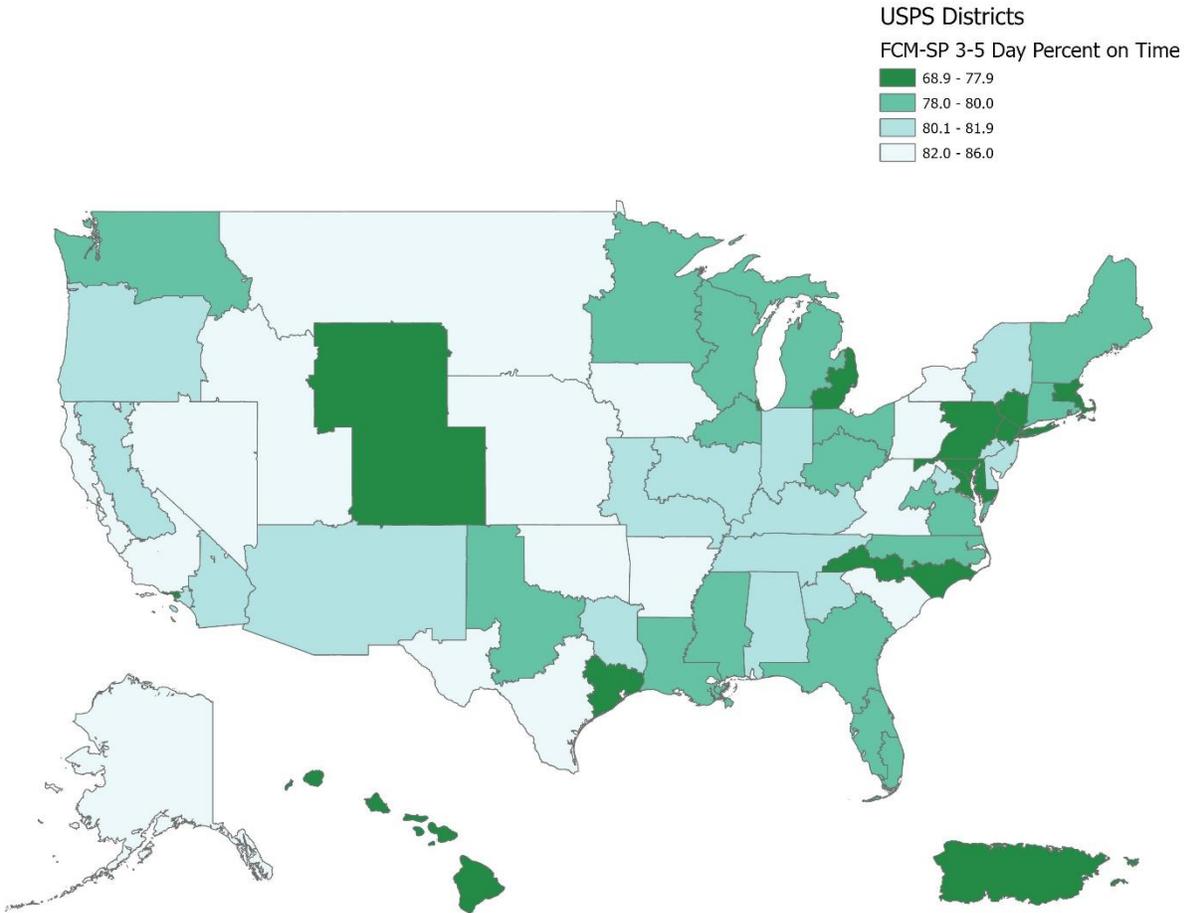
#### (6) Service Performance by District

Last year, the Commission suggested the Postal Service examine the fact that service performance across the Postal Service's 67 Districts varies relative to geography.<sup>70</sup> This variance is illustrated for FY 2020 in Figure III-2 for Single-Piece First-Class Mail Letters and Cards with a 3-5-Day service standard.

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<sup>70</sup> See *FY 2019 Analysis* at 35-37. The Postal Service states that it has now consolidated the previous 67 Districts into 50 Districts so that, going forward, the Districts will "align with the communities the Postal Service serves and provide familiar boundaries for employees, customers, and stakeholders." 10-Year Strategic Plan at 36.

**Figure III-2**  
**Single-Piece First-Class Mail 3-5-Day Percentage of Mailpieces Delivered On-Time**  
**By District for FY 2020**



The data in this map illustrate the percentage of mailpieces that were delivered within the expected service performance window, measured at the District level. The Single-Piece First-Class Mail 3-5-Day service performance target for FY 2020 was 95.25 percent. *FY 2020 Annual Report* at 34. No District achieved this target, with the highest performing District having an 86 percent on-time service performance score. The colors on the map represent different quartiles of data, with each color grouping containing 25 percent of the Districts. The darker colors indicate a lower percentage of mailpieces meeting the service standard. Interval break points are based on the distribution of the data points. Because volume data show origin/destination combined results, in which each mailpiece is counted once according to its origin and once according to its destination, it is difficult to determine which processing phase was most responsible for the mail failing to meet its

service performance target.<sup>71</sup> Nevertheless, it is clear that discrepancies in service performance results exist at the District level, with a gap of 17 percentage points separating the lowest and highest performing Districts.

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

## **B. Excellent Customer Experiences<sup>72</sup>**

### **1. Background**

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

The Postal Service measures customer experience by conducting surveys of residential, small/medium business, and large business customers.<sup>73</sup> In FY 2020, the Postal Service measured customer experience using these Customer Experience (CX) surveys:

- Business Service Network (BSN)
- Point of Sale (POS)
- Delivery
- Customer Care Center (CCC)
- Customer 360 (C360)
- Business Mail Entry Unit (BMEU)<sup>74</sup>

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<sup>71</sup> Volume data are a component of service performance reporting. See United States Postal Service, FY 2020 Quarter 4 Service Performance Measurement Data, November 9, 2020, ZIP folder “FY20 Q4 SPM Reports.zip,” folder “FY20 Q4 SPM Reports,” ZIP folder “First-Class Mail.zip,” folder “First-Class Mail,” Excel file “SPFC LC 204 Scores Report.xlsx,” tab “SPFC LC Narrative.” Volume data are provided by the Commission on its website [www.prc.gov](http://www.prc.gov); hover over “Reports/Data Service Reports” and click on the “Quarterly Reports” link under “Service Performance”.

<sup>72</sup> The *FY 2020 Report* and *FY 2021 Plan* refer to this performance goal as both “Excellent Customer Experience” (singular) and “Excellent Customer Experiences” (plural). See *FY 2020 Annual Report* 31, 33, 36, 56. For consistency, this Analysis refers to this performance goal in the plural form (Excellent Customer Experiences).

<sup>73</sup> Residential customers live in United States households that receive mail delivery. Small/medium business customers have fewer than 250 employees at one location. Large business customers have 500 or more employees. Library Reference USPS-FY20-38, December 29, 2020, file “USPS-FY20-38 Preface.pdf,” at 3, 5 (Library Reference USPS-FY20-38, Preface).

<sup>74</sup> In a library reference, the Postal Service refers to the BMEU survey as both “Bulk Mail Entry Unit” and “Business Mail Entry Unit.” Library Reference USPS-FY20-38, Preface at 1-2. The survey name is “Business Mail Entry Unit.” See *FY 2020 Annual Report* at 37; Library Reference USPS-FY20-38, folder “USPS-FY20-38” file “CX\_Surveys\_FY20.docx” at 73 (Surveys).

- USPS.com
- Large Business Panel

The Postal Service provides copies of these surveys in the FY 2020 ACR.<sup>75</sup> Each survey measures a customer touchpoint or interaction between the customer and the Postal Service. The BSN provides nationwide support to qualified business customers related to service issues, information, and requests. *FY 2020 Annual Report* at 37. The BSN survey measures business customers' overall satisfaction with the BSN. *Id.* Customers who initiate a service request within the BSN receive an email invitation to take the BSN survey online within 30 days. Library Reference USPS-FY20-38, Preface at 3. The BSN survey consists of 14 evaluation questions and 2 open-ended customer supplied responses.<sup>76</sup> These questions ask business customers about their satisfaction with their overall experience with the BSN and interaction with the BSN representative. *See Surveys* at 17-21.

The POS survey measures customers' overall satisfaction with their experiences at retail locations that use POS equipment.<sup>77</sup> After completing a retail transaction, customers receive a receipt inviting them to take the POS survey via website, telephone number, or Quick Response Code within 30 days. Library Reference USPS-FY20-38, Preface at 3. The POS survey is conducted through a web-based survey platform and consists of eight evaluation questions and two open-ended customer supplied responses. *Id.* These questions ask retail customers to evaluate their visit to the retail location, their interaction with the sales associate, and their wait time in line.<sup>78</sup>

The Delivery survey measures the overall satisfaction of residential and small/medium business customers with sending and receiving mail and packages.<sup>79</sup> There are different Delivery surveys for residential and small/medium business customers. Randomly selected residential and small/medium business customers are mailed a letter inviting them to take the survey on a weekly basis either by phone or online. Library Reference USPS-FY20-38, Preface at 3. Residential customers are asked 13 evaluation questions and 2 open-ended customer-supplied responses. *Id.* Small/medium business customers are asked 12 evaluation questions and 2 open-ended customer-supplied responses. *Id.* These

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<sup>75</sup> *See Surveys*. The Commission's rules require the ACR to include a copy of each customer survey; a description of the customer type targeted by the survey; the number of surveys initiated and received; and in the case of multiple choice questions, the number of responses received for each question, disaggregated by each of the possible responses. 39 C.F.R. § 3055.92.

<sup>76</sup> *Id.*; *see Surveys* at 11-25.

<sup>77</sup> *FY 2020 Annual Report* at 37; Library Reference USPS-FY20-38, Preface at 3.

<sup>78</sup> *See Surveys* at 2-10. The Commission discusses wait time in line in the FY 2020 ACD. *See FY 2020 ACD* at 225-226.

<sup>79</sup> *FY 2020 Annual Report* at 37; *see Surveys* at 26-41. The Delivery survey also measures residential and small/medium business customer satisfaction with Market Dominant products, which the Commission discussed in the FY 2020 ACD. *See FY 2020 ACD* at 229-235.

questions ask customers to evaluate their experiences receiving mail and packages as well as sending domestic and international products. *See Surveys* at 26-32.

The CCC survey measures customer satisfaction with calls made to the CCC, which handles customer calls to the Postal Service's toll-free customer service line.<sup>80</sup> Customers who call the CCC may use the Interactive Voice Response (IVR) system or speak to a live agent. Library Reference USPS-FY20-38, Preface at 4. There are two different CCC surveys that measure customers' overall satisfaction with either the IVR system (IVR system survey) or the live agent (Live Agent survey). *Id.* For the IVR system survey, customers who call the toll-free number and only interact with the IVR system are asked at the beginning of the call if they would like to complete a survey after the call. *Id.* For the Live Agent survey, customers who call the toll-free number and speak with a live agent receive phone invitations to take the survey. *Id.* The CCC surveys ask about customers' overall experience provided by the IVR system or the live agent. *See Surveys* at 82-83.

The C360 survey measures satisfaction with issue resolution for customers who file service requests with the Postal Service through a CCC live agent or USPS.com.<sup>81</sup> The C360 survey was previously called the Enterprise Customer Care survey.<sup>82</sup> The Postal Service explains it changed the survey name to align with the customer relationship management platform called C360 that it launched in FY 2019 to resolve issues more efficiently.<sup>83</sup> The C360 survey is sent to customers after their cases have been closed. Library Reference USPS-FY20-38, Preface at 4. Customers who provide an email address receive a C360 survey as long as they have not already been surveyed during the last 60 days.<sup>84</sup> The C360 survey consists of 13 evaluation questions and 2 open-ended customer supplied responses. *Id.* These questions ask customers whether their case was resolved successfully and how satisfied they were with the quality of service received in response to their issue. *See Surveys* at 42-50.

The BMEU is the area of a postal facility where business mailers present bulk, presorted, and permit mail for acceptance.<sup>85</sup> The BMEU survey measures business customers' level of

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<sup>80</sup> *FY 2020 Annual Report* at 37; Library Reference USPS-FY20-38, Preface at 4.

<sup>81</sup> *FY 2020 Annual Report* at 37; Library Reference USPS-FY20-38, Preface at 4.

<sup>82</sup> *FY 2020 Annual Report* at 37. The Postal Service states that the name change does not affect the comparability of the FY 2020 C360 survey result with Enterprise Customer Care survey results from past years. FY 2020 ACR at 51.

<sup>83</sup> *FY 2020 Annual Report* at 37. C360 is a cloud-based application that consolidates customer interaction history, provides integrated research tools, and makes information available in one view. Response to CHIR No. 25, question 5.a. When customers contact the Postal Service, their customer profile and history of service requests are recorded in C360. *Id.*

<sup>84</sup> *Id.* Customers who only provide a phone number receive a call from the IVR system. *Id.*

<sup>85</sup> "Business Mail Entry Unit," United States Postal Service, *Glossary of Postal Terms (Publication 32)*, July 2013, available at [https://about.usps.com/publications/pub32/pub32\\_terms.htm](https://about.usps.com/publications/pub32/pub32_terms.htm).

satisfaction with their experience at the BMEU.<sup>86</sup> After business customers produce and finalize a postage statement at the BMEU, they receive an email inviting them to take the web-based survey, which consists of nine evaluation questions and two open-ended customer supplied responses. Library Reference USPS-FY20-38, Preface at 3. These questions ask about business mailers' overall satisfaction with their experience at the BMEU, as well as their experience with acceptance employees at the BMEU. *See* Surveys at 73-81.

The USPS.com survey measures the level of satisfaction for customers who visit the Postal Service's website.<sup>87</sup> The survey is offered to a random sample of 2 percent of customers who access the website through a desktop computer or tablet and click through 3 or more web pages. Library Reference USPS-FY20-38, Preface at 4. The survey is also offered to a random sample of 5 percent of users who access the website through a mobile device. *Id.* The survey consists of four evaluation questions and one open-ended customer supplied response.<sup>88</sup> These questions ask about customer satisfaction with the overall experience provided by the website and whether customers accomplished what they wanted to on the website. *See* Surveys at 84.

The Large Business Panel survey measures customer satisfaction of large business customers, which are those with 500 or more employees.<sup>89</sup> The Large Business Panel survey is managed by a third-party vendor that solicits customers to sign up to participate in the survey. Library Reference USPS-FY20-38, Preface at 5. The survey was conducted monthly during FY 2020 to account for seasonal variation for Market Dominant products. *Id.* The survey consists of 21 evaluation questions and 2 open-ended customer supplied responses. *Id.* These questions ask large business customers about their overall satisfaction with their recent experiences with the Postal Service, as well as their usage of and satisfaction with domestic and international mail products.<sup>90</sup>

To capture, analyze, and report on all of the CX surveys, the Postal Service uses two Voice of the Customer platforms: InMoment and Medallia. Response to CHIR No. 22, question 2.a.i. These platforms consolidate CX survey results and enable the Postal Service to view results in real-time. *Id.* These platforms also provide the Postal Service "access to historical satisfaction and attribute scores for year-over-year comparisons, text analytics

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<sup>86</sup> *FY 2020 Annual Report* at 37; Library Reference USPS-FY20-38, Preface at 2. The Postal Service states it does not distinguish who drops off mail at BMEUs and does not specifically measure customer experience of third-party service providers that drop off mail at BMEUs on behalf of bulk mailers. Response to CHIR No. 23, question 2.

<sup>87</sup> *FY 2020 Annual Report* at 37; Library Reference USPS-FY20-38, Preface at 4.

<sup>88</sup> *Id.*; *see* Surveys at 84.

<sup>89</sup> Library Reference USPS-FY20-38, Preface at 5; *see* Surveys at 51-72.

<sup>90</sup> *See* Surveys at 53-56. The Commission discusses large business customer satisfaction with Market Dominant products in the FY 2020 ACD. *See* FY 2020 ACD at 229-235.

tools to understand customer sentiment around different themes, and the ability to view results at the Area and District levels.” *Id.*

b. Performance Indicators

In FY 2020, the Postal Service used eight performance indicators or metrics to track progress toward the Excellent Customer Experiences performance goal. Seven of those performance indicators correspond directly to one of the CX surveys described above.<sup>91</sup> Results of these seven CX survey performance indicators are calculated as the percentage of customers who responded “Very Satisfied” or “Mostly Satisfied” on a six-point scale to a question about overall satisfaction on the particular survey. FY 2020 ACR at 41. The overall satisfaction question for each of the seven CX surveys is shown in Table III-3.

**Table III-3**  
**Customer Experience Surveys**  
**FY 2020 Overall Satisfaction Questions**

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

Source: Library Reference USPS-FY20-38, folder “Preface” Excel file “CX Composite\_ALL SURVEYS\_ProgramOverview\_FY20.xlsx.”

In FY 2020, the Postal Service also used the results of each of the seven CX survey performance indicators to calculate the CX Composite Index, which is the eighth

<sup>91</sup> Response to CHIR No. 2, question 2. The Large Business Panel survey is the exception. The Postal Service introduced the Large Business Panel survey as a performance indicator in FY 2018, but discontinued this performance indicator in FY 2019. *See FY 2018 Analysis* at 45. In FY 2019, the Postal Service explained that it discontinued using the Large Business Panel performance indicator because business customer experiences were already measured by the BSN and BMEU surveys. *FY 2018 Annual Report* at 21. The Postal Service continued to administer the Large Business Panel survey in FY 2019 and FY 2020.

performance indicator tracking progress toward the Excellent Customer Experiences performance goal. *FY 2020 Annual Report* at 36-37. The CX Composite Index is a weighted composite based on results of the CX survey performance indicators. *Id.* While each CX survey measures customer experience based on specific touchpoints or interactions with the Postal Service, the CX Composite Index measures overall customer experience. Methodologies for calculating results for the Excellent Customer Experiences performance indicators are discussed in Section B.3.a., *infra*.

In FY 2020, results of the CX Composite Index, POS, Delivery, and C360 performance indicators did not meet their respective targets. *FY 2020 Annual Report* at 37. The Postal Service explains that the CX Composite Index result did not meet its target because results of the Delivery and C360 performance indicators missed their targets by a large margin, and these performance indicators were each weighted 20 percent of the CX Composite Index result. *Id.* at 38. Explanations for not meeting FY 2020 targets are shown in Figure III-4. *See* Section B.3.b., *infra*.

To improve progress toward the Excellent Customer Experiences performance goal in FY 2021, the Postal Service states that it will increase customer engagement, facilitate employees' ability to deliver excellent customer service, enhance how the Postal Service measures customer experience in a timely manner, and provide a consistent customer experience across all channels by, for example, empowering "its workforce to prevent undesirable customer experiences by providing actionable data to help them resolve customer pain points and improve the customer experience." *FY 2020 Annual Report* at 39. It notes it will ensure that customer experience questions accurately measure both customer sentiment and attributes of customer satisfaction across the CX surveys. *Id.* Plans for meeting FY 2021 targets are shown in Figure III-4. *See* Section B.3.b., *infra*.

## 2. Comments

The Public Representative concludes that the Postal Service did not meet the Excellent Customer Experiences performance goal in FY 2020 because the CX Composite Index result did not meet its target. PR Comments at 6. PostCom/DTAC comment that the FY 2021 CX Composite Index target is set above the FY 2020 target even though the Postal Service's performance in FY 2020 was well below the FY 2020 target. PostCom/DTAC Comments at 6. In its reply comments, the Postal Service explains that to drive improvement, it "increased its targets for certain of the more successful surveys," which in turn increased the FY 2021 target for the CX Composite Index. Postal Service Reply Comments at 5.

## 3. Commission Analysis

The Postal Service exceeded FY 2020 targets for the BSN, CCC, BMEU, and USPS.com performance indicators, but missed FY 2020 targets for the other Excellent Customer Experiences performance indicators (CX Composite Index, POS, Delivery, and C360). *FY 2020 Annual Report* at 37.

*The Commission finds that the Postal Service partially met the Excellent Customer Experiences performance goal in FY 2020 because it missed four targets and met or exceeded four targets.*

In the sections below, the Commission describes and compares methodologies for calculating performance indicator results, as well as analyzes FY 2020 targets and results. The Commission also examines the Net Promoter Score metric, explores follow-up questions on the CX surveys, and evaluates how the COVID-19 pandemic and organizational restructuring impacted customer experience during FY 2020.

a. Performance Indicator Methodologies

This section describes and compares the methodologies for calculating results of the CX Composite Index and the CX survey performance indicators from FY 2017 through FY 2020.

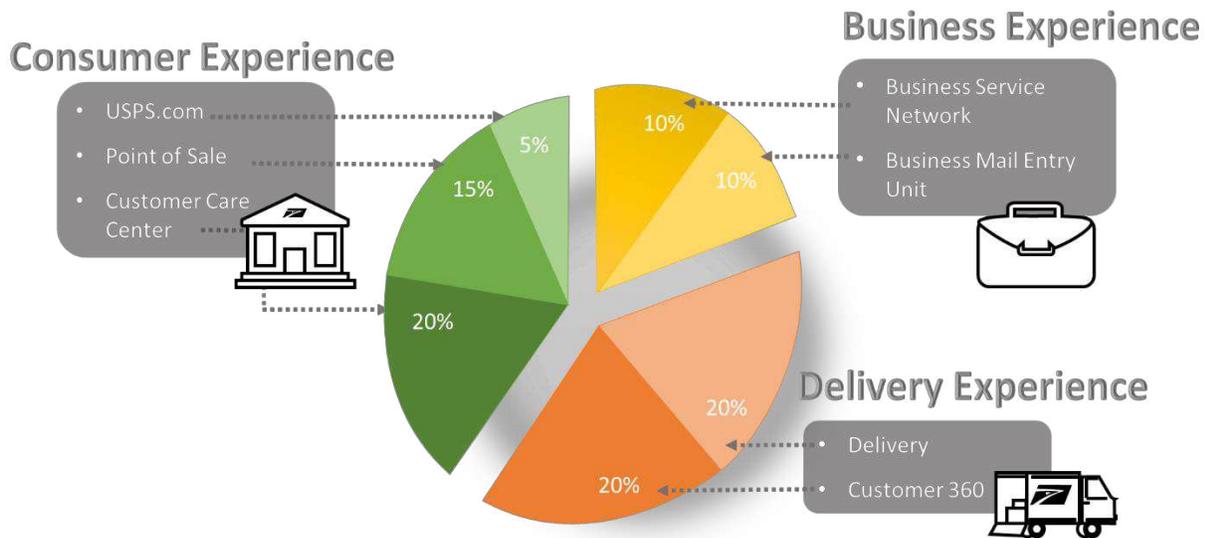
(1) Customer Experience Composite Index

The CX Composite Index is a performance indicator that measures overall customer experience.<sup>92</sup> The result is a weighted composite based on results of the CX survey performance indicators. *FY 2020 Annual Report* at 36-37. Figure III-3 shows how each CX survey performance indicator was weighted to calculate the FY 2020 CX Composite Index result. As Figure III-3 shows, the CX survey performance indicators are grouped into three core areas: Consumer, Business, and Delivery Experiences.

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<sup>92</sup> *FY 2020 Annual Report* at 36. The CX Composite Index was formerly called the Customer Insights Composite Index. *FY 2018 Annual Report* at 19 n.2.

**Figure III-3**  
**Customer Experience Composite Index**  
**Weights of Customer Experience Survey Performance Indicators in FY 2020**



Source: FY 2020 Annual Report at 37; Response to CHIR No. 22, question 3.

The Postal Service calculated the FY 2020 CX Composite Index result of 72.40 in three steps. First, the Postal Service determined the FY 2020 result for each CX survey performance indicator.<sup>93</sup> Second, the Postal Service multiplied the result of each CX survey performance indicator by its respective weight listed in Figure III-3. Third, the Postal Service added the weighted results together to arrive at the FY 2020 CX Composite Index result of 72.40. Table III-4 illustrates the steps for calculating the FY 2020 CX Composite Index result.

<sup>93</sup> See Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-8 of Chairman’s Information Request No. 18, March 3, 2020, question 3. FY 2020 results for the CX survey performance indicators were calculated as the percentage of customers who responded “Very Satisfied” or “Mostly Satisfied” on a six-point scale to the overall satisfaction question for the corresponding CX survey shown in Table III-3. See Section B.1.b., *supra*.

**Table III-4**  
**Customer Experience Composite Index**  
**Steps for Calculating the FY 2020 Result**

Customer Experience Survey Performance Indicator <sup>a</sup>	FY 2020 Result		Weight (Percent)		Weighted Result
Business Service Network	97.33	x	10	=	9.73
Point of Sale	87.46	x	15	=	13.12
Delivery	80.94	x	20	=	16.19
Customer Care Center	60.03	x	20	=	12.01
Customer 360	40.05	x	20	=	8.01
Business Mail Entry Unit	96.72	x	10	=	9.67
USPS.com	73.41	x	5	=	3.67
<b>FY 2020 Customer Experience Composite Index Result</b>					<b>72.40</b>

<sup>a</sup> Targets for each of these performance indicators are listed in Table III-7, *infra*.  
Source: FY 2020 Annual Report at 37.

Table III-5 compares the weights used to calculate CX Composite Index results between FY 2017 and FY 2020.

**Table III-5**  
**Customer Experience Composite Index**  
**Weights of Each Customer Experience Survey Performance Indicator**  
**FY 2017 through FY 2020**

Customer Experience Survey Performance Indicator	Weight of Customer Experience Composite Index			
	FY 2017	FY 2018	FY 2019	FY 2020
Business Service Network	30%	10%	10%	10%
Point of Sale	20%	10%	15%	15%
Delivery	20%	20%	20%	20%
Customer Care Center	20%	20%	20%	20%
Customer 360 <sup>a</sup>	10%	15%	20%	20%
Business Mail Entry Unit	Not Included	10%	10%	10%
USPS.com	Not Included	5%	5%	5%
Large Business Panel	Not Included	10%	Not Included	Not Included

<sup>a</sup> The C360 survey was called the Enterprise Customer Care survey from FY 2017 through FY 2019.  
Source: FY 2020 Annual Report at 37; FY 2019 Analysis at 44.

Table III-5 shows that the Postal Service calculated the CX Composite Index result using the same methodology in FY 2019 and FY 2020, but used different methodologies in FY 2017 and FY 2018. In FY 2017, the Postal Service calculated the CX Composite Index result based on the BSN, POS, Delivery, CCC, and C360 performance indicators. In FY 2018, the Postal Service added the BMEU, USPS.com, and Large Business Panel performance indicators and adjusted the weights of the other performance indicators accordingly. *See FY 2017 Analysis* at 42-43. In FY 2019, the Postal Service discontinued using the Large Business Panel performance indicator and adjusted the weights of the POS and C360 performance indicators upward to account for this change. *FY 2018 Annual Report* at 21. In FY 2020, the Postal Service calculated the CX Composite Index result using the same methodology as FY 2019. *FY 2020 Annual Report* at 37. Results of the CX Composite Index from FY 2017 through FY 2020 are shown in Table I-1. *See Chapter I, Section A., supra.*

(2) Customer Experience Survey Performance Indicators

Table III-6 shows the methodologies for calculating results of each CX survey performance indicator from FY 2017 through FY 2020.

