



POSTAL REGULATORY COMMISSION

Analysis of the Postal Service's FY 2022 Annual Performance Report and FY 2023 Performance Plan

June 28, 2023

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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.¹ On December 29, 2022, the Postal Service filed its fiscal year (FY) 2022 *Annual Report to Congress* in Docket No. ACR2022.² The *FY 2022 Annual Report* contains the Postal Service's FY 2022 annual performance report (*FY 2022 Report*) and FY 2023 annual performance plan (*FY 2023 Plan*).³

The *FY 2022 Report* and *FY 2023 Plan* discuss the Postal Service's performance goals,⁴ which are:

- High-Quality Service—deliver mail and packages on-time
- Excellent Customer Experience—improve 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
- Financial Health—achieve financial stability and improve the Postal Service's financial position by generating revenue, controlling expenses, and improving efficiency⁵

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 2022 Report* discusses the Postal Service's progress in meeting its performance goals during FY 2022. The *FY 2023 Plan* describes the Postal Service's plans for meeting its performance goals in FY 2023.

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

² See *United States Postal Service Annual Report to Congress*; see also Library Reference USPS-FY22-17, December 29, 2022, folder “USPS-FY22-17,” folder “FY22.17.Annual.Report,” file “FY 2022 Annual Report to Congress.pdf” (*FY 2022 Annual Report*).

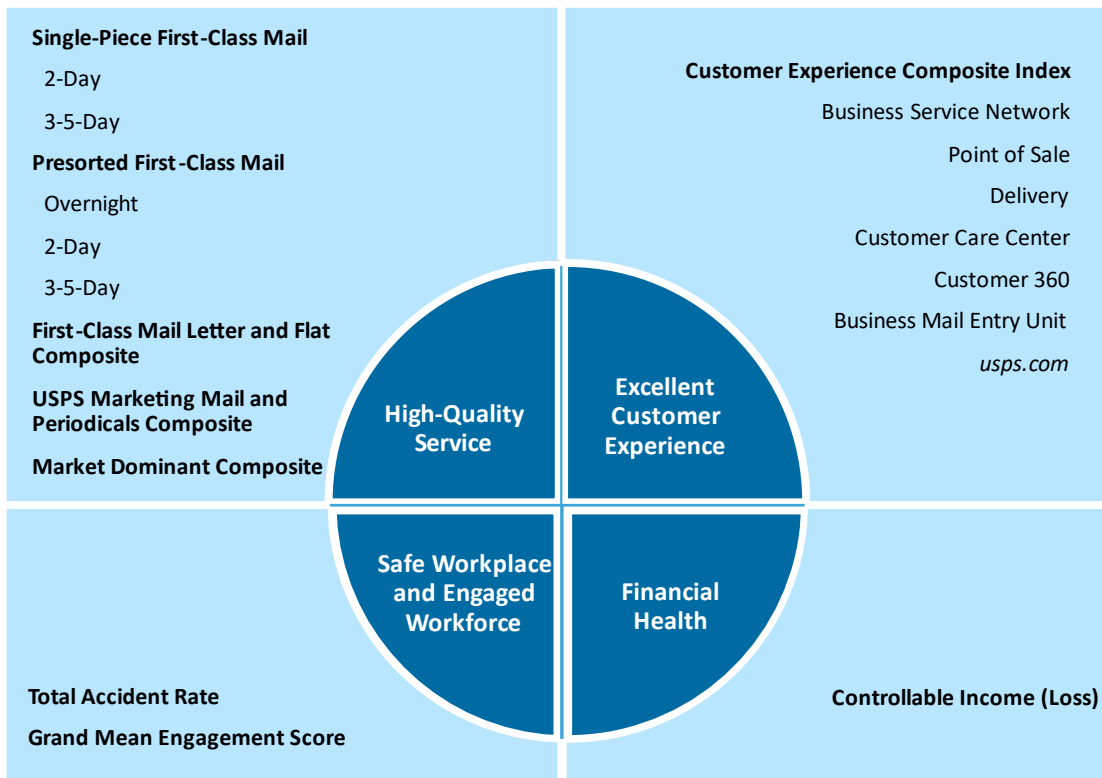
³ *FY 2022 Annual Report* at 32-53. This Analysis cites to pages from the *FY 2022 Annual Report* when referring to the *FY 2022 Report* and *FY 2023 Plan*.

⁴ The Postal Service refers to the performance goals as “corporate performance outcomes.” See *id.* at 32-33.

⁵ See Docket No. ACR2020, 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. (Docket No. ACR2020, Response to CHIR No. 27); Docket No. ACR2020, 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.

Each performance goal has one or more performance indicators, which are metrics the Postal Service uses 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 2022:

Figure I-1
FY 2022 Performance Goals and Performance Indicators



Source: FY 2022 Annual Report at 33.

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. *See FY 2022 Annual Report* at 33. Table I-1 lists the four performance goals, their corresponding performance indicators, results from FY 2019 through FY 2022, and targets for FY 2022 and FY 2023.

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

Performance Goal	Performance Indicator		Targets		Results			
			FY 2023	FY 2022	FY 2022	FY 2021	FY 2020	FY 2019
High-Quality Service ^a	Single-Piece	2-Day	93.00%	90.25%	91.34%	86.44%	91.47%	92.05%
	First-Class Mail	3-5-Day	90.28%	90.00%	83.62%	63.20%	78.83%	80.88%
	Presorted First-Class Mail	Overnight	95.00%	94.75%	94.92%	93.38%	94.72%	95.46%
		2-Day	95.00%	93.00%	93.36%	88.29%	92.77%	94.10%
		3-5-Day	92.20%	90.50%	91.49%	80.87%	89.89%	91.95%
	First-Class Mail Letter and Flat Composite ^b		92.50	91.00	91.00	82.69	89.73	91.36
USPS Marketing Mail and Periodicals Composite ^b		93.37	91.50	92.86	87.12	88.38	88.73	
Market Dominant Composite ^{bc}		93.00	91.25	92.14	85.30	89.00	89.86	
Excellent Customer Experience	Customer Experience Composite Index ^{bd}		74.39	72.99	72.72	68.49	72.40	69.04
	Business Service Network		98.00%	97.33%	98.20%	97.89%	97.33%	96.68%
	Point of Sale		87.46%	87.46%	86.34%	84.39%	87.46%	87.77%
	Delivery ^b		80.94	80.94	73.91	70.41	80.94	80.40
	Customer Care Center ^{bd}		69.88	63.02	70.75	61.85	60.03	46.94
	Customer 360 ^e		40.05%	40.05%	38.44%	33.34%	40.05%	37.45%
	Business Mail Entry Unit		96.29%	96.72%	96.48%	95.66%	96.72%	96.00%
<i>usps.com</i>		73.41%	73.41%	73.62%	67.13%	73.41%	72.94%	
Safe Workplace and Engaged Workforce	Total Accident Rate		13.25	13.45	12.39	13.48	13.09	14.19
	Engagement Survey Response Rate ^e		N/A		25%	25%	33%	38%
	Grand Mean Engagement Score ^e		3.33	3.38	3.31	3.36	3.29	3.36
Financial Health	Deliveries per Total Workhours % Change		N/A		N/A		0.90%	(0.60)%
	Controllable Income (Loss) \$ in billions		\$0.50	(\$4.10)	(\$0.47)	(\$2.39)	(\$3.75)	(\$3.42)

Note: Red text indicates target was not met. Green text indicates target was met.

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

^a Table I-1 lists targets and results for public performance indicators measuring High-Quality Service for Market Dominant products. The Postal Service filed under seal information for non-public performance indicators measuring High-Quality Service for certain Competitive products. *FY 2022 Annual Report* at 33 n.1; see Chapter II, Section B.3., *infra*.

^b Targets and results for these performance indicators are not presented as percentages because they are calculated by weighting and aggregating various survey results.

^c The Market Dominant Composite is an additional performance indicator the Postal Service began using in FY 2021 to measure High-Quality Service. See *FY 2022 Annual Report* at 33 n.4. Results from FY 2019 and FY 2020 are shown for comparison purposes.

^d Results of the Customer Experience Composite Index and Customer Care Center performance indicators are not comparable from FY 2019 through FY 2022. See Chapter II, Section B.2.b., *infra*.

^e In FY 2022, the Postal Service changed the performance indicator for measuring an engaged workforce from the Engagement Survey Response Rate to the Grand Mean Engagement Score. See Chapter III, Section C.1.b., *infra*.

Source: *FY 2022 Annual Report* at 33; Docket No. ACR2021, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2021 Annual Performance Report and FY 2022 Performance Plan*, June 30, 2022, at 3 (*FY 2021 Analysis*).

B. FY 2023 Plan and FY 2022 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 2021 Analysis* at 4. 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.

For each performance goal, the Commission compared FY 2022 targets and results for each performance indicator. Table I-1 and Figure I-2 show 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 2022:

- The Postal Service partially met the High-Quality Service performance goal because it met seven of the eight targets for the High-Quality Service performance indicators.
- The Postal Service partially met the Excellent Customer Experience performance goal because it exceeded targets for three performance indicators but missed targets for the other five performance indicators.
- The Postal Service partially met the Safe Workplace and Engaged Workforce performance goal because it exceeded the FY 2022 Total Accident Rate target but missed the FY 2022 Grand Mean Engagement Score target.
- The Postal Service met the Financial Health performance goal because the FY 2022 Controllable Income (Loss) result was better than the target.

Figure I-2
FY 2022 Performance Indicators That
Met, Exceeded, or Failed to Meet Targets



Source: *FY 2022 Annual Report* at 34, 38, 42-43, 46.

Chapter III discusses the Postal Service’s explanations for why it partially met or met the High-Quality Service, Excellent Customer Experience, Safe Workplace and Engaged Workforce, and Financial Health performance goals, as well as its plans and timelines for achieving each performance goal in FY 2023.

2. Observations and Recommendations

When evaluating whether the Postal Service met its performance goals, the Commission may 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 commends the Postal Service for its efforts to deliver COVID-19 test kits. These efforts demonstrate the Postal Service’s vital role in the COVID-19 pandemic response.
- The Commission finds that the High-Quality Service performance goal was partially met in FY 2022, with the Postal Service failing to meet one performance indicator related to Market Dominant products.
- The Commission continues to recommend that the Postal Service develop more granular composite indicators for service performance based on significant class, shape, and product-level differences between mailpieces. If the Postal Service continues using highly aggregated composites as performance indicators, then the Commission recommends that the Postal Service also develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly aggregated composites. Finally, the Commission expects the Postal Service to include with each Annual Report supporting workpapers containing the inputs for, and a detailed calculation of, the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the Annual Compliance Report (ACR) filing.
- In the FY 2023 Annual Performance Report (*FY 2023 Report*), the Postal Service should address whether any service standard changes implemented in FY 2023 affected the comparability of performance indicator results. If comparability has been affected, the Postal Service should propose a way for the Commission to compare FY 2023 High-Quality Service performance indicator results to results from prior fiscal years. If the Postal Service asserts that comparability is unaffected, the Postal Service should fully explain the rationale and supporting basis for this assertion. The Postal Service should also consider methodologies to study the effect of service standard changes on Operating Plan Precision (OPP) at affected facilities.
- The Commission encourages the Postal Service to continue reviewing routings and streamlining its network to reduce complexity, improve reliability, and improve service performance for the Single-Piece First-Class Mail 3-5-Day performance indicator.
- The Commission commends the Postal Service for its efforts devoted to delivering Election Mail and Political Mail during the CY 2022 election cycle. These efforts were undertaken notwithstanding the adverse effects of the COVID-19 pandemic, in furtherance of the vital role the Postal Service plays in the American democratic process.
- The Commission recommends that the Postal Service:
 - Consider the additional processing requirements for single-piece volumes when devising targets in the future. As these requirements and associated challenges can be anticipated based on experience, they should be accounted for in developing applicable targets. If the Postal Service experiences higher-than-expected failure in certain processes relating to the processing of single-piece

volumes and does not achieve any of its single-piece performance targets in FY 2023, it should explain the reason that failures in processing single-piece volumes exceed expectations and identify the operational processes experiencing the failures.

- Continue monitoring and optimizing peak season performance.
- Continue to monitor fluctuations in employee availability and its impact on service performance.
- Continue initiatives to reduce supplier failure, improve supplier capacity, and increase its efforts to address Critically Late Trips (CLTs) whose causes are within its direct control.
- Report on its progress in developing, and any results from, the Unexpected Events Initiative in the *FY 2023 Report*, including any effect on reducing CLTs.
- Report how the *Delivering for America Plan* (10-Year Strategic Plan) (as a whole and for applicable distinct initiatives) affected the High-Quality Service performance indicator result.⁶
- Explore ways to better balance service performance scores across the nation and study the reasons for service performance issues in the lowest performing Areas/Districts.

Excellent Customer Experience:

- The Commission recommends that the Postal Service consider asking questions on the Customer 360 (C360) survey about mail theft to collect more data and evaluate its impact on C360 performance indicator results. The Commission also recommends that the Postal Service consider adding questions to the Delivery survey about missed mail or non-delivery of mail to gather more data on this issue.
- The Commission finds that the FY 2023 targets for the Excellent Customer Experience performance indicators are reasonable. It reiterates its recommendation that the Postal Service consider the prior year's result when setting the subsequent year's target. To improve transparency, the FY 2024 annual performance plan (*FY 2024 Plan*) should discuss the rationale for setting the FY 2024 targets.
- The Commission recommends that the Postal Service continue to use the Net Promoter Score to measure and assess customer experience (CX) in FY 2023. The Commission also recommends the Postal Service focus its efforts on improving the C360 Net Promoter Score to have a higher percentage of Promoters than Detractors.
- The Commission finds that the Postal Service is effectively using social listening to determine what people are saying about its brand and services on social media. The social media heat map is an effective tool for visualizing customer comments and categorizing them by concern and geographic area. The Commission recommends

⁶ United States Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*, March 23, 2021, available at https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf (10-Year Strategic Plan).

that the Postal Service continue to use social listening and the social media heat map to improve CX in FY 2023.

- The Commission commends the Postal Service for continuing to expand its efforts to respond to customer inquiries via social media. The Commission encourages the Postal Service to continue using the Facebook ChatBOT, Artificial Intelligence Virtual Agent, and other artificial intelligence tools to continue helping customers and to improve the response time for customer inquiries.

Safe Workplace and Engaged Workforce:

- The Commission commends the Postal Service for meeting the Total Accident Rate target for the fourth year in a row and achieving the best result since the Postal Service began using the Total Accident Rate as a performance indicator in FY 2017. The Commission finds that the FY 2023 Total Accident Rate target is reasonable considering the changes in FY 2023 that could increase the potential for safety incidents.
- The Commission recommends that the Postal Service continue to recognize employees that promote a safe workplace and motor vehicle safety in quarterly newsletters and other publications. Also, the Commission recommends that the Postal Service continue to monitor the safety and performance of contractor-operated motor vehicles (including vehicles operated by subcontractors of freight brokers) and address safety incidents shortly after they occur to help prevent future incidents and unsafe practices.
- The Commission is concerned that mean scores for almost every question on the Postal Pulse survey decreased in FY 2022 but acknowledges that none of the scores declined by more than 0.08 points on the survey scale. The decline in employee engagement is consistent with employee engagement levels across the country in recent years. The FY 2023 Grand Mean Engagement Score target is reasonable considering the range of results during the past few years.
- The Commission recommends that the Postal Service implement the programs described in the *FY 2023 Plan* to improve the Engagement Survey Response Rate in FY 2023. If the rate does not improve in FY 2023, the Commission recommends that the Postal Service investigate and address the root causes and describe its efforts to do so in the *FY 2023 Report*.

Financial Health:

- The Commission finds that the Postal Service met the Financial Health performance goal in FY 2022.
- The Commission recommends that the Postal Service continue to include information on Controllable Income (Loss) and non-controllable expenses in future annual performance plans and annual performance reports.
- In all future Annual Reports through the first year following completion of the 10-Year Strategic Plan, the Postal Service should report on the effects of the 10-Year

Strategic Plan on: (1) the Postal Service's Financial Health performance indicator results; and (2) labor productivity.

- The Commission encourages the Postal Service to communicate with its stakeholders to gather their views of the effects of rate increases on volume.
- The Commission recommends that the Postal Service consider whether a Generally Accepted Accounting Principle (GAAP) measure such as Net Income (Loss) or Net Operating Income (Loss) offers a more useful indication of the Postal Service's financial health and whether such a metric should be used as a performance indicator in lieu of, or in addition to, Controllable Income (Loss). If the Postal Service makes changes to, or supplements, the Controllable Income (Loss) performance indicator in its *FY 2023 Report*, the Postal Service should also provide comparable performance indicator results for FY 2020 through FY 2023 to help ensure compliance with 39 U.S.C. § 2804(c).
- The Commission recommends that the Postal Service continue monitoring and reporting Total Factor Productivity (TFP) and labor productivity trends. The Commission recommends that future annual performance reports continue to include information on TFP, labor productivity, and other productivity measures. In addition, the Postal Service should explain the reason for any changes in TFP and/or labor productivity in FY 2023.
- The Commission continues to recommend that the Postal Service consider adopting one or more additional performance indicators for measuring progress towards the Financial Health performance goal. Specifically, the Commission recommends that the Postal Service consider incorporating the operating ratio, or another measure associated with operational efficiency, as a performance indicator.

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

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)*.⁷ 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

⁷ 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 2022 Performance Plan*, June 1, 2022 (FY 2019 Analysis); Docket No. ACR2020, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2020 Annual Performance Report and FY 2021 Performance Plan*, June 2, 2021 (FY 2020 Analysis); *FY 2021 Analysis*.

performance in future years. The Commission continues this current practice by issuing its analysis of the *FY 2023 Plan* and *FY 2022 Report* separately from the FY 2022 ACD.⁸

In conducting this review, the Commission designated a Public Representative and invited comments on whether the Postal Service met its performance goals and satisfied applicable statutory and regulatory requirements.⁹ It also sought input on public policy recommendations, strategic initiatives, and other relevant matters. Order No. 6047 at 3.

Several CHIRs were issued seeking clarification of the *FY 2023 Plan* and *FY 2022 Report*.¹⁰ The Postal Service filed responses to all information requests.¹¹ The Public Representative and the National Association of Presort Mailers (NAPM) filed comments,¹² which the Postal Service addressed in reply comments.¹³

The Commission analyzes the *FY 2023 Plan* and *FY 2022 Report* in the following chapters:

- Chapter II analyzes the *FY 2023 Plan* and *FY 2022 Report* for compliance with the legal requirements of 39 U.S.C. §§ 2803 and 2804.

⁸ See *Annual Compliance Determination Report*, Fiscal Year 2022, March 29, 2023 (FY 2022 ACD).

⁹ Notice Requesting Comments on the Postal Service FY 2022 Annual Performance Report and FY 2023 Annual Performance Plan, January 11, 2023, at 3 (Order No. 6407).

¹⁰ Chairman's Information Request No. 13, February 10, 2023 (CHIR No. 13); Chairman's Information Request No. 14, February 24, 2023 (CHIR No. 14); Chairman's Information Request No. 15, February 28, 2023 (CHIR No. 15); Chairman's Information Request No. 17, March 3, 2023 (CHIR No. 17); Chairman's Information Request No. 18, March 14, 2023 (CHIR No. 18); Chairman's Information Request No. 19, March 20, 2023 (CHIR No. 19); Chairman's Information Request No. 20, March 21, 2023 (CHIR No. 20); Chairman's Information Request No. 23, March 29, 2023 (CHIR No. 23); Chairman's Information Request No. 24, March 31, 2023 (CHIR No. 24); Chairman's Information Request No. 25, April 13, 2023 (CHIR No. 25); Chairman's Information Request No. 26, April 17, 2023 (CHIR No. 26); Chairman's Information Request No. 27, April 26, 2023 (CHIR No. 27); Chairman's Information Request No. 29, May 3, 2023 (CHIR No. 29); Chairman's Information Request No. 30, May 8, 2023 (CHIR No. 30). The Postal Service filed a motion for reconsideration of questions 1-10 and 16 of CHIR No. 13. Motion for Reconsideration of Questions 1-10 and 16 of Chairman's Information Request No. 13, February 16, 2023 (Motion for Reconsideration). Because questions 1-10 and 16 of CHIR No. 13 were subsequently withdrawn, the Commission denies the Motion for Reconsideration as moot. See Notice Concerning Chairman's Information Request No. 13, Questions 1 through 10 and 16, February 28, 2023.

¹¹ Responses of the United States Postal Service to Questions 11-15 of Chairman's Information Request No. 13, February 24, 2023 (Response to CHIR No. 13); Responses of the United States Postal Service to Questions 1-8 of Chairman's Information Request No. 14, March 3, 2023 (Response to CHIR No. 14); Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 15, March 7, 2023 (Response to CHIR No. 15); Responses of the United States Postal Service to Questions 1-11 of Chairman's Information Request No. 17, March 10, 2023 (Response to CHIR No. 17); Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request No. 18, March 21, 2023 (Response to CHIR No. 18); Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 19, March 27, 2023 (Response to CHIR No. 19); Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 20, March 28, 2023 (Response to CHIR No. 20); Responses of the United States Postal Service to Questions 1-12 of Chairman's Information Request No. 23, April 5, 2023 (Response to CHIR No. 23); Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 24, April 7, 2023 (Response to CHIR No. 24); Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 25, April 20, 2023 (Response to CHIR No. 25); Responses of the United States Postal Service to Questions 1-12 of Chairman's Information Request No. 26, April 24, 2023 (Response to CHIR No. 26); Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 27, May 3, 2023 (Response to CHIR No. 27); Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 29, May 10, 2023 (Response to CHIR No. 29); Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 30, May 15, 2023 (Response to CHIR No. 30).

¹² Public Representative Comments on the FY 2022 Performance Report and FY 2023 Performance Plan, March 14, 2023 (PR Comments); Comments of the National Association of Presort Mailers, March 13, 2023 (NAPM Comments).

¹³ Reply Comments of the United States Postal Service, March 29, 2023 (Postal Service Reply Comments).

- Chapter III evaluates whether the Postal Service met its four performance goals in FY 2022 and contains related observations and recommendations for each performance goal.
- Chapter IV discusses the Postal Service's strategic initiatives and its 10-Year Strategic Plan.

CHAPTER II: COMPLIANCE WITH LEGAL REQUIREMENTS

A. Legal Requirements

The *FY 2023 Plan* and *FY 2022 Report* must meet the requirements of 39 U.S.C. §§ 2803 and 2804.¹⁴ 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,”¹⁵ 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 used¹⁶
- 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, provided that doing so does not omit or minimize the

¹⁴ 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).

¹⁵ 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 B.1., *infra*.

¹⁶ 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 annual 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”¹⁷
- Include “actual results for the three preceding fiscal years”
- Evaluate the annual performance plan for the current fiscal year (in this case, the *FY 2023 Plan*) relative to the performance achieved toward those goals in the year covered by the annual performance report (in this case, the *FY 2022 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 goal¹⁸
- Include summary findings of program evaluations completed during the fiscal year covered by the report

39 U.S.C. § 2804(b)(1), (c), (d).

CHIR Nos. 17 and 23 were issued to help evaluate compliance with 39 U.S.C. §§ 2803 and 2804. The Public Representative asserts that the *FY 2023 Plan* and *FY 2022 Report* complies with sections 2803 and 2804. PR Comments at 4. He states that the Postal Service “has included all of the information necessary to evaluate its performance in FY 2022 and has included the information required on the program activities set forth in the Postal Service budget for FY 2023.” *Id.*

B. Commission Analysis

This section evaluates whether the *FY 2023 Plan* and *FY 2022 Report* complied with 39 U.S.C. §§ 2803 and 2804, respectively. 39 U.S.C. §§ 2803 and 2804. The Commission

¹⁷ *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).

¹⁸ *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).

finds that the *FY 2023 Plan* complies with section 2803. The *FY 2022 Report* complies with section 2804 except for the Excellent Customer Experience performance goal, which does not comply with section 2804(c). *See* Section B.2.b., *infra*.

Appendix B includes guidance for compliance with the major requirements of 39 U.S.C. §§ 2803 and 2804 for the *FY 2024 Plan* and *FY 2023 Report*.

1. FY 2023 Plan

The *FY 2023 Plan* must meet the requirements of 39 U.S.C. § 2803. The Commission evaluates legal compliance based on the following seven elements.

First, the *FY 2023 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 2021 Analysis*, the Commission stated that to comply with 39 U.S.C. § 2803(a), the *FY 2023 Plan* must identify all program activities in the FY 2023 IFP and link each program activity to at least one performance goal or indicator. *FY 2021 Analysis*, Appendix B at 1.

In the *FY 2023 Plan*, the Postal Service explains that FY 2023 targets for each performance indicator are aligned with the FY 2023 IFP, which includes the Postal Service’s planned revenue and expenses for FY 2023. *FY 2022 Annual Report* at 32. It notes that each fiscal year, it develops a plan and budget intended to be sufficient to meet targeted financial and nonfinancial performance outcomes. *Id.* It states that it sets all performance indicator targets “to be achievable given the planned expenses in the IFP.” *Id.* The Postal Service complied with the Commission’s directive by identifying the program activities in the FY 2023 IFP (planned revenue and expenses) and linking them to the targets set for each performance indicator.

Second, the *FY 2023 Plan* must “establish performance goals to define the level of performance to be achieved by a program activity[.]” 39 U.S.C. § 2803(a)(1). Section 2803(a)(1) requires the *FY 2023 Plan* to establish performance goals and set targets for each performance indicator the Postal Service will use to evaluate performance during FY 2023. *See FY 2016 Analysis* at 10. If no target is set, the Postal Service should explain why. *FY 2021 Analysis* at 13.

In the *FY 2023 Plan*, the Postal Service establishes four performance goals and sets targets for each public performance indicator the Postal Service will use to evaluate performance

during FY 2023.¹⁹ The Postal Service did not set a FY 2023 target for the Engagement Survey Response Rate because it stopped using that metric in FY 2022 and replaced it with the Grand Mean Engagement Score as the performance indicator for measuring progress toward the Safe Workplace and Engaged Workforce performance goal.²⁰ The Postal Service also did not set a FY 2023 target for Deliveries per Total Workhours % Change because it stopped using this metric as a performance indicator in FY 2021. *See FY 2021 Analysis* at 118.

Third, the *FY 2023 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 2023 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 2023 Plan* meets this requirement because the FY 2023 target for each performance indicator is expressed in a measurable form, such as a percentage or dollar amount. *See FY 2022 Annual Report* at 33.

Fourth, the *FY 2023 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 2023 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 2023, the Postal Service states it will transform its processing facilities and transportation networks; prepare for the peak season; invest in new vehicles, equipment, systems, and facilities; and stabilize and empower its workforce. *FY 2022 Annual Report* at 35-37.

Fifth, the *FY 2023 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.²¹ The *FY 2023 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 outcomes. *See FY 2022 Annual Report* at 41-44.

¹⁹ *See FY 2022 Annual Report* at 33. The Postal Service also uses several non-public performance indicators for Competitive products to measure progress toward the High-Quality Service performance goal. *See* Section B.3., *infra*. FY 2023 target(s) are included in a non-public annex filed with the FY 2022 ACR. *See FY 2022 Annual Report* at 33 n.1; Library Reference USPS-FY22-NP30, December 29, 2022, folder “USPS-FY22-NP30”, file “NONPUBLIC Preface USPS-FY22-NP30.pdf,” at 8 (Library Reference USPS-FY22-NP30, Preface).

²⁰ Docket No. ACR2021, Library Reference USPS-FY21-17, December 29, 2021, file “FY 2021 Annual Report to Congress.pdf,” at 44 (*FY 2021 Annual Report*). The Grand Mean Engagement Score and Engagement Survey Response Rate are discussed in Chapter III, Section C., *infra*.

²¹ Specifically, a performance indicator is “a particular value or characteristic used to measure output or outcome[.]” 39 U.S.C. § 2801(4).

Sixth, the *FY 2023 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 2023 Plan* meets this requirement by listing the performance indicators that will provide a basis for comparing FY 2023 results with the targets established in the *FY 2023 Plan*. *See FY 2022 Annual Report* at 33.

Seventh, the *FY 2023 Plan* must “describe the means to be used to verify and validate measured values.” *See* 39 U.S.C. § 2803(a)(6). Section 2803(a)(6) requires the Postal Service to explain how it verifies and validates targets and results for each performance indicator using objective measurement systems. *FY 2021 Analysis* at 15. The *FY 2023 Plan* meets this requirement by, for example, explaining that it uses an internal Service Performance Measurement (SPM) system “that measures and reports service performance from the time mail is deposited in a Postal Service facility to when a USPS employee delivers it to a home, business, or PO Box.” *See FY 2022 Annual Report* at 34.

For these reasons, the Commission finds that the FY 2023 Plan complies with all requirements of 39 U.S.C. § 2803(a).

Appendix B contains guidance to assist the Postal Service’s efforts to ensure the *FY 2024 Plan* complies with section 2803(a).

2. FY 2022 Report

The *FY 2022 Report* complies with 39 U.S.C. § 2804 except for the Excellent Customer Experience performance goal, which does not comply with section 2804(c). The *FY 2022 Report* is non-compliant with respect to this performance goal because Customer Care Center (CCC) performance indicator results are not comparable from FY 2019 through FY 2022, and the Postal Service did not provide the explanations required by the Commission.

a. Comparable FY 2022 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 2021 Analysis*, the Commission stated that to comply with section 2804(b)(1), the *FY 2022 Report* “must set forth the same performance indicators and targets as the *FY 2022 Plan* and compare FY 2022 targets and results for each performance indicator.” *FY 2021 Analysis* at 16.

Also, the Commission directed that the *FY 2022 Report* express results for each performance indicator that are comparable to the corresponding FY 2022 targets set in the *FY 2022 Plan*. *Id.* The Commission stated that if a comparable FY 2022 result is not provided, the *FY 2022 Report* must explain why and address the lack of comparability by explaining either of the following: (1) how to compare results between the current and former methodologies; or (2) why making this comparison is not feasible. *Id.* It also recommended that the Postal Service maintain the same performance indicators, methodologies, and targets once they are set in the applicable annual performance plan. *Id.*

The *FY 2022 Report* includes the same performance indicators and targets set in the *FY 2022 Plan* and compares FY 2022 targets and results for each performance indicator.²² The Postal Service confirms that the FY 2022 target and result for each performance indicator are comparable. Response to CHIR No. 23, question 1.

The Commission finds that the FY 2022 Report complies with 39 U.S.C. § 2804(b)(1). To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2023 Report must set forth the same performance indicators and targets as the FY 2023 Plan and compare FY 2023 targets and results for each performance indicator.

*Also, the FY 2023 result for each performance indicator must be comparable to the corresponding FY 2023 target set in the FY 2023 Plan. If a comparable FY 2023 result is not provided, the FY 2023 Report must address the lack of comparability by explaining **either** of the following:*

1. *How to compare results between the current and former methodologies; **or***
2. *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 2021 Analysis*, the Commission stated that “[t]o comply with 39 U.S.C. § 2804(c) next year, the *FY 2022 Report* must include comparable results for each performance indicator for FYs 2019, 2020, 2021, and 2022. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology.” *FY 2021 Analysis* at 19. If comparable results cannot be provided, the

²² Compare *FY 2022 Annual Report* at 33, with *FY 2021 Annual Report* at 33.

Commission directed the Postal Service to identify each performance indicator with non-comparable results and provide the required explanations in the *FY 2022 Report*. *Id.*

For the High-Quality Service, Safe Workplace and Engaged Workforce, and Financial Health performance goals, the *FY 2022 Report* is compliant.²³ For 7 of the 8 performance indicators for the Excellent Customer Experience performance goal, the *FY 2022 Report* is compliant.²⁴

However, with respect to the remaining performance indicator for the Excellent Customer Experience performance goal (CCC), the *FY 2022 Report* is non-compliant. The CCC performance indicator result is a composite of overall satisfaction with the Live Agent and Interactive Voice Response (IVR) system.²⁵ In FY 2019 and FY 2020, the Live Agent result was weighted 25 percent, and the IVR system result was weighted 75 percent.²⁶ In FY 2021, the Postal Service discontinued weighting the Live Agent and IVR system results and instead consolidated all responses into one overall calculation. *Id.* This was a methodology change that affected the comparability of CCC results between the periods FYs 2019-2020 (weighted) and FYs 2021-2022 (unweighted).