**Table III-6  
Customer Experience Survey  
Performance Indicator Methodologies  
FY 2017 through FY 2020**

<b>Customer Experience Survey Performance Indicator</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Business Service Network	Overall satisfaction with representative	Overall satisfaction with the Business Service Network	Overall satisfaction with the Business Service Network	Overall satisfaction with the Business Service Network
Point of Sale	Overall satisfaction with post office visit	Overall satisfaction with post office visit	Overall satisfaction with post office visit	Overall satisfaction with post office visit
Delivery	Composite score based on satisfaction with letter carrier and Post Office Box	Overall satisfaction with recent delivery of mail or packages (unweighted)	Overall satisfaction with recent delivery of mail or packages (unweighted)	Overall satisfaction with recent delivery of mail or packages (unweighted)
Customer Care Center	Overall satisfaction with Live Agent	Composite of satisfaction with overall experience provided by Live Agent and Interactive Voice Response (IVR) system <sup>a</sup>	Composite of satisfaction with overall experience provided by Live Agent and IVR system <sup>a</sup>	Composite of satisfaction with overall experience provided by Live Agent and IVR system <sup>a</sup>
Customer 360	Percentage of Cases Reopened	Overall satisfaction with the quality of service received in response to issue compared to the same period last year	Overall satisfaction with the quality of service received in response to issue compared to the same period last year	Overall satisfaction with the quality of service received in response to issue compared to the same period last year
Business Mail Entry Unit (BMEU)	Not Used	Overall satisfaction with experience at the BMEU	Overall satisfaction with experience at the BMEU	Overall satisfaction with experience at the BMEU
USPS.com	Not Used	Overall satisfaction with experience provided by the USPS.com website	Overall satisfaction with experience provided by the USPS.com website	Overall satisfaction with experience provided by the USPS.com website

Source: *FY 2020 Annual Report* at 37 nn. 2, 3; Library Reference USPS-FY20-38, folder "Preface" Excel file "CX Composite\_ALL SURVEYS\_ProgramOverview\_FY20.xlsx;" *FY 2019 Analysis* at 46.  
 Not Used – performance indicator was not used to track progress toward the Excellent Customer Experiences performance goal.  
<sup>a</sup> CCC performance indicator results are composites of satisfaction with the overall experience provided by a live agent (25 percent) and the IVR system (75 percent). Response to CHIR No. 25, question 3.a.

Table III-6 shows that the Postal Service used the same methodologies to calculate results of the POS, BMEU, and USPS.com performance indicators in the years those performance indicators were used between FY 2017 and FY 2020. For the BSN, Delivery, CCC, and C360 performance indicators, the Postal Service used the same methodologies to calculate

results from FY 2018 through FY 2020, but different methodologies to calculate FY 2017 results. The *FY 2019 Analysis* describes methodologies for calculating results of the BSN, Delivery, CCC, and C360 performance indicators from FY 2017 through FY 2019. See *FY 2019 Analysis* at 47-50. In FY 2020, the Postal Service calculated the result of each CX survey performance indicator using the same methodology as FY 2019. See Table III-5 and Table III-6.

b. Analysis of Targets and Results

Table III-7 compares FY 2020 targets and results for each Excellent Customer Experiences performance indicator and shows the percentage point gaps between targets and results. As Table III-7 shows, in FY 2020 the Postal Service met four targets and missed four targets.

**Table III-7**  
**Excellent Customer Experiences Performance Indicators**  
**Comparison of FY 2020 Targets and Results**

Performance Indicator	FY 2020 Target	FY 2020 Result	Percentage Point Performance Gap
Customer Experience Composite Index <sup>a</sup>	75.73	72.40	-3.33
Business Service Network	96.73%	97.33%	N/A
Point of Sale	90.42%	87.46%	-2.96%
Delivery	86.33%	80.94%	-5.39%
Customer Care Center <sup>ab</sup>	55.00	60.03	N/A
Customer 360	55.00%	40.05%	-14.95%
Business Mail Entry Unit	96.01%	96.72%	N/A
USPS.com	72.58%	73.41%	N/A

■ Target Met   
 ■ Target Not Met

<sup>a</sup> Targets and results for the CX Composite Index and the CCC performance indicators are not presented as percentages because they are calculated by weighting and aggregating various survey results.

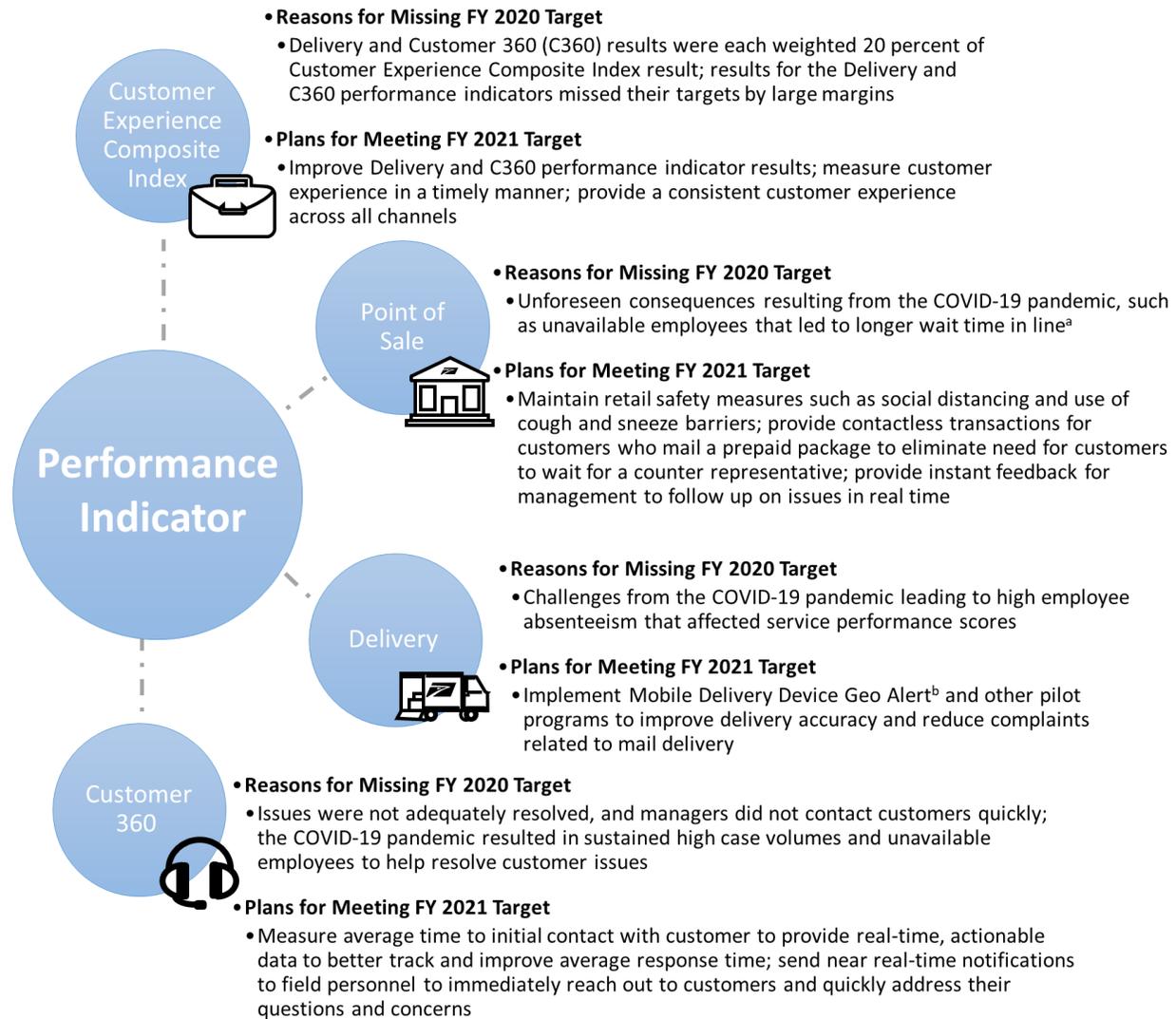
<sup>b</sup> The CCC performance indicator targets and results are composites of satisfaction with the overall experience provided by a live agent (25 percent) and the IVR system (75 percent). Response to CHIR No. 25, question 3.a.

Source: *FY 2020 Annual Report* at 37.

Table III-7 shows that FY 2020 results vary significantly from 40.05 percent (C360) to 97.33 percent (BSN). The Postal Service explains results should not be compared across performance indicators “because of differences in each survey’s methodologies and the types of customer interactions with the Postal Service that are measured by each survey.” Response to CHIR No. 22, question 4. For example, the BSN survey is sent to high-volume commercial shippers that only receive one invitation to take the survey within a 30-day period regardless of the number of service requests they submit. *Id.* By contrast, the C360 survey is sent to both residential and business customers who file a case or service request with the Postal Service, and because a survey invitation is sent for each case or service request, customers may have multiple opportunities to take the survey. *Id.*

Table III-7 shows that FY 2020 results for the BSN, CCC, BMEU, and USPS.com performance indicators exceeded their respective FY 2020 targets, with the FY 2020 CCC performance indicator result exceeding the target by 5.03 points. Table III-7 also shows that the FY 2020 results for the CX Composite Index, POS, Delivery, and C360 performance indicators did not meet their respective targets. The reasons given by the Postal Service for missing FY 2020 targets and the Postal Service's plans for meeting FY 2021 targets are listed in Figure III-4.

**Figure III-4  
Excellent Customer Experiences Performance Indicators  
Postal Service Reasons for Missing FY 2020 Targets and  
Plans for Meeting FY 2021 Targets**



<sup>a</sup> The Commission discusses wait time in line in the FY 2020 ACD. FY 2020 ACD at 225-226.

<sup>b</sup> The Mobile Delivery Device Geo Alert pilot notifies the Postal Service if the geo-location does not match the recorded address on the mailpiece when it is scanned as “delivered.” FY 2020 ACR at 48.

Source: FY 2020 Annual Report at 38; FY 2020 ACR at 44-45, 48-49, 51-52.

The Postal Service set FY 2021 targets for each Excellent Customer Experiences performance indicator, which are shown in Table III-8, along with FY 2020 targets and results.

**Table III-8  
Excellent Customer Experiences Performance Indicators  
FY 2021 Targets and FY 2020 Targets and Results**

Performance Indicators	FY 2021 Targets	FY 2020 Targets	FY 2020 Results
Customer Experience Composite Index <sup>a</sup>	76.90	75.73	72.40
Business Service Network	97.20%	96.73%	97.33%
Point of Sale	90.42%	90.42%	87.46%
Delivery	86.33%	86.33%	80.94%
Customer Care Center <sup>a,b</sup>	60.03	55.00	60.03
Customer 360	55.00%	55.00%	40.05%
Business Mail Entry Unit	96.73%	96.01%	96.72%
USPS.com	73.41%	72.58%	73.41%

■ Target Met    ■ Target Not Met

<sup>a</sup> Targets and results for the CX Composite Index and the CCC performance indicators are not presented as percentages because they are calculated by weighting and aggregating various survey results.

<sup>b</sup> The CCC performance indicator targets and results are composites of satisfaction with the overall experience provided by a live agent (25 percent) and the IVR system (75 percent). Response to CHIR No. 25, question 3.a.

Source: *FY 2020 Annual Report* at 37; Response to CHIR No. 10, question 1.

PostCom/DTAC comment that the FY 2021 CX Composite Index target is set above the FY 2020 target even though the Postal Service’s performance in FY 2020 was well below targeted levels. PostCom/DTAC Comments at 6. In its reply comments, the Postal Service explains that to drive improvement, it “increased its targets for certain of the more successful surveys,” which in turn increased the FY 2021 target for the CX Composite Index. Postal Service Reply Comments at 5.

In the *FY 2019 Analysis*, the Commission recommended that the Postal Service consider the prior year’s result when setting the subsequent year’s target. *FY 2019 Analysis* at 42-43. The Postal Service adopted this recommendation when setting FY 2021 targets. Table III-8 shows that FY 2021 targets are the same as FY 2020 for the CX survey performance indicators that did not meet their FY 2020 targets (POS, Delivery, and C360). For each CX survey performance indicator that exceeded the FY 2020 target (BSN, CCC, BMEU, and USPS.com), the FY 2021 target is higher than the FY 2020 target and is set at or near to the FY 2020 result. The increase in FY 2021 targets also increased the FY 2021 target for the CX Composite Index performance indicator, which appears achievable considering that the FY 2020 result is only 4.50 points less than the FY 2021 target.

*The Commission finds the FY 2021 targets for the Excellent Customer Experiences performance indicators are reasonable. To improve transparency, the Commission recommends that the FY 2022 Plan provide the rationale for setting the FY 2022 targets.*

- c. Net Promoter Score

## (1) Background

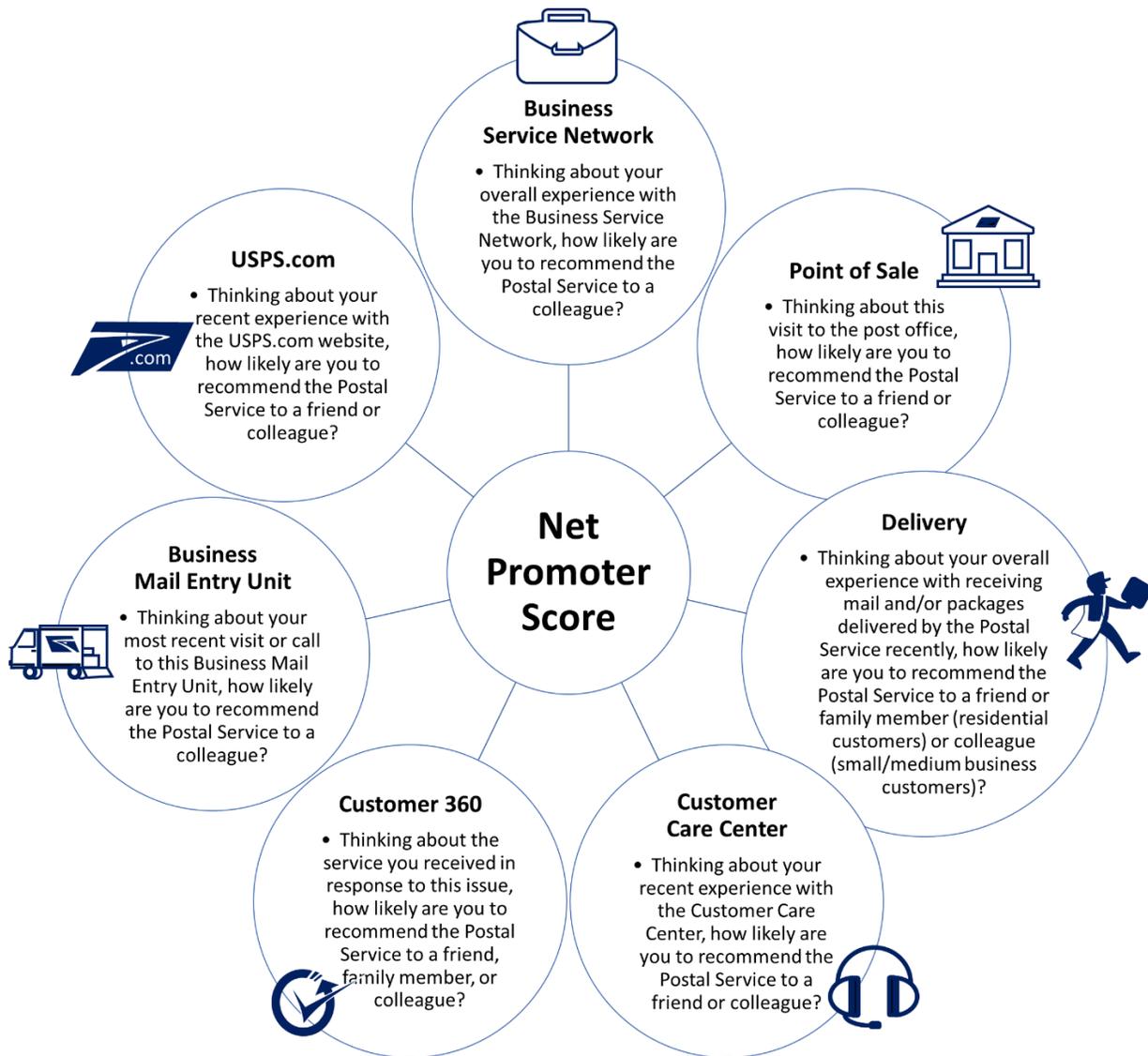
As previously discussed, the Postal Service evaluates progress toward the Excellent Customer Experiences performance goal based on overall satisfaction. *See* Section B.1.b., *supra*. The Postal Service also measures customer experience using the Net Promoter Score (NPS), which is a metric that is widely used to measure customer experience broadly.<sup>94</sup> It allows a company to evaluate the totality of customer interactions with the company and values the long-term relationship between the customer and company. OIG Report No. RARC-WP-17-010 at 7. For example, a customer may be unhappy with a misdelivered package, but may still continue to patronize the Postal Service because of a long history of dependable service and competitive prices. *Id.* Because of its widespread adoption, the NPS allows organizations to benchmark themselves against competitors or similar companies. *Id.* Using the NPS metric allows the Postal Service to evaluate its long-term relationship with customers and benchmark itself against other companies providing similar products or services.

The NPS question asks customers how likely they are to recommend a company to a friend on a scale of 0 to 10. *Id.* The Postal Service includes the NPS question on each of the CX surveys by asking customers how likely they are to recommend the Postal Service to a friend or colleague. Response to CHIR No. 22, question 5.a. The FY 2020 NPS question for each of the CX surveys is shown in Figure III-5.

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<sup>94</sup> United States Postal Service, Office of Inspector General, Report No. RARC-WP-17-010, *Postal Customer Satisfaction: A Primer of Four Surveys*, August 28, 2017, at 7 (OIG Report No. RARC-WP-17-010), available at <https://www.uspsig.gov/sites/default/files/document-library-files/2017/RARC-WP-17-010.pdf>.

**Figure III-5  
FY 2020 Net Promoter Score Questions**



Source: Response to CHIR No. 22, question 5.a.

## (2) Methodology and Results

The NPS question asks customers to rate how likely they are to recommend a company to a friend on a scale of 0 (Not at All Likely) to 10 (Extremely Likely). OIG Report No. RARC-WP-17-010 at 7-8. Customers who answer the NPS question fall into one of three categories:

- Promoters respond with a score of 9 or 10 and are likely to share their positive experience.
- Detractors respond with a score of 0 to 6 and are likely to tell others about their negative experience.
- Passives respond with a score of 7 to 8 and are satisfied with their experience, but not happy enough to be considered Promoters.<sup>95</sup>

Figure III-6 shows the NPS scale and customer categories.

**Figure III-6**  
**Net Promoter Score**  
**Scale and Customer Categories**



Source: NICE Satmetrix, *What is Net Promoter?*, 2021, available at <https://www.netpromoter.com/know/>.

Consistent with industry practice, the Postal Service calculates the NPS result for each CX survey by subtracting the percentage of Detractors (customer who responded 0 to 6) from the percentage of Promoters (customers who responded 9 or 10).<sup>96</sup> Table III-9 shows FY 2020 NPS results and the percentages of Promoters and Detractors for each CX survey.

<sup>95</sup> *Id.* at 7; Qualtrics, *What Is NPS? Your Ultimate Guide to Net Promoter Score (NPS Guide)*, available at <https://www.qualtrics.com/experience-management/customer/net-promoter-score/>.

<sup>96</sup> Response to CHIR No. 22, question 5.a.; NPS Guide, How do you calculate net promoter score?

**Table III-9**  
**FY 2020 Net Promoter Score Results**  
**Promoters and Detractors**

Customer Experience Survey	Percentage of Promoters (9-10) <sup>a</sup>	Percentage of Detractors (0-6) <sup>a</sup>	FY 2020 Results <sup>b</sup>
Business Service Network	89.54	2.67	86.87
Point of Sale	75.48	12.90	62.57
Delivery	66.37	16.86	49.51
Customer Care Center	52.06	36.43	15.62
Customer 360	32.88	56.20	-23.27
Business Mail Entry Unit	89.04	3.74	85.29
USPS.com	59.09	25.17	33.90

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

<sup>b</sup> FY 2020 NPS results were provided by the Postal Service. Commission verification of FY 2020 NPS results found occasional differences in the hundredths place. Thus, some FY 2020 results do not equal the percentage of Promoters minus the percentage of Detractors.

Source: Response to CHIR No. 22, question 5.a.; Response to CHIR 26, question 5; Library Reference USPS-FY20-38, Excel file "CX Question Response Counts\_FY20.xlsx."

Table III-9 shows that in FY 2020, business customers were more likely to recommend the Postal Service compared to residential customers. The BSN and BMEU surveys, which measure business customer experience, had the highest NPS results and lowest percentage of Detractors (2.67 and 3.74 percent, respectively). Approximately 89 percent of BSN and BMEU survey respondents were highly likely or extremely likely to recommend the Postal Service to a colleague. The POS survey had the third highest NPS result of 62.57. NPS results for the Delivery, CCC, and USPS.com surveys were lower, ranging from 49.51 (Delivery) to 15.62 (CCC).

Each of the CX surveys had a higher percentage of Promoters than Detractors except for the C360 survey, which measures satisfaction with issue resolution for customers who file service requests with the Postal Service through a CCC live agent or USPS.com. *See* Section B.1.a., *supra*. Thus, the C360 NPS result was the only result expressed as a negative number (-23.27). The C360 survey had the highest percentage of Detractors (56.20), which was more than half of C360 survey respondents. Only 32.88 percent of C360 survey respondents were Promoters that were highly likely or extremely likely to recommend the Postal Service to a friend, family, or colleague. The C360 survey also had the most polarizing NPS results, with almost the same number of respondents (approximately 481,000) responding with a rating of either 0 (Not at All Likely to Recommend) or 10 (Extremely Likely to Recommend). Response to CHIR No. 26, question 5.

*The Commission recommends that the Postal Service continue to use the NPS to measure and assess customer experience in FY 2021. The Commission also recommends the Postal Service focus its efforts on improving the C360 NPS result to have a higher percentage of Promoters than Detractors.*

d. Major Events in FY 2020

In FY 2020, there were several major events that impacted the Postal Service, mailers, and the general public, including the COVID-19 pandemic and the Postal Service's organizational restructuring. Below, the Commission evaluates how the COVID-19 pandemic and organizational restructuring impacted customer experience during FY 2020.

*Based on CX survey results, the Commission finds the COVID-19 pandemic and organizational restructuring did not appear to have a significant effect on overall customer satisfaction during FY 2020.*

(1) COVID-19 Pandemic

In FY 2020, the most significant event affecting the Postal Service, and the public at large, was the COVID-19 pandemic, which became widespread and significant during FY 2020, Quarters 3 and 4. In the FY 2020 ACD, the Commission explored how the COVID-19 pandemic led to issues affecting service performance, including reduced employee availability, contract transportation constraints, and a surge in package volumes.<sup>97</sup> Below, the Commission discusses how the COVID-19 pandemic affected overall satisfaction and how the Postal Service responded to customer concerns about the COVID-19 pandemic in FY 2020.

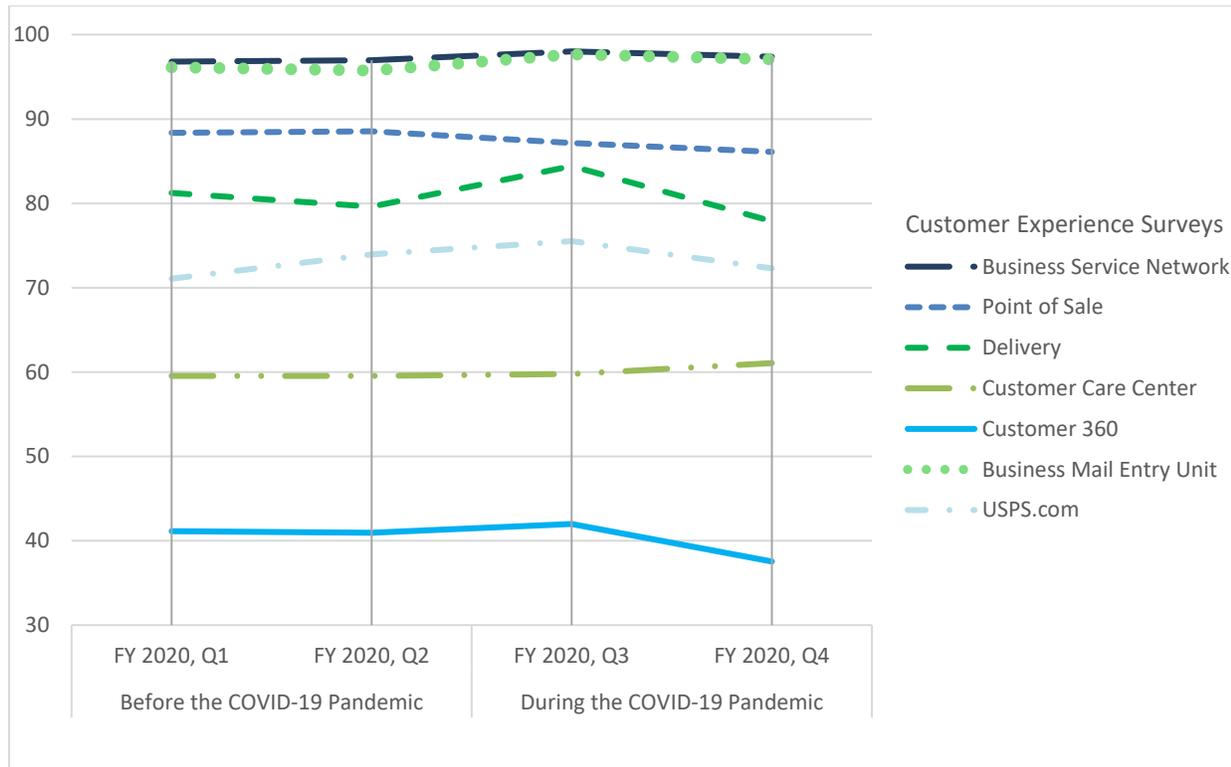
(a) Overall Satisfaction

To evaluate the COVID-19 pandemic's impact on overall satisfaction, the Commission analyzed overall satisfaction results for each of the CX surveys before and during the COVID-19 pandemic in FY 2020, which are shown in Figure III-7.

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<sup>97</sup> See FY 2020 ACD at 99-118. The Commission also discusses network disruptions caused by the COVID-19 pandemic in the High-Quality Service subchapter. See Section A.3.b.(1), *supra*.

**Figure III-7  
Overall Satisfaction Survey Results by FY 2020 Quarter  
Before and During the COVID-19 Pandemic<sup>a</sup>**



<sup>a</sup> Results were calculated as the percentage of customers who responded “Very Satisfied” or “Mostly Satisfied” on a six-point scale to the overall satisfaction question for the corresponding CX survey shown in Table III-3. Results are expressed as percentages except for the CCC performance indicator, which is a composite of satisfaction with the overall experience provided by a live agent (25 percent) and the IVR system (75 percent). Response to CHIR No. 25, question 3.a. Source: Response to CHIR No. 25, question 1.

The Postal Service states overall satisfaction results increased at the beginning of the COVID-19 pandemic, but started to decrease during the summer of 2020. Response to CHIR No. 23, question 3.e. It asserts that the COVID-19 pandemic impacted its ability to meet the Excellent Customer Experiences performance goal in FY 2020. For example, the Postal Service explains it did not meet the FY 2020 POS performance indicator target “largely due to unforeseen consequences resulting from the COVID-19 pandemic[,]” such as reduced employee availability that increased wait time in line at retail facilities.<sup>98</sup> It states that challenges related to the COVID-19 pandemic, such as high employee absenteeism, also affected service performance scores, which lowered the FY 2020 Delivery performance indicator result. *FY 2020 Annual Report* at 38. Similarly, it notes the COVID-19 pandemic-related challenges increased the number of service requests filed

<sup>98</sup> *FY 2020 Annual Report* at 38; FY 2020 ACR at 44-45, 61.

with the Postal Service and reduced the number of employees available to help resolve customer issues, which affected the C360 performance indicator result. *Id.*; FY 2020 ACR at 51. Consequently, the Postal Service explains that it missed the FY 2020 CX Composite Index target because of low Delivery and C360 performance indicator results that were each weighted 20 percent of the CX Composite Index. *FY 2020 Annual Report* at 37-38. Because the Postal Service missed targets for these four performance indicators, the Postal Service partially met the Excellent Customer Experiences performance goal in FY 2020.<sup>99</sup>

The COVID-19 pandemic may have exacerbated factors that existed before the COVID-19 pandemic that ultimately caused the Postal Service to miss FY 2020 targets for some performance indicators. However, while the COVID-19 pandemic created some downward pressure, it does not appear to be the primary reason the Postal Service missed some FY 2020 targets. Figure III-7 shows that the result of each CX survey performance indicator decreased between FY 2020, Quarter 3 and FY 2020, Quarter 4 except for the CCC performance indicator, which increased in FY 2020, Quarter 4 by 1.30 points. However, these decreases were relatively small considering that the largest decrease between FY 2020, Quarter 3 and FY 2020, Quarter 4 was for the Delivery performance indicator, which declined by 6.53 percentage points.

In general, overall satisfaction results remained stable during the COVID-19 pandemic in FY 2020. Quarterly results changed by less than 3 percentage points for each performance indicator except for the Delivery and C360 performance indicators, which declined by 6.53 and 4.45 percentage points, respectively, between FY 2020, Quarters 3 and 4. The Commission also observes that for the CX survey performance indicators that missed FY 2020 targets (POS, Delivery, and C360), results were below FY 2020 targets during each quarter of FY 2020, including the time period before the COVID-19 pandemic occurred.<sup>100</sup> For the C360 performance indicator, there was a significant gap between the FY 2020 target (55.00) and quarterly results, which were each at least 13.01 percentage points below the FY 2020 target. *Id.*

*The Commission finds that based on CX survey results, the COVID-19 pandemic did not appear to have a significant impact on overall customer satisfaction in FY 2020.*

(b) Postal Service's Response to the COVID-19  
Pandemic

The Postal Service describes how it responded to customer concerns about the COVID-19 pandemic in a CHIR response. It explains that at the beginning of the COVID-19 pandemic, it began to monitor comments provided in all of the CX surveys daily to search for words and phrases related to the COVID-19 pandemic and identify key themes such as social

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<sup>99</sup> Reasons for missing FY 2020 targets are shown in Figure III-4. See Section B.3.b., *supra*.

<sup>100</sup> See Response to CHIR No. 25, question 1; Table III-7, *supra*.

distancing and customer safety. Response to CHIR No. 23, questions 3.a., b. It states that it created daily COVID-19 pandemic insight reports that showed daily CX survey satisfaction scores across the Postal Service's primary touchpoints with customers. *Id.* question 3.b.

To address customer concerns about the COVID-19 pandemic, the Postal Service states that it implemented safety procedures at retail facilities for both employees and customers in response to recommendations by the Centers for Disease Control and Prevention (CDC), such as providing employees masks and personal protective equipment, placing markings on the floor to maintain social distancing requirements, limiting the number of customers in retail facilities, installing cough and sneeze barriers at all retail facility counters, and adding other cleaning and safety precautions. *Id.* question 3.a. It explains that it established a dedicated COVID-19 pandemic Command Response team to focus on employee and customer safety in conjunction with operational and business continuity. *Id.* question 3.c.

The Postal Service explains that at the beginning of the COVID-19 pandemic, the CCC team worked with the COVID-19 pandemic Command Response team and other teams throughout the Postal Service to implement proactive messaging in the IVR system to announce Postal Service responses to the COVID-19 pandemic. *Id.* questions 3.c., e. The Postal Service states that it added a new phone menu option to allow customers to indicate whether they experienced mail delivery delays or no mail delivery. *Id.* question 3.c. Each customer's ZIP Code was also recorded and shared daily with the Postal Service's Operations team to review locations where customers reported no mail delivery. *Id.* question 3.c., e.

The CCC team also created and maintained Frequently Asked Questions on USPS.com to help residential and business customers find up-to-date information during the COVID-19 pandemic on topics such as Hold Mail, Change of Address, Business Mail, and International Shipments. *Id.* question 3.c. The Postal Service also created a COVID-19 pandemic website to provide information regarding the status of post office closings and mail delivery delays for consumers, small businesses, and business mailers. *Id.*

For customers who voted by mail, the Postal Service states it conducted extensive outreach efforts during the 2020 election season to ensure that election officials were prepared to effectively use the mail. *Id.* It notes that it developed a comprehensive strategy for educating the public directly on how to vote by mail, which included a dedicated Election Mail website that contained information for election officials and the public. *Id.*

*The Commission commends the Postal Service's efforts to address COVID-19 pandemic-related safety concerns and implement measures to respond to the COVID-19 pandemic. The Commission recommends that the Postal Service continue to monitor comments and results of the CX surveys to identify and address customer concerns related to the COVID-19 pandemic.*

(2) Organizational Restructuring

During the summer of FY 2020, the Postal Service implemented several operational changes, including an organizational restructuring.<sup>101</sup> In a CHIR response, the Postal Service states it did not measure the impact of the organizational restructuring and other operational changes on customer experience. Response to CHIR No. 22, question 8.a. It notes that it monitors CX Composite Index results weekly and monthly, and some overall satisfaction results increased while others decreased during FY 2020. *Id.* question 8.b. The Postal Service asserts that it is difficult to precisely and accurately isolate what drove increases or decreases in results due to the simultaneous effects of the COVID-19 pandemic, operational changes, and other changes or factors. *Id.*

To evaluate how the organizational restructuring may have impacted overall satisfaction in FY 2020, the Commission compared CX survey results from before and after the organizational restructuring, which are shown in Figure III-8.

**Figure III-8**  
**FY 2020 Overall Satisfaction Survey Results**  
**Before and After Organizational Restructuring<sup>a</sup>**



<sup>a</sup> Results were calculated as the percentage of customers who responded “Very Satisfied” or “Mostly Satisfied” on a six-point scale to the overall satisfaction question for the corresponding CX survey shown in Table III-3. Results are expressed as percentages except for the CCC performance indicator, which is a composite of satisfaction with the overall experience provided by a live agent (25 percent) and the IVR system (75 percent). Response to CHIR No. 25, question 3.a.

<sup>b</sup> Before restructuring time period was from June 13, 2020 to August 6, 2020 (54 days).

<sup>c</sup> After restructuring time period was from August 7, 2020 to September 30, 2020 (54 days).

Source: Response to CHIR No. 22, question 10.

<sup>101</sup> United States Postal Service, Office of Inspector General, Report No. 20-292-R21, *Operational Changes to Mail Delivery*, October 19, 2020, at 2 (OIG Report No. 20-292-R21), available at <https://www.uspsaig.gov/sites/default/files/document-library-files/2020/20-292-R21.pdf>.

Figure III-8 shows results for each of the CX surveys changed by 1.01 percentage points or less after the organizational restructuring except for the Delivery survey, which declined by 4.87 percentage points.

*The Commission finds that based on CX survey results, the organizational restructuring did not appear to have a significant effect on overall customer satisfaction during FY 2020.*

The Postal Service asserts that it did not provide prior notice to customers and stakeholders about the operational changes because “[t]hese efforts were intended to improve the Postal Service’s efficiencies without impacting service to the Postal Service’s customers.” Response to CHIR No. 22, question 9. This is consistent with a recent report by the Postal Service Office of Inspector General (OIG), which found that “the Postal Service did not broadly communicate the planned changes with mailing industry customers or coordinate potential service impacts.” OIG Report No. 20-292-R21 at 20. It also found that documentation about operational changes provided to customers was generally accurate but incomplete. *Id.* at 8. Notifying and communicating with customers about major changes, especially during the COVID-19 pandemic, is important for maintaining positive relationships and promoting transparency and shared understanding of postal operations. Customers are also more likely to better acclimate to changes if they are notified beforehand.

*The Commission recommends that the Postal Service communicate and engage with customers and stakeholders before and during implementation of future operational changes.*

e. Follow-Up Questions

Follow-up questions on surveys help organizations obtain better insight into customer feedback and responses. Open-ended questions allow customers to provide written feedback and comments, which companies may analyze to identify key themes and customer concerns. For example, a follow-up open-ended question may ask customers to explain the primary reason for their rating after they respond to a question. In FY 2020, each of the CX surveys except the CCC survey asked this follow-up question after customers responded to either the overall satisfaction or NPS question.<sup>102</sup> Although the CCC survey does not include this question, customers may leave a recorded message with their feedback after they take the survey, including an explanation for the reason behind their rating. *See Surveys* at 82-83.

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<sup>102</sup> See *Surveys* at 7, 18, 34, 47, 64, 79, and 84. In the FY 2019 Delivery and C360 surveys, the Postal Service included this open-ended follow-up question after the NPS question. See Docket No. ACR2019, Library Reference USPS-FY19-38, December 27, 2019, folder “Preface” file “CX\_Surveys\_FY19.docx,” at 32, 43. The Postal Service explains that it moved this follow-up question to directly after the overall satisfaction question to allow customers to explain the reasons for both their satisfied and dissatisfied ratings. FY 2020 ACR at 43.

The Postal Service also asks other follow-up questions on the CX surveys that measure business customer experience. It states that when customers complete the BSN and BMEU surveys, there are follow-up questions asking customers to indicate whether they would like a Postal Service representative to contact them about their experience. Response to CHIR No. 22, question 11. Similarly, for the Large Business Panel survey, customers who indicate they use a Postal Service competitor are asked follow-up questions that evaluate customer satisfaction with service offerings, payment options, and other aspects of the competitor's business.<sup>103</sup> Large business customers may also provide written feedback or comments when responding to an open-ended question asking customers to discuss anything they would like to share about their experiences with the Postal Service. Response to CHIR No. 13, question 5.c.

The Postal Service states the other CX surveys do not ask follow-up questions after customers complete the surveys, and it does not follow up with customers about responses provided in these surveys.<sup>104</sup> It also notes that the Voice of the Customer platforms that report on all of the CX surveys do not trigger follow-up surveys based on responses to survey questions. Response to CHIR No. 22, question 2.a.ii. For the C360 survey, customers who initiate a case by filing a service request with the Postal Service via the CCC or USPS.com are contacted by a representative from a local post office to respond to their concerns. Response to CHIR No. 23, question 3.d. However, the Postal Service does not follow up with customers who indicate on the survey that their issue was not resolved. Response to CHIR No. 25, question 4.c. Once customers are informed about the final resolution of their service requests, they may either reopen their requests or take the C360 survey. *Id.* Following up and contacting customers with unresolved issues could improve customer satisfaction with issue resolution, which is a main driver for the C360 performance indicator. *See* FY 2020 ACR at 51.

*The Commission recommends that the Postal Service continue asking open-ended follow-up questions after the NPS or overall satisfaction question on each of the CX surveys. The Commission also recommends that the Postal Service consider asking non-business customers other follow-up questions to help address their concerns and resolve their issues.*

## **C. Safe Workplace and Engaged Workforce**

### **1. Background**

In FY 2020, the Postal Service used two performance indicators to evaluate progress toward the Safe Workplace and Engaged Workforce performance goal. The Total Accident Rate measures progress toward improving employee safety. The Survey Response Rate measures the employee participation rate for the Postal Pulse survey. Each metric is described below.

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<sup>103</sup> Response to CHIR No. 13, question 5.c.; *see* Surveys at 69.

<sup>104</sup> Response to CHIR No. 22, question 11; Response to CHIR No. 23, question 3.d.

a. Total Accident Rate

In FY 2020, the Postal Service continued to use the Total Accident Rate as a performance indicator to measure progress toward improving employee safety. *FY 2020 Annual Report* at 41. The Total Accident Rate is calculated by multiplying the total number of accidents for the year by the approximate number of annual workhours per employee (2,000), multiplied by 100. *Id.* This number is then divided by the annual number of exposure hours. *Id.* The Total Accident Rate formula is:

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

*Id.*

The Total Accident Rate result yields an annual accident frequency per 100 employees. A lower result is a better outcome. The Total Accident Rate uses the same formula as the Occupational Safety and Health Administration Illness and Injury Rate (OSHA I&I Rate), which the Postal Service used as its employee safety performance indicator until FY 2016. *Id.* Unlike the OSHA I&I Rate, the Total Accident Rate includes accidents that do not result in medical expenses, days away from work, or restrictions from performing full work duties.<sup>105</sup>

The FY 2020 Total Accident Rate result was 13.09, which was better than the FY 2020 target of 15.00. *FY 2020 Annual Report* at 41. The FY 2020 result was a 7.9 percent improvement compared to the FY 2019 result of 14.09. *Id.* at 33, 41. The Postal Service reports that between FY 2019 and FY 2020, the total number of accidents decreased by 10.12 percent, and the number of motor vehicle accidents decreased by 9.74 percent.<sup>106</sup> Also, the number of recordable and non-recordable accidents declined by 13.03 and 7.97 percent, respectively.<sup>107</sup>

The Postal Service states it was able to meet the FY 2020 Total Accident Rate target by continuing the Safety Intervention and Recognition program that tracks District-level

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<sup>105</sup> *Id.* The Total Accident Rate also includes accidents that result in only property damage, as well as all motor vehicle accidents. Docket No. ACR2016, Responses of the United States Postal Service to Questions 1-5 and 7 of Chairman's Information Request No. 27, March 15, 2017, questions 4.a., b. Specifically, the Total Accident Rate includes: accidents that resulted in damage of \$500 or more to Postal Service property regardless of whether an injury was involved; motor vehicle accidents that result in death, injury, or only property damage, regardless of cost, who was injured (if anyone), or what property was damaged; and injury, illness, or death of a Postal Service employee on Postal Service premises or on the job. *Id.* The Total Accident Rate excludes other accidents that do not involve Postal Service employees; damage of \$500 or more to customer property without injury, unless such damage involves a motor vehicle accident; and fire damage of \$100 or more without injury, unless such damage involves a motor vehicle accident. *Id.*

<sup>106</sup> *Id.* at 42. In a CHIR response, the Postal Service explains that there was an error in the table in the *FY 2020 Annual Report* showing the total number of accidents for FY 2019 and FY 2020. Response to CHIR No. 24, question 8. The Postal Service confirms that the total number of accidents in FY 2019 and FY 2020 were 90,008 and 80,902, respectively. *Id.*

<sup>107</sup> *FY 2020 Annual Report* at 42. "Recordable" accidents are those that result in medical treatment (beyond first aid), days away from work, restrictions or transfer to another job, death, or loss of consciousness. Recordable accidents must be reported to OSHA. *See FY 2016 Analysis* at 50 n.66.

performance monthly and by automating data and response input from safety-related workplace observations. *FY 2020 Annual Report* 41. Programs that helped the Postal Service improve employee safety in FY 2020 are discussed in more detail below. *See Section C.3.a., infra.*

The FY 2021 Total Accident Rate target is 13.75, which is lower and therefore more difficult to meet than the FY 2020 target of 15.00. *See FY 2020 Annual Report* at 33. The Postal Service explains that it will meet this target by continuing proactive safety and prevention efforts designed to address the most frequent workplace hazards, such as dog bites; extreme weather events; distracted driving; and slip, trip, and fall injuries. *Id.* at 42. The Postal Service states it will equip local leaders with the tools and awareness training necessary to maintain a culture of safety, as well as leverage delivery management systems to obtain a better understanding of motor vehicle accident risks. *Id.* Plans for meeting the FY 2021 target are discussed in more detail below. *See Section C.3.a., infra.*

b. Survey Response Rate

Each year, the Postal Service administers the Postal Pulse survey to its employees to evaluate their overall satisfaction and engagement level. *FY 2020 Annual Report* at 42. The Postal Pulse survey was developed by Gallup, Inc., which contracts with the Postal Service to measure employee engagement.<sup>108</sup> Figure III-9 is a copy of the FY 2020 Postal Pulse survey.

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<sup>108</sup> Response to CHIR No. 23, question 8.b.; *see* Gallup, Inc., *Gallup Q12 and Employee Engagement FAQs: Frequently Asked Questions About Employee Engagement and the Engagement Survey*, at 1-2, available at <https://liteblue.usps.gov/emp-engagement/pdf/Employee-Engagement-FAQs.pdf>.

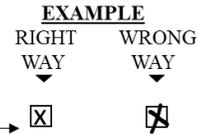
**Figure III-9**  
**FY 2020 Postal Pulse Survey**

**THE POSTAL PULSE**

**SURVEY INSTRUCTIONS**

Please carefully follow the steps below when completing this survey.

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



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

<b>START HERE</b>	<b>Begin the survey by answering the following question regarding your level or satisfaction with the Postal Service as a place to work.</b>		Extremely Dissatisfied	Extremely Satisfied	Don't Know	
	0. On a five point scale where 5 means extremely satisfied and 1 means extremely dissatisfied, how satisfied are you with the Postal Service as a place to work? .....	1	2	3	4	5
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>On a five-point scale, where 5 means strongly agree and 1 means strongly disagree, please rate your level of agreements with the following items.</b>		Strongly Disagree	Strongly Agree	Don't Know/ Does Not Apply		
	1. I know what is expected of me at work. ....	1	2	3	4	5
	2. I have the materials and equipment I need to do my work right .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3. At work, I have the opportunity to do what I do best every day .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	4. In the last seven days, I have received recognition or praise for doing good work .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	5. My supervisor, or someone at work, seems to care about me as a person .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	6. There is someone at work who encourages my development .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	7. At work, my opinions seem to count.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	8. The mission of purpose of my company make me feel my job is important .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	9. My fellow employees are committed to doing quality work .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	10. I have a best friend at work .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	11. In the last six months, someone at work has talked to me about my progress .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	12. This last year, I have had opportunities at work to learn and grow.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	13. My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs. ....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Please describe any positive changes you've seen on your work team.</b>						
<i>Please see the enclosed FAQs for information on how comments are reported.</i>						
<b>THANK YOU for your participation!</b>						
Please mail your completed survey to Gallup no later than Friday, September 4, 2020, Using the postage-paid business reply envelope provided.						

Source: Response to CHIR No. 23, question 7.a.

As shown in Figure III-9, the Postal Pulse survey asks participants to rate their level of agreement with 14 statements concerning their work environment on a scale of 1 to 5, with higher numbers reflecting either a greater level of employee satisfaction or stronger agreement with a survey statement. Item 0 asks employees to rate their level of satisfaction with the Postal Service as a place to work. Items 1 through 12 are the

foundational elements of employee engagement that predict high team performance.<sup>109</sup> Engaged employees are “involved in, enthusiastic about and committed to their work and contribute to their organization in a positive manner.”<sup>110</sup> Item 13 was added in FY 2020 to ask employees to rate their level of agreement with the statement, “My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs.”<sup>111</sup> The Postal Pulse survey also includes a comment box allowing employees to provide direct feedback regarding positive changes seen on their work team.<sup>112</sup>

The Postal Service evaluates progress toward the Safe Workplace and Engaged Workforce performance using the Survey Response Rate as a performance indicator. The Survey Response Rate measures “the level of participation of all potential respondents during each survey administration.” *FY 2020 Annual Report* at 42. To measure overall employee engagement, the Postal Service uses the Grand Mean Engagement Score, which is calculated based on results of the Postal Pulse survey. *Id.* The Grand Mean Engagement Score is not a performance indicator for the Safe Workplace and Engaged Workforce performance goal, which means that no target is set.<sup>113</sup>

The FY 2020 Survey Response Rate result was 33 percent, which did not meet the FY 2020 target of 51 percent and declined from 38 percent in FY 2019. *FY 2020 Annual Report* at 42. The Postal Service asserts that the Postal Pulse survey has always been a “snapshot in time,” and the FY 2020 result reflects current events both external and internal to the Postal Service. *Id.* It states that in FY 2019, the Postal Pulse survey was administered during Quarter 2. *Id.* However, in FY 2020 the Postal Service explains that it delayed administering the survey until FY 2020, Quarter 4 “due to a nationwide focus on keeping employees safe while continuing to provide essential services to the American public during the pandemic.” *Id.* at 42-43.

The Postal Service explains that the Postal Pulse survey was administered during not only the COVID-19 pandemic, but also during the political and Election Mail season, the Postal Service’s organizational restructuring, and periods of high employee absenteeism. *Id.* at 43. It asserts that any of these issues may have adversely affected “the resources needed to execute the promotion and completion of the Postal Pulse employee survey.” *Id.*

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<sup>109</sup> Gallup, Inc., *The Power of Gallup’s Q12 Employee Engagement Survey* (Power of Gallup’s Q12 Employee Engagement Survey), available at <https://www.gallup.com/access/323333/q12-employee-engagement-survey.aspx>.

<sup>110</sup> United States Postal Service, *Brief Guide to the 12 Elements of Engagement*, at 1, available at <https://liteblue.usps.gov/emp-engagement/pdf/Brief-Engagement-Guide.pdf>.

<sup>111</sup> *FY 2020 Annual Report* at 43; see Section C.3.b.(1)(a), *infra*.

<sup>112</sup> *FY 2020 Annual Report* at 43. The comment box question prompt and responses are discussed below. See Section C.3.b.(1)(b), *infra*.

<sup>113</sup> *FY 2018 Annual Report* at 22. The Postal Service previously explained that setting a target for the Grand Mean Engagement Score “does not incent managers to encourage honest survey feedback.” *United States Postal Service FY 2017 Annual Report to Congress* at 20 n.3; see Docket No. ACR2017, Library Reference USPS-FY17-17, December 29, 2017 (*FY 2017 Annual Report*). The Grand Mean Engagement Score is discussed in Section C.3.b.(3), *infra*.

Explanations for not meeting the FY 2020 Survey Response Rate target are discussed below. *See* Section C.3.b.(2), *infra*.

The FY 2021 Survey Response Rate target is 51 percent, which is the same as the FY 2020 target. *FY 2020 Annual Report* at 44. To meet this “aggressive” target, the *FY 2021 Plan* states that the Postal Service will focus on supporting and expanding the Next Level Connection process and provide employee leaders with the necessary training and tools to “identify, assess and address engagement strengths and areas of opportunity specific to their local work environments.” *Id.* The Postal Service states it will continue to provide employees with training courses, workshops, and one-on-one engagement coaching. *Id.* It notes it will also use employee-focused direct mail campaigns and internal communications to share Postal Pulse survey results more quickly, which will allow local leaders to implement goal-oriented action plans to improve employee engagement. *Id.* Plans for improving employee engagement and the Survey Response Rate result are discussed below. *See* Section C.3.b.(2), (3), *infra*.

## 2. Comments

The Public Representative concludes that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2020 because it missed targets for both performance indicators. PR Comments at 7. PostCom/DTAC assert that based on the Total Accident Rate target, the Postal Service is planning to be less safe in FY 2021. PostCom/DTAC Comments at 7. They also note that the FY 2021 Survey Response Rate target “appears to be set arbitrarily to just exceed more than 50 percent.” *Id.* They state the target of 51 percent is unrealistic because results have been declining each year, and the FY 2020 result was 33 percent. *Id.*

In its reply comments, the Postal Service responds that it partially met the Safe Workplace and Engaged Workforce performance goal in FY 2020 because it exceeded the FY 2020 Total Accident Rate target. Postal Service Reply Comments at 1-2. It explains it is planning to be safer in FY 2021 because it set the FY 2021 Total Accident Rate target at 13.75, which is better than the FY 2020 target of 15.00 because lower numbers are indicative of fewer total accidents. *Id.* at 9.

## 3. Commission Analysis

In FY 2020, the Postal Service exceeded the Total Accident Rate target but missed the Survey Response Rate target. *See FY 2020 Annual Report* at 33. The Public Representative concludes that in FY 2020, the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal because it “failed to meet its targets for both [performance indicators].” PR Comments at 7. The Postal Service responds that it partially met this performance goal because it exceeded the Total Accident Rate target. Postal Service Reply Comments at 1-2. Because the Postal Service met the target for one performance indicator, the Postal Service partially met this goal in FY 2020.

*The Commission finds that the Postal Service partially met the Safe Workplace and Engaged Workforce performance goal in FY 2020.*

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

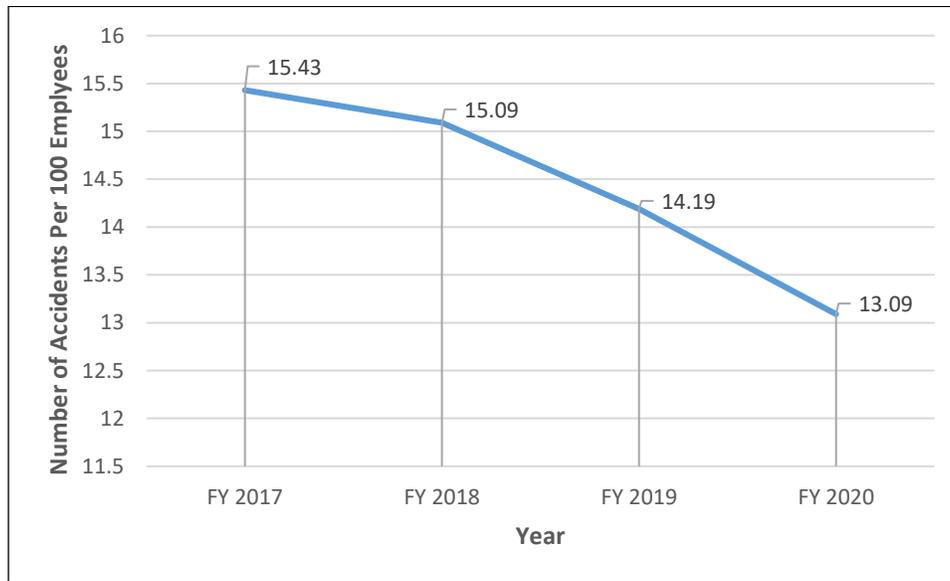
a. Safe Workplace

With regard to workplace safety, the Commission discusses the Total Accident Rate performance indicator, explores issues related to motor vehicle accidents, and examines the impact of the COVID-19 pandemic in the sections below.