The *FY 2022 Report* lacks any reference to the non-comparability of CCC results from FY 2019 through FY 2022.²⁷ In the FY 2021 ACR, the Postal Service acknowledged that the methodology change affected comparability of results but asserted that the impact was minor because there was only a small difference in the result calculated using the new methodology compared to the former methodology. FY 2021 ACR at 58. By contrast, the FY 2022 ACR does not discuss or mention the comparability issue with the CCC performance indicator. For these reasons, the *FY 2022 Report* does not comply with 39 U.S.C. § 2804(c) for the Excellent Customer Experience performance goal. Additionally, because FY 2020 CCC results will not be comparable to results from FY 2021 through FY 2023, the Postal Service will need to address this issue to comply with 39 U.S.C. § 2804(c) in its *FY 2023 Report*.²⁸

²³ Response to CHIR No. 17, question 3.c.; Response to CHIR No. 23, question 2.a.

²⁴ Response to CHIR No. 23, question 2.a. The eight Excellent Customer Experience performance indicators are the Customer Experience (CX) Composite Index, Business Service Network (BSN), Point of Sale (POS), Delivery, CCC, Customer 360 (C360), *usps.com*, and Business Mail Entry Unit (BMEU). See *FY 2022 Annual Report* at 33.

²⁵ United States Postal Service *FY 2022 Annual Compliance Report*, December 29, 2022, at 58 (FY 2022 ACR).

²⁶ Docket No. ACR2021, United States Postal Service *FY 2021 Annual Compliance Report*, December 29, 2021, at 58 (FY 2021 ACR).

²⁷ The *FY 2022 Report* does cross-reference a CHIR response in Docket No. ACR2020. See *FY 2022 Annual Report* at 33. However, that response only addresses comparability issues with the High-Quality Service and CX Composite Index performance indicators from FY 2017 through FY 2020. Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 2, January 21, 2021, question 4.

²⁸ For example, the *FY 2023 Report* could express CCC results for FYs 2020 through 2023 using the new (unweighted) methodology. If the *FY 2023 Report* does not provide comparable CCC results, the Postal Service could, in the FY 2023 ACR, identify the comparability issue and explain how to compare results from FY 2020 through FY 2023.

Also, in FY 2023, the Postal Service will change the methodology for calculating the CX Composite Index, which is a weighted composite based on results of the CX survey performance indicators. *FY 2022 Annual Report* at 37, 41. The POS survey weight will increase to 20 percent, and the CCC survey weight will decrease to 15 percent.²⁹ Because FY 2023 CX Composite Index results will not be comparable to results from FY 2020 through FY 2022,³⁰ the Postal Service will also need to address this issue to comply with 39 U.S.C. § 2804(c) in its *FY 2023 Report* by following the Commission's directives below.³¹

Except for the Excellent Customer Experience performance goal, the FY 2022 Report complies with 39 U.S.C. § 2804(c). The FY 2022 Report is non-compliant with respect to this performance goal because CCC performance indicator results are not comparable from FY 2019 through FY 2022, and the Postal Service did not provide the explanations required by the Commission.

To comply with 39 U.S.C. § 2804(c) next year, the FY 2023 Report must include comparable results for each performance indicator for FYs 2020, 2021, 2022, and 2023. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. If comparable results from FY 2020 through FY 2023 are not provided for any performance indicator, the FY 2023 Report must:

1. *Identify each performance indicator with non-comparable results from FY 2020 through FY 2023; **and***
2. *Address the lack of comparability by explaining **either** of the following:*
 - a. *How to compare results from FY 2020 through FY 2023 between the current and former methodologies; **or***
 - b. *Why making this comparison is not feasible.*

The FY 2023 Report must include all information necessary to evaluate compliance with the requirements of 39 U.S.C. §§ 2803 and 2804, including section 2804(c). Inclusion of this information in the FY 2023 Report may be satisfied by either: (1) including the information itself in the text of the FY 2023 Report; or (2) including cross-references identifying the documents containing this information in the text of the FY 2023 Report.

²⁹ *Id.* at 41. Performance indicator methodologies for the Excellent Customer Experience performance goal are discussed in Chapter III, Section B.3.a., *infra*.

³⁰ See *FY 2021 Analysis* at 66-67.

³¹ For example, the *FY 2023 Report* could express CX Composite Index results for FYs 2020 through 2023 using the new weights. If the *FY 2023 Report* does not provide comparable CX Composite Index results, the Postal Service could, in the FY 2023 ACR, identify the comparability issue and explain how to compare results from FY 2020 through FY 2023.

Appendix B contains guidance to assist the Postal Service's efforts to comply with section 2804(c) and other statutory requirements for the *FY 2023 Report*. The requirements apply to each performance indicator used in FY 2023.³²

c. Goals Not Met

In FY 2022, the Postal Service met the Financial Health performance goal and partially met the High-Quality Service, Excellent Customer Experience, and Safe Workplace and Engaged Workforce goals. *See* Chapter I, Section B.1., *supra*. 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). The *FY 2022 Report* explains why it partially met the High-Quality Service, Excellent Customer Experience, and Safe Workplace and Engaged Workforce performance goals. *FY 2022 Annual Report* at 34-44. For each public performance indicator that did not meet its FY 2022 target, the Postal Service describes plans and schedules for meeting FY 2023 targets. *See id.* The Postal Service provides more detailed explanations, plans, and schedules in the FY 2022 ACR. FY 2022 ACR at 56-84.

The Commission finds that the FY 2022 Report complies with 39 U.S.C. § 2804(d)(3) because it explains why performance goals were partially met and describes plans and schedules for meeting the goals in FY 2023. To comply with 39 U.S.C. § 2804(d)(3) next year, for each FY 2023 target that is not met, the FY 2023 Report must both explain why and describe plans and schedules for meeting the FY 2024 targets.

d. Other Annual Performance Report Requirements

The *FY 2022 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 indicator in FY 2022. 39 U.S.C. § 2804(d)(1). The *FY 2022 Report* provides this information in tables that compare targets and results and state whether the target was met. *See FY 2022 Annual Report* at 34, 38, 42-43, 47. These tables enhance the *FY 2022 Report* by allowing the reader to easily evaluate whether the Postal Service met targets.

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 2022 Report* to evaluate the *FY 2023 Plan* relative to the performance achieved toward the performance goals during FY 2022. This provision requires the *FY 2022 Report*

³² These include all of the performance indicators listed under the Excellent Customer Experience goal: the CX Composite Index, BSN, POS, Delivery, CCC, C360, *usps.com*, and BMEU.

to compare FY 2023 targets with FY 2022 results for each performance indicator the Postal Service will use during FY 2023. *See FY 2016 Analysis* at 15. The *FY 2022 Report* provides this information in a master table listing FY 2022 and FY 2023 targets, as well as results from FY 2019 through FY 2022. *See FY 2022 Annual Report* at 33.

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 2022 Report* to include summary findings of program evaluations completed during FY 2022 that evaluate how programs helped the Postal Service meet targets in FY 2022. *See FY 2017 Analysis* at 16. The *FY 2022 Report* meets this requirement by, for example, explaining that the Postal Service tracked District/Division level performance monthly and implemented quarterly business reviews focusing on facility level interventions by the field support staff. *FY 2022 Annual Report* at 42.

The Commission finds that the FY 2022 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 2022, the Postal Service measured progress toward the High-Quality Service performance goal using non-public performance indicator(s) for Competitive products. *FY 2022 Annual Report* at 33. To comply with 39 U.S.C. §§ 2803 and 2804 in FY 2022, the *FY 2021 Analysis* directed the Postal Service to file under seal with the FY 2022 ACR: “(1) FY 2022 and FY 2023 targets; (2) comparable FY 2022 targets and results; and (3) comparable results from FYs 2019 through FY 2022” for each non-public performance indicator. *FY 2021 Analysis* at 22. The Commission further stated that if the Postal Service does not meet the FY 2022 target(s), the Postal Service must explain why and describe the plans and schedules for meeting the FY 2023 target(s). *Id.* The Commission stated that the “FY 2022 ACR should continue to identify the library reference that contains this information.” *Id.*

The *FY 2023 Plan* and *FY 2022 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 2022 Annual Report* at 33 n.1. The Postal Service filed information on non-public performance indicator(s) in the preface to Library Reference USPS-FY22-NP30

and identified this library reference in the FY 2022 ACR.³³ The Postal Service confirms that for each non-public performance indicator, the *FY 2022 Report* contains comparable FY 2022 targets and results, as well as comparable results from FY 2019 through FY 2022. Response to CHIR No. 23, questions 3.a., 4.a. For each non-public performance indicator that did not meet the FY 2022 target, the Postal Service provides an explanation and describes plans for meeting the FY 2023 target. Library Reference USPS-FY22-NP30, Preface at 20-21. The Postal Service set FY 2023 target(s) for the Competitive products' non-public performance indicator(s) the Postal Service will use in FY 2023. *Id.* at 20.

The Commission finds that Library Reference USPS-FY22-NP30 complies with the Commission's directives in the FY 2021 Analysis. For the non-public performance indicators, the FY 2023 Plan complies with 39 U.S.C. § 2803(a)(2) by setting measurable FY 2023 target(s) for each performance indicator the Postal Service will use in FY 2023. See Section B.1., supra. The FY 2022 Report complies with 39 U.S.C. § 2804(b)(1) and 2804(c) because it provides comparable FY 2022 targets and results as well as comparable results from the past 3 fiscal years. See Sections B.2.a., b., supra. The FY 2022 Report also complies with 39 U.S.C. § 2804(d)(3) because the Postal Service explains why it did not meet FY 2022 target(s) and describes plans and schedules for meeting FY 2023 target(s).

To ensure that the FY 2024 Plan and FY 2023 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Commission recommends that the Postal Service continue to explain where to find information on the non-public service performance indicators, such as in a footnote in the master table of targets and results. For the Competitive products' non-public performance indicator(s), the Postal Service must file under seal with the FY 2023 ACR: (1) FY 2023 and FY 2024 targets; (2) comparable FY 2023 targets and results; and (3) comparable results from FY 2020 through FY 2023. If the Postal Service does not meet the FY 2023 target for any non-public performance indicator, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2024 target. The FY 2023 ACR should continue to identify the library reference that contains this information.

4. 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 2021 Analysis* at 23.

³³ Library Reference USPS-FY22-NP30, Preface at 19-21; FY 2022 ACR at 5 n.5.

In FY 2022, the Postal Service did not make any performance indicator or methodology changes.³⁴ Thus, the Postal Service adopted the Commission's recommendation to limit the number of changes to performance indicators and methodologies for calculating targets and results. *See FY 2021 Analysis* at 23. Describing and explaining the rationale for these changes provides greater transparency into the Postal Service's process for changing performance indicators and methodologies.

To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service continue to limit the number of changes to performance indicators and methodologies for calculating targets and results. If the Postal Service plans to add or change any performance indicators or methodologies, the Commission recommends that the Annual Report to Congress 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), if the Postal Service changes a performance indicator or the methodology for calculating targets or results, the Commission recommends that the Postal Service maintain the same performance indicator or methodology for at least 3 consecutive fiscal years unless the change is clearly not beneficial or effective.

³⁴ FY 2022 Annual Report at 37-38; Response to CHIR No. 17, question 3.c.; Response to CHIR No. 23, questions 2.a., 4.a.; FY 2022 ACR at 56-57.

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 2022 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 2022, the Postal Service measured service performance using internal SPM, which provides data from the time 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. *See FY 2022 Annual Report* at 34. 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. *See FY 2021 Analysis* at 24. Service performance results are expressed as the percentage of mail meeting the applicable service standard. *See id.*

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.³⁵ To evaluate progress toward the High-Quality Service performance goal in FY 2022, the Postal Service used eight 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

³⁵ The Postal Service also reports service performance on all Market Dominant products in the ACR. *See* 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 2022 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 2022 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-Day, 4-Day, and 5-Day service standards (as well as in the aggregate for the 3-to-5-day service standards and in the aggregate for all service standards combined) 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
- Market Dominant 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 2022 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, as well as Periodicals. *Id.* Approximately two-thirds of the volume in this composite indicator consists of USPS Marketing Mail letters; the remainder is made up of USPS Marketing Mail flats and Periodicals. *Id.*

The Market Dominant Composite is a composite indicator measuring the percentage of First-Class Mail, USPS Marketing Mail, Periodicals, and Bound Printed Matter letters and flats, as well as Media Mail, Library Mail, and Bound Printed Matter parcels, that were delivered within their applicable service standards during the fiscal year. *Id.*

The Postal Service also provided non-public performance data for certain Competitive products. *See id.* at 33 n.1.

In FY 2022, the Postal Service failed to meet one of its targets for the Market Dominant performance indicators—Single-Piece First-Class Mail, 3-5-Day. *Id.* at 35.

The Postal Service explains that “[t]he primary variables that account for this product missing the established service standard can be attributed to ongoing network transportation changes and additional processing requirements for this product which

prohibit its ability to mitigate potential failures or disruptions.” *Id.* However, the Postal Service also notes that its performance for Single-Piece First Class Mail, 3-5-Day, “is a five year high and more than a full point higher than at any of the prior four years.” *Id.*

The Postal Service highlights its performance with respect to delivering COVID-19 test kits. *See id.* According to the Postal Service, it “packag[ed] and deliver[ed] more than 167 million orders containing more than 668 million COVID-19 test kits to American households . . . with an average days to deliver of just 1.2 days.” *Id.*

The Commission commends the Postal Service for its efforts to deliver COVID-19 test kits. These efforts demonstrate the Postal Service’s vital role in the COVID-19 pandemic response.

To improve High-Quality Service in FY 2023, the Postal Service reports that it plans to continue implementing its 10-Year Strategic Plan.³⁶ To that end, the Postal Service intends to transform its processing facilities and transportation networks; prepare for the peak season; invest in new vehicles, equipment, systems, and facilities; and stabilize and empower its workforce. *FY 2022 Annual Report* at 35.

The Postal Service reports that at the beginning of FY 2022, it implemented service standard changes for First-Class Mail and Periodicals, which, the Postal Service asserts, “will increase delivery reliability, consistency, and efficiency for customers.” *Id.* These changes increased service standards by up to two additional days for First-Class Mail and Periodicals mailpieces travelling longer distances.³⁷ Prior to implementation, the Postal Service estimated that approximately 38.5 percent of First-Class Mail volume and approximately 7 percent of Periodicals volume would be affected by the changes. *See* Docket No. N2021-1 Advisory Opinion at 1-2. The Postal Service is increasing interim targets for all High-Quality Service performance indicators in FY 2022. *FY 2022 Annual Report* at 35. The Postal Service’s plans are discussed in detail in Section A.3.c., *infra*.

2. Comments

The Public Representative “commends the Postal Service for meeting all but one of [its FY 2022 service performance] targets.” PR Comments at 5. Further, he states that the Postal Service’s performance for Single-Piece First-Class Mail, 3-5-Day, although below the target, “is still a considerable improvement over the prior year and still slightly better than in FY 2019, prior to the onset of the COVID-19 pandemic.” *Id.* However, he views the Postal Service’s description of its failure to meet the target for Single-Piece First-Class Mail, 3-5-Day, as insufficient and recommends that the Commission seek additional information

³⁶ *Id.*; *see* 10-Year Strategic Plan. The Commission has opened a public inquiry in connection with the 10-Year Strategic Plan. *See* Docket No. P12023-4, Notice and Order Initiating Public Inquiry Associated with the Delivering for America Plan, April 20, 2023 (Order No. 6488).

³⁷ *See* Docket No. N2021-1, Advisory Opinion on Service Changes Associated with First-Class Mail and Periodicals, July 20, 2021, at 1-2 (Docket No. N2021-1 Advisory Opinion).

about “additional processing requirements and why they inhibit the Postal Service’s ability to mitigate potential failures or disruptions.” *Id.* at 6.

In addition, the Public Representative comments that there are “pockets of areas where mail delivery seems problematic.” *Id.* In this regard, he encourages the Postal Service to take steps identified by the Postal Service OIG “to identify and reduce the number of undelivered and partially delivered routes.”³⁸ He also highlights the importance of initiatives to improve transportation operations. *See id.* at 10-11.

The National Association of Presort Mailers (NAPM) comments that upstream mail preparation, such as the commingling process, produces service performance benefits. NAPM Comments at 3-5. NAPM states that “the Postal Service should better utilize its pricing flexibility to give customers the incentive to move more mail into programs like commingle[.]” *Id.* at 5. Further, NAPM “encourages the Postal Service and the Commission to continue to explore ways to identify service performance issues and make improvements.” *Id.* at 5-6. NAPM also “urge[s] the Postal Service to implement a reporting solution that allows commingle mailers and others to obtain visibility at a level that helps them identify the specific mail being excluded” from service performance measurement. *Id.* at 6.

Further, NAPM comments specifically on FY 2022 flats performance. *See id.* at 6-8. NAPM requests that the Postal service “report service performance on a quarterly and annual basis” separately for Presorted First-Class Mail Flats and for Single-Piece First-Class Mail Flats. *Id.* at 6. Further, “NAPM is concerned that few of the specific initiatives laid out by the Postal Service in its FY2022 Performance Report or FY2023 Plan are designed to address First-Class Mail flats performance.” *Id.* at 7. NAPM is also “concerned that the USPS’ FY2023 performance targets for First-Class Mail may not be realistic or achievable, since they have been increased compared to FY2022, even though FY2022 performance was well below the lower targets.” *Id.* at 7-8. NAPM also notes that it “would like to see more detail and attention given to the Postal Service’s plans to improve service performance for [USPS] Marketing Mail flats.” *Id.* at 8.

In its reply comments, the Postal Service responds to the Public Representative by providing additional information about Single-Piece First-Class Mail, 3-5-Day, and asserting that pursuing the initiatives in the 10-Year Strategic Plan “will ensure continued service performance improvement[.]” Postal Service Reply Comments at 2-3.

In reply to NAPM, the Postal Service states that it reports quarterly and annual service performance information for Presorted First-Class Mail Flats and for Single-Piece First-Class Mail Flats. Postal Service Reply Comments at 3. The Postal Service states that the

³⁸ *Id.* (citing United States Postal Service, Office of the Inspector General, Report No. 21-262-R23, *Delivery Operations-Undelivered and Partially Delivered Routes*, December 16, 2022, available at <https://www.uspsig.gov/reports/audit-reports/delivery-operations-undelivered-and-partially-delivered-routes> (OIG Report No. 21-262-R23).

issue of using pricing flexibility to encourage the comingle process was addressed in connection with the FY 2022 ACR. *See id.* Further, the Postal Service asserts that its FY 2023 performance targets remain “appropriate.” *Id.* at 4.

3. Commission Analysis

In FY 2022, the Postal Service achieved its targets for the performance indicators related to Market Dominant products that measure progress toward the High-Quality Service performance goal, apart from Single-Piece First-Class Mail 3-to-5-Day, which missed its target of 90.00 percent by 6.38 percentage points. *FY 2022 Annual Report* at 34.

The Commission finds that the High-Quality Service performance goal was partially met in FY 2022, with the Postal Service failing to meet one performance indicator related to Market Dominant products.

Below, the Commission provides observations and recommendations related to the Postal Service’s explanations for its ability to partially meet the High-Quality Service performance goal in FY 2022. The Commission also provides discussion and recommendations concerning the Postal Service’s plans to meet the High-Quality Service performance goal in FY 2023.

a. Observations on Results and Targets

The Commission notes that reports prepared pursuant to 39 U.S.C. § 2804 must “include actual results for the three preceding fiscal years[,]” and the Commission has previously found that such actual results must be comparable across all three preceding fiscal years. 39 U.S.C. § 2804(c); *see, e.g., FY 2021 Analysis* at 17. A lack of comparability with respect to performance indicator results makes them less valuable to both the Postal Service and the Commission for reviewing progress in addressing service performance issues.

Although the datasets and calculations that inform performance indicator results for High-Quality Service remained constant (*see* Response to CHIR No. 17, question 3.c.), the Postal Service implemented new, lengthened service standards for First-Class Mail and Periodicals. *FY 2022 Annual Report* at 35; *FY 2022 ACD* at 103. These service standards were effective October 1, 2021, at the beginning of FY 2022. *FY 2022 Annual Report* at 35; *FY 2022 ACD* at 103. The implementation of the service standard changes for First-Class Mail and Periodicals at the beginning of FY 2022 affected the meaningfulness of comparing High-Quality Service performance indicator results for FY 2022 to prior fiscal years’ results. According to the Postal Service, the service standard changes “undoubtedly contributed to improved service performance for Market Dominant products” in FY 2022. Response to CHIR No. 17, question 3.c.

Thus, when comparing historical results and targets to the Postal Service’s FY 2022 results and FY 2022 (and FY 2023) targets, it is important to acknowledge the effect of the service standard changes to draw more meaningful comparisons. That said, the Postal Service

states that it is not feasible to provide estimates of the results that the FY 2022 High-Quality Service indicators would have yielded in the absence of the new service standards and that it cannot isolate the effect of the service standard changes from the effect of other factors, such as network changes. *Id.* Nevertheless, despite the service standard changes, the FY 2022 results and targets (as well as the FY 2023 targets) are comparable to prior years' results and targets in that they represent the same concepts: the percentage of types of mail that met their respective service standards and the Postal Service's target percentages. *Id.*; see Response to CHIR No. 23, questions 1, 3-4. Because the changes in service standards for First-Class Mail and Periodicals complicate the comparability of year-over-year on-time service performance results for these classes, and the Postal Service confirmed that it cannot calculate the precise impact of the change in service standards, the Commission recommends that the Postal Service endeavor to develop a method to measure accurately how service performance has changed for these mailpieces over time.³⁹

³⁹ See FY 2022 ACD at 134-35, 162; Responses of the United States Postal Service to Questions 1-30 of Chairman's Information Request No. 7, February 3, 2023, question 30.a.; Responses of the United States Postal Service to Questions 1-19 of Chairman's Information Request No. 11, February 15, 2023, question 11.

Table III-1
Market Dominant High-Quality Service Performance Indicators
Comparison of Targets (%)

High-Quality Service Performance Indicators		Targets			
		FY 2023	FY 2022	FY 2021	FY 2014-FY 2020
Single-Piece First-Class Mail	2-Day	93.00	90.25	87.81	96.50
	3-5-Day	90.28	90.00	68.64	95.25
Presorted First-Class Mail	Overnight	95.00	94.75	93.99	96.80
	2-Day	95.00	93.00	89.20	96.50
	3-5-Day	92.20	90.50	84.11	95.25
First-Class Mail Letter and Flat	Composite ^a	92.50	91.00	84.88	96.00
USPS Marketing Mail and Periodicals	Composite ^a	93.37	91.50	86.62	91.80 ^b
Market Dominant	Composite	93.00	91.25	85.86	N/A ^c

^a The Postal Service did not begin using First-Class Mail Letter and Flat Composite and USPS Marketing Mail and Periodicals Composite until FY 2017. Docket No. ACR2017, Library Reference USPS-FY17-17, December 29, 2017, file "USPS-FY17.17.Annual Report.pdf," at 15 (*FY 2017 Annual Report*).

^b The FY 2017 USPS Marketing Mail and Periodicals Composite target was 91.00. *Id.* at 14.

^c The Postal Service did not begin using the Market Dominant Composite as a performance indicator until FY 2021. Docket No. ACR2020, Library Reference USPS-FY20-17, December 29, 2020, file "FY 2020 Annual Report.USPS.FY20.REV.5.14.2021.pdf," at 34 (*FY 2020 Annual Report*).

Source: *FY 2022 Annual Report* at 33; *FY 2021 Annual Report* at 33; *FY 2020 Annual Report* at 33; Docket No. ACR2019, Library Reference USPS-FY19-17, December 27, 2019, file "FY19.Annual.Report.USPS.FY19.17.pdf," at 20 (*FY 2019 Annual Report*); Docket No. ACR2018, Library Reference USPS-FY18-17, December 28, 2018, file "USPS.FY18.17_Annual Report to Congress.pdf," at 17 (*FY 2018 Annual Report*); *FY 2017 Annual Report* at 14; Docket No. ACR2016, Library Reference USPS-FY16-17, file "FY16.17 2016 Annual Report.pdf," December 29, 2016, at 15 (*FY 2016 Annual Report*).

Table III-2
Market Dominant High-Quality Service Performance Indicators
Comparison of FY 2022 Targets and FY 2021-FY 2022 Results (%)

High-Quality Service Performance Indicators		FY 2022				FY 2021
		Target	Result	Percentage Point Performance Gap	Delta FY 2021 ^a	Result
Single-Piece First-Class Mail	2-Day	90.25	91.34	+1.09	+4.9	86.44
	3-5-Day	90.00	83.62	-6.38	+20.42	63.20
Presorted First-Class Mail	Overnight	94.75	94.92	+0.17	+1.54	93.38
	2-Day	93.00	93.36	+0.36	+5.07	88.29
	3-5-Day	90.50	91.49	+0.99	+10.62	80.87
First-Class Mail Letter and Flat	Composite	91.00	91.00	0.00	+8.31	82.69
USPS Marketing Mail and Periodicals	Composite	91.50	92.86	+1.36	+5.74	87.12
Market Dominant	Composite ^b	91.25	92.14	+0.89	+6.84	85.30

Note: Red text below target. Green text indicates met or above target.

^a This column calculates the absolute point differences between FY 2022 and FY 2021 results.

^b The Postal Service did not begin using the Market Dominant Composite as a performance indicator until FY 2021. The Postal Service provided FY 2021 and FY 2020 results for comparison purposes only. *FY 2022 Annual Report* at 33 n.4.

Source: *FY 2022 Annual Report* at 33-34.

As Table III-2 shows, all but one of the FY 2022 performance indicator targets related to Market Dominant products were met. Like in FY 2021 and FY 2020, the shorter service standard categories exhibited better performance than the longer service standard categories. Within First-Class Mail, the Presorted categories outperformed their Single-Piece analogs. Despite missing the target for the Single-Piece First-Class Mail 3-to-5-Day performance indicator by 6.38 percentage points, the result improved by 20.42 percentage points from FY 2021. All performance indicators show gains in FY 2022 relative to FY 2021. See Table III-2, ‘Delta FY 2021’ column. The Postal Service attributes these service improvements to actions taken to implement its 10-Year Strategic Plan in FY 2022. See *FY 2022 Annual Report* at 35. In connection with implementing its 10-Year Strategic Plan, the Postal Service reviewed processing locations, implemented site-specific operating plans, proactively planned for the FY 2022 peak season, expanded its facility footprint, and increased processing capacity to achieve service improvement. See *id.*

For FY 2021, targets for High-Quality Service performance indicators were lowered considerably because of the COVID-19 pandemic with the expectation they would be adjusted upwards for FY 2022. See Table III-1; *FY 2021 Analysis* at 35. For both FY 2022 and FY 2023, targets were increased for each performance indicator as the Postal Service recovered from the COVID-19 pandemic and factored in the effects of the lengthened service standard and other elements of its 10-Year Strategic Plan. Thus, the targets have

moved incrementally closer to the 95 percent on-time level, which is the Postal Service’s stated long-term goal in its 10-Year Strategic Plan.⁴⁰

In recent years, the Commission has looked to quarterly service performance and/or performance indicator results to attempt to trace the effect of the COVID-19 pandemic and other factors on the Postal Service’s operations.⁴¹ Historically, results during the second half of a given fiscal year (Quarters 3 and 4) tended to outperform results from the first half of the fiscal year (Quarters 1 and 2), largely owing to seasonal trends. *See, e.g.*, FY 2019 ACD at 105. However, beginning in FY 2020 that historical pattern was disrupted. Tables III-3 through III-6 show results for each High-Quality Service performance indicator related to Market Dominant Products disaggregated by quarter for FY 2019, FY 2020, FY 2021, and FY 2022.

Table III-3
Market Dominant High-Quality Service Performance Indicators FY 2019 by Quarter (%)

High-Quality Service Performance Indicators		FY 2019 Target	FY 2019 Results			
			Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	96.50	89.53	91.55	93.90	93.97
	3-5-Day	95.25	72.11	79.67	86.55	87.78
Presorted First-Class Mail	Overnight	96.80	94.68	94.80	96.30	96.20
	2-Day	96.50	92.79	93.30	95.25	95.27
	3-5-Day	95.25	89.90	90.43	93.61	94.10
First-Class Mail Letter and Flat	Composite	96.00	88.47	90.33	93.38	93.76
USPS Marketing Mail and Periodicals	Composite	91.80	84.57	88.21	90.93	91.79
Market Dominant	Composite ^a	N/A				

^a The Postal Service did not begin using the Market Dominant Composite as a performance indicator until FY 2021. No targets or quarterly results exist for this performance indicator for FY 2019.
Source: *FY 2019 Annual Report* at 20, 21; Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-17 of Chairman’s Information Request No. 24, March 18, 2021, question 5.

⁴⁰ See *FY 2022 Annual Report* at 35; 10-Year Strategic Plan at 27; Table III-1; Response to CHIR No. 25, question 7.

⁴¹ See, e.g., *FY 2021 Analysis* at 37-40; *FY 2020 Analysis* at 36-37; see also *FY 2022 ACD* at 136; Docket No. ACR2021, *Annual Compliance Determination Report*, Fiscal Year 2021, March 29, 2022, at 145 (FY 2021 ACD); Docket No. ACR2020, *Annual Compliance Determination Report*, Fiscal Year 2020, March 29, 2021, at 164-65 (FY 2020 ACD).

Table III-4
Market Dominant High-Quality Service Performance Indicators FY 2020 by Quarter (%)

High-Quality Service Performance Indicators		FY 2020 Target	FY 2020 Results			
			Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	96.50	91.88	93.00	92.38	88.24
	3-5-Day	95.25	78.18	83.31	81.37	72.06
Presorted First-Class Mail	Overnight	96.80	94.41	95.87	95.70	92.75
	2-Day	96.50	93.50	94.41	93.25	89.64
	3-5-Day	95.25	91.25	92.55	90.67	84.63
First-Class Mail Letter and Flat USPS Marketing Mail and Periodicals	Composite	96.00	90.37	92.18	90.82	85.58
	Composite	91.80	88.90	91.18	88.70	85.34
Market Dominant	Composite ^a	N/A	89.50	91.66	89.73	85.43

^a The Postal Service did not begin using the Market Dominant Composite as a performance indicator until FY 2021. The Postal Service provided FY 2020 quarterly results for comparison purposes only. *FY 2020 Annual Report* at 33 n.5 (Docket No. ACR2020, Response to CHIR No. 22). Source: *FY 2020 Annual Report* at 33, 35; Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-24 of Chairman’s Information Request No. 22, March 9, 2021, questions 23.

Table III-5
Market Dominant High-Quality Service Performance Indicators FY 2021 by Quarter (%)

High-Quality Service Performance Indicators		FY 2021 Target	FY 2021 Results			
			Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	87.81	81.60	85.90	90.80	90.90
	3-5-Day	68.64	54.60	57.90	73.80	75.10
Presorted First-Class Mail	Overnight	93.99	91.30	92.70	95.20	94.60
	2-Day	89.20	84.70	84.80	92.20	92.30
	3-5-Day	84.11	78.00	73.80	85.90	87.00
First-Class Mail Letter and Flat USPS Marketing Mail and Periodicals	Composite	84.88	78.40	78.10	87.60	88.50
	Composite	86.62	83.90	84.50	90.50	91.90
Market Dominant	Composite	85.86	81.70	81.60	89.30	90.70

Source: *FY 2021 Annual Report* at 33, 34; Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-19 of Chairman’s Information Request No. 8., February 4, 2022, question 3.