(1) Total Accident Rate

The Total Accident Rate measures workplace safety, and the result is the annual accident frequency per 100 employees. A lower result is a better outcome. Figure III-10 shows Total Accident Rate results from FY 2017 through FY 2020.

**Figure III-10  
Total Accident Rate Results  
FY 2017 through FY 2020**



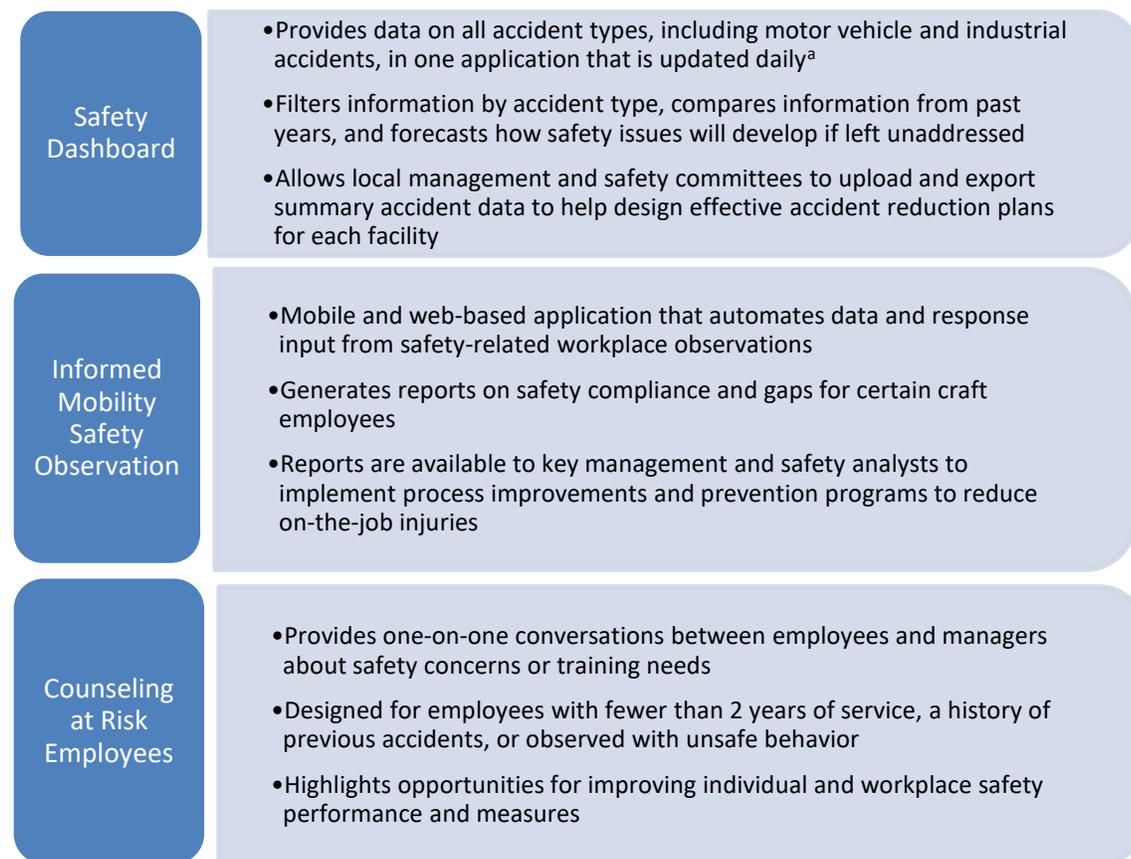
Source: *FY 2020 Annual Report* at 33. The Total Accident Rate results provided in CHIR responses differ from the numbers reported in the *Annual Report to Congress* because these numbers are obtained from a dynamic database that reflect coding changes or additional claims submitted after the end of the fiscal year. *Id.* at 42 n.2; Response to CHIR No. 24, question 9.

FY 2020 was the second year the Postal Service met the Total Accident Rate target. As Figure III-10 shows, results improved for the fourth year in a row. The Postal Service explains that it met the FY 2020 Total Accident Rate target by “continuing the Safety

Intervention and Recognition program that tracked [D]istrict-level performance each month.” *FY 2020 Annual Report* at 41. This program identified Districts that had high accident rates or showed a trend toward increasing accident rates. *Id.* These Districts were required to create action plans identifying root cause(s) of accidents and to implement activities to minimize hazards related to these accidents. *Id.* The Postal Service asserts that “[p]roactive leadership engagement resulted in a safer work environment.” *Id.*

The Postal Service also states it met the FY 2020 Total Accident Rate target by making “forecasting and trend data available to all levels of the organization.” *Id.* In FY 2020, the Postal Service used several platforms and tools to improve employee safety and reduce the total number of accidents, which are described in Figure III-11. The Postal Service asserts that these platforms and tools are effective in identifying and addressing unsafe behavior before accidents occur, which has reduced the number of accidents since these platforms and tools were implemented. Response to CHIR No. 24, question 10.b.

**Figure III-11**  
**FY 2020 Platforms and Tools**  
**For Improving Workplace Safety**



<sup>a</sup> Industrial accident information includes cell data for Total Accident Rate results; the number of accidents by type, cause, and severity; employee type; and monthly accident trends with forecast projections. Motor vehicle accident information provides data related to accident severity, vehicle direction, vehicle and route type, employee type, and accident trends.

Source: *FY 2020 Annual Report* at 41-42; Response to CHIR No. 24, question 10; Response to CHIR No. 26, question 2.

The FY 2021 Total Accident Rate target is 13.75, which is lower and therefore a more difficult target to meet compared to the FY 2020 target of 15.00. *See FY 2020 Annual Report* at 33. To meet the FY 2021 target, the Postal Service plans to equip local leaders with the necessary tools and awareness training to maintain a culture of safety. *Id.* at 42. These tools include the Safety Dashboard, Informed Mobility Safety Observation, and Counseling at Risk Employees described in Figure III-11. Response to CHIR No. 24, question 12. The Postal Service states that using these tools to identify gaps in training or awareness “will continue to prevent accidents, increase partnerships between employees and managers[,] and show a proactive approach to safety.” *Id.* It notes it has also begun developing a Safety and Health Management tool that it will use to track hazards and safety incidents, which will focus on root cause analysis, impact identification, and action planning. *Id.*

PostCom/DTAC assert that based on the FY 2021 Total Accident Rate target, the Postal Service plans to be less safe in FY 2021. PostCom/DTAC Comments at 7. The Postal Service responds that the FY 2021 target is better than the FY 2020 target, which indicates that the Postal Service plans to be safer in FY 2021. Postal Service Reply Comments at 9. The Postal Service provides a reasonable explanation for setting the FY 2021 target at 13.75. The Postal Service has set the Total Accident Rate target at 15.00 since it began using the Total Accident Rate as a performance indicator in FY 2016.<sup>114</sup> FY 2021 is the first year that the Postal Service changed the target, and the FY 2021 target is 1.25 points better than the target for FYs 2016 through 2020. The FY 2021 target also is achievable considering that the FY 2020 result was 13.09, and thus would have met the FY 2021 target.

*The Commission commends the Postal Service for meeting the Total Accident Rate target for the second time and improving the result for the fourth year in a row. The Safety Intervention and Recognition program—along with tools such as the Safety Dashboard, Informed Mobility Safety Observation, and Counseling at Risk Employees—appear to have been effective in improving workplace safety and reducing the number of accidents in FY 2020. The FY 2021 Total Accident Rate target appears achievable, and the Postal Service’s plans for using the same programs and tools in FY 2021 are reasonable steps to improve the Total Accident Rate result and employee safety. If the Postal Service implements the Safety and Health Management tool in FY 2021, the Commission recommends that the FY 2021 Report explain how the Postal Service used this tool to track hazards and incidents as well as to obtain data focusing on root cause analysis, impact identification, and action planning.*

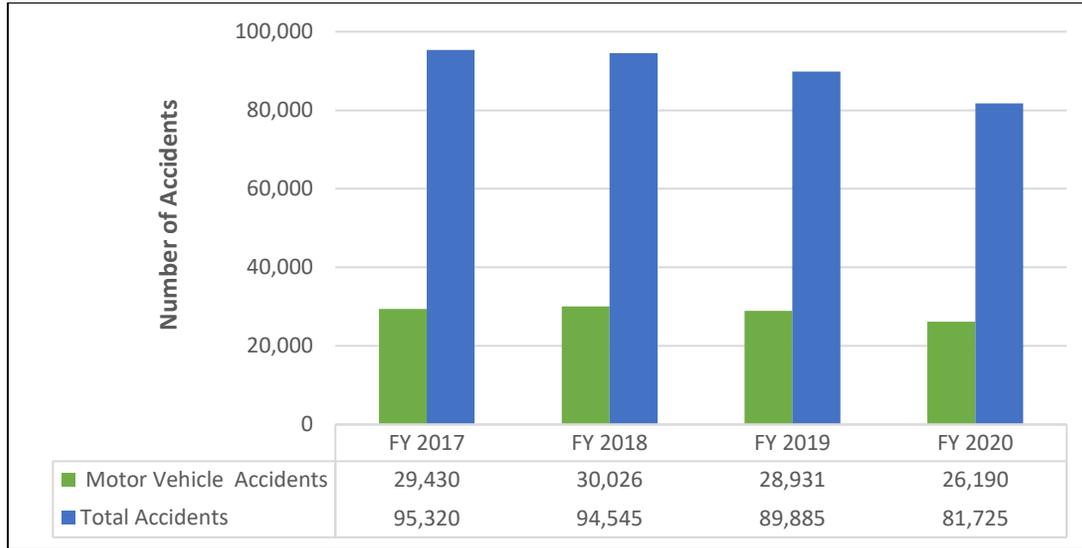
## (2) Motor Vehicle Accidents

The Total Accident Rate includes motor vehicle accidents. Figure III-12 shows the number of motor vehicle accidents and the total number of accidents from FY 2017 through FY 2020.

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<sup>114</sup> See FY 2019 Annual Report at 20; FY 2018 Annual Report at 17; FY 2017 Annual Report at 14; United States Postal Service FY 2016 Annual Report to Congress at 15; see Docket No. ACR2016, Library Reference USPS-FY16-17, December 29, 2016.

**Figure III-12**  
**Total Accidents and Motor Vehicle Accidents**  
**FY 2017 through FY 2020**



Source: Response to CHIR No. 24, question 9. The total number of accidents and number of motor vehicle accidents provided in CHIR responses differ from the numbers reported in the *Annual Report to Congress* because these numbers are obtained from a dynamic database that reflect coding changes or additional claims submitted after the end of the fiscal year. *Id.*; *FY 2020 Annual Report* at 42 n.2.

As Figure III-12 shows, motor vehicle accidents represented approximately 32 percent of the total number of accidents in FY 2020. The number of motor vehicle accidents decreased from 29,430 in FY 2017 to 26,190 in FY 2020 (a decline of 11.01 percent). The Postal Service states that it reduced the number of motor vehicle accidents in FY 2020 by recording unsafe driving behaviors using mobile delivery devices carried by city and rural carriers. *FY 2020 Annual Report* at 42. These devices tracked data on incidents related to reversing vehicles, making left turns and U-turns, and speeding and rapid decelerations. *Id.* Local managers or supervisors may use this data to gain insight into safety concerns in their offices, which enable them to proactively address safety issues and behaviors before accidents occur. *Id.*

To reduce the number of motor vehicle accidents in FY 2021, the Postal Service states that it will continue to leverage the Informed Mobility Safety Observation tool and other delivery management systems to increase its understanding of motor vehicle accident risks, such as unsafe driving behaviors and dangerous roads, as well as improve the safety of all employees. *Id.* In a CHIR response, the Postal Service states that it captures a large amount of information in various delivery management systems and enterprise analytics platforms that may be used to develop awareness campaigns and safety programs that are

current and updated frequently.<sup>115</sup> For example, these systems and platforms could gather data indicating an increase in package volume that could lead to developing new ergonomic tools for lifting and carrying, as well as awareness campaigns showing employees how to safely load vehicles. Response to CHIR No. 24, question 13. The Postal Service asserts that leveraging existing metrics and data tools to help identify safety needs or gaps will help continue preventing accidents before they occur. *Id.*

*The Commission commends the Postal Service for reducing the number of motor vehicle accidents in FY 2020 and recommends that the Postal Service continue to automate workplace safety observations to help reduce accidents in FY 2021. The Postal Service's plans for reducing motor vehicle accidents by leveraging the Informed Mobility Safety Observation tool and other delivery management systems appear reasonable. The Commission recommends that the FY 2021 Report describe how the Postal Service used the Informed Mobility Safety Observation tool and other delivery management systems and enterprise analytics platforms during FY 2021. The Commission also recommends that the FY 2021 Report discuss any impact these systems and platforms had on preventing or reducing the number of motor vehicle accidents in FY 2021.*

### (3) Workplace Safety During the COVID-19 Pandemic

In March 2020, the Postal Service established the COVID-19 Response Command team to manage the COVID-19 pandemic's effect on employees, operations, and customers. *FY 2020 Annual Report* at 20. This team monitored the daily effects of the COVID-19 pandemic as well as developed and issued policies, plans, and procedures to improve both employee and customer safety. *Id.* Core responsibilities of the COVID-19 Response Command Team included:

- Reinforcing social distancing, face coverings, and hand-washing behaviors according to guidance issued by the CDC
- Updating cleaning policies consistent with CDC guidance and leave policies to comply with the Families First Coronavirus Response Act
- Expanding telework for employees able to work remotely
- Issuing stand-up talks, articles, videos, and other communications to ensure employees had the latest information on the COVID-19 pandemic
- Maintaining steady communication with business mailers and residential customers regarding postal facility disruptions and delivery impacts<sup>116</sup>

The Postal Service states that workplace safety measures implemented in response to the COVID-19 pandemic reflected current CDC guidance and were designed to help protect

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<sup>115</sup> Response to CHIR No. 24, question 13; Response to CHIR No. 26, question 2.

<sup>116</sup> *Id.* at 20-21.

employees both on and off the job. Response to CHIR No. 24, question 11.a. However, it explains the COVID-19 pandemic has not directly impacted the number of accidents in FY 2020. *Id.* It states that employees who claim to have contracted COVID-19 in the workplace must show that “the exposure was directly related to some aspect of circumstance of on-duty activities ... . [and t]he facts of the case must show an employment factor or requirement that gave rise to the resulting COVID-19 diagnosis.” *Id.* It notes that although some employees have been impacted by COVID-19, to date very few of these cases have been established as resulting from a work-related exposure. *Id.*

In a recent report, the OIG evaluated the Postal Service’s response to the COVID-19 pandemic regarding the safety of its employees.<sup>117</sup> It found that “[t]he Postal Service’s quick actions likely saved lives and certainly increased employee safety.” OIG Report No. 20-259-R21 at 1. It made four recommendations, two of which the Postal Service partially agreed with: (1) clarify and communicate the Postal Service’s face covering policy to ensure consistent, nationwide application; and (2) re-evaluate the Close Contact Tracing Program to include program goals, performance metrics, and a hiring initiative to ensure adequate staffing.<sup>118</sup> The Postal Service stated it would implement these recommendations on December 1, 2020. *Id.* at 14.

The Postal Service explained that it implemented these recommendations by issuing a letter to all managers and supervisors on December 19, 2020 regarding face covering requirements and actions they can take to enforce these requirements and as corrective action when there is failure to comply. Response to CHIR No. 24, question 11.b. It also issued guidance reiterating policies on social distancing and required managers to give stand-up talks to all employees regarding the face covering policy. *Id.* It notes that it published internal articles and scheduled ongoing communications for COVID-19 pandemic-related topics. *Id.* The Postal Service states that the OIG concurred with actions taken by management and closed the recommendations. *Id.*

*The Commission recommends that the Postal Service continue to seek ways to implement safety measures specific to the COVID-19 pandemic in order to improve workplace safety in FY 2021.*

#### b. Engaged Workforce

In FY 2020, the Postal Service tracked progress toward the Safe Workplace and Engaged Workforce performance goal using the Survey Response Rate as one of the performance indicators. The Postal Service also measures employee engagement using the Grand Mean

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<sup>117</sup> United States Postal Service, Office of Inspector General, Report No. 20-259-R21, *Employee Safety - Postal Service COVID-19 Response*, November 20, 2020 (OIG Report No. 20-259-R21), available at <https://www.uspsoig.gov/sites/default/files/document-library-files/2020/20-259-R21.pdf>.

<sup>118</sup> *Id.* at 2, 13-14. The OIG made two other recommendations that the Postal Service did not agree with: (1) communicate policy regarding immediate enforcement and corrective action for non-compliance with the face covering policy; and (2) evaluate options and implement a nationwide health screening initiative that may include employee self-certification. *Id.* at 2, 14.

Engagement Score. Each metric is explored below, along with the changes made to the Postal Pulse survey in FY 2020. The Commission also discusses other metrics and concepts for improving employee engagement and the Postal Service's evaluation of employee experiences.

(1) FY 2020 Survey Changes

In FY 2020, the Postal Service made two changes to the Postal Pulse survey by adding a new survey item and changing the question prompt on the comment box. Each change is discussed below.

(a) New Survey Item

In FY 2019, the Postal Service implemented the Next Level Connection process, which consists of "a one-on-one conversation between supervisors and employees designed to assess and address employee engagement needs[.]" *FY 2020 Annual Report* at 43. Item 13 was added to the Postal Pulse survey in FY 2020 "to measure the effectiveness of the Next Level Connection process ... ." *Id.* Item 13 asks employees to rate their level of agreement with the statement, "My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs." *Id.* Similar to the other items on the Postal Pulse survey, employees rate their level of agreement on a scale of 1 to 5, with higher numbers reflecting stronger agreement. *Id.* The Postal Service states that in FY 2020, 46,000 employees responded to this survey item with a 5, meaning that they strongly agreed that they recently had a one-on-one conversation with their immediate supervisor. *Id.*

The Postal Service asserts that an analysis of survey data showed that supportive conversations between a supervisor and employee strongly correlated to the employee's overall engagement level. Response to CHIR No. 23, question 9.a. It states that employees who strongly agreed that they recently had a one-on-one conversation with their supervisor about their workplace needs had an 89 percent higher average score on the Postal Pulse survey compared to employees who strongly disagreed with this item. *Id.*

Supportive conversations between supervisors and employees are beneficial because they promote clear and open communication and feedback for both supervisors and employees. Employees who check in regularly with supervisors are more likely to consider themselves "properly compensated for [their] work, more likely to plan on staying with the company, and more than twice as likely to recommend the company to others as a great place to work."<sup>119</sup>

*The Commission finds that Item 13 improves the Postal Pulse survey because it helps encourage supervisors and employees having routine one-on-one conversations to promote communication and feedback.*

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<sup>119</sup> Gallup, Inc., *Overall Satisfaction: What Is it Worth* (2013), at 13, available at <https://liteblue.usps.gov/emp-engagement/pdf/All-Q12-One-Pagers.pdf>.

Item 13 and the Next Level Connection process are discussed in more detail in the section discussing the Grand Mean Engagement Score. *See* Section C.3.b.(3), *infra*.

(b) Different Comment Box Question Prompt

In FY 2020, the Postal Service also changed the question prompt for the comment box on the Postal Pulse survey. In FY 2019, the Postal Service added a comment box to the Postal Pulse survey allowing employees to provide a written response to a question. *FY 2019 Analysis* at 76. This question asked employees what one thing they would do within their team to improve employee engagement. *Id.* In FY 2020, the Postal Service changed the comment box question prompt to ask employees to describe any positive changes they have seen on their work team.<sup>120</sup> The Postal Service explains this question “was added as a result of FY 2019 employee feedback, which requested more positivity in the workplace.” *FY 2020 Annual Report* at 43. It states that more than 79,000 employees responded with comments, which were aggregated to ensure confidentiality and shared with Postal Service leadership at all levels to influence workplace improvements. *Id.*

The Postal Service notes the most common positive changes reported, in order of frequency, related to having a good manager or supervisor, teamwork and collaboration, and more care and support. Response to CHIR No. 24, question 14.a. It states that overall comments from the Postal Pulse survey were broken down, and analysis was provided to the Postal Inspection Service, eight vice presidents, and leadership in all Areas and Districts.<sup>121</sup> This analysis included guidance on creating strategies to improve team engagement. Response to CHIR No. 24, question 14.b.

Including a comment box improved the Postal Pulse survey by providing another forum for voicing employee opinions and gathering employee engagement insights. The FY 2020 question prompt asking employees to describe positive changes on their work team provides feedback on workplace improvements that affect employee engagement. However, unlike in FY 2019, the FY 2020 question prompt does not allow employees to explain how the Postal Service can improve employee teams or employees' work environments. This type of feedback is important for identifying areas that need improvement and creating effective action plans to improve employee engagement.

*The Commission recommends that the Postal Pulse survey continue to include a comment box to provide another forum for voicing employee opinions and gathering employee engagement insights. The Commission suggests the Postal Pulse survey also ask employees how they would improve their team or work environment. In the FY 2021 Report, the Commission recommends that the Postal Service describe the most common types of comments received, explain how they directly influenced workplace improvements, and provide examples of improvements made.*

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<sup>120</sup> *FY 2020 Annual Report* at 43; *see* Figure III-9, *supra*.

<sup>121</sup> *Id.* question 14.b.; Response to CHIR No. 26, question 3.

(2) Survey Response Rate

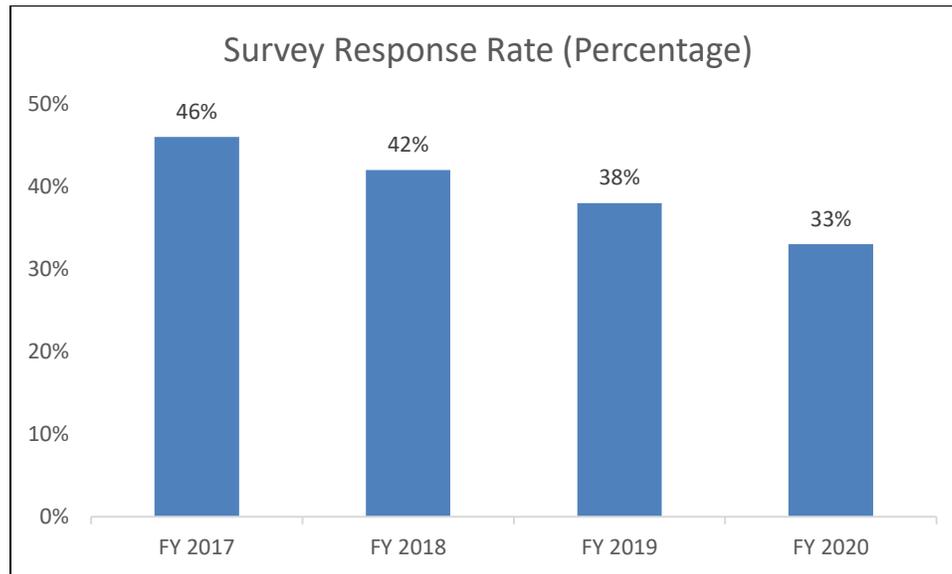
*FY 2020 result.* The Survey Response Rate measures “the level of participation of all potential respondents during each survey administration.” *FY 2020 Annual Report* at 42. In a CHIR response, the Postal Service explains how it administered the Postal Pulse survey during FY 2020. It states that the survey period began on August 4, 2020 and ended on September 4, 2020. Response to CHIR No. 23, question 7.b. Bargaining unit employees received paper copies of the survey at work and their home address. *Id.* They also received an email invitation via Outlook and could also participate via a survey link on the LiteBlue platform. Non-bargaining unit employees received a link to the survey via email on August 4, 2020. *Id.* The Postal Service sent weekly reminder emails to employees who had not yet responded during the survey period and on September 4, 2020, the last day employees could respond. *Id.* All employees were invited to respond to the survey on-the-clock. *Id.*

The FY 2020 Survey Response Rate result was calculated by first determining the total number of employees who responded to at least one item for Items 1-12, which was 197,102. *Id.* question 7.c. This number was then divided by the total number of surveys administered (595,576). This calculation results in a Survey Response Rate of 33 percent. *Id.*

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

Figure III-13 shows the Survey Response Rate results from FY 2017 through FY 2020. In FY 2020, the Survey Response Rate result was 33 percent, which is 5 percentage points less than the FY 2019 result.

**Figure III-13**  
**Postal Pulse Survey Response Rate**  
**Results from FY 2017 through FY 2020**



Source: FY 2020 Annual Report at 33.

Figure III-13 shows that the Survey Response Rate result has declined each year between FY 2017 and FY 2020, falling from a relative high of 46 percent in FY 2017 to 33 percent in FY 2020. The FY 2020 result did not meet the FY 2020 target of 51 percent. See *FY 2020 Annual Report* at 43. In the *FY 2020 Report*, the Postal Service explains that it did not meet the FY 2020 target because the survey was administered during FY 2020, Quarter 4, which was during the COVID-19 pandemic, political and Election Mail season, the organizational restructuring, and periods of high employee absenteeism. *Id.* It asserts that “[a]ny 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.” *Id.*

In CHIR No. 24, the Postal Service was asked to explain how each of these issues contributed to a lower Survey Response Rate result in FY 2020. CHIR No. 24, question 15.a. The Postal Service responds that although it cannot determine the exact impact on the FY 2020 result, higher absenteeism could mean that fewer employees were at work to take the survey. Response to CHIR No. 24, question 15.a. It posits that “[t]he pandemic and the impending election mail season may have distracted local units from strongly promoting participation in the survey.” *Id.* It states that the organizational restructuring may have increased the ambiguity of survey questions asking employees to rate their experience “at work.” *Id.*

In FY 2020, the Postal Service states that it provided employees in mid-level leadership roles with additional training on how to effectively have one-on-one conversations with

their employees using the Next Level Connection tool.<sup>122</sup> The Postal Service also continued to facilitate two virtual training courses on employee engagement: (1) “Creating an Engaging Workplace at USPS” for non-bargaining employees; and (2) “Engagement Matters” for bargaining unit leadership positions. Response to CHIR No. 23, question 9.b. These courses explained how to intentionally focus on behaviors that create an engaged workforce. *Id.* The Postal Service states that 2,468 employees participated in these training courses.<sup>123</sup> It notes the “Creating an Engaging Workplace at USPS” course evaluation included a question asking participants whether they will be able to apply what they have learned to the workplace. *Id.* The Postal Service states that the average response to this question was 4.66 on a scale of 1 to 5, which means most participants either agreed or strongly agreed they could apply what they learned to the workplace. *See id.*

*FY 2021 target.* For FY 2021, the Postal Service set a Survey Response Rate target of 51 percent, which is the same as the FY 2020 target. *FY 2020 Annual Report* at 44. To meet this target, the Postal Service states it will continue to support and expand the Next Level Connection process by continuing one-on-one conversations between supervisors and employees. *Id.* at 43-44. It explains that employees will document these conversations using the human resources platform HERO, which is a new accountability feature for FY 2021.<sup>124</sup> The Postal Service also describes a national initiative implemented in February 2021 to improve the Survey Response Rate result. *Id.* question 15.b. This initiative involved creating team engagement plans designed to use the Postal Pulse survey results and the feedback in a collaborative way. *Id.* The Postal Service asserts that this initiative will “connect supportive team engagement planning with participation in the survey, thus providing motivation to complete the survey.” *Id.*

The Postal Service characterizes the FY 2021 target of 51 percent as “aggressive.” *FY 2020 Annual Report* at 44. PostCom/DTAC assert the FY 2021 target is unrealistic because the FY 2020 result was 33 percent, and the Survey Response Rate results have declined each year. PostCom/DTAC Comments at 7. The Postal Service explains it set the FY 2021 target at 51 percent because that “is what the Postal Service deems acceptable at this point in time and is the target [it is] striving to achieve.” Response to CHIR No. 25, question 7. It asserts that changing the culture of employee engagement “will require consistent messaging, repetition in approach and some aspiration to improve.” *Id.*

The COVID-19 pandemic, political and Election Mail season, organizational restructuring, and periods of high employee absenteeism were unique challenges that adversely affected

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<sup>122</sup> *FY 2020 Annual Report* at 43; see Section C.3.b.(1).(a), *supra*.