Table III-6
Market Dominant High-Quality Service Performance Indicators FY 2022 by Quarter (%)

High-Quality Service Performance Indicators		FY 2022 Target	FY 2022 Results			
			Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	90.25	90.30	90.04	92.46	92.19
	3-5-Day	90.00	78.58	77.62	87.64	88.57
Presorted First-Class Mail	Overnight	94.75	94.76	94.10	95.43	95.30
	2-Day	93.00	92.12	92.14	94.58	94.35
	3-5-Day	90.50	89.98	87.51	94.10	93.86
First-Class Mail Letter and Flat	Composite	91.00	89.09	87.88	93.29	93.11
USPS Marketing Mail and Periodicals	Composite	91.50	91.82	91.55	94.20	94.46
Market Dominant	Composite	91.25	90.75	90.15	93.90	93.90

Source: FY 2022 Annual Report at 33, 34; Response to CHIR No. 20, question 1.

In FY 2020, contrary to the normal pattern of seasonal variation, performance indicator scores began declining in Quarters 3 and 4, before ultimately reaching a nadir in Quarter 1 of FY 2021. As the Commission has found previously, the timing of the service performance declines in late FY 2020 generally corresponds with the onset of the COVID-19 pandemic.⁴² Beginning in FY 2021 Quarter 2, performance indicator results began to improve, and that pattern continued through the end of FY 2021 and through FY 2022. Table III-6 shows that service performance results reflect the normal pattern of seasonal variation as the second half of the fiscal year outperformed the first. *See* FY 2022 ACD at 136-37.

In the *FY 2021 Analysis*, the Commission recommended that the Postal Service develop more granular composite indicators for service performance based on significant class, shape, and product-level differences between mailpieces. *See* *FY 2021 Analysis* at 41. The Commission also recommended the Postal Service include the input and calculation of the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the ACR filing. *Id.* The Commission noted that the USPS Marketing Mail and Periodicals and Market Dominant Composites include items with various service standards. *See id.*

In response to a CHIR, the Postal Service stated that it did not develop more granular composites as it already reports service performance on components of its composites at a more granular level in its ACR filings. Response to CHIR No. 17, question 1.a., b. It states that the composites are provided in addition to, not instead of, more granular indicators.

⁴² *See* FY 2021 ACD at 160; FY 2020 ACD at 165; *FY 2020 Analysis* at 37. However, the Postal Service acknowledged that COVID-19-related operational disruptions were not the sole cause of service declines over this period, which were also attributable, at least in part, to Postal Service operational initiatives. *See* *FY 2020 Analysis* at 37; FY 2020 ACD at 99-150.

See id. The Postal Service notes that the inputs for the composites were submitted in Docket No. ACR2022, Library Reference USPS-FY22-29. *See id.* question 2. After further Commission request, the Postal Service provided more detail relating to the calculation of the composites, including the total measured volume and on-time volume underlying the composite calculations. Response to CHIR No. 20, question 3.

The Commission continues to have concerns about the use of highly aggregated composites as performance indicators that incorporate disparate mail classes, shapes, and products. Such composites are subject to being affected by changes in weights arising from changes in the mail mix. As a result, such composites, without notes about how they are affected by the mail mix, do not provide a full account of the extent to which High-Quality Service is being achieved, which is the relevant inquiry with respect to the High-Quality Service performance goal.⁴³

The Commission continues to recommend that the Postal Service develop more granular composite indicators for service performance based on significant class, shape, and product-level differences between mailpieces. If the Postal Service continues using highly aggregated composites as performance indicators, then the Commission recommends that the Postal Service also develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly aggregated composites. Finally, the Commission expects the Postal Service to include with each Annual Report supporting workpapers containing the inputs for, and a detailed calculation of, the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the ACR filing.

The Commission recommended that the “Postal Service develop methods to quantitatively measure the effectiveness of its service improvement initiatives so as not to spend resources needlessly or ineffectively.” *FY 2021 Analysis* at 52. In response, the Postal Service developed the key performance indicator OPP to “measure the effectiveness of efforts to improve adherence to site-specific clearance times.” Response to CHIR No. 17, question 8.b.i. The Postal Service asserts that gains in OPP correlated with higher service performance for First-Class Mail in FY 2022. The Postal Service further asserts that increased OPP also led to greater achievement of site-specific clearance goals, and notes specifically that OPP increased from 79.64 percent at the beginning of FY 2022 to 94.97 percent at the end of FY 2022. *Id.* question 8.b.ii. The Commission will continue to monitor the relationship between OPP and service performance. The Commission also encourages the Postal Service to track the correlation between OPP and other mail types.

⁴³ The USPS Marketing Mail and Periodicals Composite illustrates the Commission’s concern of highly aggregated indicators. The USPS Marketing Mail and Periodicals Composite FY 2022 target was 91.50 percent on-time service performance, and it met its performance indicator target achieving an actual result of 92.86 percent on-time service performance. *FY 2022 Annual Report* at 34. Despite the referenced composite meeting its target, both Periodicals products had on-time service performance results substantially below this target. In-County Periodicals and Outside County Periodicals respectively had 83.6 and 83.3 percent on-time service performance. FY 2022 ACD at 160. This is possible because Periodicals constitute a smaller portion of the composite volume; approximately two-thirds of the volume in this composite indicator consists of USPS Marketing Mail letters, while the remainder is made up of USPS Marketing Mail flats and Periodicals. *FY 2022 Annual Report* at 34.

In the FY 2023 Report, the Postal Service should address whether any service standard changes implemented in FY 2023⁴⁴ affected the comparability of performance indicator results. If comparability has been affected, the Postal Service should propose a way for the Commission to compare FY 2023 High-Quality Service performance indicator results to results from prior fiscal years. If the Postal Service asserts that comparability is unaffected, the Postal Service should fully explain the rationale and supporting basis for this assertion. The Postal Service should also consider methodologies to study the effect of service standard changes on OPP at affected facilities.

b. Explanations for Missing Target in FY 2022 and Planned Mitigations

The Postal Service missed its target for Single-Piece First-Class Mail 3-to-5-Day by 6.38 percentage points, achieving on-time performance of 83.62 percent with a 90.00 percent target in FY 2022. *FY 2022 Annual Report* at 34. The Postal Service discusses two reasons for the failure to meet its High-Quality Service target for Single-Piece First-Class Mail 3-to-5-Day. The Postal Service reports that ongoing network transportation changes and additional processing requirements for this product prohibit its ability to mitigate potential failures or disruptions.⁴⁵ Despite missing its target, the Postal Service raised its target for this mail category from 90.00 percent in FY 2022 to 90.28 percent in FY 2023. *FY 2022 Annual Report* at 33. The Postal Service also discusses its plan for achieving this performance goal. The Commission evaluates the Postal Service's reasons for missing this target in FY 2022 and discusses the status of factors that impeded performance in previous years.

(1) Ongoing Network Transportation Changes

Since FY 2021, the Postal Service shifted approximately 93 percent of First-Class Mail air volume to surface transportation as a result of its ongoing network transportation strategy. *See* Response to CHIR No. 23, question 7.a. This change led to the development of new surface routings and added transportation and connections through transfer hubs. *Id.* question 7.b. A more complex surface network made it more difficult for the Postal Service to minimize failures and disruptions and impeded the Postal Service from meeting its FY 2022 target for Single-Piece First-Class Mail 3-to-5-Day. *Id.* question 7.e.

For FY 2023, the Postal Service expects that, as it continues to shift from air volume to surface transportation, service performance will improve as it avoids unpredictable delays associated with air transportation. *Id.* question 9.b. The Postal Service also plans to review

⁴⁴ For example, the change in critical entry times (CET) for certain categories of Periodicals, effective January 29, 2023. *See* United States Postal Service, *Changes to Periodical Critical Entry Times, Effective January 29, 2023*, USPS Postal Pro (Dec. 29, 2022), available at <https://postalpro.usps.com/node/11634>; *see also* Docket No. N2022-2, Advisory Opinion on Changes to the Critical Entry Times for Certain Categories of Periodicals, November 30, 2022 (Docket No. N2022-2, Advisory Opinion).

⁴⁵ *See id.* at 35; Postal Service Reply Comments at 2-3; Response to CHIR No. 23, question 7.

and improve routings and increase operational precision to improve service performance in this category and others. *See id.* question 7.f.; Response to CHIR No. 17, question 6.b.

The Commission notes that there may be limited remaining potential to improve service performance for Single-Piece First-Class Mail 3-to-5-Day by shifting air volume to surface transportation because 93 percent of First-Class Mail air volume has already been moved to surface transportation. *See* Response to CHIR No. 23, question 7.a. However, the Commission recognizes that, as other mail categories shift to surface transportation, the Postal Service may be able to initiate more direct and streamlined transportation. *See id.* question 7.f.

The Commission encourages the Postal Service to continue reviewing routings and streamlining its network to reduce complexity, improve reliability, and improve service performance for the Single-Piece First-Class Mail 3-5-Day performance indicator.

(2) Additional Processing Requirements for First-Class
Mail 3-to-5-Day

Single-piece volume requires collection, cancellation, and outgoing letter sortation before it can join presorted volumes in tray sortation and dispatch operations. *Id.* question 7.c. The additional handling required to process single-piece volumes creates more opportunities for failures in operations. *Id.* question 7.d.

For FY 2023, the Postal Service plans to continue focusing on increasing OPP and streamline and improve the Postal Service network to improve service performance for First-Class Mail 3-to-5-Day, as well as other categories. *Id.* question 7.f. The Commission encourages the Postal Service to continue measuring and managing OPP to achieve increased service performance.

At the same time, the Commission recommends that the Postal Service consider the additional processing requirements for single-piece volumes when devising targets in the future. As these requirements and associated challenges can be anticipated based on experience, they should be accounted for in developing applicable targets.

If the Postal Service experiences higher-than-expected failure in certain processes relating to the processing of single-piece volumes and does not achieve any of its single-piece performance targets in FY 2023, it should explain the reasons why failures in processing single-piece volumes exceed expectations and identify the operational processes experiencing the failures.

(3) Other Factors Affecting Service Performance

During FY 2020 and FY 2021, various factors had negative effects on service performance. *See* FY 2021 ACD at 108-28. Although effects of some of these factors (such as those related to the COVID-19 pandemic) abated in FY 2022, these factors continued to affect the Postal Service's Market Dominant service performance results. *See* FY 2022 ACD at 106.

Moreover, the combination of these factors exacerbated the extent and duration of their individual effects. *Id.* Although these factors may not have led to failures to meet targets, they negatively affected service performance and are discussed below.

(a) Peak Season Performance

As a result of FY 2020 and FY 2021 peak season challenges, the Postal Service began to implement a variety of operational changes.⁴⁶ For instance, the Postal Service reports initiating “extensive efforts to plan for the FY 2022 peak season” and to handle increased package volume through “facility space upgrades and procurement of new processing equipment[.]” FY 2022 ACR at 49, 50. It also hired over 40,000 seasonal, delivery, and plant personnel. *FY 2022 Annual Report* at 35. These initiatives are further discussed in the FY 2022 ACD. *See* FY 2022 ACD at 116-17. The Postal Service also managed inventory delays during the peak season of FY 2022 much better than in the peak season of FY 2021, with the number of inventory delays 56 percent lower in December 2021 compared with December 2020. *Id.* at 116.

In addition to recommending continued efforts to align labor more efficiently with expected volume in Quarter 1, the Commission recommended that the Postal Service’s peak planning operations consider whether additional flexibility is needed to align labor with expected volume beyond Quarter 1 to meet the applicable service standards. *FY 2021 Analysis* at 43. With respect to this recommendation, the Postal Service hired seasonal employees to accommodate predicted upsurges in volume in the FY 2022 and FY 2023 peak season and reduced those workhours as volumes declined. *See* Response to CHIR No. 25, question 4.a., b.

The Commission commends the Postal Service’s FY 2022 and FY 2023 initiatives to make proactive plans to provide High-Quality Service during peak seasons, and it recommends that the Postal Service continue monitoring and optimizing peak season performance.

(b) Employee Availability

The Postal Service stated that high levels of employee absenteeism owing to the COVID-19 pandemic negatively affected its ability to staff its operations appropriately during FY 2021. *See* *FY 2021 Annual Report* at 35. It undertook a variety of measures to improve employee availability. *See* *FY 2021 Analysis* at 44-45. The Commission found that these measures appeared reasonable, and it recommended that the Postal Service leverage data from the past 2 years to identify any patterns that might enable the Postal Service to better anticipate when and where future employee availability problems are likely to have the greatest effect on service performance. *Id.* at 45.

⁴⁶ In FY 2020 and FY 2021, as a result of the COVID-19 pandemic, unprecedented package volume contributed to decreased Market Dominant service performance during the Postal Service’s peak season and subsequent months. *See* FY 2021 ACD at 117. Additionally, for FY 2021, the traditional Quarter 1 peak season volume continued into Quarter 2. *FY 2021 Analysis* at 43; *cf.* FY 2021 ACD at 117-19.

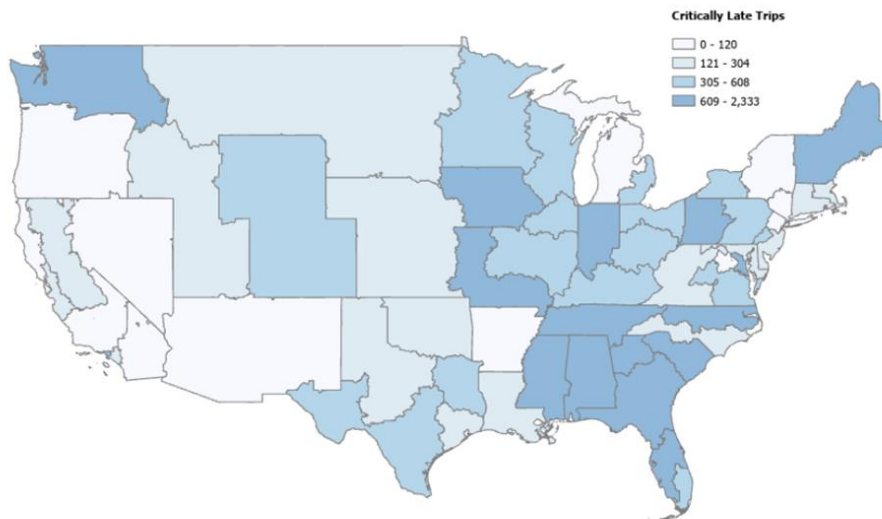
The Postal Service considered a study of employee availability to be impractical because it would reflect anomalous fluctuations in employee availability caused by the effects of the COVID-19 pandemic that may have no bearing on future employee availability, would be unable to disentangle the causal effects of employee availability on service performance in the Postal Service’s complex system, and would be less relevant given that employee availability has stabilized in FY 2023.⁴⁷

In the FY 2022 ACD, the Commission observes that, despite the Postal Service’s statements that the effects of the COVID-19 pandemic on employee availability have lessened, “staffing challenges—particularly an inability to hire part-time workers—have persisted due to the national labor shortage.” FY 2022 ACD at 106. Overall employee availability decreased in FY 2022 compared to both FY 2020 and FY 2021. *Id.* at 107.

Because employee availability may continue to pose issues for the Postal Service, the Commission recommends that the Postal Service continue to monitor fluctuations in employee availability and its impact on service performance.

(c) Supplier Performance and Capacity

Figure III-1
First-Class Mail Number of Critically Late Trips, By District, FY 2022



Source: Library Reference USPS-FY22-29, Excel file “CLT FY22 11.30.2022.xlsx.”

⁴⁷ See Response to CHIR No. 17, question 4.c.; Response to CHIR No. 23, question 10.a.; Responses of the United States Postal Service to Questions 1-9 of Chairman’s Information Request No. 6, January 17, 2023, question 4 (Response to CHIR No. 6); Response to CHIR No. 25, question 5.

The Postal Service tracks surface trips that arrive more than 4 hours late, referred to as Critically Late Trips (CLTs).⁴⁸ Figure III-1 shows the number of CLTs by District in FY 2022. The majority of CLTs were caused by contractors in FY 2021 and FY 2022. FY 2022 ACD at 114. In FY 2022, the total number of CLTs increased, in part because of an increase in contractor-caused CLTs. *Id.* at 113. The increase in contractor failures from FY 2021 to FY 2022 was a result of “growth in package volume and home delivery of goods due to the COVID-19 pandemic and the shortage of Highway Contract Drivers.” Response to CHIR No. 23, question 6.d. The Commission discusses the Postal Service’s actions and plans to improve supplier performance and capacity.

Although the Postal Service tracks the number of CLTs, it remains unable to quantify the impacts of CLTs on service performance. Response to CHIR No. 6, question 5. Nevertheless, the Postal Service states that it attempted to remediate CLTs through initiatives focused on achieving operational clearance targets, addressing issues with supplier performance, and training and developing employees. *See* Response to CHIR No. 3, question 5.b.; Response to CHIR No. 17, question 6.b.

In terms of CLTs related to supplier performance, the Postal Service states that it has continued to utilize Silver Track Training (STT) sessions for field personnel. *See* Response to CHIR No. 3, question 5.b. According to the Postal Service, these training sessions are for all Postal Service logistics professionals and are designed to increase their knowledge of how to improve and manage supplier performance. *Id.* The Postal Service states that, as its employees completed this STT, there has been a “reduction in the number of omitted trips” and “trips are beginning to show on time performance above the same period last year.” *Id.*

The Postal Service also intends to update supplier contracts to include liquidated damages clauses⁴⁹ to address supplier-caused CLTs, and it explains that it is developing a new transportation management system that “will provide a robust measuring tool to identify late shipments and begin to perform a root cause analysis on the failures.”⁵⁰ The Postal Service is also taking “a more aggressive stance” regarding supplier omission of routes and trips and timely delivery. Response to CHIR No. 23, question 6.e. Lastly, the Postal Service performed regular reviews of the top ten national service providers, automatically paid exceptional service awards, updated and implemented accurate tracking of omitted service and the reduction of payments related to routes and trips not operated, and enhanced supplier performance dashboards. *Id.* question 6.f.

⁴⁸ FY 2022 ACD at 111; *see* Docket No. ACR2015, Responses of the United States Postal Service to Questions 1-20 of Chairman’s Information Request No. 22, November 15, 2016, question 12.b.i.

⁴⁹ Liquidated damages are “[a]n amount contractually stipulated as a reasonable estimation of actual damages to be recovered by one party if the other party breaches.” DAMAGES, Black’s Law Dictionary (11th ed. 2019).

⁵⁰ Response to CHIR No. 3, question 6.b. “The Postal Service expects that most suppliers, along with their equipment, will be integrated into these systems by the end of FY 2023. . . . Once those conditions are in place, supplier contracts can be updated to reflect an efficient way to address supplier responsibility for CLTs.” *Id.*

In terms of supplier capacity, the Postal Service OIG documented the significant challenges in recruiting and retaining truck drivers as a result of a nationwide truck driver shortage in FY 2021.⁵¹ This issue persisted in FY 2022, causing increases in the amount of CLTs. See Response to CHIR No. 23, question 6.d. The Commission recommended that the Postal Service consider implementing some of the best practices identified by the OIG to better recruit and retain truck drivers and increase the efficiency of truck usage. *FY 2021 Analysis* at 47. In response to this recommendation, the Postal Service increased recruitment efforts to attract and retain truck drivers amid the nationwide shortage. Response to CHIR No. 17, question 5.b. As a result of these efforts, from FY 2021 to FY 2022, the Postal Service reduced the vacancy for truck drivers (from 12.06 percent to 5.78 percent) and the time to hire (from 90.61 days to 56.02 days). *Id.*

It is important that the Postal Service is focusing on closely monitoring supplier performance. However, 28.80 percent of CLTs in FY 2022 were attributable not to contractors, but to processing failures by the Postal Service. FY 2022 ACD at 114, Figure V-7. The Commission recognizes the Postal Service's success in decreasing Postal Service-caused CLTs by 11 percent from FY 2021 to FY 2022.⁵² However, the Commission supports the Postal Service's current and planned efforts to remediate these CLTs by training additional processing employees, increasing package sorting capacity, measuring and improving on OPP to optimize distribution operations, undertaking daily review of routings, and initiating weekly performance reviews with field Regional and Division managers. See Response to CHIR No. 17, question 6.b.

The Commission recommends that the Postal Service continue initiatives to reduce supplier failure, improve supplier capacity, and increase its efforts to address CLTs whose causes are within its direct control.

(d) Outside Factors

The Postal Service stated that it experienced significant challenges in FY 2021 owing to natural disasters and weather events. *FY 2021 Annual Report* at 35. The Postal Service states that “[i]n some cases, these events impacted postal suppliers and led to reduced on-time service performance.” *Id.* The Postal Service also experienced issues with weather in FY 2022 that affected service. See FY 2022 ACD at 112-13. In response to a CHIR, the Postal Service provided a trend chart correlating weekly service trends for Market Dominant products for FY 2022 and FY 2023 (through April 14, 2023) with discrete severe weather events. See Response to CHIR No. 25, question 6.a., b.

⁵¹ See generally United States Postal Service, Office of the Inspector General, Report No. RISC-WP-22-002, *The Truck Driver Shortage: Implications for the Postal Service*, March 7, 2022, available at <https://www.uspsoig.gov/sites/default/files/reports/2023-01/RISC-WP-22-002.pdf> (OIG Report No. RISC-WP-22-002).

⁵² See FY 2022 ACD at 114, Figure V-7. $(194,342-218,400)/218,400 = -11.0\%$.

The Commission previously recommended that the Postal Service restart the Disruptive Events initiative in FY 2022. *FY 2021 Analysis* at 50. The Commission explained that this initiative could enable the Postal Service to quantify more accurately effects of, and diagnose service failures caused by, events outside of management control, such as weather-related emergencies and natural disasters. *Id.* at 49-50. The Commission is pleased that the Postal Service has restarted the Disruptive Events initiative (renamed as the Unexpected Events initiative). *See* Response to CHIR No. 17, question 7; Response to CHIR No. 25, question 5.c.

The Commission supports the Postal Service's renewal of the Unexpected Events Initiative, and it recommends that the Postal Service report on its progress in developing, and any results from, the Unexpected Events Initiative in the FY 2023 Report, including any effect on reducing CLTs.

(e) CY 2022 Election Cycle

The Commission appreciates the efforts taken, and results achieved, by the Postal Service during election seasons. The Postal Service notes that “[t]he Postal Service Board of Governors reconstituted the Election Mail Committee in August 2021 to oversee, review, and monitor the Postal Service’s preparations for the 2022 primary and general elections and made recommendations to the Board on this and related issues.” *FY 2022 Annual Report* at 35. “In preparation for the 2022 mid-year election, [the United States Postal Inspection Service (USPIS)] joined the Department of Justice Election Crime Task Force to respond to and investigate all reports of election-related threats and crimes.” *Id.* at 22. It also conducted election mail training, conducted cybersecurity and infrastructure preparation, and established Election Security Coordinators in every USPIS division. *Id.*

In response to a CHIR, the Postal Service provided data comparing FY 2022 Election Mail⁵³ service performance to FY 2022 non-Election Mail service performance data. *See, e.g.,* Response to CHIR No. 13, question 13. The Postal Service delivered 1.655 billion pieces of Political Mail and 321.4 million pieces of Election Mail in FY 2022. *Id.* question 11. The Postal Service achieved above 97 percent on-time performance for Election Mail in FY 2022 with an average days-to-deliver of 1.83, as compared to below 91 percent on-time performance and an average days-to-deliver of 2.55 for non-Election Mail. *Id.* question 13.

For the November 2022 General Election, the Postal Service implemented extraordinary measures for ballot mail, a subset of Election Mail.⁵⁴ Some of these extraordinary measures included:

⁵³ “Election Mail” refers to items such as ballots, voter registration cards, and absentee applications that an authorized election official creates for voters. CHIR No. 13, question 11 n.4. By contrast “Political Mail,” refers to any mailpiece sent for political campaign purposes by a registered candidate, a campaign committee, or a committee of a political party to promote candidates, referendums, or campaigns. *Id.* question 11 n.3.

⁵⁴ United States Postal Service, 2022 General Election Extraordinary Measures Memorandum, September 29, 2022, available at <https://about.usps.com/what/government-services/election-mail/pdf/2022-general-election-extraordinary-measures.pdf> (September 29, 2022 Memorandum); *see* Response to CHIR No. 13, questions 14-15; Response to CHIR No. 15, question 4.

[E]xpedited handling, extra deliveries, and special pickups as used in past elections, to connect blank ballots entered by election officials to voters, or completed ballots returned by voters entered close to or on Election Day to their intended destination (e.g., Priority Mail Express, Sunday deliveries, special deliveries, running collected ballots to Boards of Elections on Election Day, etc.). These procedures may deviate from standard policies and procedures, including those found in the Postal Operations Manual and other Handbooks.

September 29, 2022 Memorandum at 2.

The Commission commends the Postal Service for its efforts devoted to delivering Election Mail and Political Mail during the CY 2022 election cycle. These efforts were undertaken notwithstanding the adverse effects of the COVID-19 pandemic, in furtherance of the vital role the Postal Service plays in the American democratic process.

In OIG Report No. 20-225-R20, among other things, the OIG recommended that the Postal Service “[I]everage established partnerships with state and local election officials to work toward creating a separate, simplified mail product exclusively for Election Mail that would support uniform mail processing, including mandatory mailpiece tracking and proper mailpiece design.”⁵⁵ The Postal Service “agreed to evaluate adding a dedicated mail product for Election Mail after the 2020 general election.” OIG Report No. 20-225-R20 at 19. This recommendation remained open as of September 26, 2022.⁵⁶ During FY 2023, the Postal Service “tentatively plans to examine the feasibility and utility of a potential product or rate category for ballot mail[.]”⁵⁷ This process is at an “early stage.” Response to CHIR No. 15, question 5.b. For example, the Postal Service notes that it does not “currently have a measure of unit revenue for Election Mail, much less a full panoply of billing determinant information to assess revenue-determining characteristics.” *Id.* question 4.f.

The Commission will review the Postal Service’s efforts in connection with evaluating the feasibility of developing an Election Mail product or products as appropriate (e.g., if the Postal Service seeks regulatory approval for such product(s)).

⁵⁵ United States Postal Service, Office of the Inspector General, Report No. 20-225-R20, Processing Readiness of Election and Political Mail During the 2020 General Elections, August 31, 2020, at 4, available at <https://www.uspsaig.gov/sites/default/files/reports/2023-01/20-225-R20.pdf> (OIG Report No. 20-225-R20).

⁵⁶ See United States Postal Service, Office of the Inspector General, Report No. 22-093-R22, Election Mail Readiness for the 2022 Mid-Term Elections, September 26, 2022, at 10, available at <https://www.uspsaig.gov/sites/default/files/reports/2023-01/22-093-R22.pdf> (OIG Report No. 22-093-R22).

⁵⁷ Response to CHIR No. 15, question 5.b.; see USPS Board of Governors open sessions (May 9, 2023), available at <https://about.usps.com/who/leadership/board-governors/?video=bgs230509>.

- c. Plans for Improving High-Quality Service in FY 2023
 - (1) Continued Implementation of 10-Year Strategic Plan

The Postal Service reports that in FY 2023, it will continue implementing elements of its 10-Year Strategic Plan. *FY 2022 Annual Report* at 35. These efforts generally involve transforming its processing facilities and transportation networks; planning for the peak season; financial outlays for additional vehicles, equipment, systems, and facilities; and stabilizing and enhancing its workforce. *See id.*

The Postal Service states that Postal Service leadership will continue the region-by-region modernization of the legacy network of processing and distribution facilities that began in 2022. *Id.* at 36. The Postal Service states that its successful delivery of COVID-19 tests in FY 2022 validated its plan because the COVID-19 Test Kit project “proved that a limited set of strategically placed sites can deliver to most American homes in less than two days.” *Id.*

The Postal Service reports that it will continue to invest in its network through obtaining new delivery vehicles, replacing and repairing facilities, modernizing technologies, acquiring new sortation equipment, modernizing distribution centers, and redesigning its retail and delivery network.⁵⁸ For example, the majority of the Postal Service’s delivery vehicle fleet is approaching 30 years old, and the Postal Service expects to replace approximately 200,000 of its 236,532 vehicles in the future. *FY 2022 Annual Report* at 37. According to the Postal Service, this investment will contribute to improved service performance by “minimizing impacts due to break downs and reducing delivery trips allowing mail and packages to be delivered on time.” *Id.*

The Postal Service states that the network redesign and rebalancing is the most “efficient and enduring” way to improve service performance. *Id.* The Postal Service’s plans to improve service performance for its missed target on Single-Piece First-Class Mail 3-to-5-Day fall under this initiative. As discussed above, the Postal Service will continue reviewing routings and streamlining its network to reduce complexity and improve reliability by moving from air-to-surface transportation and improving and measuring site-specific clearance times through focus on OPP. *See Section A.3.b., supra.*

The Postal Service states that its service performance success depends on investing in its workforce. *See FY 2022 Annual Report* at 37. Thus, the Postal Service’s 10-Year Strategic Plan includes converting pre-career employees to career status; giving supervisors tools, trainings, and resources; developing its workforce; and improving organizational culture. *Id.*

In all future Annual Reports through the first year following completion of the 10-Year Strategic Plan, the Commission recommends that the Postal Service report how the 10-Year

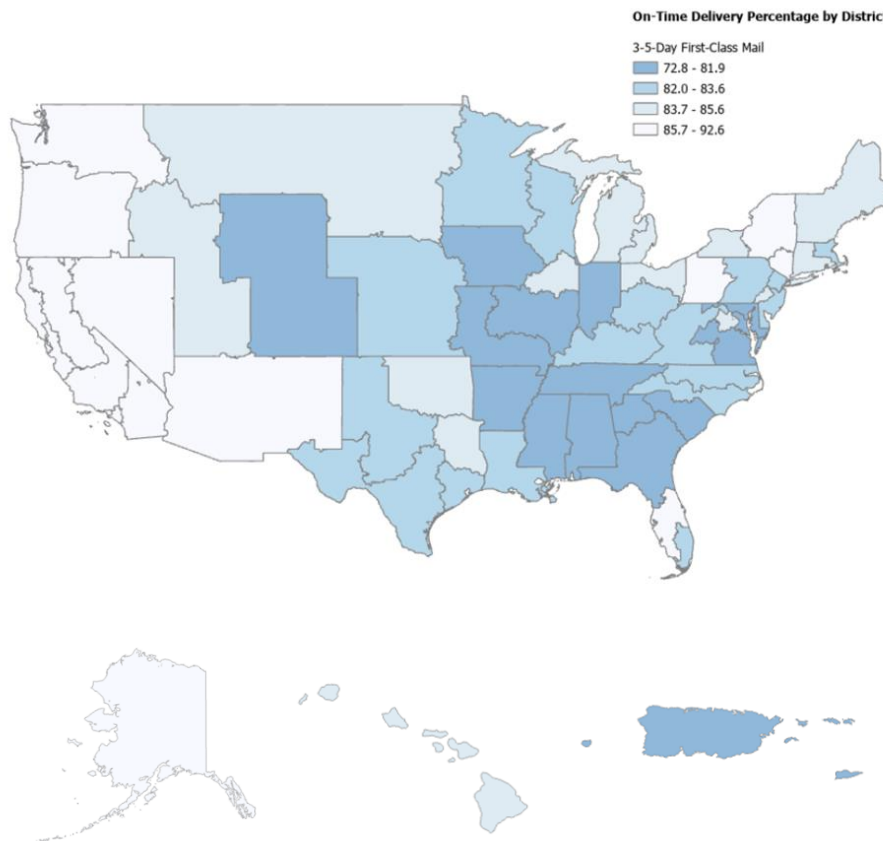
⁵⁸ *See id.* at 36; cf. Response to CHIR No.19, question 2.

Strategic Plan (as a whole and for applicable distinct initiatives) affected the High-Quality Service performance indicator result.