<sup>123</sup> *Id.* The Postal Service reports that 1,408 non-bargaining unit employees participated in the “Creating an Engaging Workplace at USPS” course, and 1,060 bargaining unit leaders participated in the “Engagement Matters” course. *Id.*

<sup>124</sup> *Id.* at 44. The HERO platform is a national human resources system that contains many of the Postal Service’s human resources programs and initiatives. It tracks and documents conversations between supervisors and employees, which allows the Postal Service to analyze usage of this platform, promote convenience and tracking abilities, and help leaders ensure that these conversation happen consistently within their teams. Response to CHIR No. 24, question 17.

the FY 2020 Survey Response Rate result. *FY 2020 Annual Report* at 43. However, as Figure III-13 shows, results have declined 4 or 5 percentage points each year between FY 2017 and FY 2020, which indicates there have been issues with survey participation rates in years that did not have the unique challenges of FY 2020. In the *FY 2019 Analysis*, the Commission stated that if the Survey Response Rate result continues to decline in FY 2020, then the 51 percent target may no longer be achievable. *FY 2019 Analysis* at 74. Based on the low FY 2020 result and steadily declining results since FY 2017, the 51 percent target does not appear achievable in FY 2021.

*If the Survey Response Rate results continue to decline in FY 2021, the Commission recommends that the Postal Service set a more achievable target for FY 2022. In the meantime, the Commission recommends that the Postal Service engage in additional follow-up when administering the survey to encourage participation and take steps to demonstrate responsiveness to feedback, which could ultimately increase the overall response rate to the survey.*

### (3) Grand Mean Engagement Score

The Postal Service measures overall employee engagement using the Grand Mean Engagement Score. *FY 2020 Annual Report* at 42. To calculate the Grand Mean Engagement Score, the Postal Service first determines the mean score for Items 1-12 on the Postal Pulse survey, which represent the foundational elements of employee engagement.<sup>125</sup> The mean score is the average score for each item using the 5-point survey scale, with 5 being the highest score and 1 being the lowest. The average of the mean scores for Items 1-12 is the Grand Mean Engagement Score. *FY 2017 Annual Report* at 20. Table III-10 shows results for the Grand Mean Engagement Score, as well as the mean score for each item on the Postal Pulse survey, from FY 2017 through FY 2020.<sup>126</sup>

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<sup>125</sup> See Power of Gallup's Q<sup>12</sup> Employee Engagement Survey.

<sup>126</sup> Gallup, Inc. calculates the Grand Mean Engagement Score and mean scores for each item on the Postal Pulse survey. Response to CHIR No. 25, question 8.a. It provides the Postal Service with a mean percentile ranking for each score to compare to scores of other organizations. *Id.* question 8.b. It also helps identify survey items that have experienced a meaningful increase or decrease on results. *Id.* question 8.c.

**Table III-10  
Postal Pulse Survey  
Grand Mean Engagement Scores and Mean Scores  
FY 2017 through FY 2020**

Postal Pulse Survey Items	FY 2017	FY 2018	FY 2019	FY 2020
	<b>Item-Specific Mean Score<sup>a</sup></b>			
Q0. How satisfied are you with the Postal Service as a place to work?	3.49	3.59	3.60	3.48
<b>Grand Mean Engagement Score</b>	3.25	3.34	3.36	3.29
Q1. I know what is expected of me at work.	4.22	4.28	4.30	4.26
Q2. I have the materials and equipment I need to do my work right.	3.53	3.58	3.61	3.54
Q3. At work, I have the opportunity to do what I do best every day.	3.68	3.77	3.80	3.74
Q4. In the last seven days, I have received recognition or praise for doing good work.	2.75	2.86	2.88	2.83
Q5. My supervisor, or someone at work, seems to care about me as a person.	3.37	3.46	3.48	3.41
Q6. There is someone at work who encourages my development.	2.98	3.08	3.12	3.01
Q7. At work, my opinions seem to count.	2.81	2.92	2.94	2.85
Q8. The mission or purpose of my company makes me feel my job is important.	3.50	3.60	3.61	3.60
Q9. My fellow employees are committed to doing quality work.	3.38	3.42	3.42	3.43
Q10. I have a best friend at work.	3.02	3.07	3.08	3.04
Q11. In the last six months, someone at work has talked to me about my progress.	2.73	2.85	2.87	2.73
Q12. This last year, I have had opportunities at work to learn and grow.	3.03	3.14	3.17	3.04
Q13. My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs.	N/A	N/A	N/A	2.73
N/A – Item 13 was not asked on the Postal Pulse survey for that fiscal year.				
<sup>a</sup> The mean score is the average score for each item on the Postal Pulse survey using the 5-point survey scale, with 5 being the highest score and 1 being the lowest.				

Source: *FY 2020 Annual Report* at 43; Response to CHIR No. 23, question 7.d.; Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-12 of Chairman's Information Request No. 21, March 19, 2020, question 4.a.; Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-4 of CHIR No. 10, February 14, 2019, question 4.a.; Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-14 of Chairman's Information Request No. 9, February 1, 2018, question 12.

The Grand Mean Engagement Score decreased from 3.36 in FY 2019 to 3.29 in FY 2020. *FY 2020 Annual Report* at 43. FY 2020 marked the first decline in the Grand Mean

Engagement Score since the Postal Pulse survey was first implemented in FY 2015.<sup>127</sup> The Postal Service asserts that the decrease from 3.36 to 3.29 “does not meet the threshold to be considered ‘meaningful,’ measured as any delta of .10 or greater.” *FY 2020 Annual Report* at 43. It states that given the challenges of FY 2020, “avoiding a meaningful decline can be considered an achievement.” *Id.* at 43-44.

Table III-10 shows that the Grand Mean Engagement Score and mean score for each item, except Item 9, decreased between FY 2019 and FY 2020.<sup>128</sup> However, the Grand Mean Engagement Score, which measures overall employee engagement, only decreased by .07, which is a relatively small decline given the 5 point scale. The decrease in Postal Pulse survey scores is reasonably explained by the COVID-19 pandemic and other challenges of FY 2020, and scores remained relatively stable considering these challenges. Also, between FY 2016 and FY 2019, both the Grand Mean Engagement Score and mean score for almost all survey items improved, which indicates that FY 2020 may be an aberration. *See FY 2019 Analysis* at 75.

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

Items 4, 7, and 11 concerning employee recognition or praise, the importance of employee opinions, and receiving feedback on progress continued to have the lowest mean scores in FY 2020. These elements of employee engagement are important because “[i]ndividuals who receive recognition and praise increase their individual productivity, boost engagement among their colleagues, are more likely to stay with their organization, and receive higher loyalty and satisfaction scores from customers.”<sup>129</sup> Employees who feel involved in making decisions typically have a greater sense of responsibility or ownership of the process, which can lead to better results. Engagement Elements at 114. Also, regular feedback is important so that employees can better understand how their contributions make a difference to the organization. *Id.* at 122.

As previously discussed, Item 13 was added to the Postal Pulse survey in FY 2020 to measure the effectiveness of the Next Level Connection process, which consists of “a one-on-one conversation between supervisors and employees designed to assess and address

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<sup>127</sup> *FY 2020 Annual Report* at 43; *see FY 2015 Analysis* at 47.

<sup>128</sup> The mean score for Item 9 asking whether fellow employees are committed to doing quality work increased slightly from 3.42 in FY 2019 to 3.43 in FY 2020. *See Table III-10.*

<sup>129</sup> United States Postal Service, *Creating an Engaging Workplace at USPS: The 12 Elements of Engagement*, at 108 (Engagement Elements), available at <https://liteblue.usps.gov/emp-engagement/pdf/Engagement-Resource-Guide.pdf>.

employee engagement needs[.]”<sup>130</sup> In CHIR responses, the Postal Service explains that the purpose of this one-on-one conversation is to assess whether employees strongly agree that Items 1-12 on the Postal Pulse survey, which represent the foundational elements of employee engagement, are present in the work environment.<sup>131</sup> If employees are unable to strongly agree with one or more items, then supervisors work with employees to collaboratively identify actions necessary to address employee engagement needs. Response to CHIR No. 24, question 16.

In FY 2021, the Postal Service states it will support and expand the Next Level Connection process by continuing one-on-one conversations between supervisors and employees to assess and address employee engagement needs. *FY 2020 Annual Report* at 44. Focusing these conversations on Items 1-12 of the Postal Pulse survey should help improve mean scores for these items and identify actions necessary to address employee engagement needs. Specifically, regular conversations between supervisors and employees that discuss both employee engagement needs and progress could help improve mean scores for both Item 11 and Item 13, which relate to feedback on employee progress.

*The Commission recommends that the Postal Service continue taking steps to improve mean scores for all survey items, as well as monitor mean scores of Items 1-12 to evaluate how the Next Level Connection process impacts Postal Pulse survey scores. The Commission also recommends that the FY 2021 Report discuss any impact the Next Level Connection process had on FY 2021 Postal Pulse survey scores.*

#### (4) Other Metrics and Concepts

*Employee experience.* The Postal Service currently evaluates employee engagement using Postal Pulse survey scores and responses to the comment box prompt on the survey. The Postal Service could gain further insights into employee engagement and experiences by incorporating other metrics and concepts such as Employee Experience (EX), the employee Net Promoter Score (eNPS), and employee empowerment. EX is the sum of all interactions employees have with the organization they work for, from pre-recruitment to post-exit.<sup>132</sup> Employee engagement is an ongoing part of EX. While employee engagement measures basic psychological needs necessary for employees to perform their work well, EX encapsulates what employees encounter and observe over the course of their relationship with their employer organization.<sup>133</sup> EX includes major milestones such as recruitment, onboarding, and exit. *See Guide to EX.*

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<sup>130</sup> *FY 2020 Annual Report* at 43; see Section C.3.b.(1)(a), *supra*.

<sup>131</sup> Response to CHIR No. 23, question 9.a.; Response to CHIR No. 24, question 16.

<sup>132</sup> Gallup, Inc., *Designing the Employee Experience to Improve Workplace Culture and Drive Performance*, available at <https://www.gallup.com/workplace/323573/employee-experience-and-workplace-culture.aspx>.

<sup>133</sup> Ryan Pendell, *Employee Experience vs. Engagement: What's the Difference?*, Gallup, Inc. (October 12, 2018), available at <https://www.gallup.com/workplace/243578/employee-experience-engagement-difference.aspx>; Erik van Vulpen, *A Complete Guide to the Employee Experience*, *Academy to Innovate HR (Guide to EX)*, available at <https://www.digitalhrtech.com/employee-experience-guide/>.

Research has linked strong EX programs to organizational outcomes and goals such as overall profitability and customer experience (CX). Some studies found that organizations that measure EX have lower employee turnover and are four times more profitable than those that do not.<sup>134</sup> Other studies have found that EX and CX are equally important and intrinsically linked because strong EX is a necessary condition for outstanding CX.<sup>135</sup>

The Postal Service states it recognizes the relationship between employee engagement and CX. Response to CHIR No. 26, question 4.a. It explains that the “Creating an Engaging Workplace at USPS” training course, which has been administered to more than 53,000 postal leaders, explores the relationship between higher employee engagement and higher CX survey results.<sup>136</sup> The Postal Service notes it directed Gallup, Inc. to analyze the relationship between employee engagement and CX with data from the Postal Pulse, POS, BMEU, Delivery, and C360 surveys. Response to CHIR No. 26, question 4.b. It asserts results of this analysis supported the connection between employee engagement and CX at the Postal Service. *Id.* question 4.c. For example, each 0.10 improvement in the Grand Mean Engagement Score at the District level may lead to percentage increases in overall satisfaction results for the POS (2.60 percent), BMEU (2.90 percent), Delivery (9.30 percent), and C360 (18.80 percent) surveys.<sup>137</sup>

*The Commission recommends that the Postal Service continue to analyze the relationship between employee engagement and CX to improve results of the Postal Pulse and CX surveys. The Commission also recommends that the Postal Service consider incorporating EX into its measurement of employee experiences to obtain a holistic picture of employee perceptions and interactions while working for the Postal Service. For example, the Postal Service could administer other surveys at different points in the employee experience, such as to prospective candidates, during onboarding, and after training to capture employee experiences and perceptions beyond the Postal Pulse survey.*

*Employee Net Promoter Score.* The eNPS is a metric for measuring employee loyalty.<sup>138</sup> The eNPS is an employee variation of the NPS, which measures customer loyalty by asking customers how likely they are to recommend an organization to a friend or relative.<sup>139</sup>

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<sup>134</sup> Qualtrics, *What is EX? Your Ultimate Guide to Employee Experience*, available at <https://www.qualtrics.com/experience-management/employee/employee-experience/> (citing Jacob Morgan, *The Employee Experience Advantage*, Wiley & Son, Inc. (2017)).

<sup>135</sup> Local Measure, *The Connection between EX and CX Has Never Been More Important* (March 25, 2020), available at <https://www.localmeasure.com/post/the-connection-between-ex-and-cx-has-never-been-more-important/>; Melissa Arronte, *EX and CX – Better Together*, Medallia (October 15, 2019), available at <https://www.medallia.com/blog/ex-and-cx-better-together/>.

<sup>136</sup> *Id.* The CX surveys are the BSN, POS, Delivery, CCC, C360, BMEU, USPS.com, and Large Business Panel surveys. See Section B.1.a., *supra*.

<sup>137</sup> *Id.* Overall satisfaction questions for each CX survey are listed Table III-3. See Section B.1.b., *supra*.

<sup>138</sup> QuestionPro, *Employee Net Promoter Score (eNPS) – Definition, Question, Formula, Calculation and Benchmark* (eNPS Definition), available at <https://www.questionpro.com/blog/employee-net-promoter-score-enps/>.

<sup>139</sup> See eNPS Definition. The NPS is discussed in detail in the Excellent Customer Experiences subchapter. See Section B.3.c., *supra*.

Similarly, the eNPS question asks employees “On a scale of 0 to 10, how likely are you to recommend this organization to your family or friends?” *See* eNPS Definition.

Benefits of using the eNPS are that it is a straightforward metric for measuring employee loyalty and retention that can be compared to eNPS results of other organizations.<sup>140</sup> A recent article listed 100 companies that have the happiest employees based on their eNPS results.<sup>141</sup> However, because of its limited scope, the eNPS should be combined with other surveys to fully understand what factors contribute to the result and what steps an organization may take to strengthen employee loyalty. *See* McPherson eNPS. In a CHIR response, the Postal Service states that it does not use the eNPS or a similar metric because it relies on the expertise of Gallup, Inc. and the Postal Service’s own judgment to determine the optimal questions to ask. Response to CHIR No. 23, questions 8.a., b. It notes that it has not identified any need to ask an eNPS question. *Id.* question 8.b.

*The Postal Service could improve its measurement of employee engagement and experiences by adding an eNPS question to the Postal Pulse survey. The Commission recommends that the Postal Service consider adding such a question to the Postal Pulse survey as part of its measurement of employee engagement and experiences.*

*Employee empowerment.* Employee empowerment is defined as the ways organizations provide their employees with some degree of autonomy and control in their day-to-day activities.<sup>142</sup> A key principle is “providing employees the means for making important decisions and helping ensure those decisions are correct.” *See* ASQ, Employee Empowerment. Organizations may empower their employees by increasing either the scope or depth of the job. *Id.* For example, a bank may empower a teller by changing the scope of the job to handle not only deposits and disbursements, but also traveler’s checks and certificates of deposit. *Id.* A bank may also expand the depth of a teller’s job by including responsibilities that have traditionally been carried out by supervisors or managers, such as reviewing and approving loan applications. *Id.*

Research has demonstrated that empowering employees is associated with stronger job performance, job satisfaction, and commitment to the employer organization.<sup>143</sup> In a CHIR response, the Postal Service asserts that the employee engagement process and 12 elements of employee engagement help employees become “more involved in, committed to and enthusiastic about their role with the Postal Service.” Response to CHIR No. 23,

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<sup>140</sup> Jason McPherson, *Employee Net Promoter Score (eNPS)* (McPherson eNPS), Culture Amp, available at <https://www.cultureamp.com/blog/employee-net-promoter-score/>.

<sup>141</sup> Rachael Ranosa, *These 100 Companies Have the Happiest Employees*, HRM America (October 2, 2019), available at <https://www.hcamag.com/us/specialization/employee-engagement/these-100-companies-have-the-happiest-employees/179556>.

<sup>142</sup> ASQ, *What Is Employee Empowerment?* (ASQ, Employee Empowerment), available at <https://asq.org/quality-resources/employee-empowerment#:~:text=Employee%20empowerment%20is%20defined%20as,day%2Dto%2Dday%20activities>.

<sup>143</sup> Allan Lee, Sara Willis, and Amy Wei Tan, *When Empowering Employees Works, and When It Doesn’t*, Harvard Business Review (March 2, 2018), available at <https://hbr.org/2018/03/when-empowering-employees-works-and-when-it-doesnt>.

question 10. It states the employee engagement process “will better allow employees, where appropriate, to make independent decisions and to act as advocates for customers.” *Id.* In the *FY 2021 Plan*, the Postal Service states it “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.” *FY 2020 Annual Report* at 39.

*The Commission recommends that the Postal Service consider initiatives to empower employees in the workplace through training and entrusting employees to make decisions and act as advocates for customers. The Commission also recommends that the FY 2021 Report explain how it empowers employees to prevent undesirable customer experiences and whether empowering employees affected the FY 2021 results for the performance indicators tracking progress toward the Safe Workplace and Engaged Workforce and Excellent Customer Experiences performance goals.*

## D. Financial Health

### 1. Background

In FY 2020, the Postal Service used two performance indicators to measure progress toward the Financial Health performance goal: Deliveries per Total Workhours % Change (DPTWH % Change) and Controllable Income (Loss). *See FY 2020 Annual Report* at 33.

The DPTWH % Change performance indicator is intended to measure how efficiently the Postal Service uses workhours in a given fiscal year.<sup>144</sup> The Postal Service first calculates Deliveries per Total Workhour (DPTWH) by multiplying the total possible deliveries by the number of delivery days and dividing that product by total workhours. *FY 2020 Annual Report* at 52. The Postal Service adjusts workhours to reflect changes in workload compared to the prior year. *Id.* This adjustment accounts for changes in the network size (such as the addition of delivery points), changes in the number of non-Sunday delivery days, and changes in the mix of mail types. *Id.* This adjustment ensures that DPTWH results are comparable across fiscal years. *Id.*

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

The results for the Controllable Income (Loss) performance indicator are calculated as the Postal Service’s total revenue minus controllable expenses. *Id.* at 31. Revenue includes funds received from the sale of postage, mailing and shipping services, passports, Post

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<sup>144</sup> *Id.* at 52; *see* Docket No. ACR2016, Responses of the United States Postal Service to Questions 1 and 3-5 of Chairman’s Information Request No. 19, March 17, 2017, question 4.b.

Office Box rentals, gains from the sale and lease of property, and interest and investment income. *Id.* at 48.

Controllable expenses consist of compensation and benefits; the Federal Employees Retirement System (FERS) and Postal Service Retiree Health Benefits (RHB) normal costs; transportation; depreciation; supplies and services; and rent, utilities, and other controllable expenses. *See id.* at 31, 49. Controllable expenses exclude non-controllable expenses, which are expenses that do not reflect the Postal Service's operational decisions and are subject to large fluctuations that are outside of the Postal Service's control. *Id.* at 45. According to the Postal Service, non-controllable expenses include:

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

*Id.*

Consistent with historical practice, the Commission published a separate financial analysis of the Postal Service's FY 2020 financial results and 10-K statement.<sup>145</sup> That analysis provides a detailed evaluation of the Postal Service's financial status by examining volume, revenue, and cost trends as well as the Postal Service's sustainability, liquidity, activity, and financial solvency.

In FY 2020, the Postal Service met its target for Controllable Income (Loss), but failed to meet its target for DPTWH % Change. *FY 2020 Annual Report* at 48, 52. The Postal Service explains that while the FY 2020 target for DPTWH % Change was a 1.5 percent improvement over FY 2019, the actual result was only an increase of 0.9 percent. *Id.* at 52. The Postal Service attributes this result to "overrunning [its] work hour plan." *Id.* Explanations for missing the FY 2020 target are discussed in more detail below. *See* Section D.3.a.(1), *infra*.

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<sup>145</sup> Postal Regulatory Commission, *Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2020, April 26, 2021 (FY 2020 Financial Analysis)*.

With regard to the Controllable Income (Loss) performance indicator, the Postal Service's total controllable loss for FY 2020 of (\$3.75 billion)<sup>146</sup> was better than its target of (\$4.00 billion). *Id.* at 48. The Postal Service explains that FY 2020 revenue was greater than planned largely due to a surge in package volumes in the last 7 months of the fiscal year, as a result of the COVID-19 pandemic. *Id.* However, controllable expenses were \$1.2 billion more than the *FY 2020 Plan* due generally to salary and benefits, transportation, and supply and service expenses that were higher than planned. *Id.* at 46, 49.

In the *FY 2021 Plan*, the Postal Service states that “[s]tarting in FY 2021, the DPTWH metric will no longer be tracked as a corporate indicator” *Id.* at 52. The FY 2021 target for Controllable Income (Loss) is (\$5.60 billion), a difference of \$1.85 billion from the FY 2020 result of (\$3.75 billion). *Id.* at 33. Plans for meeting the FY 2021 Controllable Income (Loss) target are discussed in more detail below. *See* Section D.3.b., *infra*.

## 2. Comments

The Public Representative notes the Postal Service met its FY 2020 Controllable Income (Loss) target. PR Comments at 7. However, she also observes that the Postal Service did not meet its FY 2020 DPTWH % Change target. *Id.* Thus, she concludes the Postal Service only partially met the Financial Health performance goal in FY 2020. *Id.*

PostCom/DTAC question the fact that the Postal Service's Controllable Income (Loss) target is lower in FY 2021 than it was in FY 2020, “despite USPS outperforming last year's target.” PostCom/DTAC Comments at 6. They also note that the target is “lower than any of the last five years, despite USPS revenues greatly exceeding planned levels during the last year.” *Id.*

In response, the Postal Service first takes issue with the Public Representative's contention that the Postal Service partially met its Financial Health performance goal. Postal Service Reply Comments at 1-2. The Postal Service notes that the difference between its target and actual result for DPTWH % Change “was narrower than the Public Representative claims” and compares favorably with results from recent years. *Id.* at 2. The Postal Service asserts that “[i]t would thus be more accurate to say that the Postal Service exceeded its Controllable Income target and performed reasonably well on its DPTWH metric by reversing a long string of negative scores.” *Id.*

With regard to PostCom/DTAC's comments, the Postal Service responds that “there is nothing irrational” about its FY 2021 Controllable Income (Loss) target. *Id.* at 8. Rather, it notes that “[m]uch uncertainty surrounded Controllable Income planning for FY 2021 due to COVID-19's continuing impact on volume levels, mix of packages versus mail, employee

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<sup>146</sup> *Id.* at 46, 48. The Postal Service generally describes its Controllable Income (Loss) result throughout the *FY 2020 Annual Report* as (\$3.75 billion). *See, e.g., id.* at 48. However, in its table describing its FY 2020 revenue and expenses, it lists its total Controllable Income (Loss) as (\$3.8 billion). *Id.* at 46. The Postal Service notes that “[d]ue to rounding, numbers presented throughout this table may not add up precisely to totals provided elsewhere in this report.” *Id.*

availability, and so forth.” *Id.* The Postal Service asserts that “[t]he target reflects a forecast that only a portion of the plummeting letter and flat volume would rebound while the better part of the surge in package volume would dissipate[,]” thus resulting in an “exacerbation of] the gap between expected revenue growth and the contractual and economic inflationary impact on expense growth.” *Id.* at 8-9.

### 3. Commission Analysis

In FY 2020, the Postal Service missed the target for DPTWH % Change, but met the target for Controllable Income (Loss).

*The Commission finds that the Postal Service partially met the Financial Health performance goal in FY 2020.*

The Postal Service met the FY 2020 Controllable Income (Loss) target because the (\$3.75 billion) loss was better than the projected loss of (\$4.00 billion). Nonetheless, the Commission is concerned that the Postal Service remains financially unstable. In the *FY 2020 Financial Analysis*, the Commission found that “continuing losses have negatively affected the Postal Service’s financial position, creating a substantial gap between the Postal Service’s assets and liabilities.” *FY 2020 Financial Analysis* at 5. The *FY 2020 Financial Analysis* contains an in-depth discussion of the Postal Service’s financial status. *See id.* at 8-42.

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

#### a. Deliveries per Total Workhour % Change

As stated above, DPTWH % Change is calculated by comparing the current year’s DPTWH (based on adjusted workhours) with the prior year’s DPTWH (based on unadjusted workhours). *FY 2020 Annual Report* at 52. Table III-11 illustrates how the Postal Service calculates DPTWH % Change.

**Table III-11**  
**Deliveries per Total Workhours % Change Calculation**  
**Results and FY 2020 Targets**

	<b>FY 2017 Result</b>	<b>FY 2018 Result</b>	<b>FY 2019 Result</b>	<b>FY 2020 Target</b>	<b>FY 2020 Result</b>
Workhours (millions)	1,163.9	1,169.6	1,173.2	1,157.3	1,174.3
Less adjustment to workhours based on earned workload (millions)	(5.4)	(5.4)	(14.1)	(11.9)	(6.3)
Adjusted workhours (millions)	1,169.3	1,175.0	1,187.3	1,169.2	1,180.6
Total deliveries (millions)	47,604	47,825	48,270	48,825	48,994
Deliveries per Total Workhours (unadjusted)	40.9	40.9	41.1	42.2	41.7
Deliveries per Total Workhours (adjusted)	40.7	40.7	40.7	41.8	41.5
Deliveries per Total Workhours % Change	(0.5)%	(0.5)%	(0.6)%	1.5%	0.9%

Source: Response to CHIR No. 8, question 5.

The FY 2020 target for the DPTWH % Change performance indicator was an increase of 1.5 percent over the FY 2019 result. *FY 2020 Annual Report* at 52. However, the FY 2020 result was an increase of only 0.9 percent. *Id.* Explanations for missing the FY 2020 target and plans to avoid overrunning the workhour plan in FY 2021 are discussed below.

(1) Explanations for Missing Target in FY 2020

The Postal Service attributes missing its FY 2020 target for DPTWH % Change to overrunning the workhour plan. *Id.* The Postal Service notes that “[w]orkhour overruns occurred mainly in the second half of the fiscal year due to the sudden, extreme increases in package volumes as well as the sudden, extreme decline in letter and flat volume caused by the COVID-19 pandemic.” *Id.*

The Postal Service further explains “workhour targets are set based on historical workhour usage and volume projections” and “[a]s a result of the COVID-19 pandemic, the Postal Service experienced unprecedented variances in these volume projections as well as decreased employee availability.” Response to CHIR No. 15, question 1. Additionally, the Postal Service asserts that “[s]cheduling and planning were impacted by the need to adhere to new CDC social distancing policy and guidelines.” *Id.* The Postal Service continues that “[p]ackage volume increased, leading to a relatively higher rate of manual processing over automation, which, in turn imposed a relatively higher unit cost.” *Id.* The Postal Service further explains such packages may require delivery to the customer’s door and may also occupy a relatively greater share of space capacity in processing plants, transportation vehicles and delivery units. *Id.* According to the Postal Service, all of these effects of the COVID-19 pandemic, taken in combination, served to lower the DPTWH result for FY 2020. *Id.*

Last year, the Commission recognized the Postal Service’s efforts to improve DPTWH by “right-siz[ing] its equipment needs, add[ing] additional delivery lockers, and deploy[ing] new package automation equipment to reduce workhours.” *FY 2019 Analysis* at 87. The Postal Service explains that in continuing to right-size its equipment to its needs in FY 2020, it reduced its letter and flat sorting machine inventory, but reactivated a portion of those machines in FY 2021. Response to CHIR No. 25, question 9.a. It also asserts that it “continues to evaluate its package sorting capacity compared to package volume growth” and “plans to purchase and deploy additional sorting machines in places where there is a shortfall in capacity” while also removing machines in places where necessary to adjust capabilities, subject to any applicable court orders. *Id.* With regard to delivery lockers, the Postal Service notes that it revised parcel locker ratios in apartment buildings from 10:1 to 5:1 in order to accommodate an increase in package volume, “utilize[d] the Parcel Locker Identification Tool (PLIT) to identify opportunity locations for parcel locker deployment[,]” launched a computer-based parcel locker pilot program in ten locations, and has been testing a “next generation centralized mailbox—the NeighborPost—which in essence gives each customer their own parcel locker.” *Id.* question 9.b. Regarding package automation equipment, the Postal Service explains that it is “deploying 25 Automated Delivery Unit Sorters (ADUS) and 13 Small Parcel and Package Sorting System[s] (SPSS)[,]” which will be deployed in 38 plants by November 2021. *Id.* question 9.c.

*The Commission finds the Postal Service’s explanations for missing its FY 2020 DPTWH % Change target plausible given the unprecedented and unpredictable challenges faced by the Postal Service as a result of the COVID-19 pandemic. Although the Postal Service did not meet its target in FY 2020, the Commission recognizes that the Postal Service had a year-over-year improvement in DPTWH, which is notable given the challenges of the COVID-19 pandemic and the fact that the Postal Service has had negative results for the 3 prior fiscal years.*

## (2) Overtime Workhours and Operational Initiatives to Avoid Overrunning the Workhour Plan

In its *FY 2019 Analysis*, in response to two reports issued by the OIG, the Commission discussed in detail the Postal Service’s use of overtime workhours.<sup>147</sup> In the first report, which focused on mail processing overtime, the Commission noted that the OIG had “found that in FY 2018, the Postal Service ‘planned for about 18.5 million overtime workhours and 767,000 penalty overtime workhours . . . [.] but [t]he actual overtime

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<sup>147</sup> See *FY 2019 Analysis* at 87-91. “Penalty overtime” is overtime that is paid for one of five reasons: (1) an employee works overtime for 5 consecutive days in any work week; (2) an employee works more than 8 hours on a scheduled day off; (3) an employee works a second scheduled day off in a work week; (4) an employee works more than 10 hours in a shift; or (5) an employee works more than 56 hours in a week. Docket No. ACR2019, Supplemental Response of the United States Postal Service Question 10 of Chairman’s Information Request No. 21 – Errata, March 20, 2020, question 10.b.i. (Docket No. ACR2019, March 20 Response to CHIR No. 21). Unlike regular overtime, which is paid at one-and-a-half times an employee’s hourly rate, penalty overtime is paid at twice an employee’s hourly rate. See United States Postal Service, Office of Inspector General, Report No. NO-AR-19-005, *Mail Processing Overtime*, June 13, 2019, at 1 (OIG Report No. NO-AR-19-005), available at <https://www.uspsaig.gov/document/mail-processing-overtime>.

workhours used were 26.7 million (44 percent over plan) and the actual penalty overtime workhours used were 1.7 million (126 percent over plan).”<sup>148</sup> The Commission also observed that the OIG had found that overtime for positions in customer service, city delivery, and vehicle operations had significantly increased between FY 2014 and FY 2018 in the second report.<sup>149</sup> In both reports, the OIG recommended that the Postal Service implement plans aimed at better managing overtime workhours. *See* OIG Report No. NO-AR-19-005 at 2; OIG Report No. 19RG005DR000-R20 at 3.

In a CHIR response, the Postal Service justified its use of overtime in FY 2019. Docket No. ACR2019, March 20 Response to CHIR No. 21, question 10. Specifically, it explained that “the hourly rate for a full-time career employee working overtime is actually lower than the hourly rate for a full-time career employee working a ‘straight time’ (non-overtime) [work]hour[,]” because “the Postal Service does not incur additional benefit costs on the overtime hour that are incurred in the straight time hour.” *Id.* For instance, according to the Postal Service, “[i]n FY 2019, it was 6.38 percent more cost efficient to have a career employee work an overtime hour instead of onboarding an additional career employee and having them work the hour at straight time.” *Id.*

The Postal Service also identified numerous reasons why overtime might be required: to fill in for another employee on sick leave, vacation, or a temporary assignment; or to address operational circumstances such as unexpected volume, late-arriving volume, or unplanned machine downtime which causes an operation to run late. *Id.* question 10.a. The Postal Service stated that it was not practical to foresee all such types of events when conducting scheduling, which, at any rate, would require additional personnel to be on hand at all times to react. *Id.*

In the *FY 2019 Analysis*, the Commission noted that in FY 2019, planned overtime hours were 116,401,104 and planned penalty overtime hours were 6,894,582. *FY 2019 Analysis* at 90. However, the actual overtime hours worked were 136,556,311 (17.3 percent over plan), and the actual penalty overtime hours worked were 11,381,781 (65.1 percent over plan). *Id.* The Commission also noted that the total number of unauthorized overtime workhours—overtime workhours accrued without prior authorization from a manager—in FY 2019 was 28,609,400.<sup>150</sup> The Commission concluded that the Postal Service presented “a reasonable justification for why it views the use of overtime workhours in many instances as preferable to hiring additional employees.” *FY 2019 Analysis* at 91. However, the Commission also explained that “while incurring overtime workhours might be the best available course as a response to network disruptions, market changes, and

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<sup>148</sup> *Id.* at 87 (quoting OIG Report No. NO-AR-19-005 at 1.).

<sup>149</sup> *FY 2019 Analysis* at 88 (citing United States Postal Service, Office of Inspector General, Report No. 19RG005DR000-R20, *Customer Service, City Delivery and Vehicle Operations—Workload and Workforce Performance Indicators*, October 24, 2019, at 1 (OIG Report No. 19RG005DR000-R20), available at <https://www.uspsig.gov/document/customer-service-city-delivery-and-vehicle-operations-workload-and-workforce-performance>).

<sup>150</sup> *Id.*; OIG Report No. NO-AR-19-005 at 2.

operational realities such as seasonal variability in volume, the justification for incurring penalty overtime workhours and unauthorized overtime workhours is substantially less.” *Id.* It stated that while it commended the Postal Service “for its moderate success at reducing workhours through operational initiatives, it [was] nevertheless difficult to see how the Postal Service expect[ed] to achieve a heightened DPTWH % Change target in FY 2020 without a more comprehensive plan to address these issues.” *Id.* The Commission therefore recommended that “the Postal Service focus on balancing its work complement to minimize the use of penalty overtime workhours to the greatest extent possible” and “take steps to address the occurrence of unauthorized overtime workhours.” *Id.*

In FY 2020, the Postal Service planned for 121,129,697 overtime workhours, but actually incurred 149,839,172 overtime workhours (23.7 percent over plan). Response to CHIR No. 15, question 3.a. The Postal Service also specifically planned for 8,868,427 penalty overtime workhours, but actually incurred 16,959,517 of these workhours (91.2 percent over plan). *Id.* Both total overtime workhours and penalty overtime workhours increased from FY 2019.

The Postal Service explains that total overtime workhours and penalty overtime workhours exceeded its plan because of the COVID-19 pandemic, which “could not have been foreseen when the targets were set.” *Id.* Specifically, the Postal Service asserts that “[i]n order to maintain service [during the COVID-19 pandemic], the Postal Service [] deployed several staffing strategies, including the hiring of additional non-career employees and utilizing overtime.” *Id.*

Table III-12 disaggregates the total overtime workhours planned and incurred by overtime function.

**Table III-12**  
**Overtime Workhours by Function in FY 2020**  
**Actual and Plan**

Overtime Function	Actual	Plan	Variance to Plan	% to Plan
F0: Operations Support	255,005	219,256	35,749	16.3
F1: Mail Processing	31,260,326	23,579,049	7,681,277	32.6
F2: Delivery Service	86,041,773	70,633,362	15,408,411	21.8
F3: Maintenance	11,444,991	9,975,782	1,469,209	14.7
F4: Customer Services	19,441,257	15,624,182	3,817,075	24.4
F5: Finance	66,961	72,406	(5,445)	(7.5)
F6: Human Resources	136,950	104,594	32,356	30.9
F7: Customer Service and Sales	598,153	483,031	115,122	23.8
F8: Administration	584,025	438,035	145,990	33.3

■ Target Met     ■ Target Not Met

Source: Response to CHIR No. 15, question 3.d.; Response to CHIR No. 16, question 2.c.

The Postal Service explains that delivery operations “contributed the most to the total overtime workhours in FY 2020” because of “[t]he increased package volume caused by the pandemic[,]” which “led to increased deliveries and dismounts, which have a disproportionate effect on carrier workhours compared to letter and flat volumes.” Response to CHIR No. 15, question 3.d.

According to the Postal Service, it “addressed the usage of overtime, including penalty overtime, by converting thousands of non-career employees to career status” and by “creating an individualized operating plan for each facility, to include complement and overtime levels.” *Id.* question 3.b. It asserts that “[t]his will reduce the amount of overtime used while continuing to meet service obligations.” *Id.*

According to the Postal Service, “[u]nauthorized overtime accounts for 23,659,159 of the total overtime hours used in FY 2020.” *Id.* question 3.a. This is a decrease from the 28,609,400 unauthorized overtime workhours incurred in FY 2019. *See FY 2019 Analysis* at 90. The Postal Service explains that it “strived to limit unauthorized overtime through the use of the Informed Visibility Employee Scheduler application[,]” which “compels facilities to plan ahead when scheduling full-day overtime and provides metrics on budget compliance, productivity, and overtime rates.” *Id.* question 3.c. It also notes that it is “building a new complement model on this platform to reduce costs and provide for a single planning tool for complement and weekly schedules, to include scheduling of full-day overtime.” *Id.*

The Postal Service states that in FY 2021 and future years, it intends to continue its “regular efforts to minimize the number of unearned work hours and to optimize the level of necessary overtime used, including penalty overtime.” Response to CHIR No. 24, question 1. One way it does this is through its day-to-day scheduling management process:

[I]n establishing schedules for the employees, thousands of managers and/or supervisors in mail processing or delivery facilities take into account the hours that they anticipate will be necessary to perform all mail processing and/or delivery functions in deciding the number of hours and numbers of employees to be scheduled throughout the week and attempt to optimize the level of overtime that may be needed due to mail volume and employees’ prescheduled absences. When, as often happens, circumstances such as an unanticipated increase in mail volume or unscheduled employee absences arise, management requests and/or approves overtime necessary to ensure timely delivery of mail.

*Id.* The Postal Service also states that “each Fiscal Year[,] the Postal Service develops various initiatives for each of its Operations functions as part of an annual interactive process wherein Operations executives work together to develop tactics to increase efficiencies and reduce costs, consistent with service standards.” *Id.*

On August 25, 2020, the OIG released an additional report assessing the Postal Service's controls over managing overtime.<sup>151</sup> In that report, the OIG found that "[f]rom fiscal year (FY) 2014 to FY 2019, annual overtime costs increased from \$3.7 to \$5 billion (or 35 percent), while overtime hours increased from 98.9 to 129.7 million hours (or 31 percent)." OIG Report No. 20-209-R20 at 1. It found that "[t]he Postal Service needs to strengthen controls over managing overtime to successfully contain these costs." *Id.* Specifically, it found that: (1) "management did not always maintain adequate staffing levels;" (2) the Postal Service's framework for measuring performance lacks a deterrent preventing management from exceeding its overtime budget; (3) [H]eadquarters did not require supervisors to collect information on reasons for overtime use; and (4) management did not provide adequate supervisory oversight over completion and maintenance of the requisite forms, timecards, and reports. *Id.* at 2. Accordingly, the OIG recommended that the Postal Service:

- "Address staffing issues at facilities operating below their authorized complement or with excessive vacancies and identify opportunities for savings at locations with high overtime users by determining the optimal point at which hiring new staff becomes more cost efficient than using overtime."
- "Modify current policies and procedures to include performance measures or other oversight controls to hold appropriate management accountable for not reducing overtime use."
- "Implement a process to collect and monitor data that identifies the reasons for overtime use to better manage and control overtime costs."
- "Develop an action plan, with milestones, to monitor and reduce unauthorized overtime."
- "Establish and implement automated processes to update the data file parameters and validate the file for accuracy and completeness."

*Id.*

*The Commission concurs with the recommendations of the OIG about managing overtime. The Commission also recommends that the Postal Service focus on balancing its work complement to minimize the use of penalty overtime workhours to the greatest extent possible. Additionally, the Commission commends the Postal Service on its reduction of unauthorized overtime workhours and recommends that the Postal Service take further steps to address the occurrence of such workhours. Through targeting penalty and unauthorized overtime hours, the Commission hopes that the Postal Service may minimize unearned workhours generally.*

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<sup>151</sup> United States Postal Service, Office of Inspector General, *Assessment of Overtime Activity*, August 25, 2020 (OIG Report No. 20-209-R20), available at <https://www.uspsaig.gov/sites/default/files/document-library-files/2020/20-209-R20.pdf>.

(3) Elimination of DPTWH % Change as a Performance Indicator

In the *FY 2021 Plan*, the Postal Service states it will no longer use DPTWH % Change as a Financial Health performance indicator. *FY 2020 Annual Report* at 52. In a CHIR response, the Postal Service explains that DPTWH % Change “is too vulnerable to the changing mail mix, erosion of delivery coverage[,] and delivery point expansion.” Response to CHIR No. 8, question 3.a. It submits that DPTWH % Change is an inaccurate measure of overall organizational efficiency, and targets were not achievable because workhours for packages are higher than workhours for letters and flats, and there are fewer pieces per delivery point. *Id.*

In past Analyses, the Commission identified issues with using DPTWH % Change as a performance indicator and recommended that the Postal Service use Total Factor Productivity (TFP) instead to measure productivity improvements.<sup>152</sup> Specifically, the Commission observed that the resource inputs used to estimate workload were not as refined or as comprehensive as those used for the TFP index, and eliminating workhours appeared to make the DPTWH % Change result less comprehensive.<sup>153</sup> It also noted that it was unclear whether the workload adjustment was accurate or complete. *Id.* at 73.

However, the Commission is also concerned that the Postal Service will not replace DPTWH % Change with another Financial Health performance indicator in FY 2021. Between FY 2010 and FY 2020, the Postal Service used at least two performance indicators to track progress toward the Financial Health performance goal. The Postal Service confirms that in FY 2021, it will measure progress toward the Financial Health performance goal using only the Controllable Income (Loss) performance indicator. *Id.* question 3.d. It states that the Postal Service’s Executive Leadership Team and Board of Governors will approve FY 2022 performance indicators and targets in November 2021, and will be asked to consider the utility of efficiency metrics. *Id.*

The Commission is concerned that Controllable Income (Loss) alone does not provide a complete and balanced picture of the Postal Service’s progress toward the Financial Health performance goal. Controllable Income (Loss) captures only one aspect of Financial Health, which should also be evaluated using other important metrics such as ones that measure operational efficiency or financial ratios based on the Postal Service’s financial statements.<sup>154</sup> Establishing a more comprehensive set of performance indicators would provide more insight into the Postal Service’s progress toward the Financial Health performance goal, which is important because the Postal Service’s financial health is a

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<sup>152</sup> See, e.g., *FY 2016 Analysis* at 73. TFP is discussed in Section D.3.a.(4), *infra*.

<sup>153</sup> *FY 2016 Analysis* at 73. The DPTWH % Change performance indicator was previously called DPTWH % SPLY. *Id.* at 67.

<sup>154</sup> In a recent report, the Commission calculated key financial ratios and analyzed the Postal Service’s financial performance in FY 2020. See *FY 2020 Financial Analysis* at 35-42.

critical area needing improvement to ensure the Postal Service returns to a sustainable path.

*The Commission recommends that the Postal Service consider adopting additional performance indicators for measuring progress toward the Financial Health performance goal.*

#### (4) Other Performance Measures

Although not used as performance indicators, the Postal Service also includes in the *FY 2020 Report* results for TFP and labor productivity.<sup>155</sup> The Commission appreciates the Postal Service providing this information, as the Commission has recommended in the past. *See, e.g., FY 2019 Analysis* at 91. Even though these two measures are not performance indicators, they provide additional transparency into productivity trends.

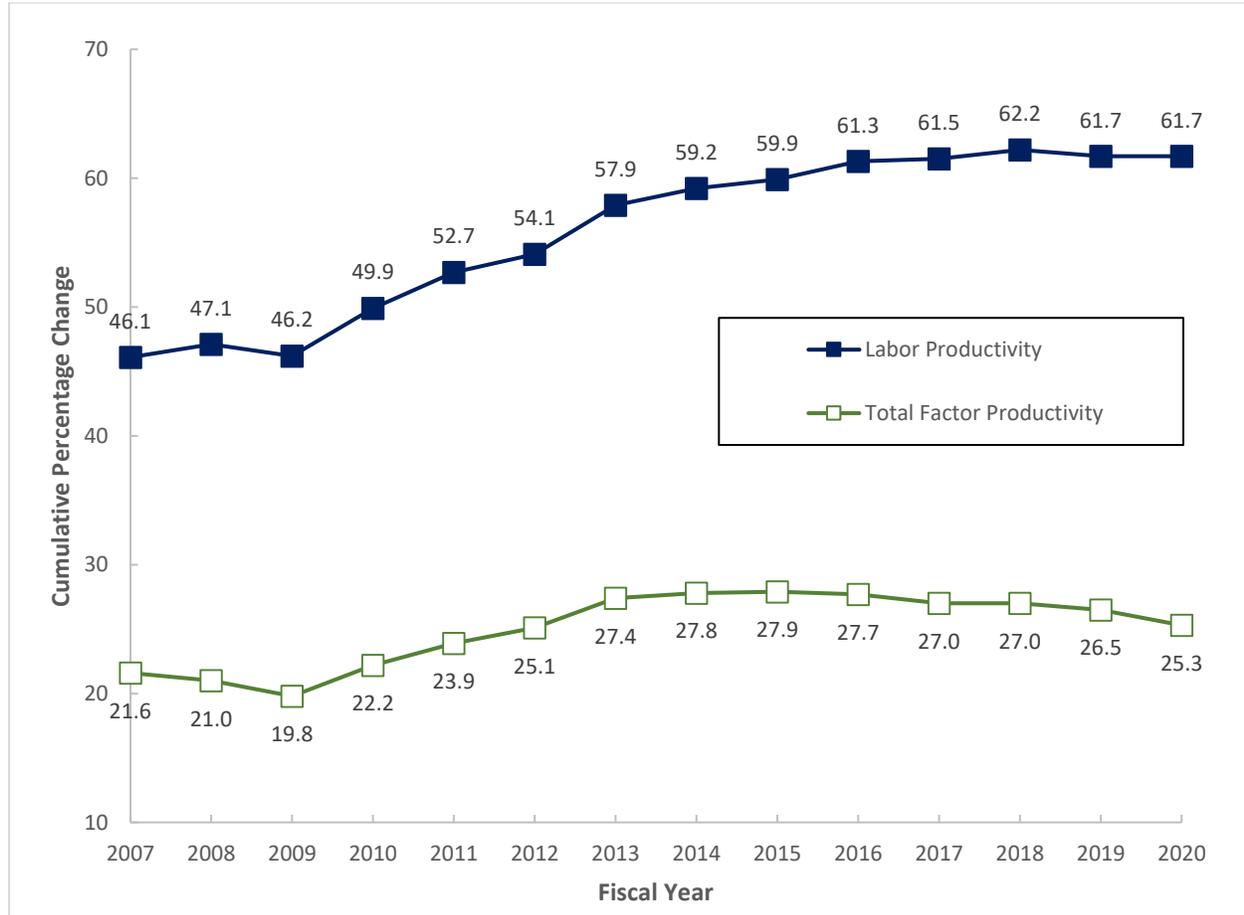
*The Commission recommends that future annual performance reports continue to include information on both the TFP index and other productivity measures. The Commission also recommends that the Postal Service use one or both of these productivity measures as performance indicators in future annual performance reports to alleviate the Commission's concerns regarding the discontinuance of DPTWH % Change as a performance indicator.*

The Postal Service explains that “[f]or both TFP and labor productivity, resource usage is based on constant-dollar amounts of labor, capital, and materials used” and therefore, “[b]ecause some productivity improvements take years for the effects to be realized, it is more informative to consider changes in TFP and labor productivity over a period of years, rather than year to year.” *FY 2020 Annual Report* at 53. Figure III-14 reflects the change in TFP and labor productivity from FY 2007 through FY 2020.

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<sup>155</sup> *FY 2020 Annual Report* at 53. TFP is the ratio of the Postal Service's outputs to its inputs where inputs are defined as labor, materials, and capital and outputs include mail volume and special services. *Id.* Labor productivity measures the workload being handled per unit of labor. *Id.*

**Figure III-14**  
**Total Factor Productivity and Labor Productivity Results**  
**FY 2007 through FY 2020**



Source: *FY 2020 Annual Report* at 53; Response to CHIR No. 15, question 7.a.; April 7 Response to CHIR No. 27, question 1.

The Postal Service explains that TFP measures how efficiently an organization uses its resources based on the ratio of work completed to resources used. *FY 2020 Annual Report* at 53. The Postal Service notes that “[a]n increase in TFP indicates that the ratio of work completed to the resources used is increasing, and the organization is operating more efficiently.” *Id.* It states “[w]ork 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).” *Id.*

The Postal Service states that “TFP for FY 2020 was -1.0 percent.” *Id.* It notes that “TFP had increased significantly between FY 2009 and FY 2015, but began declining in FY 2016.” *Id.* The Postal Service asserts that “[t]he 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.” *Id.* The Postal Service also states that “[s]upplies and services also contributed to the TFP reduction as significant costs were incurred for personal protective equipment and cleaning supplies due to COVID-19.” *Id.*

According to the Postal Service, labor productivity measures the efficiency of its labor. *Id.* The Postal Service explains that “[a]n increase in the labor productivity index indicates that more workload is being handled per unit of labor.” *Id.*

The Postal Service notes that labor productivity remained flat (with a growth rate of 0.0 percent) in FY 2020. Response to CHIR No. 15, question 7.a. The Postal Service explains that labor productivity remained steady in the face of the COVID-19 pandemic and subsequent increase in package volumes:

Labor Productivity is the difference between Labor Input and Workload Output. In FY 2020, Labor Input was flat (growth rate of 0.0 percent). Labor Input is different from hours in that not all hours are considered equivalent. Hours worked by experienced employees generate more Labor Input. In FY 2020, the hours growth was largely offset by a compositionally less experienced set of workers. Recent hiring of employees would contribute towards this effect.

On the Output side, Workload increased by 0.1 percent in FY 2020, despite the drop in total pieces. This occurred for two reasons. The first was the compositional shift of mail towards categories such as Parcel Select and other packages. Because packages are higher cost, their delivery generates more output than many other categories of mail. While total pieces of mail declined significantly in FY 2020, the compositional shift towards higher cost mail categories such as packages meant that Weighted Mail Volume only declined by 0.4 percent.

The second reason Workload increased is due to the Network component. Workload is the weighted average of growth from three categories of output. Weighted Mail Volume was 59 percent of Workload in FY 2020; Miscellaneous output was 4 percent of Workload in FY 2020; and Network was 37 percent of Workload in FY 2020. Network delivery points grew by 1 percent in FY 2020. The weighted average of these three categories meant that workload increased by 0.1 percent in FY 2020.

Workload growth minus labor input growth yields labor productivity. Due to rounding, the difference in FY 2020 was 0.0 percent.