(2) Service Performance by District and/or Area

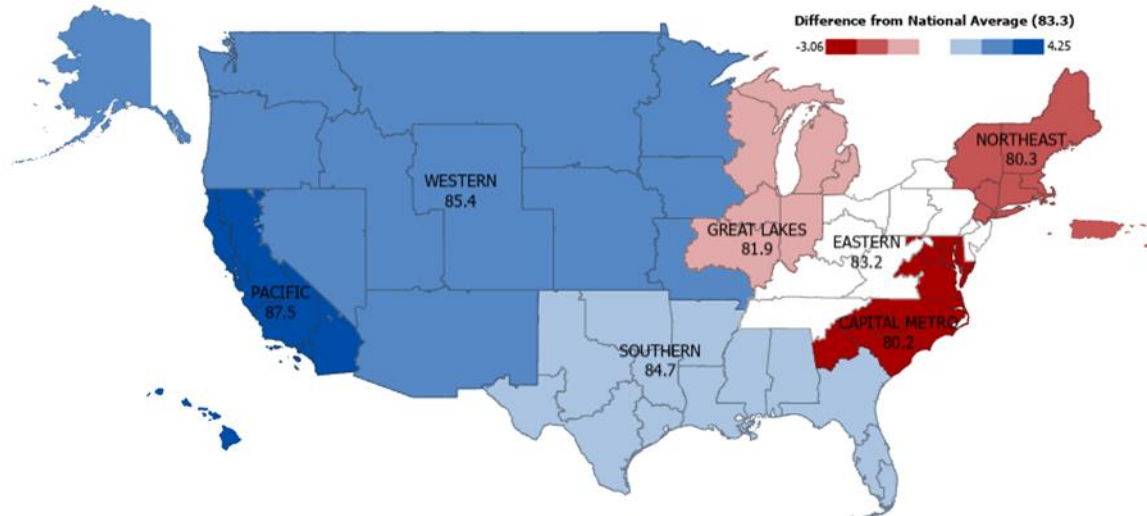
There are differences in service performance across geographic areas. For example, Figure III-2 and Figure III-3 shows geographic variation in on-time service performance of Single-Piece First Class Mail 3-5-Day Letters/Postcards and Outside County Periodicals, respectively.

Figure III-2
FY 2022 On-Time Service Performance, By District
Single-Piece First Class Mail, 3-5-Day Letters/Postcards



Source: United States Postal Service, FY 2022 Quarter 4 Service Performance Measurement Data, November 9, 2022, ZIP folder "QuartPerf_FY22_Q4.zip," ZIP folder "FY22 Q4 SPM Reports.zip," ZIP folder "First-Class Mail.zip," Excel file "SPFC LC 224 Scores Report.xls," tab "SPFC LC YTD."

Figure III-3
FY 2022 On-Time Service Performance, By Area
Outside County Periodicals



Source: United States Postal Service, FY 2022 Quarter 4 Service Performance Measurement Data, November 9, 2022, ZIP folder "QuartPerf_FY22_Q4.zip," ZIP folder "FY22 Q4 SPM Reports.zip," ZIP folder "Periodicals.zip," Excel file "Periodicals 224 Scores Report.xls," tab "PER YTD."

Beginning in FY 2019, the Commission recommended that the Postal Service examine the fact that service performance across the Postal Service's Districts varies relative to geography.⁵⁹ The Postal Service reports that it performed root cause analysis "for mail processing facilities and/or lanes (i.e., origin/destination pairs) with the lowest scores for certain mail products." Response to CHIR No. 17, question 9.b. Improvement plans were created and performance was tracked for the targeted Districts using "heat maps," which represent service performance scores over a period of several weeks. *Id.* The Postal Service states that Division and plant management have regular discussions regarding reasons for service performance issues and strategies for improvement for low-performing plants. *Id.*

The Commission continues to recommend 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 Areas and/or Districts. Thus, the Commission recommends the Postal Service study the reasons for service performance issues in the lowest performing Areas/Districts.

d. Response to Comments

⁵⁹ See FY 2019 Analysis at 35-37; FY 2020 Analysis at 57-59; FY 2021 Analysis at 55-57.

The Public Representative views the Postal Service's description of its failure to meet the target for Single-Piece First-Class Mail, 3-5-Day, as insufficient and recommends that the Commission seek additional information. *See* PR Comments at 5-6. In its reply comments, the Postal Service responds to the Public Representative's comments by providing additional information about Single-Piece First-Class Mail, 3-5-Day. Postal Service Reply Comments at 2-3; *see* Section A.2., *supra*. The Postal Service also provided additional information in response to a CHIR. *See* Response to CHIR No. 23, question 7.

Commenting that there are "pockets of areas where mail delivery seems problematic," the Public Representative encourages the Postal Service to take steps identified by the Postal Service OIG "to identify and reduce the number of undelivered and partially delivered routes."⁶⁰ In response to a CHIR, the Postal Service notes that the OIG offered two recommendations: (1) to "finalize system enhancements to identify undelivered and partially delivered routes;" and (2) to "enhance processes and tools to notify customers of delayed mail and undelivered and partially delivered routes." Response to CHIR No. 23, question 5 (quoting OIG Report No. 21-262-R23 at 6) (internal quotation marks omitted). The Postal Service states that it agreed with and followed up on the first recommendation, such as by updating the National Delivery Intelligence Application to incorporate weather emergency event-mapping capabilities and non-delivery days. *Id.* The Postal Service further notes that it declined the second recommendation, but it is discussing this OIG recommendation further with the OIG. *Id.* The Commission appreciates the Postal Service's engagement with OIG.

The Public Representative also highlights the importance of initiatives to improve transportation operations. *See* PR Comments at 10-11. The Commission finds that this is an appropriate area for Postal Service focus. Thus, the Commission recommends that the Postal Service specifically focus on transportation initiatives in its negotiations with contractors and its network redesign. In particular, the Postal Service should endeavor to reduce the number of CLTs, especially given the 7.6 percent increase in CLTs from FY 2021 to FY 2022.⁶¹ These initiatives and the Commission's recommendations are discussed in Section A.3.b. and c.(1), *supra*.

NAPM comments that "the Postal Service should better utilize its pricing flexibility to give customers the incentive to move more mail into programs like commingle[.]" NAPM Comments at 5. The Commission appreciates NAPM's comments on the Postal Service's use of pricing flexibility; however, this comment is not particularly applicable to the *FY 2022 Annual Report*, which does not address pricing details. The Commission already addressed this comment in its FY 2022 ACD and encourages the Postal Service to directly engage with NAPM and other stakeholders to determine what, if any, benefits can be achieved by an increased focus on commingled mail. *See* FY 2022 ACD at 120.

⁶⁰ PR Comments at 6 citing OIG Report No. 21-262-R23.

⁶¹ *See* FY 2022 ACD at 113, Figure V-6 (675,312-627,418)/627,418 = 7.6 percent.

NAPM also “urge[s] the Postal Service to implement a reporting solution that allows commingle mailers and others to obtain visibility at a level that helps them identify the specific mail being excluded” from service performance measurement. *Id.* at 6. The Commission encourages the Postal Service to reach out to NAPM to address this issue.

NAPM requests that the Postal Service “report service performance on a quarterly and annual basis” separately for Presorted First-Class Mail Flats and Single-Piece First-Class Mail Flats. *Id.* However, the Postal Service asserts that it already provides this information quarterly and annually.⁶² The Commission expects the Postal Service to continue to provide such information.

Further, NAPM comments that it “is concerned that few of the specific initiatives laid out by the Postal Service in its FY2022 Performance Report or FY2023 Plan are designed to address First-Class Mail flats performance.” NAPM Comments at 7. NAPM also “would like to see more detail and attention given to the Postal Service’s plans to improve service performance for [USPS] Marketing Mail flats.” *Id.* at 8. In terms of flats performance, the Commission issued a detailed review of Postal Service flats performance inefficiencies in its recently released Flats Operations Study Report, and the Postal Service has 6 months “either to develop and implement a plan to remedy each inefficiency identified in the Flats Study or else to provide an explanation as to why remedying such inefficiency is impracticable.”⁶³ The Commission expects the Postal Service’s initiatives to improve flats performance to be explained in detail at that time.

Lastly, NAPM states that the Postal Service’s performance targets for “First-Class Mail may not be realistic or achievable, since they have been increased compared to FY2022, even though FY2022 performance was well below the lower targets.” NAPM Comments at 7-8. Although the Postal Service raised its First-Class Mail targets for FY 2023 to above the results it achieved in FY 2022, the Postal Service previously raised its FY 2022 targets above its FY 2021 results. *FY 2022 Annual Report* at 33. Despite this, the Postal Service achieved all but one of its targets in FY 2022 and made notable service performance improvements in the category in which it missed its target (Single-Piece First-Class Mail 3-to-5-Day). In order to drive similar improvement, and in light of the Postal Service’s track record in FY 2022, the Commission agrees with the Postal Service that its FY 2023 targets are “appropriate.”⁶⁴ However, in response to the Postal Service’s partial explanation of weather events impeding its ability to achieve its projections, the Commission reminds the Postal Service that “it is important that targets not be set so high that they leave the Postal

⁶² See Postal Service Reply Comments at 3; *cf.*, *e.g.*, United States Postal Service, FY 2023 Quarter 1 Service Performance Measurement Data, February 9, 2023, Excel file “FC Flats 231 Scores Report.xls,” tab “FCF Quarter Aggregation-1” (providing quarterly data); Library Reference USPS-FY22-29, December 29, 2022, Excel file “FY22 ACR First Class Mail.xlsx,” tab “FCF Aggregation - 1” (providing annual data).

⁶³ See Docket No. SS2022-1, Flats Operations Study Report, April 6, 2023, at 210.

⁶⁴ See Postal Service Reply Comments at 4. Based on performance to date, the Postal Service reports that it unlikely that Single-Piece First-Class Mail 3-5-Day will achieve the target level set for FY 2023, but it maintains the annual target for all purposes. See Response to CHIR No. 23, question 8.b. However, FY 2023 has not concluded. The Postal Service’s FY 2023 performance result will be evaluated against its FY 2023 target in next year’s report.

Service with little margin for error.” *FY 2021 Analysis* at 36. Targets should not be set so high that there is no buffer to account for potential atypical events.

B. Excellent Customer Experience

1. Background

a. Customer Experience Surveys

The Postal Service measures customer experience (CX) by conducting surveys of residential, small/medium business, and large business customers.⁶⁵ In FY 2022, the Postal Service measured CX using the following eight surveys:

- Business Service Network (BSN)
- Point of Sale (POS)
- Delivery
- Customer Care Center (CCC)
- Customer 360 (C360)
- Business Mail Entry Unit (BMEU)
- *usps.com*
- Large Business Panel

The Postal Service provides copies of these surveys in the FY 2022 ACR.⁶⁶ Each survey measures a customer touchpoint or interaction between the customer and the Postal Service. Each of the eight surveys is summarized below.

The BSN provides nationwide support to qualified business customers related to service issues, information, and requests. *FY 2022 Annual Report* at 37. The BSN survey measures business customers’ satisfaction with the overall experience provided by 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-FY22-38, Preface at 3. The BSN survey consists of 14 evaluation questions and 4 open-ended customer supplied responses. *Id.* These questions ask business customers about their satisfaction with their

⁶⁵ 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-FY22-38, December 29, 2022, file “USPS-FY22-38 Preface.pdf,” at 3, 5 (Library Reference USPS-FY22-38, Preface).

⁶⁶ See Library Reference USPS-FY22-38, folder “FY22.38.Files,” file “CX_Surveys_FY22.pdf” (CX 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.

overall experience with the BSN and interaction with the BSN representative. *See Surveys at 9-21.*

The POS survey measures customers' overall satisfaction with their experience at retail locations that use POS equipment.⁶⁷ 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-FY22-38, Preface at 3. The POS survey is conducted through a web-based survey platform and consists of 12 evaluation questions and 2 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.⁶⁸

The Delivery survey measures the level of satisfaction of residential and small/medium business customers with receiving mail and packages.⁶⁹ There are different Delivery surveys for residential and small/medium business customers. Every week randomly selected residential and small/medium business customers are mailed a letter inviting them to take the survey either by phone or online. Library Reference USPS-FY22-38, Preface at 3. Residential customers are asked 19 evaluation questions and 2 open-ended customer supplied responses. *Id.* Small/medium business customers are asked 20 evaluation questions and 2 open-ended customer supplied responses. *Id.* These questions ask customers to evaluate their experience receiving mail and packages as well as sending domestic and international products. *See Surveys at 22-38.*

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.⁷⁰ Customers who call the CCC may use the Interactive Voice Response (IVR) system or speak to a live agent. Library Reference USPS-FY22-38, 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 81-82.*

⁶⁷ *FY 2022 Annual Report* at 37; Library Reference USPS-FY22-38, Preface at 3.

⁶⁸ *See Surveys at 2-8.* The Commission discussed wait time in line in the FY 2022 ACD. *See FY 2022 ACD at 186-88.*

⁶⁹ *FY 2022 Annual Report* at 37. The Delivery survey also measures residential and small/medium business customer satisfaction with Market Dominant products, which the Commission discussed in the FY 2022 ACD. *See FY 2022 ACD at 190-95.*

⁷⁰ *FY 2022 Annual Report* at 38; Library Reference USPS-FY22-38, Preface at 4.

The C360 survey measures satisfaction with issue resolution for customers who open a service ticket through a CCC live agent, via *usps.com*, or at a local Post Office.⁷¹ The C360 survey is sent to customers who provide an email address after their cases have been closed. Library Reference USPS-FY22-38, Preface at 4. Customers who only provide a phone number receive a call from the IVR system. *Id.* 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 39-49.

The BMEU is the area of a postal facility where business mailers present bulk, presorted, and permit mail for acceptance.⁷² The BMEU survey measures business customers' overall satisfaction with their experience at the BMEU.⁷³ 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 three open-ended customer supplied responses. Library Reference USPS-FY22-38, Preface at 2-3. 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 72-80.

The *usps.com* survey measures the level of satisfaction for customers who visit the Postal Service's website. *FY 2022 Annual Report* at 38. The survey is offered to a random sample of users who become eligible visitors by meeting all of the following criteria: visited the website through a desktop, tablet, or phone; clicked through three or more web pages with a session more than 5 seconds long; did not decline a survey within the past 30 days; and did not submit feedback within the past 60 days. Library Reference USPS-FY22-38, Preface at 4. The survey consists of four evaluation questions and one open-ended customer supplied response. Surveys at 83. 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 id.*

The Large Business Panel survey is a relational panel survey that measures customer satisfaction of large business customers, which are those with 500 or more employees.⁷⁴ A third-party vendor manages customers that sign up to participate in the panel. *Id.* In FY 2022, the Large Business Panel survey was conducted monthly to account for seasonal variation in customer satisfaction with Market Dominant products.⁷⁵ The survey consists of 21 evaluation questions and 2 open-ended customer supplied responses. Library

⁷¹ *FY 2022 Annual Report* at 38; Library Reference USPS-FY22-38, Preface at 4.

⁷² "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.

⁷³ *FY 2022 Annual Report* at 38; Library Reference USPS-FY22-38, Preface at 2.

⁷⁴ Library Reference USPS-FY22-38, Preface at 5.

⁷⁵ *Id.* The Commission discusses large business customer satisfaction with Market Dominant products in the FY 2022 ACD. *See* FY 2022 ACD at 190-95.

Reference USPS-FY22-38, Preface at 5. These questions ask large business customers about their overall satisfaction with their recent experience with the Postal Service, as well as their usage of and satisfaction with domestic and international mail products. *See Surveys at 50-71.*

b. Performance Indicators

In FY 2022, the Postal Service used eight performance indicators or metrics to track progress toward the Excellent Customer Experience performance goal. Seven of those performance indicators correspond directly to one of the CX surveys described above.⁷⁶ 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 2022 ACR at 57. The overall satisfaction question for each of the seven CX surveys is shown in Table III-7.

⁷⁶ *FY 2022 Annual Report* at 38. The Large Business Panel survey is the exception. The Postal Service introduced the Large Business Panel 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 CX was already measured by the BSN and BMEU surveys. *FY 2018 Annual Report* at 21. The Postal Service has continued to administer the Large Business Panel survey since FY 2019.

Table III-7
Customer Experience Surveys
FY 2022 Overall Satisfaction Questions

Customer Experience Surveys	Overall Satisfaction Questions
Business Service Network	<ul style="list-style-type: none"> How satisfied are you with the overall experience provided by the Business Service Network?
Point of Sale	<ul style="list-style-type: none"> Thinking about this visit to the Post Office, overall, how satisfied were you?
Delivery	<ul style="list-style-type: none"> Thinking about your overall experience with receiving mail and/or packages delivered by the Postal Service recently, how satisfied are you?
Customer Care Center	<ul style="list-style-type: none"> Live Agent survey: Please tell us how satisfied you were with the overall experience provided by the Customer Care Center. Interactive Voice Response survey: Please tell us how satisfied you were with the overall experience provided by the Postal Service automated system.
Customer 360	<ul style="list-style-type: none"> Overall, how satisfied are you with the quality of service you received in response to the issue?
Business Mail Entry Unit	<ul style="list-style-type: none"> Overall, how satisfied were you with your experience at the Business Mail Entry Unit?
usps.com	<ul style="list-style-type: none"> How satisfied are you with the overall experience provided by the usps.com website?

Source: Library Reference USPS-FY22-38, Preface at 3-5.

The Postal Service uses the result of each of the seven CX survey performance indicators to calculate the CX Composite Index, which is the eighth performance indicator tracking progress toward the Excellent Customer Experience performance goal. *FY 2022 Annual Report* at 38. The CX Composite Index is a weighted composite based on results of the CX survey performance indicators. *Id.* While each survey measures CX based on specific touchpoints or interactions with the Postal Service, the CX Composite Index measures overall CX across the most frequently used customer-facing channels. *Id.* at 37. Methodologies for calculating results for the Excellent Customer Experience performance indicators are discussed in Section B.3.a., *infra*.

In FY 2022, results of the CX Composite Index, POS, Delivery, C360, and BMEU performance indicators did not meet their respective targets. *FY 2022 Annual Report* at 38. The Postal Service explains that the CX Composite Index result did not meet its target because results of the POS, Delivery, C360, and BMEU performance indicators missed their

respective FY 2022 targets. *Id.* Explanations for not meeting FY 2022 targets are shown in Figure III-5. *See* Section B.3.b., *infra*.

To improve progress toward the Excellent Customer Experience performance goal in FY 2023, the Postal Service states it will improve its measurement of CX by ensuring that CX survey questions accurately measure both customer sentiment and attributes of customer satisfaction. *FY 2022 Annual Report* at 41. It states it will continue providing scenario-based trainings, provide in-person conferences, and hold weekly customer satisfaction meetings. *Id.* Plans for meeting FY 2023 targets are shown in Figure III-5. *See* Section B.3.b., *infra*.

2. Comments

The Public Representative observes that results for each performance indicator improved between FY 2021 and FY 2022. PR Comments at 12-13. However, he states that the FY 2022 CX Composite Index target was not met because four performance indicators missed their respective FY 2022 targets: POS, Delivery, C360, and BMEU. *Id.* at 12. He comments that the largest margin of improvement was for the CCC performance indicator, whose result increased by almost 9 percentage points in FY 2022. *Id.* at 13. He notes that the *usps.com* and C360 performance indicators also showed significant improvement between FY 2021 and FY 2022. *Id.* He states that although the BSN and BMEU performance indicators showed the least improvement in FY 2022, the results were already high compared to the other performance indicators, and the BSN performance indicator exceeded the FY 2022 target. *Id.* He concludes that the Postal Service's planned initiatives to improve service performance will, in turn, improve C360 results and hopefully reduce the number of customer inquiries that need to be resolved. *Id.* at 14.

NAPM recommends several changes to the CX surveys. First, it asserts that news articles have reported an increase in reports of mail theft, missing mail, and non-delivery of mail for several days within different regions and communities. NAPM Comments at 8. It observes that the Delivery survey does not appear to have specific questions covering these topics and collecting data on these issues. *Id.* at 9. It recommends that the Postal Service consider adding questions concerning mail theft, missing mail, and non-delivery of mail, as well as "collect data from customers to identify the extent of these issues and drive improvements." *Id.* NAPM suggests that the Postal Service add questions asking survey respondents whether they attempted to contact the Postal Service concerning their delivery issue and, if so, how they attempted such contact and whether they were successful in contacting the Postal Service. *Id.*

Also, NAPM observes that the Postal Service uses a Mail and Shipping Solutions Center (MSSC) Help Desk for business mailers and recently announced plans to move other existing Help Desk applications into the MSSC platform. *Id.* It states that it is unclear whether the existing CX surveys used for business mailers include questions about the MSSC experience. *Id.* If there are none, NAPM recommends that the CX surveys and metrics for business mailers include questions about the MSSC experience. *Id.*

In its reply comments, the Postal Service responds that regarding mail theft, missing mail, and non-delivery of mail, it closely monitors reports of missing mail, and customers may initiate a C360 service request to report any service issue encountered. Postal Service Reply Comments at 7. It explains that when customers initiate service requests, they are encouraged to describe the issue they have experienced, including mail theft, missing mail, and non-delivery of mail, which is documented on the C360 platform. *Id.* The Postal Service states that it then works to resolve the issues described, and customers receive the C360 survey after the inquiry is closed. *Id.* It points out that the C360 survey gauges customer satisfaction with their experience based on the Postal Service's responsiveness, promptness, and degree of success in achieving a resolution. *Id.* at 7-8.

The Postal Service confirms that it collects data points generated by service requests and submits to senior management a daily list of requests relating to daily mail service and mail not received for two or more days. *Id.* at 8. It states that it refers reported cases of mail theft to the Postal Inspection Service to review and investigate. *Id.* If the reported case does not involve mail theft, the Postal Inspection Service transfers the matter back to the Postal Service to review and resolve. *Id.* The Postal Service concludes that "it is the service request that generates information concerning the types of service problems that arise, while the C360 survey invites feedback on the Postal Service's performance in resolving those problems." *Id.*

Regarding the MSSC experience, the Postal Service responds that the BMEU survey does include specific questions related to the customers use of the MSSC. *Id.* It submits that adding questions concerning the MSSC experience are unnecessary. *Id.*

3. Commission Analysis

The Postal Service exceeded FY 2022 targets for the BSN, CCC, and *usps.com* performance indicators but missed FY 2022 targets for the other Excellent Customer Experience performance indicators (CX Composite Index, POS, Delivery, C360, and BMEU). *FY 2022 Annual Report* at 38.

The Commission finds that the Postal Service partially met the Excellent Customer Experience performance goal in FY 2022 because it missed five targets and met or exceeded three targets.

NAPM recommends that the Postal Service consider adding questions to the CX surveys concerning mail theft, missing mail, and non-delivery of mail, as well as "collect data from customers to identify the extent of these issues and drive improvements." NAPM Comments at 9. It also suggests that the Postal Service add questions asking survey respondents about their attempts to contact the Postal Service about their delivery issue, including how they attempted such contact and whether they were successful. *Id.*

The Postal Service responds that customers may report service issues—including mail theft, missing mail, and non-delivery of mail—by submitting a C360 service request. Postal Service Reply Comments at 7. It states that it sends data regarding daily mail service and mail not received for two or more days to senior management, and data reporting cases of mail theft to the Postal Inspection Service. *Id.* at 8. Regarding theft of mail from collection boxes, the Postal Service acknowledges that FY 2022 CX results do not reflect customers' experience with collection box theft because the CX surveys do not directly address collection box use. Response to CHIR No. 6, question 8.c. However, it notes that the Delivery and C360 surveys have open-ended comment boxes allowing customers to describe their experience with collection box theft. *Id.* It states that textual analytics that process these comments have not identified collection box theft “as a prevalent or significant area of customer concern.” *Id.*

The Commission observes that the Postal Service does collect information on mail theft, missing mail, and non-delivery of mail via the C360 service requests. However, the Postal Service could collect more data and improve efforts to resolve and prevent these issues by also adding questions to the CX surveys.

The Commission recommends that the Postal Service consider asking questions on the C360 survey about mail theft to collect more data and evaluate its impact on C360 performance indicator results. The Commission also recommends that the Postal Service consider adding questions to the Delivery survey about missed mail or non-delivery of mail to gather more data on this issue.

In the sections below, the Commission describes and compares methodologies for calculating performance indicator results, as well as analyzes targets and results. The Commission also compares the Postal Service's measurement of CX to metrics used in the private sector and other organizations, including the Net Promoter Score (NPS) and social media.

a. Performance Indicator Methodologies

This section describes and compares the methodologies for calculating results of the CX Composite Index and the seven CX survey performance indicators⁷⁷ from FY 2019 through FY 2022.

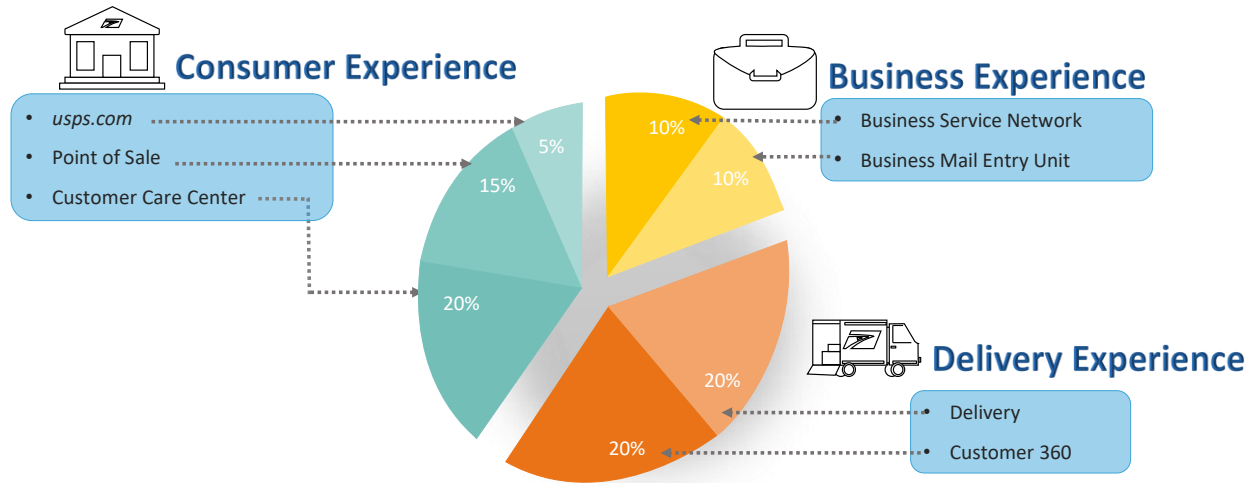
(1) Customer Experience Composite Index

The CX Composite Index is a performance indicator that “provides a comprehensive view of the customer's experience across the most frequently used customer-facing channels.” *FY 2022 Annual Report* at 37. The result is a weighted composite based on results of the CX survey performance indicators. *Id.* Figure III-4 shows how each performance indicator was weighted to calculate the FY 2022 CX Composite Index result. As Figure III-4 shows,

⁷⁷ The CX survey performance indicators are the BSN, POS, Delivery, CCC, C360, *usps.com*, and BMEU.

the performance indicators are grouped into three core areas: Consumer, Business, and Delivery experience.

Figure III-4
Customer Experience Composite Index
Weights of Performance Indicators in FY 2022



Source: FY 2022 Annual Report at 37-38.

The Postal Service calculated the FY 2022 CX Composite Index result of 72.72 in three steps. First, the Postal Service determined the FY 2022 result for each CX survey performance indicator.⁷⁸ Second, the Postal Service multiplied the result of each CX survey performance indicator by its respective weight listed in Figure III-4. Third, the Postal Service added the weighted results together to arrive at the FY 2022 CX Composite Index result of 72.72. Table III-8 illustrates the steps for calculating the FY 2022 CX Composite Index result.

⁷⁸ See FY 2022 Annual Report at 38; 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 2022 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-7. See Section B.1.b., *supra*.

Table III-8
Customer Experience Composite Index
Steps for Calculating the FY 2022 Result

Customer Experience Survey Performance Indicator ^a	FY 2022 Result		Weight (%)		Weighted Result ^b
Business Service Network	98.20	x	10	=	9.82
Point of Sale	86.34	x	15	=	12.95
Delivery	73.91	x	20	=	14.78
Customer Care Center	70.75	x	20	=	14.15
Customer 360	38.44	x	20	=	7.69
Business Mail Entry Unit	96.48	x	10	=	9.65
usps.com	73.62	x	5	=	3.68
FY 2022 Customer Experience Composite Index Score					72.72^c

^a Targets for each of these performance indicators are listed in Table III-10, *infra*.

^b Results are rounded to the nearest hundredth.

^c The CX Composite Index score differs slightly from the sum of the weighted results due to rounding.

Source: *FY 2022 Annual Report* at 37-38.

Between FY 2019 and FY 2022, the Postal Service used the same methodology for calculating the CX Composite Index result. *See FY 2021 Analysis* at 66; *FY 2022 Annual Report* at 37-38. In FY 2023, the Postal Service is changing the methodology for calculating this performance indicator. *FY 2022 Annual Report* at 41. The POS survey weight will increase from 15 percent to 20 percent, and the CCC survey weight will decrease from 20 percent to 15 percent. *Id.* It stated that “[t]hese modifications will allow the CX Composite Index score to more accurately reflect the interactions with postal customers.” *Id.*

Because FY 2023 CX Composite Index results will not be comparable to results from FY 2020 through FY 2022,⁷⁹ the Postal Service will need to address this issue to comply with 39 U.S.C. § 2804(c) in its *FY 2023 Report* by following the Commission’s directives described in Chapter II. *See* Chapter II, Section B.2.b., *supra*.

(2) Customer Experience Survey Performance Indicators

Table III-9 shows the methodologies for calculating results of each CX survey performance indicator from FY 2019 through FY 2022.

⁷⁹ *See FY 2021 Analysis* at 66-67.

**Table III-9
Customer Experience Survey
Performance Indicator Methodologies
FY 2019-FY 2022**

Customer Experience Survey Performance Indicator	FY 2019	FY 2020	FY 2021	FY 2022
Business Service Network	Overall customer satisfaction with the BSN experience			
Point of Sale	Overall customer satisfaction with the retail experience at the Post Office			
Delivery^a	Composite of overall customer satisfaction with the delivery of mail and packages (unweighted)			
Customer Care Center	Composite of satisfaction with the overall experience provided by the Live Agent (25 percent) and Interactive Voice Response system (75 percent)		Composite of satisfaction with the overall experience provided by the Live Agent and IVR system (unweighted)	
Customer 360	Overall satisfaction with the quality of service received in response to a C360 case or issue			
Business Mail Entry Unit	Overall customer satisfaction with the BMEU experience			
usps.com	Overall customer satisfaction with the experience provided by the <i>usps.com</i> website			

^a Delivery survey results for residential and small/medium business customers are combined into one unweighted score.
Source: *FY 2021 Analysis* at 68; FY 2022 ACR at 58; FY 2021 ACR at 58; Library Reference USPS-FY22-38, folders “FY22.38.Files.zip” Excel file “CX_Composite_ALL_SURVEYS_ProgramOverview_FY22.xlsx.”

Table III-9 shows that from FY 2019 through FY 2022, the Postal Service used the same methodologies to calculate results for each CX survey performance indicator except for the CCC. As discussed in the *FY 2021 Analysis*, in FY 2021 the Postal Service changed its method for calculating the CCC results from a weighted to an unweighted score. *See FY 2021 Analysis* at 68. Because FY 2020 CCC results will not be comparable to results from FY 2021 through FY 2023, the Postal Service will need to address this issue to comply with 39 U.S.C. § 2804(c) in its *FY 2023 Report* by following the Commission’s directives described in Chapter II. *See Chapter II, Section B.2.b., supra.*

b. Analysis of Targets and Results

(1) FY 2022 Targets and Results

For each Excellent Customer Experience performance indicator, Table III-10 shows results from FY 2019 through FY 2022 and compares FY 2022 targets and results. As Table III-10 shows, in FY 2022 the Postal Service met three targets and missed five targets.