*Id.*

*The Commission is concerned about the continual decline in TFP that began in FY 2016. The Commission continues to monitor TFP and labor productivity and recommends the Postal Service focus efforts on improving these metrics.*

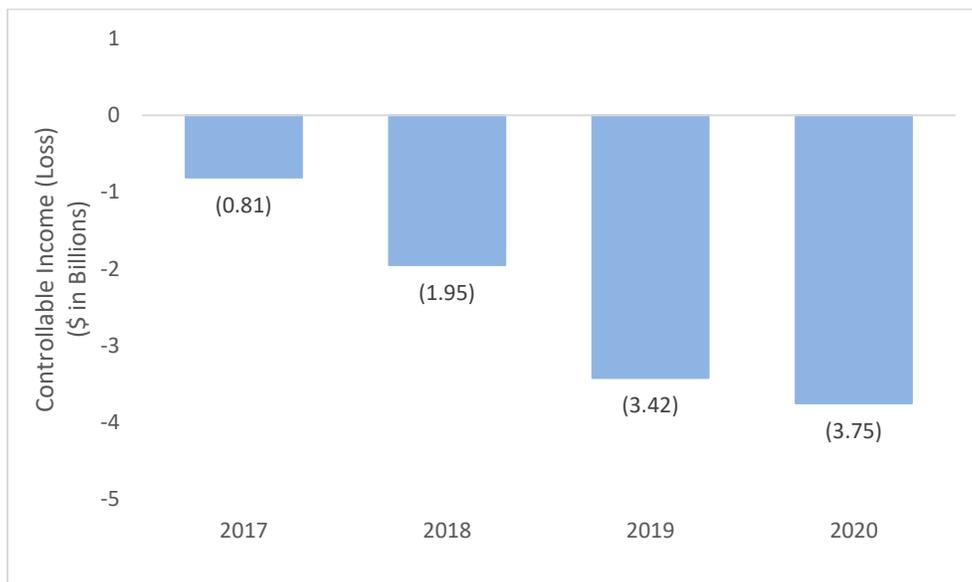
b. Controllable Income (Loss)

As in past years, the *FY 2020 Report* provides a thorough explanation of each component that makes up the Controllable Income (Loss) performance indicator. The *FY 2020 Report* includes a helpful table showing revenue and expenses from the IFP and describes each category of revenue and controllable expenses. See *FY 2020 Annual Report* at 46. The Postal Service explains how the FY 2020 Controllable Income (Loss) target was met and provides a rationale for the FY 2021 target. *Id.* at 48-51. It also includes a section on non-controllable expenses, which also impact the Postal Service’s financial results. See *id.* at 45. This information improves the transparency and utility of the *FY 2020 Report* by helping interested persons better understand the components of Controllable Income (Loss) and how the Postal Service calculates targets and results.

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

In FY 2020, Controllable Income (Loss) was (\$3.75) billion, which was \$0.25 billion better than the FY 2020 target of (\$4.00 billion). *Id.* at 48. Figure III-15 shows the Controllable Income (Loss) results for FY 2017 through FY 2020.

**Figure III-15**  
**Controllable Income (Loss) Results**  
**FY 2017 through FY 2020**



Source: *FY 2020 Report* at 46; *FY 2019 Analysis* at 93.

As explained above, the *FY 2020 Report* includes a table listing the components of Controllable Income (Loss), which is adapted as Table III-13.

**Table III-13**  
**Integrated Financial Plan**  
**Revenue and Expenses (\$ in Billions)**  
**Results and Targets**

	FY 2017 Result	FY 2018 Result	FY 2019 Result	FY 2020 Target	FY 2020 Result	FY 2021 Target
<b>Revenue</b>						
First-Class Mail	25.7	25.0	24.4	24.4	23.8	22.8
USPS Marketing Mail	16.6	16.5	16.4	16.0	13.9	12.0
Shipping and Packages	19.5	21.5	22.8	23.6	28.5	29.2
International Mail	2.6	2.6	2.5	2.4	2.4	2.2
Periodicals	1.4	1.3	1.2	1.2	1.0	0.9
Other <sup>a</sup>	3.9	3.9	4.0	4.2	3.6	3.8
<b>Total Revenue</b>	<b>69.7</b>	<b>70.8</b>	<b>71.3</b>	<b>71.8</b>	<b>73.2</b>	<b>70.9</b>
<b>Controllable Expenses</b>						
Salaries and benefits <sup>b</sup>	47.0	47.9	48.9	49.4	50.0	49.5
FERS normal cost	3.5	3.5	3.5	3.8	3.8	4.1
RHB normal cost <sup>c</sup>	2.8	3.7	4.0	4.0	4.0	3.9
Transportation	7.2	7.9	8.2	8.5	8.8	8.7
Depreciation	1.7	1.7	1.7	1.7	1.7	1.7
Supplies and services	3.0	3.0	2.8	2.8	3.1	3.1
Rent, utilities and other <sup>d</sup>	5.3	5.3	5.6	5.7	5.6	5.5
<b>Total Controllable Expenses</b>	<b>70.5</b>	<b>72.8</b>	<b>74.7</b>	<b>75.8</b>	<b>77.0</b>	<b>76.5</b>
<b>Controllable Income (Loss)</b>	<b>(0.8)</b>	<b>(2.0)</b>	<b>(3.4)</b>	<b>(4.0)</b>	<b>(3.8)<sup>e</sup></b>	<b>(5.6)</b>
<b>Non-Controllable Expenses</b>						
RHB normal cost actuarial revaluation	0.5	0.1	(0.2)	—	0.1	—
PSRHBF unfunded liability amortization	1.0	0.8	0.8	0.9	0.8	0.9
FERS unfunded liability amortization	0.9	1.0	1.1	1.1	1.3	1.4
CSRS unfunded liability amortization	1.7	1.4	1.6	1.6	1.8	1.8
Workers' compensation fair value and other non-cash adjustments	(2.2)	(1.4)	2.1	—	1.6	—
<b>Total Non-Controllable Expenses</b>	<b>1.9</b>	<b>1.9</b>	<b>5.4</b>	<b>3.6</b>	<b>5.4</b>	<b>4.1</b>
<b>Net Income (Loss)</b>	<b>(2.7)</b>	<b>(3.9)</b>	<b>(8.8)</b>	<b>(7.6)</b>	<b>(9.2)</b>	<b>(9.7)</b>

Note: The sum of columns may not equal total due to rounding.

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

<sup>b</sup> Salaries and benefits include workers' compensation cash benefits.

<sup>c</sup> The PSRHBF normal cost for FY 2020, which is considered a controllable expense, was \$4.0 billion. *FY 2020 Annual Report* at 46. However, due to a non-controllable actuarial re-evaluation by OPM, this amount was offset by \$0.1 billion, so the amount billed the Postal Service for the PSRHBF normal cost in FY 2020 was \$3.9 billion. *Id.* at n.4. The \$0.1 billion offset is reflected in the "PSRHBF normal cost actuarial revaluation" row under "Non-Controllable Expenses."

<sup>d</sup> Rent, utilities, and other includes interest expense.

<sup>e</sup> The Postal Service generally describes its Controllable Income (Loss) result throughout the *FY 2020 Annual Report* as (\$3.75 billion), but provides the total Controllable Income (Loss) in this table as (\$3.8 billion). *Id.* at 46, 48. The Postal Service notes that "[d]ue to rounding, numbers presented throughout this table may not add up precisely to totals provided elsewhere in this report." *Id.* at 46.

Source: *FY 2020 Annual Report* at 46.

Total revenue in FY 2020 was \$73.2 billion, which was \$1.4 billion more than planned. *Id.* at 48. The Postal Service attributes this to “a surge in package volumes in the last seven months of the fiscal year, as a result of the pandemic.” *Id.* According to the Postal Service, “[t]he 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.” *Id.* at 44. Revenue for First-Class Mail (primarily consisting of Single-Piece and Presorted letters and postcards) was \$23.8 billion, which was \$0.6 billion below the *FY 2020 Plan*, “mainly due to lower-than-expected volume” which generally “occurred in the second half of FY 2020, as a result of the economic slowdown due to the pandemic.” *Id.* at 48. The Postal Service also explained that revenue for USPS Marketing Mail (which consists of mail weighing less than 16 ounces and not required to use First-Class Mail) was \$13.9 billion, \$2.1 billion below the *FY 2020 Plan*, also due to lower-than-expected volume. *Id.* Together, First-Class Mail and USPS Marketing Mail represented 51.5 percent of operating revenue in FY 2020, down from 57.3 percent in FY 2019. *Id.* at 44.

Unlike First-Class Mail and USPS Marketing Mail, Shipping and Packages outperformed the *FY 2020 Plan*. Shipping and Packages consist largely of Competitive services that can be priced to reflect current market conditions, such as Priority Mail and Parcel Select. *Id.* at 48. Revenue from Shipping and Packages was \$28.5 billion, \$4.9 billion more than the planned amount. *Id.* The Postal Service notes that “Shipping and Packages revenue surpassed [that] 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.” *Id.* at 45. Smaller revenue sources included International Mail (\$2.4 billion), Periodicals (\$1.0 billion), and other revenue sources (\$3.6 billion). *See id.* at 48.

In FY 2020, total expenses, including interest expense, were \$82.4 billion. *Id.* at 46. Salaries and benefits expenses—which include salaries, employee health benefits expenses, and workers’ compensation cash outlays—totaled \$50.0 billion, which was \$0.6 billion more than the *FY 2020 Plan*. *Id.* at 49. According to the Postal Service:

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).

*Id.*

Transportation expenses totaled \$8.8 billion, which was \$0.3 billion above the *FY 2020 Plan* and, according to the Postal Service, was “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.” *Id.* Consequently, due to the reduction in commercial air capacity, more volume was moved to the cargo network

using *ad hoc* or unplanned charters at an increased cost. Response to CHIR No. 25, question 12.

The RHB normal cost totaled \$3.9 billion, which was \$0.1 billion below the *FY 2020 Plan*. However, this was due to an actuarial re-evaluation by OPM that is considered non-controllable, and the controllable expense was equal to the plan. *FY 2020 Annual Report* at 49. The FERS normal cost totaled \$3.8 billion, which was in line with the *FY 2020 Plan*. *Id.* Other, less significant, expense categories included depreciation (which totaled \$1.7 billion, in line with the *FY 2020 Plan*), supplies and services (which totaled \$3.1 billion, \$0.3 billion above the *FY 2020 Plan* “largely due to additional expenditures for cleaning and [personal protective equipment] required to keep Postal Service employees and customers safe during the pandemic”), and rent, utilities, and other expenses (which totaled \$5.6 billion, \$0.1 billion less than the *FY 2020 Plan*). *Id.*

With total revenue of \$73.2 billion and total expenses of \$82.4 billion, the Postal Service incurred a net loss of (\$9.2 billion), which was a \$1.6 billion greater loss than the *FY 2020 Plan* amount. *Id.* at 48. The Postal Service asserts that “[t]he 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.” *Id.* It also notes that “[o]ther contributing expenses included higher than planned personnel compensation and pandemic-related expenses.” *Id.*

The Postal Service only considers (\$3.75 billion) of the (\$9.2 billion) net loss to have been controllable. *Id.* at 46, 48. It describes the major factors affecting its controllable loss as:

[O]verall customer demand; the mix of postal services and contribution associated with those services; 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.

*Id.* at 48.

The Controllable Income (Loss) target for FY 2021 is a (\$5.6 billion) loss, which anticipates “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) [not being] enough to offset an anticipated decline in revenue.” *Id.* at 49.

The Postal Service states that it expects revenue to decrease by \$2.3 billion compared to FY 2020. *Id.* According to the Postal Service, “[t]his decrease is expected to be driven primarily by declines in First-Class Mail, Periodicals and [USPS] Marketing Mail volumes as the pandemic accelerates the downward trend of First-Class and Periodicals volumes.” *Id.* at 49, 51. Similarly, international revenue is expected to decrease by \$0.2 billion while

“other revenue” is expected to increase by \$0.2 billion. *Id.* at 51. The Postal Service anticipates that Shipping and Packages revenue will increase by \$0.7 billion “because of price increases and higher volumes, particularly in the first half of the fiscal year.” *Id.*

In terms of controllable expenses, the Postal Service expects that “[s]alaries 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.” *Id.* It also states that “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,” and that “[t]ransportation expenses are estimated to decrease by \$0.1 billion, largely due to lower expected spending for chartered air transportation.” *Id.* Finally, it notes that depreciation, supplies, and services are expected to remain flat, while “[r]ent, utilities and other expenses are expected to decrease by \$0.1 billion.” *Id.*

PostCom/DTAC criticize the FY 2021 Controllable Income (Loss) target because it anticipates a larger loss than in FY 2020 despite the Postal Service outperforming the FY 2020 target. PostCom/DTAC state that the FY 2021 target is “lower than any of the last five years, despite USPS revenues greatly exceeding planned levels during the last year.” PostCom/DTAC Comments at 6. In response, the Postal Service explains that “[t]he target reflects a forecast that only a portion of the plummeting letter and flat volume would rebound while the better part of the surge in package volume would dissipate.” Postal Service Reply Comments at 8. It states that this outcome would “exacerbate the gap between expected revenue growth and the contractual and economic inflationary impact on expense growth[,]” and the FY 2021 target reflects this potential outcome. *Id.* at 8-9.

*Given the continuing uncertainties surrounding the ongoing COVID-19 pandemic, the Commission finds the Postal Service’s Controllable Income (Loss) target for FY 2021 to be reasonable. The Commission recommends the Postal Service’s FY 2021 Report take into account how COVID-19-related factors have changed and to what extent those changes should be reflected in the FY 2022 targets.*

c. The Postal Service’s 10-Year Strategic Plan

As mentioned previously, on March 23, 2021, the Postal Service unveiled its 10-Year Strategic Plan, which discussed additional initiatives to improve financial health. The Postal Service explains that the initiatives to improve financial performance fall into three categories: “[r]evenue growth, management cost improvements, and legislative and administrative cost improvements.” 10-Year Strategic Plan at 46. Because the first two categories discuss how the Postal Service can improve progress toward the Financial Health performance goal—and, therefore, may affect its ability to meet this goal next year—the Commission briefly discusses these initiatives below.

In regards to revenue growth, the Postal Service states that it “will actively work to improve both market-dominant and competitive revenues above baseline projections.” *Id.* For Market Dominant products, the Postal Service indicates that its “initiatives are aimed

at optimizing revenues and contribution within the constraints of the regulatory system[,]” including “judicious and appropriate use of the rate authorities provided by the [Commission] in [its] recent ruling on market-dominant prices that enables above-CPI price increases related to RHB and pension amortization expenses, increases in unit costs due to mail density loss, and mail classes that do not currently cover their costs.” *Id.* The Postal Service’s initiatives to improve revenue from Competitive products include “generating additional package volumes through new commercial offerings, leveraging of retail and other assets to expand digital and government services, launching sales and marketing initiatives, [ ] improving service reliability and value[,]” and “targeting price increases in market sectors where [its] current prices are below-market.” *Id.*

The Postal Service expects the impact of these initiatives “to increase net revenue by \$54 billion to \$81 billion above the base case projection,” as shown in the figure provided in its 10-Year Strategic Plan,<sup>156</sup> and adapted in Table III-14.

**Table III-14**  
**Summary of Revenue Improvement Initiatives**  
**FY 2021 through FY 2030**

Initiatives	Key Elements	Financial Impact Range (Low to High \$ Billions)
Competitive Revenue Growth	<ul style="list-style-type: none"> <li>• Offer innovative commercial services to grow package volumes</li> <li>• Leverage assets to expand digital and government services</li> <li>• Identify opportunities for margin improvement</li> <li>• Align pricing zones to distance traveled</li> </ul>	\$19 - \$29
Market Dominant Price Increase	<ul style="list-style-type: none"> <li>• Implement authority under Commission price regulations allowing above price cap increases for Market Dominant and underwater products</li> </ul>	\$35 - \$52
<b>Total Financial Impact</b>		<b>\$54 - \$81</b>

Source: 10-Year Strategic Plan at 47.

Regarding management cost initiatives, the Postal Service asserts that its “infrastructure is both outdated and not properly configured to meet current and projected customer demands” and admits that it “[has] underinvested in facility modernization and [has] lagged in implementing operational best practices.” *Id.* at 47. Thus, it proposes initiatives that are intended to “rationalize and modernize mail and package processing, transportation, and retail and delivery networks and improve service reliability and cost

<sup>156</sup> 10-Year Strategic Plan at 46-47.

efficiency[,]” therefore “improv[ing] accountability and reduc[ing] both personnel and non-personnel expenses.” *Id.* The Postal Service describes these initiatives in a figure in its 10-Year Strategic Plan,<sup>157</sup> adapted in Table III-15, and estimates that it will reduce expenses by \$28 billion to \$40 billion during the next 10 years.

**Table III-15**  
**Summary of Management Cost Savings Initiatives**  
**FY 2021 through FY 2030**

Initiatives	Key Elements	Financial Impact Range (Low to High \$ Billions)
Delivery Initiatives	<ul style="list-style-type: none"> <li>• Maintain 6-Day mail and 7-Day package delivery</li> <li>• Replace Next Generation Delivery Vehicle fleet and rural Privately Owned Vehicles</li> <li>• Optimize office and street efficiencies</li> </ul>	\$10 - \$14
Transportation Initiatives	<ul style="list-style-type: none"> <li>• Align service standards to maximize surface network capabilities</li> <li>• Optimize long and short haul surface network</li> <li>• Minimize redundant lanes and unplanned late and extra trips</li> <li>• Modernize logistics management systems</li> </ul>	\$7 - \$10
Mail Processing Initiatives	<ul style="list-style-type: none"> <li>• Reset 24-hour clock to improve service performance</li> <li>• Consolidate mail processing operations</li> <li>• Modernize package equipment and other plant automation</li> </ul>	\$5 - \$7
Administrative Functions Initiatives	<ul style="list-style-type: none"> <li>• Realign Headquarters, Area, and Districts into 3 national business units</li> <li>• Reduce non-transportation contractor spending</li> </ul>	\$3 - \$5
Retail Initiatives	<ul style="list-style-type: none"> <li>• Align hours of operation to customer demands at low traffic post offices</li> <li>• Rationalize stations and branches</li> <li>• Modernize retail lobbies to enable expanded digital, small and medium-sized business, and government services</li> </ul>	\$3 - \$4
<b>Total Financial Impact</b>		<b>\$28 - \$40</b>

Source: 10-Year Strategic Plan at 48.

<sup>157</sup> 10-Year Strategic Plan at 47-48.

# CHAPTER IV: STRATEGIC INITIATIVES

## A. Background

### 1. 5-Year Strategic Plan

39 U.S.C. § 2802 requires the Postal Service to prepare a strategic plan that contains strategic goals, which are general, outcome-related goals and objectives for its major functions and operations. *See* 39 U.S.C. § 2802(a)(2). In its strategic plan for FY 2020 through FY 2024, the Postal Service established five strategic goals:

- Deliver World-Class Services and Customer Experiences
- Equip, Connect, Engage, and Empower Employees
- Innovate Faster to Deliver Value
- Invest in Future Platforms
- Pursue Legislative and Regulatory Changes to Achieve Financial Sustainability<sup>158</sup>

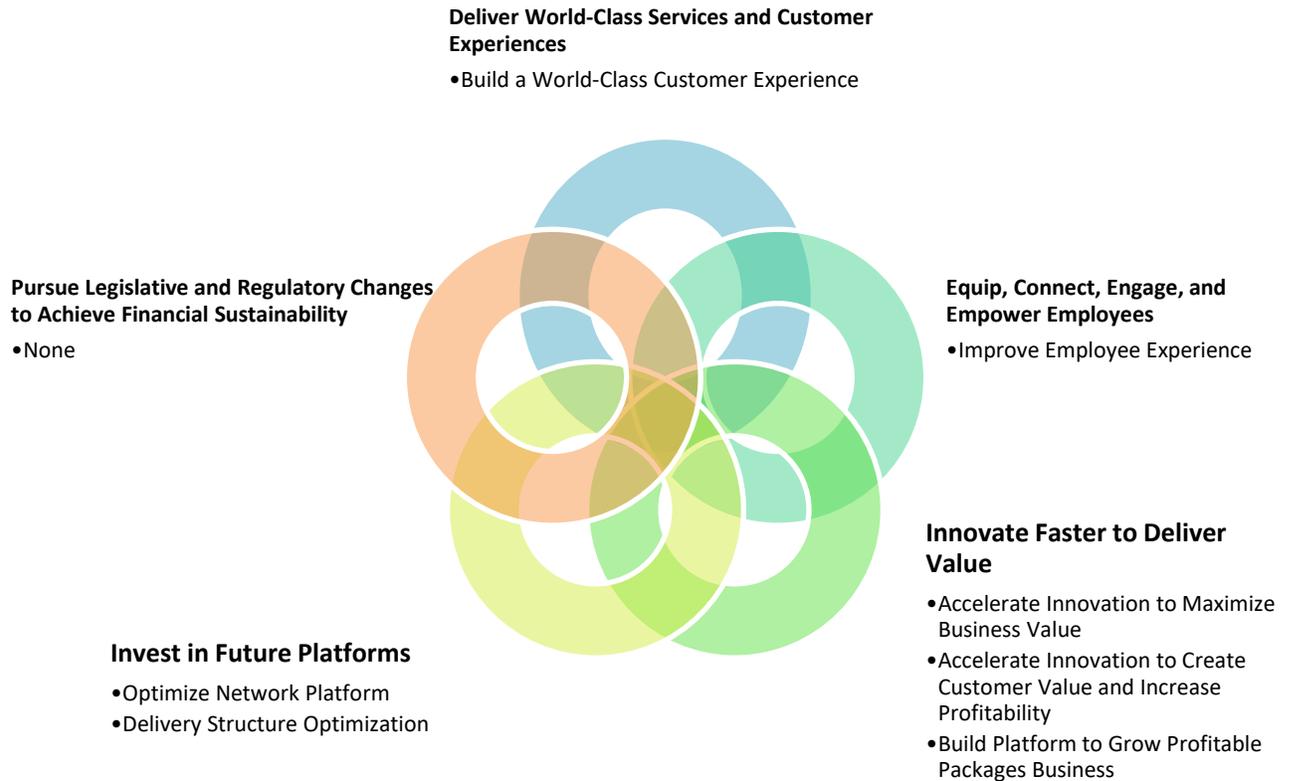
To help achieve these strategic goals, the Postal Service states that it “implemented a portfolio of strategic initiatives and a rigorous portfolio management process ... based on well-established methods to apply strategic and financial rigor to decision making and to navigate significant organizational changes.” *FY 2020 Annual Report* at 55. While strategic goals are broad and high-level, strategic initiatives are projects designed to meet the strategic goals using a plan of action that defines specific tasks and steps, as well as a completion date.<sup>159</sup> The Postal Service’s strategic goals cover a time period of 5 years or more. 39 U.S.C. § 2802(b). By contrast, the portfolio of strategic initiatives “is dynamic and changes as priorities and resources change, and as programs are completed or adjusted based on external events.” *FY 2020 Annual Report* at 55. Figure IV-1 illustrates the relationship between the Postal Service’s FY 2020 through FY 2024 strategic goals and FY 2020 strategic initiatives.

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<sup>158</sup> United States Postal Service, *The U.S. Postal Service Five-Year Strategic Plan, FY2020-2024*, at 9 (5-Year Strategic Plan), available at <https://about.usps.com/strategic-planning/five-year-strategic-plan-2020-2024.pdf>.

<sup>159</sup> *See* Center for Management Organization and Effectiveness, *Strategic Initiative* (accessed March 12, 2021), available at <https://cmoe.com/glossary/strategic-initiative/>.

**Figure IV-1**  
**Relationship between FY 2020 – FY 2024**  
**Strategic Goals and FY 2020 Strategic Initiatives**



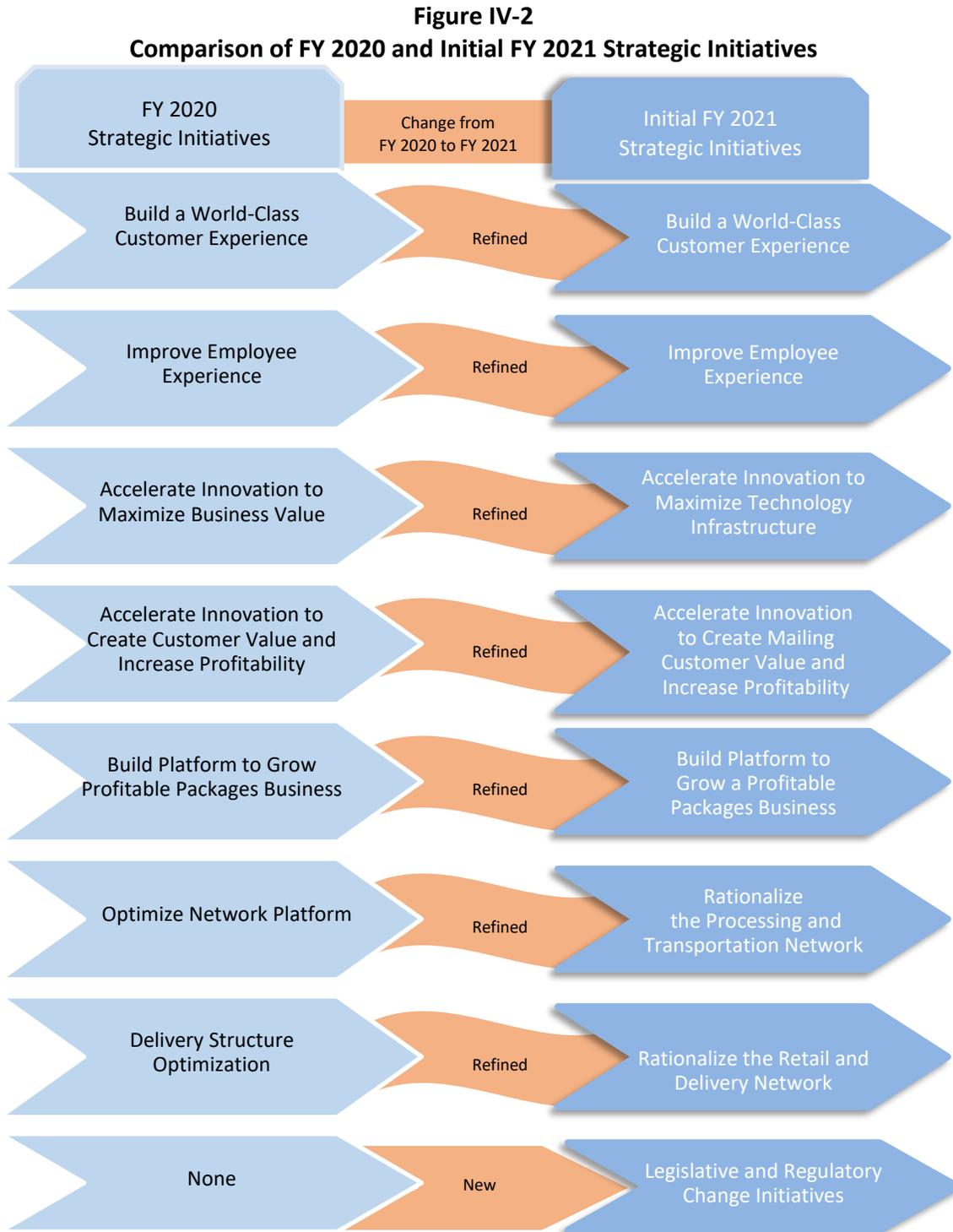
Source: *FY 2020 Annual Report* at 56; *5-Year Strategic Plan* at 9.

In FY 2020, the Postal Service implemented a portfolio of seven strategic initiatives to achieve its strategic goals. *FY 2020 Annual Report* at 56. The *FY 2020 Report* and *FY 2021 Plan* included a table comparing the FY 2020 strategic initiatives to the strategic initiatives initially established for FY 2021 and explaining how they changed between FY 2020 and FY 2021. *Id.* As discussed in Section A.2., on March 23, 2021, the Postal Service issued the 10-Year Strategic Plan, which implements a new portfolio of strategic initiatives for the remainder of FY 2021.