Table III-10
Excellent Customer Experience Performance Indicators
Comparison of FY 2022 Targets and FY 2019-FY2022 Results

Performance Indicator	FY 2022 Targets	Performance Gap between FY 2021 and FY 2022 Result	Results			
			FY 2022	FY 2021	FY 2020	FY 2019
Customer Experience Composite Index ^a	72.99	4.23	72.72	68.49	72.40	69.04
Business Service Network	97.33%	0.31%	98.20%	97.89%	97.33%	96.68%
Point of Sale	87.46%	1.95%	86.34%	84.39%	87.46%	87.77%
Delivery ^a	80.94	3.50	73.91	70.41	80.94	80.40
Customer Care Center ^a	63.02	8.90	70.75	61.85	60.03	46.94
Customer 360	40.05%	5.10%	38.44%	33.34%	40.05%	37.45%
Business Mail Entry Unit	96.72%	0.82%	96.48%	95.66%	96.72%	96.00%
usps.com	73.41%	6.49%	73.62%	67.13%	73.41%	72.94%

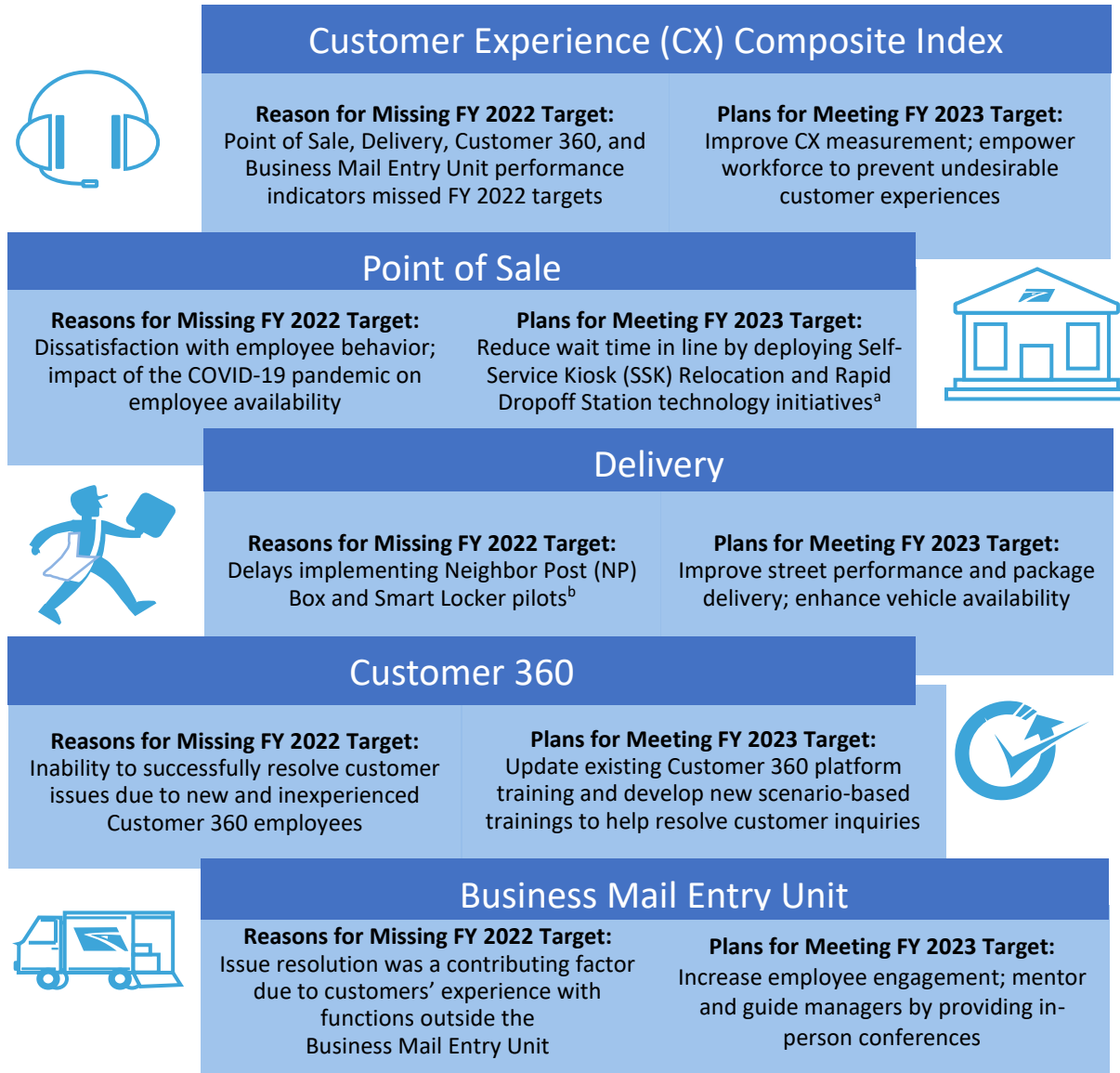
Note: Red text indicates below target. Green text indicates above target.

^a Targets and results for these performance indicators are not presented as percentages because they are calculated by weighting and aggregating various survey results.

Source: FY 2022 Annual Report at 33, 38.

Table III-10 shows that FY 2022 results range significantly from 38.44 percent (C360) to 98.20 percent (BSN). While varied, FY 2022 results for each performance indicator improved compared to FY 2021. The largest margins of improvement were for the CCC performance indicator, which improved by 8.90 points, as well as the C360 and usps.com performance indicators, which increased by 5.10 percent and 6.49 percent, respectively. The CX Composite Index, POS, Delivery, C360, and BMEU performance indicators missed their respective targets in FY 2022. However, for each performance indicator except for the Delivery survey, FY 2022 results only missed their respective FY 2022 targets by less than two points. The Delivery performance indicator result missed the target by 7.03 points. The reasons given by the Postal Service for missing FY 2022 targets and the Postal Service’s plans for meeting FY 2023 targets are listed in Figure III-5.

Figure III-5
Postal Service Reasons for Missing FY 2022 Targets and
Plans for Meeting FY 2023 Targets



^a The SSK relocation initiative involves relocating SSKs from underutilized sites to new locations to improve wait time in line and CX. FY 2022 ACR at 61. The Rapid Dropoff Station initiative will provide customers the option to scan prepaid packages and receive a receipt without waiting a full window service line. *Id.*

^b The NP Box pilot was designed to replace existing Centralized Box Units with boxes with much larger compartments to accommodate more or larger packages. FY 2022 ACR at 64. The Smart Locker Project pilot was designed to install electronic keyless parcel lockers in indoor or outdoor locations to provide a secure storage solution and allow parcel notification on delivery. *Id.* at 64-65.

Source: FY 2022 Annual Report at 38-40; FY 2022 ACR at 59-73; Response to CHIR No. 29, question 1.

Overall, the Postal Service's progress toward the Excellent Customer Experience goal improved in FY 2022 compared to FY 2021. In the *FY 2021 Analysis*, the Commission expressed concern that the FY 2021 Delivery and C360 performance indicator results missed their respective FY 2021 targets by more than 15 points and had the largest year-over-year declines. *FY 2021 Analysis* at 71. By contrast, results for both the Delivery and C360 performance indicators improved between FY 2021 and FY 2022. Although they both missed FY 2022 targets, the C360 performance indicator result fell short of the FY 2022 target of 40.05 percent by 1.61 percentage points.

Although the C360 performance indicator improved by 5.10 percentage points in FY 2022, the FY 2022 result (38.44 percent) continues to be the lowest among all of the Excellent Customer Experience performance indicators. In the *FY 2021 Analysis*, the Commission stated that targeting key drivers of overall satisfaction represents an opportunity for the Postal Service to improve performance indicator results.⁸⁰

In FY 2023, the Commission recommends that the Postal Service strive to improve performance indicator results by targeting key drivers of overall satisfaction. For the C360 performance indicator, the Commission recommends that the Postal Service strive to improve successful resolution of customer issues, which is a key driver for C360 overall satisfaction.

(2) FY 2023 Targets

The Postal Service set FY 2023 targets for each Excellent Customer Experience performance indicator, which are shown in Table III-11, along with FY 2022 targets and results.

⁸⁰ *Id.* at 71. The Commission showed key drivers for overall satisfaction for each performance indicator in Figure III-7. *See id.* at 72.

Table III-11
Excellent Customer Experience Performance Indicators
FY 2023 Targets and FY 2022 Targets and Results

Performance Indicators	Targets		FY 2022 Results
	FY 2023	FY 2022	
Customer Experience Composite Index ^a	74.39	72.99	72.72
Business Service Network	98.00%	97.33%	98.20%
Point of Sale	87.46%	87.46%	86.34%
Delivery ^a	80.94	80.94	73.91
Customer Care Center ^a	69.88	63.02	70.75
Customer 360	40.05%	40.05%	38.44%
Business Mail Entry Unit	96.29%	96.72%	96.48%
usps.com	73.41%	73.41%	73.62%

Note: Red text indicates below target. Green text indicates met or above target.

^a Targets and results for these performance indicators are not presented as percentages because they are calculated by weighting and aggregating various survey results.

Source: FY 2022 Annual Report at 38, 40.

Table III-11 shows that FY 2023 targets for the POS, Delivery, C360, and usps.com performance indicators are the same as FY 2022 targets. FY 2023 targets for the CX Composite Index, BSN, and CCC performance indicators increased compared to FY 2022, and the FY 2023 BMEU performance indicator target decreased slightly from 96.72 percent in FY 2022 to 96.29 percent in FY 2023.

The Postal Service provides the rationale for setting FY 2023 targets in a CHIR response. It explains that it reviews Excellent Customer Experience targets in a holistic manner and does not set the CX Composite Index target individually. Response to CHIR No. 29, questions 2.a.-b. Instead, it states that it sets this target by combining the individual weighted targets for each CX survey performance indicator, and the FY 2023 CX Composite Index target was based on increases in FY 2023 targets for certain CX survey performance indicators. *Id.*

The Postal Service explains that it sets targets for each CX survey performance indicator “at the level that the Postal Service determines to be achievable based, in part, on previous years’ performance numbers.” *Id.* For this reason, it states that it set the FY 2023 POS, Delivery, and C360 performance indicator targets the same as FY 2022 even though FY 2022 targets were not met because it believes that the targets are achievable in FY 2023. *Id.* The Postal Service notes that for the POS and C360 performance indicators, almost 42 percent of scores at the Area, District, and unit levels did meet their targets in FY 2022 even though the national targets were not met. *Id.* It maintains that the FY 2023

usps.com performance indicator target “continues to be appropriate” even though the FY 2022 target was not met. *Id.*

The Postal Service’s method for setting targets is consistent with the Commission’s past recommendation that the Postal Service consider the prior year’s result when setting the subsequent year’s target. *See FY 2019 Analysis* at 42-43. For the BSN and CCC performance indicators, increasing the FY 2023 targets appears reasonable because they exceeded FY 2022 targets. *See Table III-11, supra.* The *usps.com* performance indicator also exceeded the FY 2022 target, but the FY 2023 target is the same as FY 2022. However, this FY 2023 target appears reasonable considering that the FY 2023 target is almost the same as the FY 2022 result (a 0.21 percentage point difference). *See id.*

For the BMEU performance indicator, the FY 2023 target is 96.29, which is less than 1 percentage point lower than both the FY 2022 target and the FY 2022 result. Thus, the Commission agrees with the Postal Service that the FY 2023 target appears reasonable.

For the POS, C360, and Delivery performance indicators, even though their respective targets were not met in FY 2022, the Postal Service represents that maintaining the same respective target level for FY 2023 is achievable. To meet the POS and C360 targets in FY 2023, the FY 2023 results for each indicator would need to increase over FY 2022 results by 1.12 and 1.61 percentage points, respectively. Noting that the POS and C360 results increased from FY 2021 to FY 2022 by 1.95 and 5.10 percentage points, respectively, the Commission finds the POS and C360 FY 2023 targets appear to be reasonable. To meet the Delivery target in FY 2023, the Commission observes that the FY 2023 result would need to increase over FY 2022 results by 7.03 percentage points. The Commission further observes that the Delivery results increased by 3.50 percentage points from FY 2021 to FY 2022. The Commission finds that the FY 2023 Delivery target appears to be with the range of potential reasonable targets, as long as the Postal Service increases its focus on execution of its plans to achieve the Delivery target in FY 2023 (enhancing vehicle availability and improving street performance and package delivery).

Similarly, the Postal Service raised the FY 2023 CX Composite Index target even though the FY 2022 target was not met because the FY 2023 target level is based on the Postal Service’s decisions to raise some of the underlying targets, which the Postal Service represents are set at achievable levels for FY 2023. The Commission finds that the FY 2023 CX Composite Index target, which is 1.67 percentage points more than the FY 2022 result, appears to be reasonable, as long as the Postal Service focuses on increasing the underlying results in FY 2023.

The Commission finds that the FY 2023 targets for the Excellent Customer Experience performance indicators are reasonable. It reiterates its recommendation that the Postal Service consider the prior year’s result when setting the subsequent year’s target. To improve transparency, the FY 2024 Plan should discuss the rationale for setting the FY 2024 targets.

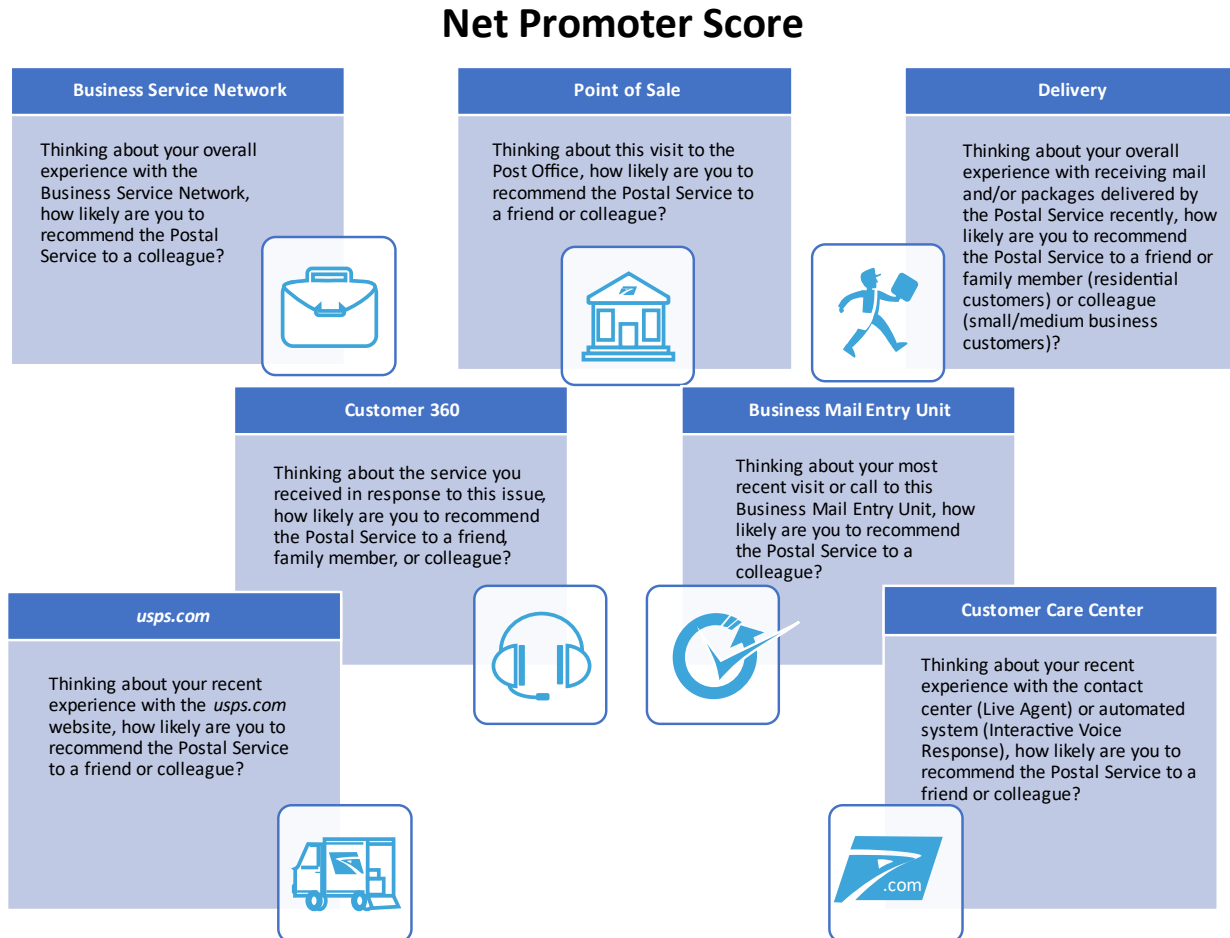
c. Net Promoter Score
(1) Background

As previously discussed, the Postal Service evaluates progress toward the Excellent Customer Experience performance goal based on CX surveys measuring overall satisfaction. *See* Section B.1., *supra*. The Postal Service also measures CX using the NPS, which is a metric that is widely used in CX programs to measure the loyalty of customers to a company.⁸¹ It measures customer perception based on a single question: “How likely is it that you would recommend [Organization X/Product Y/Service Z] to a friend or colleague?” *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. The FY 2022 NPS question for each of the CX surveys is shown in Figure III-6.

⁸¹ *What is NPS? Your ultimate guide to Net Promoter Score*, QualtricsSM, available at <https://www.qualtrics.com/experience-management/customer/net-promoter-score/> (QualtricsSM NPS).

**Figure III-6
FY 2022 Net Promoter Score Questions**



Source: CX Surveys at 2, 11, 23, 41, 73, 81-83.

The NPS allows a company to evaluate the totality of customer interactions with the company and values the long-term relationship between the customer and company.⁸² For example, a customer may be unhappy with a misdelivered package, but may continue to patronize the Postal Service because of a long history of dependable service and competitive prices. OIG Report No. RARC-WP-17-010 at 7. 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-

⁸² United States Postal Service, Office of the Inspector General, Report No. RARC-WP-17-010, *Postal Customer Satisfaction: A Primer of Four Surveys*, August 28, 2017, at 7, available at <https://www.uspsig.gov/sites/default/files/reports/2023-01/RARC-WP-17-010.pdf> (OIG Report No. RARC-WP-17-010).

term relationship with customers and benchmark itself against other companies providing similar products or services. *Id.*

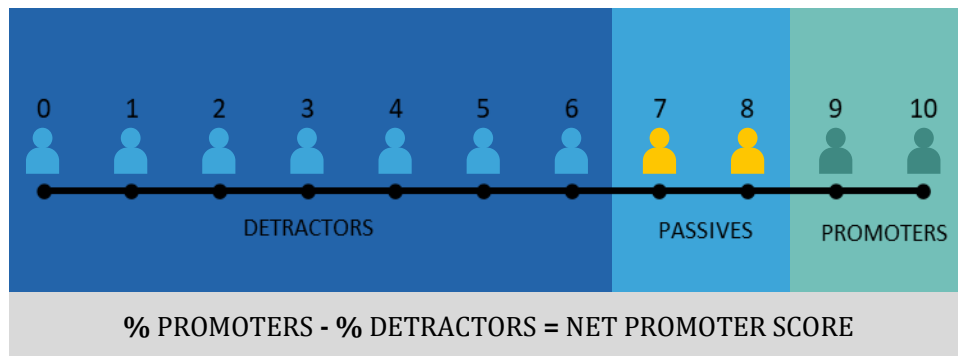
(2) Methodology and Results

The NPS question asks customers to rate how likely they are to recommend a company, product, or service to a friend or colleague on a scale of 0 (Not at All Likely) to 10 (Extremely Likely). Qualtricssm NPS. Depending on their response, customers fall into one of three categories:

- **Promoters** respond with a score of 9 or 10 and are typically loyal and enthusiastic customers
- **Passives**, who respond with a score of 7 or 8, are satisfied with the company, service, or product but not happy enough to be considered Promoters
- **Detractors**, who respond with a score of 0 to 6, are unhappy customers who are unlikely to buy from the company again and may even discourage others from buying from that company. *Id.*

The NPS score is calculated by subtracting the percentage of Detractors from the percentage of Promoters. Figure III-7 shows the NPS scale, customer segments, and formula for calculating the NPS result.

Figure III-7
Net Promoter Score
Scale, Customer Segments, and Formula



Source: Qualtricssm NPS

Table III-12 shows FY 2022 NPS results and the percentages of Promoters and Detractors for each CX survey.

Table III-12
FY 2022 Net Promoter Score (NPS) Results
Promoters and Detractors

Customer Experience Survey	Percentage of Promoters (9-10) ^a	Percentage of Detractors (0-6) ^a	FY 2022 Net Promoter Scores ^b
Business Service Network	90.2	2.2	88.0
Point of Sale	81.2	10.9	70.3
Delivery^c	58.2	23.2	35.0
Customer Care Center^c	56.5	30.7	25.7
Customer 360	30.9	58.9	-27.9
Business Mail Entry Unit	92.0	3.1	88.9
usps.com	59.0	25.0	33.9

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

^b Some FY 2022 NPS results do not equal the percentage of Promoters minus the percentage of Detractors due to rounding.

^c The NPS results are composite scores derived from results of two more specific surveys. The Delivery NPS is an unweighted composite of the residential and small/medium business customer surveys. The CCC NPS is an unweighted composite of the IVR and Live Agent surveys.

Source: Commission calculation using Postal Service survey responses provided in Library Reference USPS-FY22-38, file

"CX_Question_Response_Counts_FY22."

Table III-12 shows that in FY 2022, the BSN and BMEU surveys, which measure business CX, had the best NPS results (approximately 88.0). The POS survey had the third highest NPS score of 70.3. NPS scores for the Delivery, CCC, and *usps.com* surveys were lower, ranging from 35.0 (Delivery) to 25.7 (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 one expressed as a negative number (-27.9). The C360 survey also had the highest percentage of Detractors (58.9), which was more than half of C360 survey respondents. Only 30.9 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.

Table III-13 compares NPS results for each CX survey between FY 2019 and FY 2022.

Table III-13
Net Promoter Score (NPS) Results, FY 2019–FY 2022

Customer Experience Survey	FY 2019	FY 2020	FY 2021	FY 2022
Business Service Network	N/A	86.9%	86.2%	88.0%
Point of Sale	N/A	62.6%	65.3%	70.3%
Delivery^a	39.6	49.5	29.3	35.0
Customer Care Center^a	-9.7	15.6	10.0	25.7
Customer 360	N/A	-23.3%	-38.3%	-27.9%
Business Mail Entry Unit	81.4%	85.3%	86.6%	88.9%
usps.com	32.4%	33.9%	20.0%	33.9%

N/A: In Docket No. ACR2019, the number of responses received for each survey question did not include responses for the NPS question on the following surveys: Business Service Network, Point of Sale, and Customer 360 (formerly called Enterprise Customer Care).

^a The NPS numbers are composite scores derived from results of two more specific surveys. The Delivery NPS is an unweighted composite of the residential and small/medium business customer surveys. The CCC NPS is an unweighted composite of the IVR and Live Agent surveys.

Source: Docket No. ACR2019, Library Reference USPS-FY19-38, December 27, 2019, folder “Preface” file “CX Question Response Counts_FY19.xlsx;” Docket No. ACR2020, Library Reference USPS-FY20-38, December 29, 2020, folder “USPS-FY20-38” file “CX Question Response Counts_FY20.xlsx;” Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-5 of Chairman’s Information Request No. 26, April 1, 2021, question 5; Docket No. ACR2021, Library Reference USPS-FY21-38, folders “USPS-FY21-38” file “CX_Question_Response_Counts_FY21.xlsx;” Library Reference USPS-FY22-38, file “CX_Question_Response_Counts_FY22.”

Table III-13 shows that between FY 2020 and FY 2022, the BSN survey maintained high NPS results (at least 86.2 percent), and the POS and BMEU surveys demonstrated year-to-year improvements. NPS results for the Delivery, CCC, C360, and *usps.com* surveys declined between FY 2020 and FY 2021 but rebounded between FY 2021 and FY 2022. The CCC survey showed the most improvement, with a negative NPS result in FY 2019 to positive results during the next three consecutive fiscal years (FY 2020-FY 2022). These results show that the CCC survey shifted from having a higher percentage of Detractors to consistently having a higher percentage of Promoters. The Postal Service could apply lessons learned and improvements made to the CCC survey to the C360 survey so that the C360 NPS result also reflects a higher percentage of Promoters than Detractors.

The Commission recommends that the Postal Service continue to use the NPS to measure and assess CX in FY 2023. 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 and continue its efforts to improve NPS results for the other CX surveys.

d. Social Media

Research by Global WebIndex shows that approximately 60 percent of the world's population use social media, and the average daily usage is 2 hours and 24 minutes as of April 2023.⁸³ The Postal Service states that during FY 2022, it continued to use social media as an important platform for engaging customers who prefer interacting on social media rather than more traditional forms of communication such as email, chat, and telephone. FY 2022 ACR at 82. To evaluate customer perceptions and improve CX, the Postal Service used social media mainly to conduct social listening and respond to customer inquiries, which are each described below.

(1) Social Listening

Background. Social listening is the process of monitoring social media channels for mention of a brand, product, service, keyword, or competitors.⁸⁴ It allows companies to know what customers are saying about them and how customers feel about the brand, as well as helps companies discover customer pain points and obtain actionable insights to help improve CX. *See* CMSWire Social Listening. During the COVID-19 pandemic, more than 50 percent of marketing companies used social listening to obtain information about customers. *Id.*

The Postal Service Social Business Intelligence (SBI) team “uses social listening to obtain an idea of the overall conversation about the Postal Service on traditional and social media.”⁸⁵ The SBI team reviews the following platforms: Twitter, Facebook, Instagram, news, web, forums, blogs, radio, TV, Reddit, and reviews. Docket No. ACR2021, Response to CHIR No. 26, question 2.a. The Postal Service states that social listening helps the Postal Service understand “what overarching issues may be concerning to customers, such as delivery issues, operational issues, confusion about products or services and issues at the local [P]ost [O]ffice” FY 2022 ACR at 82. The SBI team then took data obtained from social listening and compiled and analyzed them to communicate lessons learned across the Postal Service to help specific groups solve problems at the root, before they become larger and less manageable. *Id.*

For example, the Postal Service states that in FY 2021, the SBI team identified two main customer concerns: (1) the COVID-19 pandemic safety; and (2) applying for a job with the Postal Service.⁸⁶ It notes that it addressed these issues in FY 2021 and FY 2022, and they were not major issues in FY 2022. Response to CHIR No. 29, question 5.a. It explains that in FY 2022, the major overarching issues customers were concerned about were obtaining

⁸³ Dave Chaffey, *Global social media statistics research summary 2023*, Smart Insights, (May 11, 2023), available at <https://www.smartinsights.com/social-media-marketing/social-media-strategy/new-global-social-media-research/>.

⁸⁴ Scott Clark, *What Can Social Listening Do to Improve CX*, CMSWire (Oct. 29, 2020), available at <https://www.cmswire.com/customer-experience/what-can-social-listening-do-to-improve-cx/> (CMSWire Social Listening).

⁸⁵ Docket No. ACR2021, Revised Responses of the United States Postal Service to Questions 2 and 3 of the Chairman's Information Request No. 26—Errata, April 25, 2022, question 2.b. (Docket No. ACR2021, Response to CHIR No. 26).

⁸⁶ Response to CHIR No. 29, question 5.a. In the *FY 2021 Analysis*, the Commission discussed examples of situations the Postal Service assessed via social listening, including insights gained and actions taken in response. *FY 2021 Analysis* at 80, Figure III-10.

COVID-19 tests and traveling. *Id.* To respond to these concerns, the Postal Service states it posted specific content on its social media sites, such as how to apply for a passport. *Id.* question 5.b.

The Postal Service explains that in FY 2022, it used Search Engine Optimization findings when creating the content on the Postal Service’s social media pages, which attempted to anticipate customer concerns. *Id.* It points out that unlike in previous years, the Postal Service monitored questions about Operation Santa on its social media platforms instead of focusing on general education about Operation Santa at Post Offices across the country. *Id.* It states that monitoring Operation Santa questions on social media “informed operations of customer service hotspots where operations would perform targeted outreach.” *Id.*

Social media heat map. In 2019, the SBI team created a heat map to use information from social media to evaluate postal customer service.⁸⁷ The social media heat map uses Tableau, a data visualization program, to geographically display comments left on the Postal Service’s official Facebook and Twitter accounts and from online review websites. Social Media Heat Map at 17. The heat map covers all domestic addresses served by the Postal Service and categorizes information by customer concern, which can be viewed by Area, District, and ZIP Code.⁸⁸ The Postal Service states it used social media tags to identify certain categories of customer concern, which are shown in Figure III-8.

Figure III-8
Social Media Heat Map
Categories of Customer Concern



Source: Response to CHIR No. 14, question 3.b.

⁸⁷ United States Postal Service, Temperature check: *Social media used to gauge customer service*, USPS News Link (Oct. 27, 2022); available at <https://link.usps.com/2022/10/27/temperature-check/> (Social Media Heat Map).

⁸⁸ *Id.* The Postal Service filed an image of the heat map under seal. Response to CHIR No. 14, question 1. It states that it considers the social media heat map proprietary and is currently available only to select Postal Service employees who have been granted access to it. *Id.*

Field managers may use data from the heat map as a CX metric to identify patterns and make operational improvements. *See Social Media Heat Map.* The Postal Service provides examples of how it has used the social media heat map to improve CX in a CHIR response. Response to CHIR No. 14, question 2. First, the heat map has identified geographic areas in which Postal Service employees unaware of Operation Santa appear to be concentrated. *Id.* Second, the heat map tracked customer concerns during the aftermath of natural disasters, which led the Postal Service to report the hours and availability of Post Offices in affected areas via usps.com and social media. *Id.* Third, the heat map identified hot spots of concern regarding the COVID-19 pandemic, while allowing the Postal Service to better equip Post Offices in the area with hand sanitizer and protective masks. *Id.*

The Postal Service states that it used the social media heat map to help the former South Florida District target trouble spots between 2019 and 2020. *Id.* question 4. Specifically, it explains that the heat map showed that South Florida had the highest volume of customer concerns expressed on social media. *Id.* It notes that of the top 10 ZIP Codes in the Southern Area with the most customer concerns, 8 of these ZIP Codes were in South Florida. *Id.* Based on this review, the Postal Service responded by holding in-person meetings at eight locations in South Florida and sharing the heat map results with local teams. *Id.* It concluded that these communications help increase awareness of CX issues and achieved the following results in the former South Florida District:

- A 31 percent reduction in “Where is My Package?” complaints
- A 51 percent reduction in Certified Mail exceptions
- An 85 percent drop in “Where is My Mail” concerns⁸⁹

Another advantage of the social media heat map cited by the Postal Service is real-time feedback for employees. Figure III-9 shows three examples of customer feedback the Postal Service shared with employees in the 85301 ZIP Code shortly after customers left these comments. Response to CHIR No. 14, question 5.a. The Postal Services states that it sends all comment reviews from social media to select customer service and relations specialists in the applicable Area or District on a regular basis. *Id.* question 5.b.

⁸⁹ *See Social Media Heat Map.*

Figure III-9
Social Media Heat Map
Examples of Customer Feedback

“ So beyond frustrated with this place. This problem has occurred multiple times. My packages aren't being delivered when my complex has lockers for larger packages which they aren't utilizing. Then they send them back here which isn't exactly close to me but the nearest post office assigned. I had set up a redelivery and even had an email confirmation and never got delivered. So now I'm forced to go clear up here to pick up my daughter's package that should have been redelivered. But it should have been delivered the first time as there were plenty of lockers available to place my package in. Extremely irritating! ”

“ I did have good experience here. They gave me my lost keys earlier than the expected time. Also saved my mails and packages safely. They are professionals and nice and patient on [customers]. ”

“ WOW! I used to dread going to the post office, but now coming here is one of the highlights of my day. This seemingly ordinary little post office is fast-paced, full of knowledgeable staff, and just all-around really good people. If you need help with anything post-related, the people at the downtown Glendale PO are there to walk you through it. I had no idea how many affordable, or even free services they provide (like the Informed Delivery app, free package pickups at your home, free re-delivery on missed packages, etc.). The clerks, letter carriers, and supervisors at the downtown Glendale PO have taught me everything I know about all things mail; they're the BEST! ”

Id. question 5.a.

The Postal Service explains that the social media heat map is being refined, has yet to be expanded nationwide or implemented systematically, and potential applications to CX are still being explored. *Id.* question 6.b-c. It states that preliminary results show that some benefits of the heat map include information sharing for both customers and Postal Service employees, as well as an enhanced ability to process and act upon feedback. *Id.* The Postal Service notes that there are currently no plans to change the data or design of the heat map in FY 2023, but it is exploring how to implement the social media heat map on a wider scale. *Id.* question 7.

The Postal Service currently evaluates CX by mainly using customer surveys. Although surveys can be useful to gauge customer perceptions, some customers may not wish to communicate through these mechanisms. By listening and communicating through social media, the Postal Service may reach and engage more customers, including those who are most and least dissatisfied.

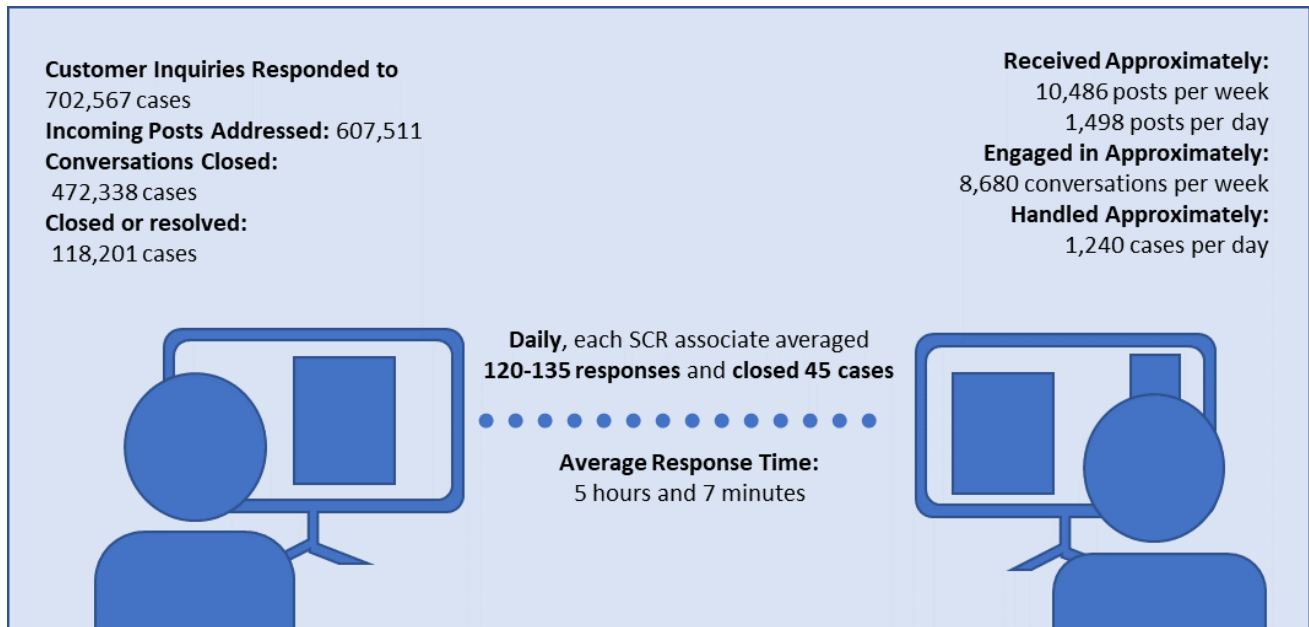
The Commission finds that the Postal Service is effectively using social listening to determine what people are saying about its brand and services on social media. The social media heat map is an effective tool for visualizing customer comments and categorizing them by concern and geographic area. The Commission recommends that the Postal Service continue to use social listening and the social media heat map to improve CX in FY 2023.

(2) Responding to Customer Inquiries

Background. The Postal Service responds to customer inquiries and concerns primarily on two social media platforms: Twitter and Facebook. Docket No. ACR2021, Response to CHIR No. 26, question 3.a. Customers may contact the Postal Service via its corporate @USPS Facebook page, as well as @USPS or @USPSHelp on Twitter. *Id.* The Social Customer Response (SCR) team addresses Facebook and Twitter customer inquiries directly with the customer from inception to completion. FY 2022 ACR at 82. The Postal Service explains that to address customer issues and inquiries, SCR associates contacted local Post Office supervisors, managers, postmasters, District Managers, District Marketing Managers, and Consumer and Industry Contact Managers. *Id.* It states that SCR associates recognized in-the-moment patterns to inform postal operations both locally and nationally. *Id.* Their primary goals were to offer customers convenience, to help educate them about the Postal Service's products and services, and to enhance their experience by interacting with customers on the social media platform of their choosing. *Id.* at 82-83.

Figure III-10 shows the reported number of inquiries the SCR team received, responded to, and resolved, as well as the average length of time for responding to customer inquiries.

Figure III-10
Social Customer Response Team
FY 2022 Reported Inquiries and Responses



Source: FY 2022 ACR at 82-83; Response to CHIR No. 29, question 6.c. The Postal Service explains that customers who request assistance post a message on Twitter or Facebook. Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-11 of Chairman’s Information Request CHIR No. 29, April 25, 2022, question 5 (Docket No. ACR2021, Response to CHIR No. 29). Each message is considered a single post. Docket No. ACR2021, Response to CHIR No. 29, question 5. Customer interaction with the SCR team consists of several posts. *Id.* This interaction is considered a single conversation or case. *Id.*

The Postal Service states that in FY 2022, the most common customer inquiry the SCR team addressed stemmed from item delivery and/or tracking issues. Response to CHIR No. 29, question 6.a. Based on the information provided by the customer, an SCR associate would reach out to the customer’s local Post Office, including the station manager or Postmasters, to confirm the status of the customer’s item in the delivery network. *Id.* question 6.b. After receiving this updated information, the SCR associate would message the customer about the status of the item. *Id.* Customers could follow up with the Postal Service and ask for other information or status updates as necessary. *Id.*

Customers who submit a question, concern, or inquiry via Twitter receive a customer survey after the situation is closed or resolved. Docket No. ACR2021, Response to CHIR No. 29, question 6.a. The question asks the customer “How satisfied are you with the level of customer service provided by our Social Customer Response Associate?” *Id.* In FY 2022, the SCR team achieved a customer satisfaction score of 3.2 out of 5 with a 42 percent survey completion rate.⁹⁰ Due to Facebook’s internal algorithms, the Postal Service is

⁹⁰ FY 2022 ACR at 83; see Response to CHIR No. 29, question 7.

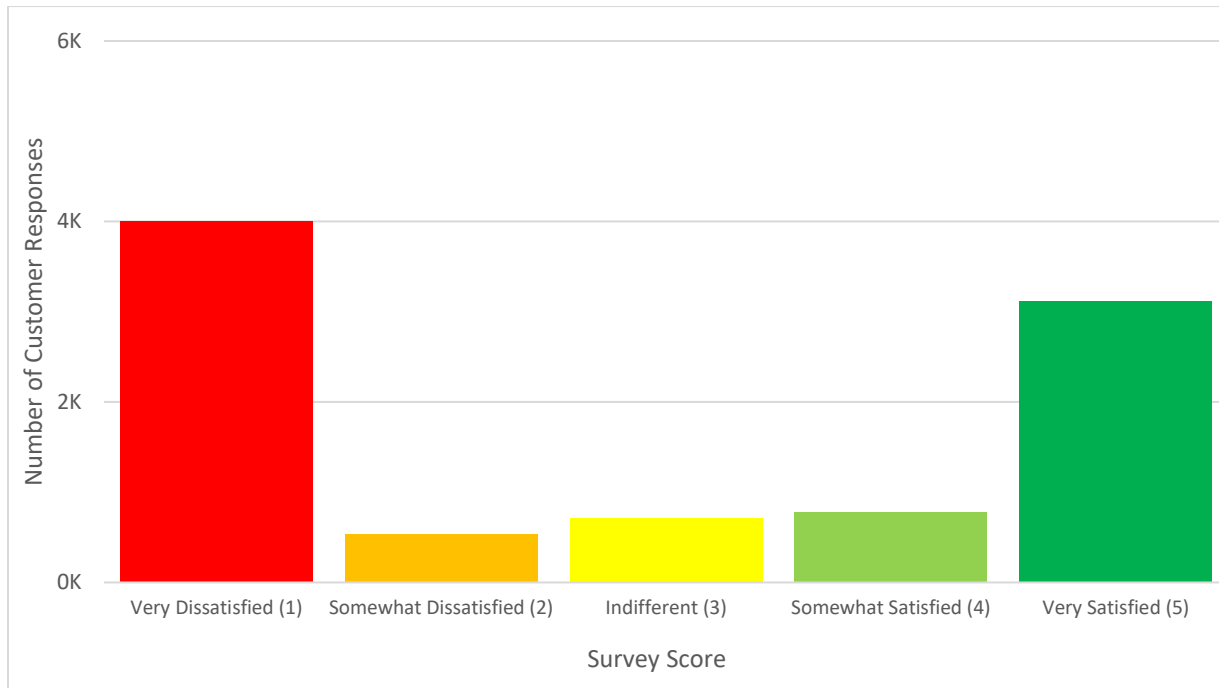
unable to send a customer satisfaction survey to customers who submit inquiries or issues via Facebook and interact with an SCR associate. Response to CHIR No. 29, question 8. However, it does send surveys to customers who use the Facebook ChatBOT tool, which is described below.

Facebook ChatBOT. To address the large number of customers who contact the Postal Service for help, the Postal Service developed and implemented an artificial intelligence (AI) ChatBOT on its Facebook Messenger platform. FY 2022 ACR at 83. The interactive ChatBOT uses natural learning to assist the Postal Service's self-help customers by offering hyperlinks directly to self-help tools and Frequently Asked Questions on the Postal Service's website. *Id.* To improve the ChatBOT's functionality, the Postal Service implemented a Spanish language translator to allow customers to continue their conversation in Spanish. *Id.* When interacting with the ChatBOT, customers have the option of being transferred to an SCR associate at any time. Response to CHIR No. 19, question 4.b.

In FY 2022, the ChatBOT responded to more than 90,440 conversations and resolved more than 44,915 customer needs without live agent interaction for basic tasks such as package tracking number lookup and stamp prices. FY 2022 ACR at 83. After interacting with the ChatBOT, customers were asked if the information they received was helpful. Response to CHIR No. 19, question 4.a. Those who answer affirmatively have their issue marked as resolved. *Id.* Customers who indicate that the ChatBOT was not helpful are directed to an SCR associate. *Id.* question 4.b. Based on this process, in FY 2022, 89,181 customers were transferred to the SCR team for follow up. *Id.* Of these customers, the SCR team reviewed 70,023 customer matters within 48 hours and closed the case. *Id.* Due to the availability of SCR associates, the remaining 19,158 customer matters were not addressed within 48 hours and were removed from the system. *Id.* The Postal Service asserts that "[a]ttempting to address customer matters after 48 hours is not an efficient practice given that customers may have already resolved their concerns or have sought alternative resolution options." *Id.*

To evaluate customer satisfaction with the Facebook ChatBOT, the Postal Service sends a survey to customers after they indicate that the ChatBOT was helpful. *Id.* question 3.a. The survey question asks customers, "How would you rate your service experience with USPS?" *Id.* question 3.b.i. The customer then selects an option ranging from 1 (Very Dissatisfied) to 5 (Very Satisfied). *Id.* The Postal Service states that in FY 2022, the Postal Service initiated 22,712 Facebook ChatBOT surveys and received 10,486 surveys in response. *Id.* question 3.b.ii.(2)-(3). In FY 2022, the average customer satisfaction score was 2.9 out of 5.0, with a response rate of 46 percent. *Id.* question 3.b.ii.(4)-(5). Figure III-11 shows the breakdown of customer responses to the Facebook ChatBOT customer satisfaction survey in FY 2022.

Figure III-11
Facebook ChatBOT
FY 2022 Customer Satisfaction Survey Responses^a



^a The time period shows the breakdown of customer responses from October 25, 2021 through September 30, 2022.
Source: Response to CHIR No. 27, question 2.

The Postal Service asserts that the Facebook ChatBOT has improved its ability to address needs and concerns of self-help customers, which it was unable to do previously due to limited resources. Response to CHIR No. 19, question 4.d. It states that the ChatBOT may promptly address simple customer issues and allow SCR associates to resolve more complex concerns, which may have positively impacted customer satisfaction and improved CX overall. *Id.* Regarding lessons learned from the ChatBOT, the Postal Service notes that the ChatBOT may be a valuable customer service resolution tool. *Id.* question 4.e. It states that it continues to improve the ChatBOT by using Natural Language Processing and integrating more information about customers’ evolving needs and concerns, which should improve the Postal Service’s ability to effectively resolve customer concerns in FY 2023. *Id.*

Other Artificial Intelligence Tools. Besides the Facebook ChatBOT, the Postal Service used the Artificial Intelligence Virtual Agent (AIVA) application as a tool to improve CX in FY 2022. *Id.* question 5. The AIVA is a voice application that interprets and understands customer inquiries using Natural Language Processing to provide scripted responses and execute requests based on specified business rules. *Id.* The Postal Service describes enhancements made to the AIVA in FY 2022, including the ability to track packages and

provide customers with an updated status, analyze that status and provide customers with next steps, and optionally enroll customers in proactive tracking text message notifications. *Id.*

In FY 2022, the AIVA application handled a total of 1,399,203 customer calls, with 871,947 calls ending without live agent involvement. *Id.* questions 6.a.-b. The AIVA overall satisfaction score was 59.12 percent.⁹¹ The Postal Service states that the key takeaway from the AIVA expansion was the importance of the interaction with the caller, which should not only sound human, but also properly process free-form feedback and follow-up questions. *Id.* question 6.d. It states it is exploring ways to analyze the AIVA application's current conversations and develop improvements. *Id.*

The Postal Service states it is investigating three major AIVA enhancements that may be implemented in FY 2023, including the ability to:

- Open a customer support service request when a customer asks for a live agent
- Proactively notify a customer when a package status with an open case is updated
- Create a testing platform to allow the Postal Service to test new conversations with a small subset of customers before general deployment⁹²

The Commission acknowledges the SCR team's efforts in FY 2022 to respond to a large number of customer inquiries considering the small size of the team. However, it is concerned about the average length of time for responding to customer inquiries, which was approximately 5 hours and 7 minutes in FY 2022. Response to CHIR No. 29, question 6.c.v. The response time increased significantly compared to FY 2021, which was 3 hours and 54 minutes. *See* Docket No. ACR2021, Response to CHIR No. 26, question 3.c. According to a recent study, approximately 37 percent of customers who submit a question or complaint via social media expect a response within 30 minutes, and approximately 26 percent of customers expect a response within 4 hours.⁹³ All other things being equal, using the Facebook ChatBOT, AIVA, and other AI tools could help field routine issues and decrease the response time for customer inquiries, which would improve overall CX.

The Commission commends the Postal Service for continuing to expand its efforts to respond to customer inquiries via social media. The Commission encourages the Postal Service to continue using the Facebook ChatBOT, AIVA, and other AI tools to continue helping customers and to improve the response time for customer inquiries.

⁹¹ *Id.* question 6.c. AIVA scores are separated from customer responses to the CCC IVR System survey. *Id.*

⁹² *Id.* question 7.

⁹³ *How to integrate social media into your CX program*, available at <https://www.qualtrics.com/uk/experience-management/customer/social-media-and-cx/> (Qualtricssm Social Media).

C. Safe Workplace and Engaged Workforce

1. Background

In FY 2022, 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 Grand Mean Engagement Score assesses overall engagement levels of survey respondents. Each metric is described below.

a. Total Accident Rate

In FY 2022, the Postal Service continued to use the Total Accident Rate as a performance indicator to measure progress toward improving employee safety. *FY 2022 Annual Report* at 41. The Total Accident Rate is calculated by multiplying the total number of accidents during the year by 200,000, which is the average number of annual workhours per employee (2,000) multiplied by 100 to standardize accident rates. *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.* at 41-42. 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.⁹⁴

The FY 2022 Total Accident Rate result was 12.39, which was better than the FY 2022 target of 13.45. *FY 2022 Annual Report* at 42. The Postal Service reports that between FY 2021 and FY 2022, the number of recordable, non-recordable, and motor vehicle

⁹⁴ *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.*

accidents decreased.⁹⁵ The largest decrease was for non-recordable accidents, which declined by 14.58 percent. *FY 2022 Annual Report* at 42.

The Postal Service explains it was able to meet the FY 2022 Total Accident Rate target for three main reasons. First, it continued the Safety Intervention and Recognition program that tracks District-level performance monthly. *Id.* Second, it added new visualizations and data analytical tools, which “provided immediate access to data and allowed each manager/supervisor insight into the accident trends in their facilities.” *Id.* Third, the Postal Service continued to enhance the Safety and Health Management Tool (SHMT) to provide field leadership with regular reporting and trend analysis information. *Id.* Tools and programs that helped the Postal Service improve employee safety in FY 2022 are discussed in more detail below. *See* Section C.3.a., *infra.*

The FY 2023 Total Accident Rate target is 13.25, which is lower and therefore more difficult to meet than the FY 2022 target of 13.45. *See FY 2022 Annual Report* at 42. 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.* It states it will target at-risk groups and continue to enhance the Occupational Safety and Health (OSH) Scorecard and SHMT to provide increased visibility into accident prevention opportunities. *Id.* Plans for meeting the FY 2023 target are discussed in more detail below. *See* Section C.3.a., *infra.*

b. Grand Mean Engagement Score

Each year, the Postal Service administers the Postal Pulse survey to all employees to measure the level of engagement at the Postal Service. *FY 2022 Annual Report* at 43. The Postal Pulse survey was developed by Gallup, Inc., which contracts with the Postal Service to measure employee engagement.⁹⁶ Figure III-12 is a copy of the FY 2022 Postal Pulse survey.

⁹⁵ *Id.* “Recordable” accidents are those that result in medical treatment (beyond first aid), days away from work, restrictions or transfer to another job, death, or loss of consciousness. Recordable accidents must be reported to OSHA. *See FY 2016 Analysis* at 50 n.66.

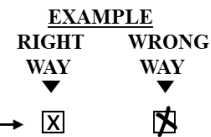
⁹⁶ *See* Gallup, Inc., *Gallup Q12 and Employee Engagement FAQs: Frequently Asked Questions About Employee Engagement and the Engagement Survey*, at 1-2, available at <https://liteblue.usps.gov/emp-engagement/pdf/Employee-Engagement-FAQs.pdf> (Gallup FAQ).

**Figure III-12
FY 2022 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.

START HERE	<p>Begin the survey by answering the following question regarding your level or satisfaction with the Postal Service as a place to work.</p> <p>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?.....</p>	<p>Extremely Dissatisfied</p> <p>1 2 3 4 5</p> <p>▼ ▼ ▼ ▼ ▼</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>	<p>Extremely Satisfied</p> <p>1 2 3 4 5</p> <p>▼ ▼ ▼ ▼ ▼</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>	<p>Don't Know</p> <p>▼</p> <p><input type="checkbox"/></p>
<p>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.</p>		<p>Strongly Disagree</p> <p>1 2 3 4 5</p> <p>▼ ▼ ▼ ▼ ▼</p>	<p>Strongly Agree</p> <p>1 2 3 4 5</p> <p>▼ ▼ ▼ ▼ ▼</p>	<p>Don't Know/Does Not Apply</p> <p>▼</p>
<p>1. I know what is expected of me at work.....</p> <p>2. I have the materials and equipment I need to do my work right.....</p> <p>3. At work, I have the opportunity to do what I do best every day.....</p> <p>4. In the last seven days, I have received recognition or praise for doing good work.....</p> <p>5. My supervisor, or someone at work, seems to care about me as a person.....</p> <p>6. There is someone at work who encourages my development.....</p> <p>7. At work, my opinions seem to count.....</p> <p>8. The mission of purpose of my company make me feel my job is important.....</p> <p>9. My fellow employees are committed to doing quality work.....</p> <p>10. I have a best friend at work.....</p> <p>11. In the last six months, someone at work has talked to me about my progress.....</p> <p>12. This last year, I have had opportunities at work to learn and grow.....</p> <p>13. My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs.....</p> <p>14. I would recommend my organization to friends and family as a great place to work.....</p> <p>15. I would recommend my organization's products and services to friends and family members.....</p>		<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input 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<p>THANK YOU for your participation!</p> <p>Please mail your completed survey to Gallup no later than Friday, July 15, 2022, using the postage-paid business reply envelope provided.</p>				

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Source: Response to CHIR No. 26, question 8.a., file "postal_pulse_survey_2022."

As shown in Figure III-12, the Postal Pulse survey asks participants to rate their level of agreement with 16 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. Question 0 asks employees to rate their level of satisfaction with the Postal Service as a place to work. Questions 1 through 12 are the foundational elements of employee engagement that measure the core elements needed to attract, focus, and retain the most talented employees. Gallup FAQ at 2. Engaged employees are “involved in, enthusiastic about and committed to their work and contribute to their organization in a positive manner.”⁹⁷ Question 13 was added to the Postal Pulse survey in FY 2020 to ask employees to rate their level of agreement with the statement, “[m]y immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs.” *FY 2020 Annual Report* at 43; *see FY 2021 Analysis* at 87.

The Postal Pulse survey was administered from June 14, 2022 through July 15, 2022. *FY 2022 Annual Report* at 43. Non-bargaining employees received the survey link via Postal email when the survey began and continued receiving links to the survey until they responded or July 15, 2022, when the Postal Pulse survey closed. *Id.* The survey was administered to bargaining-unit employees via a paper survey distributed at the work unit, a paper survey mailed to the employee’s home address, and via postal email (if available). *Id.* All employees were invited to respond to the survey on-the-clock and were encouraged to complete the survey through other channels, such as email, scanner alerts, stand-up talks, and internal employee communications. *Id.*

In FY 2022, the Postal Service made two major changes to the Postal Pulse survey. First it added two new questions asking employees whether they would recommend the Postal Service as a great place to work and whether they would recommend postal products and services to friends and family. *See* Figure III-12, *supra*. These questions are similar to those asked on the Net Promoter Score survey, which measures customer experience.⁹⁸ Second, the Postal Service removed the direct response comment box that was included in prior surveys. It explains that employees have other, more direct means of providing feedback, such as directly reporting positive changes to their supervisors, which facilitate timely employee engagement. Response to CHIR No. 26, question 9.b.

The Postal Service measures employee engagement using the Grand Mean Engagement Score and the Engagement Survey Response Rate. The Grand Mean Engagement Score assesses overall engagement levels of survey respondents, while the Engagement Survey Response Rate shows the level of participation among the entire employee population. *FY 2022 Annual Report* at 42. Between FY 2018 and FY 2021, the Postal Service used the Engagement Survey Response Rate as one of the performance indicators for measuring progress toward the Safe Workplace and Engaged Workforce performance goal. In

⁹⁷ 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>.

⁹⁸ The Net Promoter Score is discussed in Chapter III, Section B.3.c., *supra*.

FY 2022, the Postal Service changed the performance indicator for measuring an engaged workforce from the Engagement Survey Response Rate to the Grand Mean Engagement Score, which is derived from the average scores of Questions 1-12 on the Postal Pulse Survey and expressed as a number between 1 and 5. The Postal Service explains that it made this change because “[a]nalysis of postal data has shown that grand mean engagement scores correlate significantly with a variety of key performance metrics, such as improved productivity, improved customer satisfaction, and reduced leave usage, accidents, and injuries.” *FY 2021 Annual Report* at 44. The Grand Mean Engagement Score and Engagement Survey Response Rate are described in more detail below. *See* Section C.3.b.(1) and (2), *infra*.

The FY 2022 Grand Mean Engagement Score was 3.31, which was slightly lower than both the FY 2022 target of 3.38 and the FY 2021 result of 3.36. *FY 2022 Annual Report* at 43. The FY 2022 Engagement Survey Response Rate was 25 percent, which was the same as FY 2021. *Id.* The Postal Service explains that changes in the United States workforce since the COVID-19 pandemic have contributed to the decline in employee engagement in FY 2022. *Id.* This explanation is discussed in more detail below. *See* Section C.3.b.(1), *infra*.

The FY 2023 target for the Grand Mean Engagement Score is 3.33.⁹⁹ The Postal Service states that it plans to meet this target by implementing new programs initiated under the 10-Year Strategic Plan that focus on two major employee groups: front-line supervisors and newly hired pre-career employees. *Id.* Plans for improving employee engagement are discussed below. *See* Section C.3.b., *infra*.

2. Comments

Regarding a safe workplace, the Public Representative commends the Postal Service for exceeding the Total Accident Rate target by more than one full point and encourages it “to continue implementing and refining its safety programs and data visualization tools, which appear to have been effective” in promoting a safe workplace. PR Comments at 16. However, he expresses concern that the FY 2023 Total Accident Rate target of 13.25 “may not be sufficiently ambitious” because it is more than the Total Accident Rate results in FY 2022 (12.39) and FY 2020 (13.09). *Id.* at 17. He also recommends that the Postal Service develop and implement tools to monitor the safety and performance of contractor-operated motor vehicles, as well as review its contracting practices to ensure that contractors comply with applicable laws and regulations. *Id.* at 16.

In its reply comments, the Postal Service responds that the FY 2023 Total Accident Rate target reflects new developments in FY 2023 that may increase the potential for accidents. Postal Service Reply Comments at 5. These developments include network modernization efforts that may affect employee work habits; moving operations previously performed by

⁹⁹ *Id.* Because the Engagement Survey Response Rate is not a performance indicator for the Safe Workplace and Engaged Workforce performance goal, no target was set for FY 2023.

contractors in-house; and introducing new employees, carrier routes, reconfigured facilities, and work poses. *Id.* The Postal Service notes that despite the potential increase in accidents, the FY 2023 Total Accident Rate target is more ambitious than FY 2022. *Id.* The Postal Service also describes efforts to improve the safety and performance of contractor-operated motor vehicles, which are discussed in Section C.3.a.(2), *infra*.

Regarding an engaged workforce, the Public Representative comments that similar to other workplaces in the United States, the Postal Service workplace environment may have been negatively impacted by increased employee dissatisfaction and disengagement. PR Comments at 18. However, he asserts that “the Postal Service does not analyze reasons for employee disengagement that may be specific to the Postal Service, as opposed to the general population.” *Id.* He states that the Postal Service does not indicate whether any question or category of questions disproportionately contributed to the decreased Grand Mean Engagement Score, which makes it difficult to craft specific solutions to combat employee disengagement. *Id.* Because the Grand Mean Engagement Score rebounded to pre-pandemic levels in FY 2021 but decreased in FY 2022, the Public Representative questions whether the decline can reasonably be attributed to disengagement in the wake of the COVID-19 pandemic. *Id.* at 18-19.

The Public Representative agrees that the FY 2023 Grand Mean Engagement Score target of 3.33 is appropriate. *Id.* at 19. He encourages the Postal Service to continue pursuing initiatives for hiring, training, and retaining employees to promote an engaged workforce. *Id.* He expresses concern that the Engagement Survey Response Rate did not improve in FY 2022 and urges the Postal Service to increase communications with employees and their managers. *Id.* at 19-20.

The Postal Service responds that the Public Representative’s portrayal of the Postal Pulse survey and how it is used is incomplete. Postal Service Reply Comments at 9. It asserts that a “one-size-fits-all” approach for diagnosing and addressing employee engagement concerns is not appropriate for an organization as large as the Postal Service. *Id.* It maintains that the broader trends described in the *FY 2022 Report* account, in large part, for the overall decrease in employee engagement, which the Postal Service did not experience before the COVID-19 pandemic. *Id.* at 9-10. It concludes that the national initiatives described in the *FY 2023 Plan*, combined with efforts to address engagement issues at the local level, creates a comprehensive approach to improving employee engagement in FY 2023. *Id.* at 10.

3. Commission Analysis

In FY 2022, the Postal Service exceeded the Total Accident Rate target but missed the Grand Mean Engagement Score target. *See FY 2022 Annual Report* at 33.

The Commission finds that the Postal Service partially met the Safe Workplace and Engaged Workforce performance goal in FY 2022.

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.

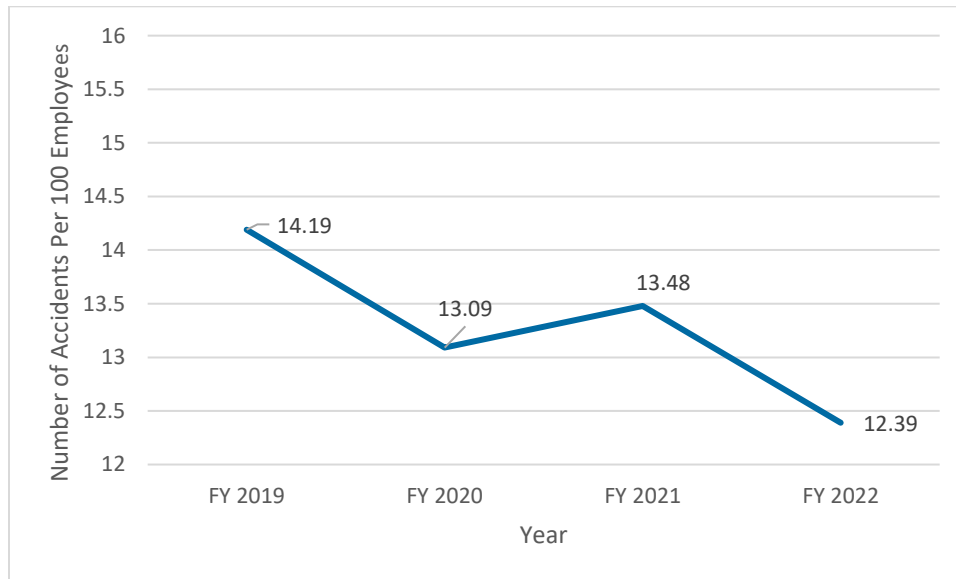
a. Safe Workplace

With regard to workplace safety, the Commission discusses the Total Accident Rate performance indicator and explores issues related to motor vehicle accidents.

(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-13 shows Total Accident Rate results from FY 2019 through FY 2022.

Figure III-13
Total Accident Rate Results
FY 2019-FY 2022

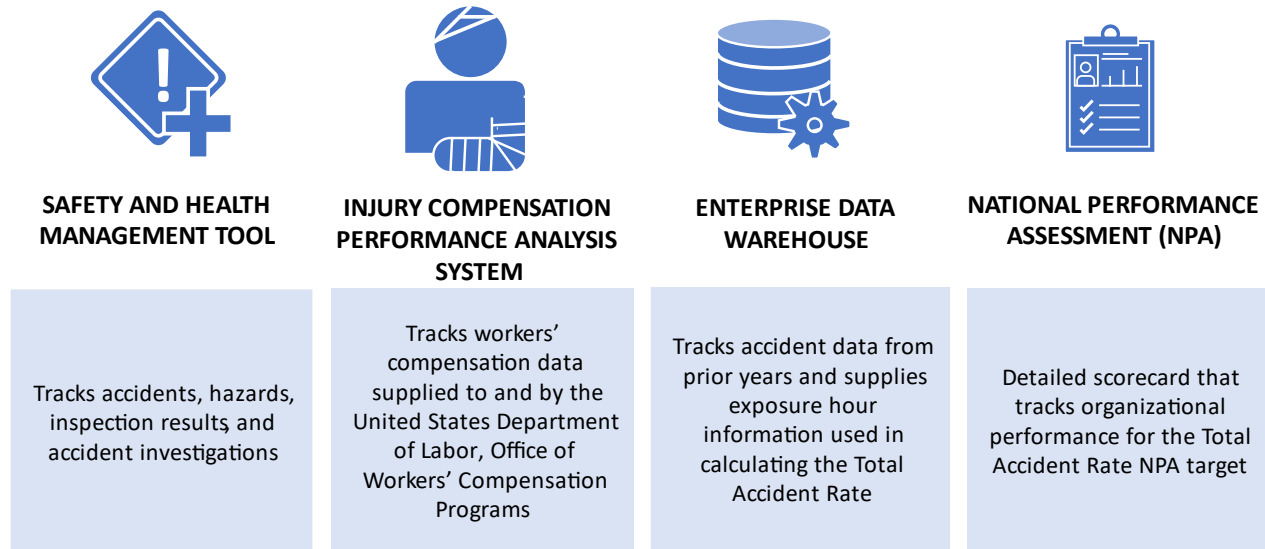


Source: *FY 2022 Annual Report* at 33. The Total Accident Rate results provided in CHIR responses differ from the numbers reported in the *Annual Report to Congress* because these numbers are obtained from a dynamic database that reflect coding changes or additional claims submitted after the end of the fiscal year. *FY 2021 Annual Report* at 43 n.2.