Figure IV-2 compares the FY 2020 strategic initiatives and the initial FY 2021 strategic initiatives. The “Change from FY 2020 to FY 2021” column identifies how each strategic initiative changed between FY 2020 and FY 2021:

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

- New—Strategic initiative was established to prioritize present organizational goals and strategies



Source: FY 2020 Annual Report at 56.

Figure IV-2 shows that between FY 2020 and FY 2021, the Postal Service refined seven strategic initiatives and added a new one. Thus, the Postal Service initially implemented eight strategic initiatives in FY 2021. The *FY 2020 Report* includes a description of each of these strategic initiatives, which are shown in Figure IV-3. It also shows how each of the initial FY 2021 strategic initiatives were related to the performance goals.

**Figure IV-3**  
**Initial FY 2021 Strategic Initiatives and Related Performance Goals**



■ Financial Health  
▲ High-Quality Service

○ Safe Workplace and Engaged Workforce  
◆ Excellent Customer Experiences

Source: FY 2020 Annual Report at 56-57.

## 2. 10-Year Strategic Plan

On March 23, 2021, the Postal Service issued the 10-Year Strategic Plan, which was a new strategic plan to achieve financial sustainability and service excellence over the next 10 years. *See* 10-Year Strategic Plan. The Postal Service confirms that the 10-Year Strategic Plan supersedes the 5-Year Strategic Plan. April 9 Response to CHIR No. 27, question 2.a. It states that the 10-Year Strategic Plan seeks to achieve the following goals:

- **Achieving Service Excellence** by delivering at least 95 percent of all mail and packages on-time, at all times during the fiscal year
- **Achieving Financial Sustainability** by achieving a break-even (net income > \$0) cumulative net income over the next 10 years
- **Providing Excellent Customer Experiences** by improving customer satisfaction with services provided through every primary touchpoint measured by the CX surveys<sup>160</sup>
- **Providing a Safe Workplace and Engaged Workforce** by creating a safe workplace and increasing employee engagement

*Id.* question 2.b.ii. The Postal Service explains that the 10-Year Strategic Plan is supported by a broad portfolio of strategic initiatives, which are the projects or activities necessary for achieving each goal. *Id.* questions 2.b.ii., iv. For example, to Achieve Service Excellence, the Postal Service must maintain 6-Day mail and 7-Day package delivery. *See id.* question 2.b.iv. Figure IV-4 shows the key strategic initiatives from the 10-Year Strategic Plan, along with the goals the strategic initiatives are designed to achieve.

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<sup>160</sup> The CX surveys are discussed in Chapter III. *See* Chapter III, Section B.1.a., *supra*.

**Figure IV-4**  
**FY 2021 Goals and Key Strategic Initiatives from the 10-Year Strategic Plan**

**Achieve Service Excellence**

**Market Dominant**

- Maintain 6-Day Mail and 7-Day Package Delivery
- Achieve Service Excellence and Reliability to 95% On-Time Delivery
- Achieve Service Standard Changes to Improve Reliability for First-Class Mail Traveling More Than 3 Hours Driving Time
- Adopt Disciplined Operating Principles
- Drive Operational Precision, Optimize Delivery Units, and Modernize Route Structure
- Redesign Surface Transportation Network
- Make Necessary Capital Investments to Improve Delivery, Mail Processing, and Transportation

**Competitive**

- Launch USPS Connect to Improve Access to Package Delivery Network
- Accelerate Investment in Package Sorting and Material Handling Equipment
- Expand and Align Facility Footprint and Size to Market Demand
- Transform Network Distribution Centers to Handle Increased Package Demand
- Leverage Emerging Technologies to Drive Predictable, Precise Performance
- Redesign Surface Transportation Network
- Reduce Air Transportation and Improve Carrier Management
- Deploy a State-of-the-Art Logistics Platform
- Accelerate Deployment of New Small Package Sorting Systems to Delivery Units

**Achieve Financial Stability**

- Strengthen the Value of Mail through Promotions and Incentives
- Grow Revenue by Implementing New Market Dominant Pricing Authorities
- Grow Revenue by Launching USPS Connect to Improve Access to Package Delivery Network
- Grow Revenue by Better Utilizing Competitive Market Pricing
- Aggressively Pursue Cost Savings and Efficiencies
- Increase Capital Investments to Modernize Postal Service
- Ask Congress to Integrate Medicare with Postal Service-Specific Health Plans
- Ask Congress to Eliminate Retiree Health Benefits Pre-Funding Obligations Imposed by the PAEA
- Ask Administration to Correct Allocation of Civil Service Retirement System Benefits for Legacy Post Office Department Employees

**Provide Excellent Customer Experiences**

- Achieve Service Excellence and Reliability to 95% On-Time Delivery
- Enhance Product Tracking
- Transform Retail Locations into Go-To Destination Centers
- Align Retail Network to Meet Evolving Customer Needs
- Expand Public Trust Services
- Create Retail Hubs for Local Business Growth

**Provide a Safe Workplace and Engaged Workforce**

- Invest in Next Generation Delivery Vehicles
- Replace Rural Carrier Privately Owned Vehicles with Commercial Right-Hand Drive Vehicles
- Invest to Best Equip Carriers
- Promote Career Development
- Improve Employee Retention
- Promote Diversity and Equity
- Enhance Employee Safety and Wellbeing

Source: *Id.*

The Postal Service states that each key strategic initiative is described in the 10-Year Strategic Plan. *Id.* It notes that the 10-Year Strategic Plan contains “an entirely new set of initiatives and does not amend or supplement the initiatives previously identified within the FY 2021 Performance Plan.” *Id.* question 2.b.iii.

## B. Comments

None of the commenters discuss the strategic plan. In its reply comments, the Postal Service states that it is developing a new comprehensive strategic plan that will address all aspects of operational performance. Postal Service Reply Comments at 4, 8. It asserts that the new strategic plan will focus on “addressing the long-standing gap between the service targets and service results, in order to create more reliable and predictable service that meets the service expectations of [its] customers.” *Id.* at 11. The new strategic plan discussed in the Postal Service’s reply comments is the 10-Year Strategic Plan, which the Postal Service issued after filing reply comments. *See* Section A.2., *supra*.

## C. Commission Analysis

In the *FY 2019 Analysis*, the Commission recommended “that the Postal Service continue to describe strategic initiatives in annual performance reports [and] link each strategic initiative to the strategic goals and performance goals ... .” *FY 2019 Analysis* at 103. The Commission also recommended that the *FY 2020 Report* include public descriptions of the strategic initiatives “to help interested persons understand what the strategic initiatives are and how they relate to the performance goals.” *Id.*

The Postal Service adopted this recommendation in the *FY 2020 Report* and *FY 2021 Plan* by listing the FY 2020 strategic initiatives and the initial FY 2021 strategic initiatives, linking them to both the strategic goals and performance goals, and showing how they changed between FY 2020 and FY 2021. *See FY 2020 Annual Report* at 56. The *FY 2020 Report* and *FY 2021 Plan* also included a description of each initial strategic initiative. *Id.* at 57. The *FY 2020 Report* and *FY 2021 Plan* improved compared to past years, which did not include descriptions of the strategic initiatives.<sup>161</sup>

The Commission observes that the goals of the 10-Year Strategic Plan are the same as the four performance goals with minor wording changes. The key strategic initiatives do not appear to have their own performance measures or targets. Thus, it is unclear how the Postal Service will track progress toward completing each key strategic initiative in FY 2021.

*In the FY 2021 Report and FY 2022 Plan, the Commission recommends that the Postal Service:*

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<sup>161</sup> In Docket No. ACR2019, the Postal Service filed these descriptions in a CHIR response. Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-11 of Chairman's Information Request No. 7, February 3, 2020, question 1.c.

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

# Appendix: Commission Findings and Recommendations

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

- *The Commission finds that the FY 2021 Plan complies with 39 U.S.C. § 2803(a) by “covering each program activity set forth in the Postal Service budget... .” To comply with 39 U.S.C. § 2803(a) next year, the FY 2022 Plan must identify all program activities in the FY 2022 IFP and explain how the FY 2022 Plan covers each one by relating each program activity to one or more performance goals or indicators.*
- *The Commission finds that the FY 2021 Plan complies with 39 U.S.C. §§ 2803(a)(2) through 2803(a)(6).*
- *The Commission finds that the FY 2021 Plan complies with 39 U.S.C. § 2803(a)(1) for the Safe Workplace and Engaged Workforce and Financial Health performance goals.*
- *The Commission finds that the FY 2021 Plan does not comply with 39 U.S.C. § 2803(a)(1) for the High-Quality Service performance goal.*
- *The Commission finds that the FY 2021 Plan does not comply with 39 U.S.C. § 2803(a)(1) because the Postal Service did not set any FY 2021 High-Quality Service targets in the FY 2021 Plan. To comply with 39 U.S.C. § 2803(a)(1) next year, the FY 2022 Plan must contain all of the FY 2022 targets for each performance indicator the Postal Service plans to use in FY 2022. If the FY 2022 Plan does not set a FY 2022 target for one or more performance indicators, the Postal Service should provide a reasoned explanation for not setting targets in the FY 2022 Plan. The Commission encourages the Postal Service to include targets in future annual performance plans.*
- *In the FY 2022 Plan, the Commission recommends that the Postal Service explain how it sets targets for each performance indicator, including the criteria it considers. The Commission also recommends that the Postal Service clarify whether targets are achievable in the short-term or long-term.*
- *Because the FY 2021 Plan does not contain all of the Excellent Customer Experiences performance indicator targets, the FY 2021 Plan does not comply with 39 U.S.C. § 2803(a)(1) for this performance goal.*
- *The Commission finds that the FY 2020 Report complies with 39 U.S.C. § 2804(b)(1). To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2021 Report must set forth the same performance indicators and targets as the FY 2021 Plan and compare FY 2021 targets and results for each performance indicator.*
- *The Postal Service did not set any FY 2021 High-Quality Service targets in the FY 2021 Plan and did not include all of the FY 2021 Excellent Customer Experiences targets in*

*the FY 2021 Plan. See Section C.1., supra. To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2021 Report must include the FY 2021 targets for the High-Quality Service performance indicators that were submitted to the Commission in a much delayed filing on May 14, 2021, as well as all of the FY 2021 targets for the Excellent Customer Experiences performance indicators that were provided in Response to CHIR No. 10, question 1.*

- *The FY 2021 result for each performance indicator must be comparable to the target set in the FY 2021 Plan or provided by the Postal Service. If a comparable FY 2021 result cannot be provided, the FY 2021 Report must explain why and either: (1) explain how to compare results between the current and former methodologies; or (2) explain why making this comparison is not feasible. The Commission recommends that the Postal Service not change performance indicators, methodologies, or targets once they are set for a given fiscal year.*
- *The Commission finds that the FY 2020 Report complies with 39 U.S.C. § 2804(c) for the Safe Workplace and Engaged Workforce and Financial Health performance goals. To comply with 39 U.S.C. § 2804(c) next year, the FY 2021 Report must include comparable results for each performance indicator for, at a minimum, FYs 2018, 2019, 2020, and 2021. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. If comparable results cannot be provided for any performance indicator, the FY 2021 Report must explain why results are not directly comparable across the applicable fiscal years. In that case, the FY 2021 Report must either explain how to compare results between the current and former methodologies or explain why making this comparison is not feasible. The FY 2021 Report may include cross-references to library references, CHIR responses, or other documents containing this information*
- *The Commission finds that the FY 2020 Report does not comply with 39 U.S.C. § 2804(c) for the High-Quality Service performance goal. To comply with 39 U.S.C. § 2804(c), the FY 2021 Report must describe the methodological differences between the former and current measurement systems and explain why results are not directly comparable across FYs 2018, 2019, 2020, and 2021. Also, the FY 2021 Report must either explain how to compare results between the current and former measurement systems or explain why making this comparison is not feasible. The FY 2021 Report may include cross-references to CHIR responses, library references, or other documents containing this information.*
- *The Commission finds that the FY 2020 Report does not comply with 39 U.S.C. § 2804(c) for the Excellent Customer Experiences performance goal.*
- *If the Postal Service changes the methodology for calculating the CCC performance indicator result in FY 2021, the Postal Service must provide comparable results for FYs 2018 through 2021 to comply with 39 U.S.C. § 2804(c). For example, the FY 2021 Report could express results for FYs 2018 through 2020 using the FY 2021 methodology to comply with 39 U.S.C. § 2804(c). As an alternative, the FY 2021 Report*

*could express results for FYs 2018 through 2021 using the FY 2020 methodology by weighting the Live Agent result 25 percent, and the IVR system survey result 75 percent.*

- *The Commission finds that the FY 2020 Report complies with 39 U.S.C. § 2804(d)(3) for each public performance indicator because it explains why performance goals were not met and describes plans and schedules for meeting the goals in FY 2021. To comply with 39 U.S.C. § 2804(d)(3) next year, for each FY 2021 target that is not met, the FY 2021 Report must both explain why and describe plans and schedules for meeting FY 2022 targets.*
- *The Commission finds that the FY 2020 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).*
- *For the new Competitive products' non-public performance indicators, the FY 2021 Plan does not comply with 39 U.S.C. § 2803(a)(1) because the Postal Service initially did not set FY 2021 targets. See Section C.1.a., supra. The FY 2020 Report complies with 39 U.S.C. §§ 2804(b)(1) and 2804(c) because the Postal Service provides comparable FY 2020 targets and results as well as comparable results from the past three fiscal years. See Sections C.2.a., b., supra. The FY 2020 Report does not comply with 39 U.S.C. § 2804(d)(3) because the Postal Service does not describe plans and schedules for meeting the FY 2021 targets for the new Competitive products' non-public performance indicators.*
- *To ensure that the FY 2022 Plan and FY 2021 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Commission recommends that the FY 2021 Report explain where the non-public service performance information can be found, such as by stating that the Postal Service is providing non-public service performance data for certain Competitive products as part of the non-public annex of the FY 2021 ACR. For the new Competitive products' non-public performance indicators, the Postal Service must file under seal with the FY 2021 ACR: (1) FY 2022 and FY 2021 targets; (2) comparable FY 2021 targets and results; and (3) comparable results from FYs 2018 through 2021. If the Postal Service does not meet one or both of the FY 2021 targets, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2022 target(s). The FY 2021 ACR should continue to identify the library reference that contains this information.*
- *To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service limit the number of changes to performance indicators and methodologies. If the Postal Service plans to add or change any performance indicators or methodologies in FY 2022, the Commission recommends that the FY 2022 Plan describe these changes, provide the rationale for making them, and analyze the impact of these changes on results. To help ensure compliance with 39 U.S.C. § 2804(c), the Commission recommends that the Postal Service implement a performance indicator or methodology change for at least three consecutive fiscal years before revising it unless the change is clearly not beneficial or effective.*

## Chapter III – Evaluation of Performance Goals:

### High-Quality Service:

- *The Commission finds that the Postal Service did not meet the High-Quality Service performance goal in FY 2020.*
- *The Commission acknowledges that the Postal Service faced unprecedented and unpredictable challenges as a result of the COVID-19 pandemic. It also recognizes that these impacts may continue into FY 2021 and beyond. As a result, the Commission recommends that the Postal Service develop a holistic strategy to lessen the impacts of the COVID-19 pandemic on service performance. This strategy should address the Postal Service’s plans to provide effective and timely service for Market Dominant products. The Commission recommends that this strategy be communicated to the general public shortly after its development. The Commission also recommends that the Postal Service consider designing a product or strategy to differentiate medical products from other types of packages and mail in an effort to expedite their handling and processing as required by the CARES Act.*
- *As in years past, the Commission recommends the Postal Service develop targets that balance the need to inspire continuous improvement with the importance of being realistic and achievable. Targets should also take into account operational realities such as the foreseeable occurrence of a number of severe weather events and natural disasters in any given year. The Commission also recommends that the Postal Service restart the Disruptive Events initiative and report on its progress in the FY 2021 Report. If it does not, the Commission further recommends that the Postal Service explain why it has not done so in the FY 2021 Report.*
- *The Commission cautions the Postal Service that such a restructuring—in the absence of other affirmative, targeted initiatives—may not adequately improve service performance results, especially in light of the decreases in results seen in recent years. The Commission recommends that the Postal Service develop metrics to measure and evaluate whether and how the organizational restructuring improves service performance, accountability, and communications in FY 2021 and beyond. See FY 2020 ACD at 146.*
- *The Commission finds the Postal Service’s creation of a working group focused on letter and flat-shaped mailpieces is a reasonable attempt to address the ongoing issues with service performance for these products. However, as discussed in the FY 2020 ACD, the Postal Service has not established specific metrics to evaluate the efficacy of this group’s actions. FY 2020 ACD at 147. The Commission recommends that the Postal Service develop specific goals and a realistic timeframe for taking specific measureable steps for achievement of the group’s objectives (such as developing and implementing site-specific operating plans for certain percentages of facilities by a certain date). See *id.**

- *In the FY 2021 Report, the Commission recommends that the Postal Service discuss how combining many different Market Dominant products with potentially different service performance results affected the FY 2021 result of the Market Dominant Composite performance indicator, including by indicating which products' performance were primarily reflected in the results. The Commission also recommends that the Postal Service consider including supporting workpapers containing the inputs for and the calculation of the FY 2021 High-Quality Service performance indicator results to the extent they are not included elsewhere in its ACR filings. Additionally, the Commission recommends that the Postal Service consider creating composites based strictly on product shape or class, as these may retain the benefits of simplification and focus sought by the Postal Service while ensuring that incongruous products are not being compared.*
- *The Commission notes the effects of the COVID-19 pandemic—particularly the recent surge in package volumes—may continue into FY 2021 and beyond. As such, the Commission recommends that the Postal Service reevaluate its current FIFO practices and guidance in an effort to create a system that ensures that processing in FIFO order occurs in instances where facilities are faced with a lack of space.*
- *The Commission recommends that the Postal Service continue conducting post-election reviews to identify lessons learned for use as a reference in future elections. FY 2020 ACD at 139.*
- *The Commission recommends that, should the Postal Service change its service standards for First-Class Mail Letters and Flats, full network Periodicals, and/or First-Class Package Service during FY 2021, the Postal Service should discuss how these changes impacted the performance indicators for the High-Quality Service goal in the FY 2021 Report. Moreover, should the Postal Service make these changes, the Commission emphasizes that the Postal Service should include comparable results for FYs 2018 through 2021, as required by 39 U.S.C. § 2804(c), or explain why comparable results cannot be provided. See Chapter II, Section C.2.b., supra.*
- *The Commission recommends that the Postal Service explore ways to better balance service performance scores across the nation. It is likely that significant gains in national scores could be made by focusing efforts on low-performing Districts. Thus, the Commission recommends the Postal Service study the reasons for service performance issues in the lowest performing Districts. For example, the Postal Service could require Districts with low service performance scores to identify root cause(s) of low scores specific to that District and create action plans for improving service performance that specifically address the root cause(s) identified.*

#### **Excellent Customer Experiences:**

- *The Commission finds that the Postal Service partially met the Excellent Customer Experiences performance goal in FY 2020 because it missed four targets and met or exceeded four targets.*

- *The Commission finds the FY 2021 targets for the Excellent Customer Experiences performance indicators are reasonable. To improve transparency, the Commission recommends that the FY 2022 Plan provide the rationale for setting the FY 2022 targets.*
- *The Commission recommends that the Postal Service continue to use the NPS to measure and assess customer experience in FY 2021. The Commission also recommends the Postal Service focus its efforts on improving the C360 NPS result to have a higher percentage of Promoters than Detractors.*
- *Based on CX survey results, the Commission finds the COVID-19 pandemic and organizational restructuring did not appear to have a significant effect on overall customer satisfaction during FY 2020.*
- *The Commission finds that based on CX survey results, the COVID-19 pandemic did not appear to have a significant impact on overall customer satisfaction in FY 2020.*
- *The Commission commends the Postal Service's efforts to address COVID-19 pandemic-related safety concerns and implement measures to respond to the COVID-19 pandemic. The Commission recommends that the Postal Service continue to monitor comments and results of the CX surveys to identify and address customer concerns related to the COVID-19 pandemic.*
- *The Commission finds that based on CX survey results, the organizational restructuring did not appear to have a significant effect on overall customer satisfaction during FY 2020.*
- *The Commission recommends that the Postal Service communicate and engage with customers and stakeholders before and during implementation of future operational changes.*
- *The Commission recommends that the Postal Service continue asking open-ended follow-up questions after the NPS or overall satisfaction question on each of the CX surveys. The Commission also recommends that the Postal Service consider asking non-business customers other follow-up questions to help address their concerns and resolve their issues.*

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

- *The Commission finds that the Postal Service partially met the Safe Workplace and Engaged Workforce performance goal in FY 2020.*
- *The Commission commends the Postal Service for meeting the Total Accident Rate target for the second time and improving the result for the fourth year in a row. The Safety Intervention and Recognition program—along with tools such as the Safety Dashboard, Informed Mobility Safety Observation, and Counseling at Risk Employees—appear to have been effective in improving workplace safety and reducing the number of accidents in FY 2020. The FY 2021 Total Accident Rate target appears achievable,*

*and the Postal Service's plans for using the same programs and tools in FY 2021 are reasonable steps to improve the Total Accident Rate result and employee safety. If the Postal Service implements the Safety and Health Management tool in FY 2021, the Commission recommends that the FY 2021 Report explain how the Postal Service used this tool to track hazards and incidents as well as to obtain data focusing on root cause analysis, impact identification, and action planning.*

- *The Commission commends the Postal Service for reducing the number of motor vehicle accidents in FY 2020 and recommends that the Postal Service continue to automate workplace safety observations to help reduce accidents in FY 2021. The Postal Service's plans for reducing motor vehicle accidents by leveraging the Informed Mobility Safety Observation tool and other delivery management systems appear reasonable. The Commission recommends that the FY 2021 Report describe how the Postal Service used the Informed Mobility Safety Observation tool and other delivery management systems and enterprise analytics platforms during FY 2021. The Commission also recommends that the FY 2021 Report discuss any impact these systems and platforms had on preventing or reducing the number of motor vehicle accidents in FY 2021.*
- *The Commission recommends that the Postal Service continue to seek ways to implement safety measures specific to the COVID-19 pandemic in order to improve workplace safety in FY 2021.*
- *The Commission finds that Item 13 improves the Postal Pulse survey because it helps encourage supervisors and employees having routine one-on-one conversations to promote communication and feedback.*
- *The Commission recommends that the Postal Pulse survey continue to include a comment box to provide another forum for voicing employee opinions and gathering employee engagement insights. The Commission suggests the Postal Pulse survey also ask employees how they would improve their team or work environment. In the FY 2021 Report, the Commission recommends that the Postal Service describe the most common types of comments received, explain how they directly influenced workplace improvements, and provide examples of improvements made.*
- *The Commission finds the Postal Service's explanation clarifies how the Postal Pulse survey was administered and how the Postal Service calculates the Survey Response Rate results. The Commission recommends that the Postal Service include this information in future annual performance reports.*
- *If the Survey Response Rate results continue to decline in FY 2021, the Commission recommends that the Postal Service set a more achievable target for FY 2022. In the meantime, the Commission recommends that the Postal Service engage in additional follow-up when administering the survey to encourage participation and take steps to demonstrate responsiveness to feedback, which could ultimately increase the overall response rate to the survey.*

- *The Commission recommends that the Postal Service continue taking steps to improve mean scores for all survey items, as well as monitor mean scores of Items 1-12 to evaluate how the Next Level Connection process impacts Postal Pulse survey scores. The Commission also recommends that the FY 2021 Report discuss any impact the Next Level Connection process had on FY 2021 Postal Pulse survey scores.*
- *The Commission recommends that the Postal Service continue to analyze the relationship between employee engagement and CX to improve results of the Postal Pulse and CX surveys. The Commission also recommends that the Postal Service consider incorporating EX into its measurement of employee experiences to obtain a holistic picture of employee perceptions and interactions while working for the Postal Service. For example, the Postal Service could administer other surveys at different points in the employee experience, such as to prospective candidates, during onboarding, and after training to capture employee experiences and perceptions beyond the Postal Pulse survey.*
- *The Postal Service could improve its measurement of employee engagement and experiences by adding an eNPS question to the Postal Pulse survey. The Commission recommends that the Postal Service consider adding such a question to the Postal Pulse survey as part of its measurement of employee engagement and experiences.*
- *The Commission recommends that the Postal Service consider initiatives to empower employees in the workplace through training and entrusting employees to make decisions and act as advocates for customers. The Commission also recommends that the FY 2021 Report explain how it empowers employees to prevent undesirable customer experiences and whether empowering employees affected the FY 2021 results for the performance indicators tracking progress toward the Safe Workplace and Engaged Workforce and Excellent Customer Experiences performance goals.*

### **Financial Health:**

- *The Commission finds that the Postal Service partially met the Financial Health performance goal in FY 2020.*
- *The Commission finds the Postal Service's explanations for missing its FY 2020 DPTWH % Change target plausible given the unprecedented and unpredictable challenges faced by the Postal Service as a result of the COVID-19 pandemic. Although the Postal Service did not meet its target in FY 2020, the Commission recognizes that the Postal Service had a year-over-year improvement in DPTWH, which is notable given the challenges of the COVID-19 pandemic and the fact that the Postal Service has had negative results for the 3 prior fiscal years.*
- *The Commission concurs with the recommendations of the OIG about managing overtime. The Commission also recommends that the Postal Service focus on balancing its work complement to minimize the use of penalty overtime workhours to the greatest extent possible. Additionally, the Commission commends the Postal Service on its reduction of unauthorized overtime workhours and recommends that the Postal*

*Service take further steps to address the occurrence of such workhours. Through targeting penalty and unauthorized overtime hours, the Commission hopes that the Postal Service may minimize unearned workhours generally.*

- *The Commission recommends that the Postal Service consider adopting additional performance indicators for measuring progress toward the Financial Health performance goal.*
- *The Commission recommends that future annual performance reports continue to include information on both the TFP index and other productivity measures. The Commission also recommends that the Postal Service use one or both of these productivity measures as performance indicators in future annual performance reports to alleviate the Commission's concerns regarding the discontinuance of DPTWH % Change as a performance indicator.*
- *The Commission is concerned about the continual decline in TFP that began in FY 2016. The Commission continues to monitor TFP and labor productivity and recommends the Postal Service focus efforts on improving these metrics.*
- *The Commission recommends that the Postal Service continue to include similar information on Controllable Income (Loss) in future annual performance plans and annual performance reports.*
- *Given the continuing uncertainties surrounding the ongoing COVID-19 pandemic, the Commission finds the Postal Service's Controllable Income (Loss) target for FY 2021 to be reasonable. The Commission recommends the Postal Service's FY 2021 Report take into account how COVID-19-related factors have changed and to what extent those changes should be reflected in the FY 2022 targets.*

#### **Chapter IV - Strategic Initiatives:**

*In the FY 2021 Report and FY 2022 Plan, the Commission recommends that the Postal Service:*

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