FY 2022 was the fourth year in a row that the Postal Service met the Total Accident Rate target. As Figure III-13 shows, the Total Accident Rate improved between FY 2019 and FY 2020, increased slightly in FY 2021, and improved to 12.39 in FY 2022, which was the best Total Accident Rate result since the Postal Service began using this performance indicator in FY 2017. See *FY 2020 Analysis* at 85, 90. In FY 2022, the Postal Service used data analysis tools related to workplace safety that “provided immediate access to data

and allowed each management/supervisor insight into the accident trends in their facilities[,]”¹⁰⁰ which are shown in Figure III-14.

**Figure III-14
Workplace Safety Data Analysis Tools
Used in FY 2022**



Source: Response to CHIR No. 26, question 4.a.; Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-15 of Chairman's Information Request No. 25, March 25, 2022, question 6.a. (Docket No. ACR2021, Response to CHIR No. 25).

The Postal Service combines all data from these tools related to accidents, workers' compensation, and employee availability into a single OSH Scorecard, which allows it to visualize the complete impact of an accident and/or injury. Docket No. ACR2021, Response to CHIR No. 25, question 6.b. This scorecard “allows field leadership to track the costs and impacts of each accident and documents efforts to return injured workers to suitable employment as early as possible.” *FY 2021 Annual Report* at 43. Data on total accident reduction, disability compensation reduction, and returning employees to work are “drillable down to the facility level and can be exported or enlarged as needed for more detailed discussions regarding performance.” *Id.* question 8.b. The OSH Scorecard color codes each metric to identify those locations that are meeting targets and those that are not. *Id.*

The Postal Service explains that it met the FY 2022 Total Accident Rate target by “continuing the Safety Intervention and Recognition program that tracked [D]istrict/[D]ivision level performance each month.” *FY 2022 Annual Report* at 42. This program targets for intervention those Districts and Divisions that have high accident

¹⁰⁰ *FY 2022 Annual Report* at 42; Response to CHIR No. 26, question 4.a.

rates or show a trend toward an increasing Total Accident Rate.¹⁰¹ Each month, the Postal Service analyzed data from the OSH Scorecard to identify any District or Division not meeting minimum standards for performance. Response to CHIR No. 26, question 3.b. That District or Division is then required to implement an action plan designed to get performance back on track by the end of the year. *Id.* The Safety Intervention and Recognition program allows the Postal Service to identify trends of rising accident rates each month and allow Districts and Divisions not meeting minimum safety standards to analyze methods for improving workplace safety. *Id.*

The FY 2023 Total Accident Rate target is 13.25, which is lower and therefore a more difficult target to meet compared to the FY 2022 target of 13.45. *See FY 2022 Annual Report* at 33. To help meet the FY 2023 target, the Postal Service states it will continue to enhance the OSH Scorecard and the SHMT “to meet the needs of [its] operational partners to provide increased visibility into accident prevention opportunities.” *Id.* at 42. It explains that the OSH Scorecard will permit field users to easily identify trends and opportunities to improve workplace safety without having to sort through complex spreadsheet data. Response to CHIR No. 26, question 5.b. It states that the SHMT will allow users to identify and eliminate hazards, record accident details, document inspection findings, establish action plans to prevent accidents, and perform root cause analysis. *Id.*

The Public Representative comments that the Total Accident Rate target of 13.25 may not be sufficiently ambitious because it is higher than Total Accident Rate results from FY 2022 (12.39) and FY 2020 (13.09). PR Comments at 17. He asserts that achieving the target of 13.25 in FY 2023 “would not seem to be a noteworthy accomplishment” because the Postal Service has demonstrated its ability to achieve a considerably better Total Accident Rate result. *Id.* The Postal Service responds that the FY 2023 target reflects several changes that may increase the potential for accidents. Postal Service Reply Comments at 5. First, it notes that initial efforts to modernize the network may impact the work habits of a large number of employees. *Id.* Second, it explains that it plans to have employees conduct certain operations previously performed by contractors. Third, it states that introducing new employees, carrier routes, reconfigured facilities, and types of work poses could, in the short term, increase the potential for accidents. *Id.* However, it maintains that despite the increased potential for accidents, the FY 2023 Total Accident Rate target is more ambitious than the FY 2022 target. *Id.*

The Commission commends the Postal Service for meeting the Total Accident Rate target for the fourth year in a row and achieving the best result since the Postal Service began using the Total Accident Rate as a performance indicator in FY 2017. The Postal Service’s continued use of workplace safety data analysis tools and the Safety Intervention and

¹⁰¹ *FY 2020 Annual Report* at 41. Specifically, intervention applies when any of the following occur: (1) any District exceeds a Total Accident Rate of 6; (2) any Division exceeds a Total Accident Rate of 11; or (3) any District or Division shows a 3 percent or greater increase in the number of injured employees receiving workers’ compensation disability compensation payments compared to the same period last year. Docket No. ACR2021, Response to CHIR No. 25, question 4.b.

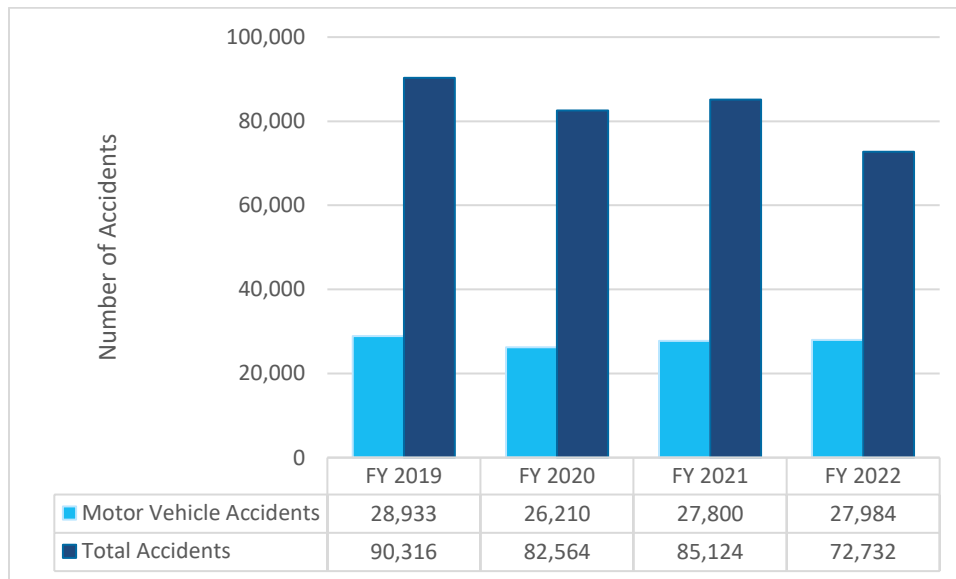
Recognition Program appear to have been effective in promoting a safe workplace in FY 2022 because the number of accidents decreased for each accident type.

The Commission finds that the FY 2023 Total Accident Rate target is reasonable considering the changes in FY 2023 that could increase the potential for safety incidents. The Postal Service’s plans to continue using the OSH Scorecard and SHMT in FY 2023 appear designed to improve employee safety and the Total Accident Rate. The Commission recommends that in the FY 2023 Report, the Postal Service describe efforts to promote a safe workplace in FY 2023 and plans to improve employee safety in FY 2024.

(2) Motor Vehicle Accidents

The Total Accident Rate includes motor vehicle accidents. Figure III-15 shows the number of motor vehicle accidents and the total number of accidents from FY 2019 through FY 2022.

**Figure III-15
Total Accidents and Motor Vehicle Accidents
FY 2019-FY 2022**



Source: Response to CHIR No. 26, question 2. 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. See *FY 2021 Annual Report* at 43 n.2.

As Figure III-15 shows, motor vehicle accidents represented 38.48 percent of the total number of accidents in FY 2022. The number of motor vehicle accidents decreased between FY 2019 and FY 2020 but increased slightly in FY 2021 and FY 2022. Motor vehicle accidents have been slowly increasing since their lowest numbers in FY 2020, but

still remain lower than pre-pandemic levels. The increase in the percentage of motor vehicle accidents relative to total accidents is due to fewer total accidents in FY 2022.

During FY 2022, the Postal Service began issuing Area and Regional Updates, which are quarterly newsletters for employees that describe updates for Retail and Delivery Operations Areas and Districts as well as Logistics and Processing Operations Regions and Divisions.¹⁰² The Commission observes that these updates promote safe driving by recognizing management and employees' commitment to motor vehicle safety.¹⁰³

The Public Representative takes note of a news report on safety issues regarding motor vehicles contracted to transport mail for the Postal Service.¹⁰⁴ The number of motor vehicle accidents reported in the Total Accident Rate does not include accidents related to motor vehicles driven by independent contractors to transport mail for the Postal Service. Response to CHIR No. 18, question 1. The Postal Service clarifies that accidents related to motor vehicles driven by independent contractors are not part of the Safe Workplace and Engaged Workforce performance goal because that goal concerns Postal Service employees and not third parties. *Id.* question 1.a. It explains that independent contractors retained by the Postal Service are responsible for the safety of their operations. *Id.* question 1.b. However, Postal Service contracts with these contractors impose specific safety requirements, and the Postal Service reviews safety incidents involving contractors as they occur. *Id.*

In FY 2022, the Postal Service states it monitored the safety and performance of contractor-operated motor vehicles by discussing safety incidents with the relevant contractors as they occurred to determine the cause and reduce the likelihood of recurring incidents. *Id.* question 2. It notes that it continued its ongoing practice of reviewing transportation contractors to terminate relationships with those contractors that have unsatisfactory safety performance. *Id.* The Postal Service also states that it onboarded a new third-party software provider to help monitor and evaluate overall contractor safety

¹⁰² United States Postal Service, *Happy return USPS introduces new Update newsletter*, Link (July 15, 2022), available at <https://link.usps.com/2022/07/15/happy-return/> ("Area and Regional Update replaces the Area Update newsletters that USPS published until 2020. Since then, the organization has published a quarterly National Update.").

¹⁰³ See, e.g., United States Postal Service, *Wonder workers keep district fleet in shape*, Area and Regional Update-Atlantic Eastern Edition (June 2022), at 4, available at <https://liteblue.usps.gov/lite-blue/pdf/Atlantic-Eastern-Regional-Update-June2022.pdf?from=AreaUpdatesArchive&page=AtlanticEastern>; United States Postal Service, *Driver instructors teach 'staying in your lane,'* Area and Regional Update-Atlantic Eastern Edition (November 2022), at 13, available at <https://liteblue.usps.gov/lite-blue/pdf/Atlantic-Eastern-Regional-Update-Fall-2022.pdf?from=AreaUpdatesArchive&page=AtlanticEastern>.

¹⁰⁴ PR Comments at 16 (citing Christopher Weaver, *Trucks Hauling U.S. Mail Frequently Violate Safety Rules. Crashes Killed 79 People Since 2020.*, The Wall Street Journal (Mar. 1, 2023), available at <https://www.wsj.com/articles/trucks-mail-violate-safety-rules-deadly-crashes-8b9a4c92>). A follow-up article described that the Postal Service emailed its trucking contractors and directed them to immediately report details of accidents resulting in death, injuries, or significant property damage directly to several senior Postal Service officials. Christopher Weaver, *U.S. Postal Service Trucking Contractors Must Now Disclose Serious Traffic Accidents*, The Wall Street Journal (Mar. 15, 2023), available at <https://www.wsj.com/articles/u-s-postal-service-trucking-contractors-must-now-disclose-serious-traffic-accidents-6ceafe6b>. Subsequently, another article described how freight brokers that arrange discounted shipments for the Postal Service could lead to unsafe practices for contractors transporting mail for the Postal Service. Christopher Weaver, *U.S. Postal Service's Search for Savings Brings Riskier Drivers*, The Wall Street Journal (June 15, 2023); available at <https://www.wsj.com/articles/u-s-postal-services-search-for-savings-brings-riskier-drivers-33d5bf6c>.

performance. Response to CHIR No. 26, question 6. It notes that this software provider captures data from various government transportation agencies and compiles this information into a centralized database that the Postal Service may view via an online tool.¹⁰⁵ The Postal Service explains that the online tool helps it consult overall contractor safety performance ratings and investigate any non-compliance violations issued to individual contractors. *Id.* It states that the online tool also provides almost real-time updates on reports related to contractor safety ratings, which allows the Postal Service to identify contractors who have lost their license to operate motor vehicles. *Id.*

To improve the safety and performance of contractor-operated motor vehicles in FY 2023, the Postal Service states it will continue to require independent contractors to operate motor vehicles safely; adhere to federal, state, and local laws; and properly compensate their employees. Response to CHIR No. 18, question 4. It explains that “[r]epeated safety incidents involving our independent contractors are, and will continue to be, grounds for termination when the Postal Service determines that such contractors are not pursuing consequential remedial actions.” *Id.*

Also, the Postal Service describes an ongoing initiative during the past several years to revamp its approach to managing its transportation portfolio, including that portion involving independent third-party contractors. *Id.* It states that it formed a new transportation strategy team led by industry leaders outside the Postal Service to focus solely on transportation procurement. Response to CHIR No. 26, question 7.a-b. It explains that this strategy team focused on attracting contractors with a broad portfolio of customers and equipped with advanced technology. *Id.* The Postal Service notes that during the past 3 years, it has onboarded 188 new motor vehicle contractors while replacing 218 contractors. *Id.* It also describes changes to the way it contracts with third-party contractors to operate motor vehicles, such as simplifying contract terms and conditions and adopting revised safety criteria. *Id.*

In his comments, the Public Representative strongly urges the Postal Service to develop and implement tools for tracking serious incidents involving trucking contractors. PR Comments at 16. He also recommends that the Postal Service review its contracting practices “to ensure that its contractors comply with all applicable laws and regulations and promote the safety of drivers and the general public.” *Id.* He comments that because the Postal Service is switching over from air transportation to surface transportation, the role of third-party motor vehicle contractors could increase and thus require closer monitoring of their activities. *Id.* at 16-17.

In its reply comments, the Postal Service reiterates that it reviews safety incidents with contractors as they occur, discusses these incidents with the contractors to determine the cause, and evaluates transportation contractors to terminate relationships with those

¹⁰⁵ *Id.* These government agencies include the Federal Motor Carrier Safety Administration and the Department of Transportation. *Id.*

contractors that have unsatisfactory safety performance. Postal Service Reply Comments at 6. It states that it hired a third-party software provider to help measure and monitor the safety and performance of contractor-operated motor vehicles and is engaged in an ongoing initiative to revamp its approach to managing its transportation portfolio. *Id.*

Although contractor-operated motor vehicle safety is not part of the Safe Workplace and Engaged Workforce performance goal, it is an important factor when evaluating the Postal Service as a safe place to work. Moreover, as the Postal Service increases its reliance on ground transportation (and shifts away from air transportation), the Postal Service should increase its efforts to monitor the safety and performance of contractor-operated motor vehicles, including vehicles operated by subcontractors of freight brokers. The ongoing efforts identified by the Postal Service appear designed to address and prevent the types of contractor-operated motor vehicle safety incidents at issue. In particular, onboarding a new third-party software provider that provides near real-time updates on reports related to contractor safety rates will help the Postal Service address accidents and other safety incidents as they occur.

The Commission recommends that the Postal Service continue to recognize employees that promote a safe workplace and motor vehicle safety in quarterly newsletters and other publications. Also, the Commission recommends that the Postal Service continue to monitor the safety and performance of contractor-operated motor vehicles (including vehicles operated by subcontractors of freight brokers) and address safety incidents shortly after they occur to help prevent future incidents and unsafe practices.

b. Engaged Workforce

In FY 2022, the Postal Service tracked progress toward the Safe Workplace and Engaged Workforce performance goal using the Grand Mean Engagement Score as one of the performance indicators. The Postal Service also measured employee engagement using the Engagement Survey Response Rate. Each of these metrics is explored below.

(1) Grand Mean Engagement Score

The Postal Service measures overall engagement levels of Postal Pulse survey respondents using the Grand Mean Engagement Score, which is derived from the average of ratings for survey Questions 1 through 12 provided by Postal Pulse survey respondents. Response to CHIR No. 26, question 12. To calculate the Grand Mean Engagement Score, responses to each survey question are averaged to calculate the mean score for each question using the 5-point survey scale, with 5 being the highest score and 1 being the lowest. *Id.* Next, the mean scores for Questions 1 through 12 are averaged to calculate the Grand Mean Engagement Score. *Id.* Table III-14 shows results for the Grand Mean Engagement Score, as well as the mean score for each question on the Postal Pulse survey, from FY 2019 through FY 2022.

Table III-14
Postal Pulse Survey Grand Mean Engagement Scores and Mean Scores
FY 2019-FY 2022

Postal Pulse Survey Questions	Question-Specific Mean Score ^a			
	FY 2019	FY 2020	FY 2021	FY 2022
Q0. How satisfied are you with the Postal Service as a place to work?	3.60	3.48	3.52	3.45
Grand Mean Engagement Score	3.36	3.29	3.36	3.31
Q1. I know what is expected of me at work.	4.30	4.26	4.29	4.29
Q2. I have the materials and equipment I need to do my work right.	3.61	3.54	3.60	3.55
Q3. At work, I have the opportunity to do what I do best every day.	3.80	3.74	3.81	3.78
Q4. In the last seven days, I have received recognition or praise for doing good work.	2.88	2.83	2.91	2.86
Q5. My supervisor, or someone at work, seems to care about me as a person.	3.48	3.41	3.48	3.42
Q6. There is someone at work who encourages my development.	3.12	3.01	3.12	3.08
Q7. At work, my opinions seem to count.	2.94	2.85	2.95	2.90
Q8. The mission or purpose of my company makes me feel my job is important.	3.61	3.60	3.62	3.54
Q9. My fellow employees are committed to doing quality work.	3.42	3.43	3.42	3.35
Q10. I have a best friend at work.	3.08	3.04	3.10	3.03
Q11. In the last six months, someone at work has talked to me about my progress.	2.87	2.73	2.83	2.80
Q12. This last year, I have had opportunities at work to learn and grow.	3.17	3.04	3.14	3.11
C01. My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs.	N/A	2.73	2.83	2.77
C02. I would recommend my organization to friends and family as a great place to work.	N/A			3.13
C03. I would recommend my organization's products and services to friends and family members.	N/A			3.79

N/A – Question was not asked on the Postal Pulse survey for that fiscal year.

^a The mean score is the average score for each question on the Postal Pulse survey using the 5-point survey scale, with 5 being the highest score and 1 being the lowest.

Source: *FY 2022 Annual Report* at 33; Response to CHIR No. 26, question 8.b.; Docket No. ACR2021, Response to CHIR No. 25, question 13; Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 23, March 11, 2022, 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.

Table III-14 shows that both the Grand Mean Engagement Score and mean scores for each question on the Postal Pulse survey either decreased or remained the same between FY 2021 and FY 2022.¹⁰⁶ The Postal Service explains that the decrease in the Grand Mean Engagement Score and overall employee engagement was caused by changes to the United States workforce since the COVID-19 pandemic. *FY 2022 Annual Report* at 43. It states that many organizations have experienced an increase in turnover and decreased employee engagement and satisfaction, which has been described as the “great resignation” and “quiet quitting.” It asserts that employees are reacting to the COVID-19 pandemic by re-evaluating whether their work is meaningful to them and deciding not to exert extra effort at work to improve work-life balance. *Id.* It points out that companies with lower-paying jobs, such as those in the service industry, are struggling to hire enough workers. *Id.*

The Public Representative comments that the Postal Service’s explanation for the decrease in Grand Mean Engagement Score does not identify reasons for employee disengagement specific to the Postal Service compared to the general population. PR Comments at 18. He states that the Postal Service does not offer any insight into whether any question or category of questions disproportionately contributed to the lower result. *Id.* He questions whether the decline should be attributed to the COVID-19 pandemic considering that the Grand Mean Engagement Score rebounded to pre-pandemic levels in FY 2021 but decreased in FY 2022. *Id.* at 19. The Postal Service responds that it conducts extensive analysis of Postal Pulse survey results at all levels because managers have access to the results, which they can use to identify key drivers of engagement for their respective work units. Postal Service Reply Comments at 9. It maintains that the broader workforce trends described in the *FY 2022 Report* account, in large part, for the decline in employee engagement. *Id.* at 9-10.

The Commission acknowledges that overall employee engagement has declined across the country since the COVID-19 pandemic. A recent Gallup article reported that employee engagement in the United States experienced its first annual decline in a decade, dropping from 36 percent engaged employees in 2020 to 34 percent in 2021.¹⁰⁷ This decline continued into 2022, with only 32 percent of full- and part-time employees engaged. See *U.S. Employee Engagement Needs a Rebound in 2023*. These trends also apply to the Postal Service because the Gallup article was based on the Gallup Q12 survey, which is identical to Questions 1 through 12 on the Postal Pulse survey.

However, as the Public Representative notes, the overall decline in employee engagement across the country does not analyze or identify reasons for employee dissatisfaction specific to the Postal Service. In FY 2021, the Postal Service experienced an organizational

¹⁰⁶ This comparison does not include Questions C02 and C03, which were added in FY 2022.

¹⁰⁷ Jim Harter, *U.S. Employee Engagement Needs a Rebound in 2023*, Gallup (Jan. 25, 2023), available at <https://www.gallup.com/workplace/468233/employee-engagement-needs-rebound-2023.aspx> (*U.S. Employee Engagement Needs a Rebound in 2023*).

restructuring that could have led to increased employee anxiety and reduced engagement in FY 2022. *See FY 2021 Annual Report* at 44. The Postal Service is also implementing planned network changes associated with the 10-Year Strategic Plan, which the Commission is currently examining in Docket No. PI2023-4. *See Order No. 6488*. These changes will likely affect employee engagement in FY 2023. If the Grand Mean Engagement Score continues to decline or does not increase in FY 2023, the *FY 2023 Report* could be improved by identifying all reasons for employee dissatisfaction that are specific to the Postal Service and analyzing the impact of postal-related changes on employee engagement.

For FY 2023, the Postal Service set the Grand Mean Engagement Score target at 3.33, an increase of 0.02 from the FY 2022 result. *FY 2022 Annual Report* at 43. The Postal Service explains that Grand Mean Engagement Scores have increased by 0.01 each year from FY 2016 through FY 2019 and asserts that the FY 2023 target is “optimistic, yet realistic.” *Id.* The Public Representative comments that the FY 2023 target seems appropriate considering the increase in results during the four fiscal years preceding the COVID-19 pandemic. PR Comments at 19.

To meet the FY 2023 target, the Postal Service describes employee engagement initiatives focused on two major employee groups: front-line supervisors and newly hired pre-career employees. *FY 2022 Annual Report* at 43. It states that in FY 2023, it will continue to expand programs recently established for these employee groups. *Id.* at 44. For front-line supervisors, the Postal Service notes that it increased the number of authorized positions to align with earned staffing. *Id.* at 43. It states it also conducted an “aggressive internal recruitment campaign” to facilitate filling vacant positions, revised the USPS Supervisor Program to ensure that new supervisors had the most up-to-date training, and deployed new mobile tablets to front-line supervisors in mail processing to provide them access to technology while on the workroom floor. *Id.* It also deployed a new Front-Line Supervisor Tool Kit webpage on the postal intranet to provide quick access to the most frequently used systems, forms, and references. *Id.*

For newly hired employees, the Postal Service states that the onboarding process was standardized and documented to welcome them and ensure they receive the training, equipment, and information necessary for success. *Id.* It notes that it piloted enhancements to the onboarding programs to evaluate how revised schedules and peer mentors impact new employee engagement and retention. *Id.* The Postal Service asserts that the pilots have resulted in higher engagement and retention scores, and it plans to continue expanding them in FY 2023. *Id.* For example, the Postal Service piloted a new employee experience program for non-career city carrier assistants that set workhour

limits and scheduled days off, which resulted in turnover improvement at these pilot sites.¹⁰⁸

The Commission is concerned that mean scores for almost every question on the Postal Pulse survey decreased in FY 2022 but acknowledges that none of the scores declined by more than 0.08 points on the survey scale. The decline in employee engagement is consistent with employee engagement levels across the country in recent years. If the Grand Mean Engagement Score continues to decline or does not increase in FY 2023, the Commission recommends that the FY 2023 Report identify all reasons for employee dissatisfaction that are specific to Postal Service employees and analyze the impact of postal-related changes on employee engagement.

The FY 2023 target is reasonable considering the range of Grand Mean Engagement Scores during the past few years. The Postal Service's plans to implement engagement initiatives for front-line supervisors and newly hired pre-career employees are reasonable steps for improving the Grand Mean Engagement Score and overall employee engagement. The Commission recommends that the Postal Service continue implementing and expanding pilot programs to improve employee engagement and retention for both career and non-career employees. Also, in the FY 2023 Report, the Commission recommends that the Postal Service describe how the implementation of these initiatives affected the FY 2023 Grand Mean Engagement Score.

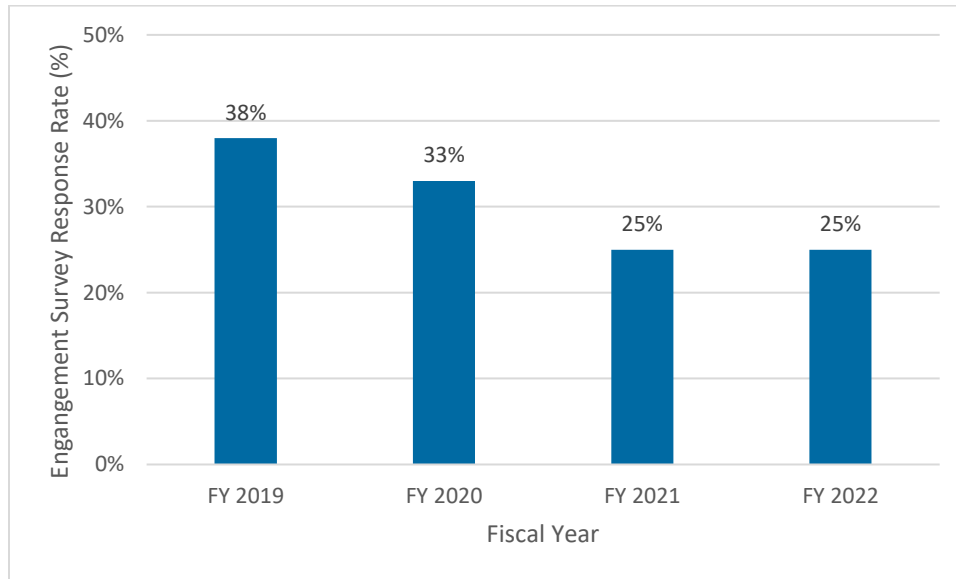
(2) Engagement Survey Response Rate

The Engagement Survey Response Rate shows the Postal Pulse survey level of participation among the entire employee population. *FY 2022 Annual Report* at 42. The result was calculated by dividing the total number of employees who responded to at least one question by the total number of employees who received the survey. Response to CHIR No. 26, question 10. In FY 2022, surveys were distributed to 578,705 employees, and 142,640 responded to at least one question. *Id.* This calculation results in an Engagement Survey Response Rate of 24.65, which was rounded up to 25 percent. *Id.*

Figure III-16 shows the Engagement Survey Response Rate results from FY 2019 through FY 2022.

¹⁰⁸ United States Postal Service, Office of the Inspector General, Report No. 22-180-R23, *Postal Service's Non-Career Employee Turnover Follow-Up*, April 18, 2023, at 1, 6, 8, available at www.uspsaig.gov/sites/default/files/reports/2023-04/22-180-r23.pdf (OIG Report No. 22-180-R23).

Figure III-16
Postal Pulse Engagement Survey Response Rate
Results from FY 2019-FY 2022



Source: *FY 2022 Annual Report* at 33.

Figure III-16 shows that the Engagement Survey Response Rate result has declined each year from FY 2019 through FY 2021, falling from a relative high of 38 percent in FY 2019 to 25 percent in FY 2021. The FY 2022 result was the same as FY 2021. In the *FY 2023 Plan*, the Postal Service states that it plans to increase communications around the Postal Pulse survey, which include internal employee publications highlighting the positive impact of engagement and leveraging survey results to improve the work environment. *FY 2022 Annual Report* at 44. It notes that it will provide guidance to managers on what they can do to improve engagement, such as scheduling one-on-one meetings with employees and increasing employee recognition. *Id.* To prepare for the next Postal Pulse survey administration, the Postal Service states it will provide advance notification to prepare managers and encourage employees to respond. *Id.*

The Public Representative acknowledges that the Postal Service no longer uses the Engagement Survey Response Rate as a performance indicator but expresses concern that the result did not improve between FY 2021 and FY 2022. PR Comments at 19. He urges the Postal Service to implement steps described in the *FY 2023 Plan* to improve the employee and manager communications. *Id.* at 19-20. Besides the lack of improvement, the Commission is concerned that the Engagement Survey Response Rate is lower than comparable response rates for the FY 2022 Federal Employee Viewpoint Survey (FEVS),

which is administered to all federal employees.¹⁰⁹ In FY 2022, the governmentwide FEVS survey response rate was 35 percent,¹¹⁰ and the response rate for Very Large Agencies (those with more than 75,000 employees) was 32 percent. *Id.* at 5. Response rates improved slightly between FY 2021 and FY 2022 both governmentwide and by agency size categories (Very Small, Small, Medium, Large, and Very Large Agencies). *Id.*

The Commission acknowledges that the FY 2022 Engagement Survey Response Rate could have been affected by the decline in overall engagement across the country. Factors outside of the Postal Service's control could affect Engagement Survey Response Rate. Nonetheless, the Commission is concerned that the FY 2022 result of 25 percent is 7 to 10 percentage points lower than comparable response rates for the FEVS survey, and there was no improvement between FY 2021 and FY 2022 despite the Postal Service efforts to improve the Engagement Survey Response Rate in FY 2022. *See* Response to CHIR No. 26, question 11.a. To obtain an accurate picture of employee engagement, the Postal Service should continue to strive to improve employee survey response rates.

The Commission recommends that the Postal Service implement the programs described in the FY 2023 Plan to improve the Engagement Survey Response Rate in FY 2023. If the rate does not improve in FY 2023, the Commission recommends that the Postal Service investigate and address the root causes and describe its efforts to do so in the FY 2023 Report.

D. Financial Health

1. Background

In FY 2022, the Postal Service used one performance indicator to measure progress toward the Financial Health performance goal: Controllable Income (Loss). *See FY 2022 Annual Report* at 45. The results for the Controllable Income (Loss) performance indicator are calculated as the Postal Service's total revenue less controllable expenses. *Id.* Revenue includes funds received from the sale of postage, mailing, and shipping services; Post Office Box rentals; the sale and lease of property; and interest and investment income. *See id.* at 47.

Controllable expenses consist of salaries 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.¹¹¹ Controllable expenses exclude non-controllable expenses, which

¹⁰⁹ *See* Office of Personnel Management, *Federal Employee Viewpoint Survey Results*, at 1, available at <https://www.opm.gov/fevs/reports/governmentwide-reports/governmentwide-reports/governmentwide-management-report/2022/2022-governmentwide-management-report.pdf> (2022 FEVS Report).

¹¹⁰ 2022 FEVS Report at 1. Survey invitations were sent to 1,582,112 employees, with a total of 557,778 employees completing a survey. *Id.*

¹¹¹ *See id.* at 45, 47-48. The Postal Service notes that RHB normal costs were "expensed from FY 2017 through FY 2021" (*id.* at 45 n.8) and "eliminated by the PSRA." *Id.* at 46.

are expenses that the Postal Service states do not reflect short-term operational decisions and are subject to large fluctuations that are outside of the Postal Service's control. *See id.* at 45. According to the Postal Service, non-controllable expenses include:

- From FY 2017 through FY 2022, revaluations of the RHB normal cost by the Office of Personnel Management (OPM)
- From FY 2017 through FY 2022, amortization of the Postal Service's unfunded RHB liabilities
- Amortization of the Postal Service's unfunded liabilities for its participation in FERS and the Civil Service Retirement System (CSRS)
- Non-cash expenses related to changes in liability for participating in the federal workers' compensation program
- For FY 2022, the non-cash impact of the Postal Service Reform Act (PSRA)

Id.; Pub. L. 117-108, 136 Stat. 1127 (2022).

Consistent with historical practice, the Commission published a separate financial analysis of the Postal Service's FY 2022 financial results and 10-K statement.¹¹² 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 2022, the Postal Service met its target for Controllable Income (Loss).¹¹³ The Postal Service's total Controllable Income (Loss) for FY 2022 of \$(0.5) billion¹¹⁴ was better than its target Controllable Income (Loss) of \$(4.1) billion. *Id.* at 47. The Postal Service explains that FY 2022 revenue was \$1.3 billion greater than the planned amount. *Id.* Controllable expenses were \$2.3 billion less than planned. *Id.* at 46.

In the *FY 2023 Plan*, the target for Controllable Income (Loss) is \$0.5 billion, a difference of \$1.0 billion from the FY 2022 Controllable Income (Loss) of \$(0.5) billion. *See id.* at 46, 48.

¹¹² Postal Regulatory Commission, *Financial Analysis of United States Postal Service Financial Results and 10-K Statement*, Fiscal Year 2022, May 17, 2023 (*FY 2022 Financial Analysis*).

¹¹³ *FY 2022 Annual Report* at 33, 47. Projections of Controllable Income (Loss) are based on planned revenues and expenditures for every program activity included in the Postal Service's Integrated Financial Plan (IFP). The FY 2022 Controllable Income (Loss) target was aligned with the FY 2022 IFP, November 18, 2021, available at <https://www.prc.gov/docs/120/120221/FY2022%20IFP%20111821%20FINAL.pdf>; *see FY 2022 Annual Report* at 33 n.6; Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 29, May 10, 2023, question 10 (Response to CHIR No.29) (confirming that the FY 2022 IFP information in the *FY 2022 Annual Report* was not, nor was planned to be, revised). Controllable Losses are shown in parentheses.

¹¹⁴ *FY 2022 Annual Report* at 47. The Postal Service generally describes its Controllable Income (Loss) result throughout the *FY 2022 Annual Report* as \$(0.5) billion. *See, e.g., id.* at 47. However, it lists its total Controllable Income (Loss) as \$(0.47) billion. *Id.* at 33. The Postal Service notes that numbers in the *FY 2022 Annual Report* "are rounded for additive purposes." *Id.* at 46 n.1.

Plans for meeting the FY 2023 Controllable Income (Loss) target are discussed in more detail below. *See* Section D.3.a.(1), *infra*.

2. Comments

The Public Representative comments that the Postal Service achieved its FY 2022 target for the Controllable Income (Loss) performance indicator. PR Comments at 22. However, the Public Representative notes that the “Postal Service was able to meet that goal at least in part by being relieved of an anticipated \$4.3 billion in PSRHBF expenses following the enactment of the Postal Service Reform Act of 2022. Otherwise, the Postal Service’s FY 2022 controllable expenses would have been substantially higher than FY 2021.” *Id.* The Public Representative comments that “labor productivity declined noticeably from FY 2021 to FY 2022” and recommends that the Postal Service increase its monitoring of its network improvement processes to maintain productivity levels. *Id.*

NAPM states that the *FY 2023 Plan* does not include volume retention and growth initiatives. NAPM Comments at 10-11. NAPM expresses concern that price increases intended to increase revenue will accelerate mail volume declines. *See id.* at 11. NAPM urges the Postal Service to engage with industry stakeholders to explore new initiatives designed to retain and grow mail volumes and revenues. *See id.* NAPM recommends that the Postal Service update its methodology to determine the impact of price increases on mail volumes, or price elasticity. *See id.* Lastly, NAPM supports Postal Service efforts to reform Postal Service liability for CSRS amortization expenses. *See id.*

In its reply comments, the Postal Service remarks that legislative reform, such as the PSRA, is an important strategy in its 10-Year Strategic Plan. Postal Service Reply Comments at 10. The Postal Service estimates that inflation, which is outside of management’s control, led to a net \$1.6 billion increase in costs, as compared to the FY 2022 IFP. *Id.* The Postal Service recognizes the existence of financial challenges such as inflation, but it points out its “progress toward enacting a more efficient, customer-oriented, and operationally-focused organization.” *Id.* at 11. Lastly, the Postal Service notes that elements of the 10-Year Strategic Plan, including the redesign of the processing and delivery network and modernization of the delivery fleet, is expected to lead to significant productivity gains in the future. *Id.*

3. Commission Analysis

a. Controllable Income (Loss)

In FY 2022, the Postal Service met the target for Controllable Income (Loss). *See FY 2022 Annual Report* at 33, 47. The Postal Service’s \$(0.5) billion Controllable Income (Loss) for FY 2022 was less than the target Controllable Income (Loss) of \$(4.1) billion. *Id.* at 47. Further, the Commission finds that the Financial Health indicator target for Controllable Income (Loss) for FY 2022 is comparable to the result for FY 2022 because each calculates Controllable Income (Loss) as total revenue less controllable expenses. *See* Response to

CHIR No. 23, question 1.a. This methodology was also used from FY 2019 through FY 2022. *See id.* question 2.a.

The Commission finds that the Postal Service met the Financial Health performance goal in FY 2022.

Below, the Commission analyzes the Controllable Income (Loss) performance indicator in more detail.

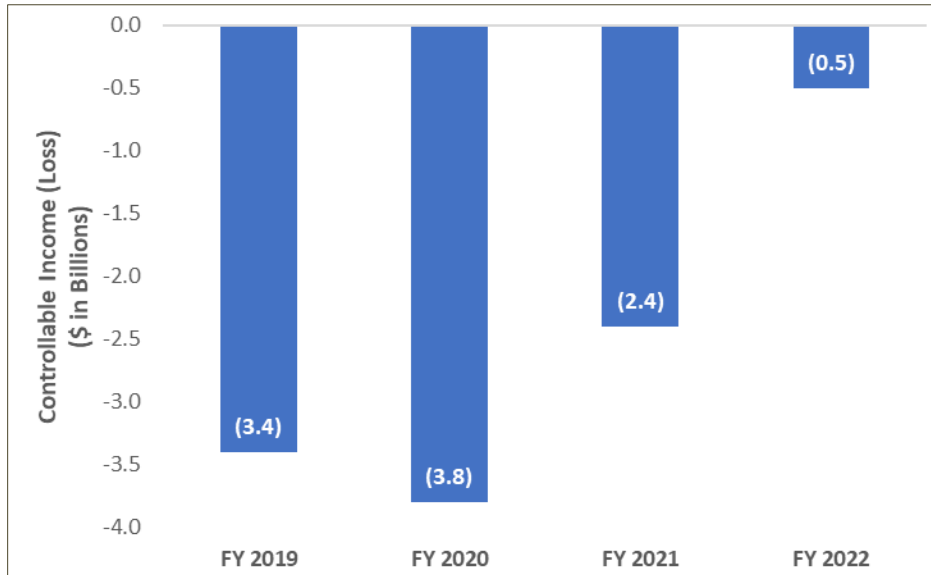
(1) Postal Service Report

The *FY 2022 Annual Report* provides an explanation of the principal components used to calculate Controllable Income (Loss). *See FY 2022 Annual Report* at 46-48. The *FY 2022 Annual Report* includes a table showing revenue and expenses and describes certain categories of revenue and controllable expenses. *See id.* at 46. The Postal Service explains how the FY 2022 Controllable Income (Loss) target was met and provides a rationale for the FY 2023 target. *Id.* at 45-49. Additionally, the *FY 2022 Annual Report* discusses non-controllable expenses. *See id.* at 45. This information improves the transparency and usefulness of the *FY 2022 Annual Report* by assisting interested persons better to understand how the Postal Service calculates targets and results.

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

The Postal Service also provides the Controllable Income (Loss) results from FY 2019 through FY 2022. *Id.* Controllable Income (Loss) has shown improvement, with annual losses decreasing in magnitude since FY 2020. *See Figure III-17.*

**Figure III-17
Controllable Income (Loss) Results
FY 2019-FY 2022**



Source: *FY 2022 Annual Report* at 46. Results are rounded to the nearest tenth.

As explained above, the *FY 2022 Annual Report* includes a table listing the components of Controllable Income (Loss), which is adapted as Table III-15.

Table III-15
Integrated Financial Plan Revenue and Expenses (\$ in Billions)
Results and Targets, FY 2019-FY 2023

	Results			Target	Result	Target
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2022	FY 2023
Revenue						
First-Class Mail	24.4	23.8	23.3	24.2	24.0	24.9
USPS Marketing Mail	16.4	13.9	14.6	15.2	16.0	16.4
Shipping and Packages	22.8	28.5	32.0	30.6	31.3	31.9
International Mail	2.5	2.4	2.2	2.2	1.7	1.8
Periodicals	1.2	1.0	1.0	1.0	1.0	1.0
Other ^a	4.0	3.6	4.0	4.3	4.8	5.2
Total Revenue	71.3	73.2	77.1	77.5	78.8	81.2
Controllable Expenses						
Salaries and benefits ^b	48.9	50.0	51.4	52.2	52.8	54.0
FERS normal cost	3.5	3.8	4.1	4.4	4.5	4.6
RHB normal cost ^c	4.0	4.0	3.9	4.3	—	—
Transportation	8.2	8.8	9.7	9.6	10.3	10.0
Depreciation	1.7	1.7	1.7	1.7	1.7	1.8
Supplies and services	2.8	3.1	2.9	3.2	3.2	3.4
Rent, utilities and other ^d	5.6	5.6	5.8	6.2	6.8	6.9
Total Controllable Expenses	74.7	77.0	79.5	81.6	79.3	80.7
Controllable Income (Loss)	(3.4)	(3.8)	(2.4)	(4.1)	(0.5)	0.5
Non-Controllable Expenses						
Impact of Postal Service reform legislation ^e	—	—	—	—	57.0	—
RHB normal cost actuarial revaluation	0.2	0.1	(0.3)	—	—	—
RHB unfunded liability amortization	(0.8)	(0.8)	(0.9)	(1.0)	—	—
FERS unfunded liability amortization	(1.1)	(1.3)	(1.4)	(1.4)	(1.6)	(1.9)
CSRS unfunded liability amortization	(1.6)	(1.8)	(1.9)	(1.9)	(2.3)	(3.1)
Workers' compensation fair value and other non-cash adjustments	(2.1)	(1.6)	2.0	—	3.4	—
Total Non-Controllable Expenses	(5.4)	(5.4)	(2.5)	(4.3)	56.5	(5.0)
Net Income (Loss)	(8.8)	(9.2)	(4.9)	(8.4)	56.0	(4.5)

Note: The sum of columns may not equal total due to rounding. *FY 2022 Annual Report* at 46 n.1.

^a Includes investment and interest income, gain or loss on sale, and income from the out-lease of property. *Id.* at 46 n.2.

^b Includes salaries, health benefit expenses for active employees, and workers' compensation cash outlays. *Id.* at 47.

^c RHB normal costs were eliminated by the PSRA. *Id.* at 46.

^d Rent, utilities, and other includes interest expense. *Id.* at 46 n.4.

^e Represents the one-time non-cash benefit due to the reversal of \$57.0 billion for past due retiree health benefit obligations that were canceled by the enactment of the PSRA. With the PSRA, RHB normal cost and amortization payments will be zero for FY 2022 and future years. RHB top-up payments, a new payment, are expected to begin in FY 2026. *Id.* at 46 n.5.

Source: *FY 2022 Annual Report* at 46.

Total revenue in FY 2022 was \$78.8 billion, which was \$1.3 billion more than planned. *FY 2022 Annual Report* at 46, 47.

According to the Postal Service, “[t]he COVID-19 pandemic continued to impact the Postal Service’s financial health in FY 2022.” *Id.* at 44. However, the Postal Service states that “[t]he surge of package volume in 2020 and 2021 abated, though volumes remained above pre-pandemic levels. Mail volumes continued to decline, however [USPS] Marketing Mail volumes rebounded slightly from their depressed levels at the start of the pandemic.” *Id.*

Revenue for First-Class Mail (primarily consisting of Single-Piece and Presorted letters and postcards) was \$24.0 billion, which was \$0.2 billion below the planned amount, “mainly due to lower-than-expected volume recovery from the pandemic loss.” *Id.* at 47. Revenue for USPS Marketing Mail (which consists of mail weighing less than 16 ounces and not required to use First-Class Mail) was \$16.0 billion, \$0.8 billion above the planned amount, “primarily due to higher-than-expected volume recovery from the pandemic loss.” *Id.*

Shipping and Packages consist largely of Competitive services that can be priced to reflect current market conditions, such as Priority Mail and Parcel Select. *See id.* Revenue from Shipping and Packages was \$31.3 billion, \$0.7 billion more than the planned amount, “due to pricing initiatives and volumes from mailing of COVID-19 test kits.” *Id.* Smaller revenue sources included International Mail, Periodicals, and other revenue sources representing \$1.7 billion, \$1.0 billion, and \$4.8 billion in revenues, respectively. *Id.*

In FY 2022, controllable expenses, including interest expense, were \$79.3 billion. *Id.* at 46. Salaries and benefits expenses—which include salaries, employee health benefits expenses, and workers’ compensation cash outlays—totaled \$52.8 billion, which was \$0.6 billion more than the planned amount, “primarily due to the impact of high inflation[.]” *Id.* at 47.

Transportation expenses totaled \$10.3 billion, which was \$0.7 billion above the planned amount; according to the Postal Service, this was “primarily because of the increase in fuel expenses for the transportation contracts and inflationary pressures in the trucking industry due to supply imbalances.” *Id.* at 48.

The FERS normal cost totaled \$4.5 billion, which was \$0.1 billion above the planned amount. *Id.* Other expense categories included depreciation (which totaled \$1.7 billion, in line with the planned amount); supplies and services (which totaled \$3.2 billion, in line with the planned amount); and rent, utilities, and other expenses (which totaled \$6.8 billion, \$0.6 billion more than the planned amount, “primarily due to price of fuel and extending leases for Package Support Annexes (PSAs) for COVID-19 test kits”). *Id.*

The Controllable Income (Loss) target for FY 2023 is a \$0.5 billion gain, which anticipates “a \$2.4 billion increase in revenue which is offset by a \$1.4 billion increase in controllable expenses compared to FY 2022” *Id.* at 48.

In the *FY 2023 Plan*, the Postal Service states that it expects revenue in FY 2023 to increase by \$1.3 billion compared to FY 2022.¹¹⁵ The Postal Service explains that in July 2022, it implemented price increases on products that included the above-consumer price index (CPI) sources of rate authority approved by the Commission in Order No. 5763.¹¹⁶ According to the Postal Service, these “increased prices are expected to offset the loss of revenue due to continued electronic diversion.” *FY 2022 Annual Report* at 48. International revenue is expected to increase by \$0.1 billion, while “other sources” is expected to increase by \$0.4 billion. *Id.*

In the *FY 2023 Plan*, the Postal Service anticipates that Shipping and Packages revenue will increase by \$0.6 billion.¹¹⁷ The Postal Service explains that “[c]onsumers are expected to increase in-store shopping and the use of pickup services instead of online shopping[,]” and “competitors are increasing their efforts to capture sources of revenue,” although “supply chain shortages and a potential global recession could negatively impact consumer buying trends.” *FY 2022 Annual Report* at 48. The Postal Service, in setting its targets, projected expected aggregate annual U.S. e-commerce growth of 2.98 percent in FY 2023 relative to FY 2022. Response to CHIR No. 20, question 4.a. It explains that e-commerce growth suggests higher forecasted volumes and revenues for many of its products in “Shipping and Packages.” *Id.*

In terms of controllable expenses, the Postal Service reports that “[s]alaries and benefits expenses are planned to increase by \$1.2 billion in FY 2023 due to wage increases from contractual general increases and high COLA [cost-of-living adjustments] based on increased inflation.” *FY 2022 Annual Report* at 48. The Postal Service explains that “[t]he cost-of-living adjustment issued in August 2022 (the full impact of which will be reflected in FY 2023) was equivalent to approximately [\$2,455] per year for most full-time employees.”¹¹⁸ Furthermore, “[s]alary and benefit expenses are expected to increase despite a planned reduction in [workhours].” *FY 2022 Annual Report* at 48; see Response to CHIR No. 24, question 1.d.

¹¹⁵ *Id.* In a subsequent information request response, the Postal Service notes that it expects FY 2023 revenue to be lower than projections in the *FY 2023 Plan* because of greater-than-expected drops in mail revenues. It also expects personnel expenses to be higher than projected in the *FY 2023 Plan*. See Response to CHIR No. 24, question 2.b.

¹¹⁶ *FY 2022 Annual Report* at 48; see Docket No. RM2017-3, Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products, November 30, 2020 (Order No. 5763).

¹¹⁷ *FY 2022 Annual Report* at 48; see Response to CHIR No. 24, question 2.b. (“Package revenue is trending slightly higher than projected by the plan because of higher-than-expected ecommerce and improved service to retain and grow package volume.”).

¹¹⁸ *Id.*; Response to CHIR No. 24, question 1.b. (correcting the *FY 2022 Annual Report* with the \$2,455 figure per year for most full-time employees COLA).

The Postal Service reports that the FERS normal cost expense in FY 2022 is expected to increase by \$0.1 billion over FY 2021, “due to increased wages.” *FY 2022 Annual Report* at 48. RHB normal cost (controllable) expense was “canceled by the PSRA.” *Id.*

Transportation expenses are estimated to decrease by \$0.3 billion, “largely due to lower air transportation costs resulting from a decrease in package volumes, a shift of assigned transportation from air to surface, and increased usage of lower-cost commercial carriers.” *Id.* at 49. However, “[a]n increase in surface transportation rates is expected to limit this reduction.” *Id.*

Depreciation expenses are expected to increase by \$0.1 billion, while supplies and services expenses are expected to increase by \$0.2 billion. *Id.* Rent, utilities, and other expenses are expected to increase by \$0.1 billion “due to increased expenses to support modernization investments, as well as inflationary pressures including fuel.” *Id.* Furthermore, “[r]ent is also expected to increase due to an increased investment in annexes for processing packages.” *Id.*

(2) Response to Comments

The Public Representative notes that the “Postal Service was able to meet [its FY 2022 financial health target] at least in part by being relieved of an anticipated \$4.3 billion in PSRHBF expenses following the enactment of the Postal Service Reform Act of 2022.” PR Comments at 22. The Commission acknowledges that the absence of RHB normal costs (controllable) expense has observable effects on figures reported by the Postal Service for FY 2022 performance when compared to the figures reported for prior years’ performance when the Postal Service incurred such expense. *Cf.* FY 2022 ACD at 9.

The Public Representative comments that “labor productivity declined noticeably from FY 2021 to FY 2022” and recommends that the Postal Service increase its monitoring of its network improvement processes to maintain productivity levels. *See* PR Comments at 22. In response, the Postal Service states that “‘changes in labor productivity over a one-year period do not constitute a trend;’ and furthermore that the [10-Year Strategic Plan] is ushering in a wide and ambitious array of improvements.” Postal Service Reply Comments at 11 (quoting PR Comments at 22).

In all future Annual Reports through the first year following completion of the 10-Year Strategic Plan, the Postal Service should report on the effects of the 10-Year Strategic Plan on: (1) the Postal Service’s Financial Health performance indicator results; and (2) labor productivity.

NAPM states that the *FY 2023 Plan* does not include volume retention and growth initiatives and expresses concern that price increases intended to increase revenue will accelerate mail volume declines. NAPM Comments at 10-11. NAPM urges the Postal Service to engage with industry stakeholders to explore new initiatives designed to retain

and grow mail volumes and revenues. *See id.* at 11. The Commission encourages the Postal Service to reach out to stakeholders in this regard.

NAPM recommends that the Postal Service update its methodology to determine the impact of price increases on mail volumes, or price elasticity. *See id.* The Commission notes that the Postal Service is required to “provide econometric estimates of demand elasticity for all postal products accompanied by the underlying econometric models and the input data sets used” each January.¹¹⁹ The Commission also notes that this work is ongoing by the Postal Service.¹²⁰ The Commission encourages NAPM to reach out to the Postal Service regarding this issue.

The Commission encourages the Postal Service to communicate with its stakeholders to gather their views of the effects of rate increases on volume.

(3) Continuing Appropriateness of Controllable Income (Loss) as a Performance Indicator

The Postal Service uses Controllable Income (Loss) “as its principal indicator to assess its financial performance, as net income includes the effects of factors . . . that cannot be controlled or influenced by management.” *FY 2022 Annual Report* at 45. Controllable Income (Loss) is not a Generally Accepted Accounting Principle (GAAP) accounting measure; it excludes certain expenses that the Postal Service considers “not reflective of short-term operational decisions and . . . subject to large fluctuations outside the organization’s control.” *Id.*

The Postal Service states that it uses Controllable Income (Loss) rather than Net Income (Loss) because non-controllable expenses include the effect of factors that the Postal Service either cannot control or “can only marginally influence,” such as inflation, interest rates, and actuarial assumptions. *Id.*

The Commission notes the difficulty of characterizing expenses as controllable or non-controllable in a practical and non-arbitrary manner. For example, employee salary and benefit expenses are considered controllable expenses. *See FY 2022 Annual Report* at 47. However, they include COLAs that are based on inflation (*see id.*; Response to CHIR No.24, question 1.a.), even though the Postal Service characterizes inflation as outside the Postal

¹¹⁹ See 39 C.F.R. § 3050.26. For the January 2023 filing, *see* United States Postal Service’s Demand Equation Estimation and Volume Forecasting Methodologies, Application of USPS for Non-Public Treatment of Materials, January 20, 2023, available at <https://www.prc.gov/dockets/document/124295>. This filing included an attachment “Jan 2023 MD Demand Analysis.zip” (January 20, 2023 Demand Equation Estimation Attachment).

¹²⁰ See January 20, 2023 Demand Equation Estimation Attachment, folder “Market Dominant,” “Changes.vs.2022(md).docx,” at 2. Unlike all other mandatory periodic reporting, prior Commission approval is not required for the Postal Service to modify the methodologies employed in the development of the demand elasticities and volume forecasts. *See* 39 C.F.R. § 3050.10.

Service's control.¹²¹ Moreover, according to the Postal Service, inflation increases the transportation and rent, utilities, and other categories of expenses categorized as controllable. *See FY 2022 Annual Report* at 48 (transportation), 49 (rent, utilities, and other); Postal Service Reply Comments at 10 (transportation). In contrast, a measure that is consistent with GAAP would obviate the need to attempt to categorize expenses as controllable or non-controllable.

In addition, with the enactment of the PSRA, the *FY 2022 Report* and the *FY 2023 Plan* reflect fewer categories of non-controllable expenses. *See FY 2022 Annual Report* at 46. No FY 2022 expenses are reported for RHB Normal Cost Actuarial Revaluation and RHB Unfunded Liability Amortization. *See id.; id.* at 45 nn.8, 9.

Because of the challenges of characterizing expenses as controllable or non-controllable, and because of the limited categories of expenses that the Postal Service deems non-controllable, the Commission recommends that the Postal Service consider whether a GAAP measure such as Net Income (Loss) or Net Operating Income (Loss) offers a more useful indication of the Postal Service's financial health and whether such a metric should be used as a performance indicator in lieu of, or in addition to, Controllable Income (Loss). If the Postal Service makes changes to, or supplements, the Controllable Income (Loss) performance indicator in its FY 2023 Report, the Postal Service should also provide comparable performance indicator results for FY 2020 through FY 2023 to help ensure compliance with 39 U.S.C. § 2804(c).

b. Other Performance Measures

Although not used as performance indicators, the Postal Service also includes in the *FY 2022 Annual Report* results for Total Factor Productivity (TFP) and labor productivity. *FY 2022 Annual Report* at 50.

As the Postal Service explains, TFP measures how efficiently the Postal Service uses its resources, based on the ratio of work completed to resources used. *Id.* An increase in TFP indicates that the ratio of work completed to resources used is increasing, *i.e.*, that the Postal Service as an organization is operating more efficiently, whereas a decrease in TFP indicates the opposite. *See id.*

Labor productivity measures the efficiency of labor in producing a unit of workload per unit of labor. *See id.* An increase in labor productivity indicates that more workload is being handled per unit of labor, *i.e.*, that labor is more efficient, whereas a decrease in labor productivity indicates the opposite. *See id.*

The Postal Service states that TFP increased significantly between FY 2009 and FY 2015 but began declining in FY 2016. *Id.* The Postal Service reports that TFP in FY 2022 declined

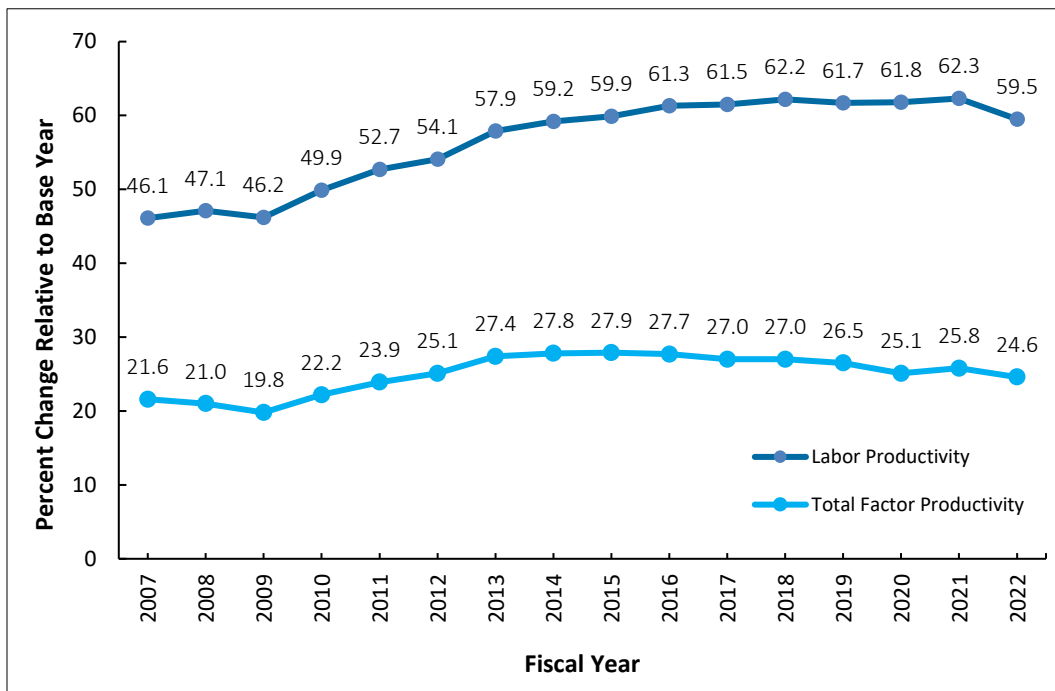
¹²¹ *See FY 2022 Annual Report* at 45; Postal Service Reply Comments at 10 ("Further, the [controllable expense] figures cited by the [Public Representative] can in part be explained by broader economic trends that lie beyond the Postal Service's control. Most notably, inflation had a significant impact on expenses, leading to higher labor costs . . .").

0.9 percent. *Id.* The Postal Service states that “[t]he decrease can largely be attributed to a decrease in labor productivity as [the Postal Service] focused on stabilizing [its] operations to drive operational precision as part of the [10-Year Strategic] plan.” *Id.* In addition, the Postal Service states that “the price of labor has the greatest effect on TFP.” *Id.* According to the Postal Service, “[t]he price of labor input increased 6.5 percent from FY 2021.” *Id.*

The Postal Service reports that labor productivity decreased 1.7 percent in FY 2022. *Id.* For both TFP and labor productivity, the Postal Service cautions that “resource usage is based on constant-dollar amounts of labor, capital, and materials used.” *Id.* Therefore, in the Postal Service’s view, “[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.” *Id.*; see Section D.3.c., *infra* for the Commission’s discussion of the potential use of TFP as a performance indicator.

Figure III-18 shows the change in TFP and labor productivity from FY 2007 through FY 2022.

Figure III-18
Total Factor Productivity and Labor Productivity Results FY 2007-FY 2022



Source: FY 2022 Annual Report at 50. Base year is FY 1971. *Id.*

The Commission appreciates that the Postal Service provided this information, as the Commission has recommended in the past. See, e.g., FY 2021 Analysis at 118. Even though

these two measures are not performance indicators, they provide additional insight into productivity trends.

The Commission recommends that the Postal Service continue monitoring and reporting TFP and labor productivity trends. The Commission recommends that future annual performance reports continue to include information on TFP, labor productivity, and other productivity measures. In addition, the Postal Service should explain the reason for any changes in TFP and/or labor productivity in FY 2023.

c. Additional Performance Indicator(s)

Prior to FY 2021, the Postal Service relied on two performance indicators: one a measure of income (or loss) and the other a measure of productivity. *FY 2021 Analysis* at 118. The performance indicator used to measure productivity was historically based on the number of annual deliveries completed per employee workhour, and was, in its final iteration, referred to as Deliveries per Total Workhours % Change. *See, e.g., id.*

In the *FY 2021 Analysis*, the Commission noted that it was concerned that the Postal Service would not replace DPTWH % Change with another performance indicator in FY 2021 and recommended that the Postal Service consider using either TFP or labor productivity as performance indicators. *Id.* at 118-19. In response to a CHIR, the Postal Service states that it “continues to assess and leverage TFP in conjunction with other performance indicators such as revenue, profitability, market share, and customer satisfaction to provide a more comprehensive picture of the business’s performance.” Response to CHIR No. 17, question 11.b. Further, the Postal Service states that TFP is used “to monitor long-term performance.” Response to CHIR No. 23, question 12. However, the Postal Service also states that TFP would “tend to misrepresent year-over-year productivity declines” because changes might be attributable to the relative inability of the Postal Service to reduce workhours to match reduced revenue and/or workloads and other background constraints. *Id.* The Commission finds that TFP and labor productivity are suitable metrics to monitor long-term postal performance.

The Commission continues to be concerned that, as the Commission explained in the *FY 2020 Analysis* and *FY 2021 Analysis*, Controllable Income (Loss) alone does not provide a complete and balanced picture of the Postal Service’s progress toward the Financial Health performance goal.¹²² The Financial Health performance goal includes: (1) achieving financial stability; and (2) improving the Postal Service’s financial position by generating revenue, controlling expenses, and improving efficiency. *See* Chapter I, Section A, *supra*. Controllable Income (Loss) provides insight into the first two of these three ways of improving the Postal Service’s financial position, but not the third. Thus, adding one or more indicators that focus on operational efficiency would provide additional insight into the Postal Service’s progress towards achieving financial health.

¹²² See Section D.3.a.(3), *supra*; *FY 2020 Analysis* at 118; *FY 2021 Analysis* at 119.

A common measure for operational efficiency that may be useful to consider as a performance indicator is the operating ratio, measured as operating expenses as a percentage of revenues. The operating ratio measures how efficiently organizations can generate revenue, by tracking revenue per dollar of operating expenses. Operating expenses would include those expenses incurred through the Postal Service's normal operations, such as salaries and benefits (including FERS normal cost), transportation, depreciation, supplies and services, rent, and utilities. Because the operating ratio considers a variety of operational expenses (and not just workhours), it would be less affected year-over-year by the background constraints that affect the Postal Service's labor flexibility. Incorporating the operating ratio as a performance indicator could offer insight into whether the Postal Service is improving its financial position by improving efficiency.

The Commission continues to recommend that the Postal Service consider adopting one or more additional performance indicators for measuring progress towards the Financial Health performance goal. Specifically, the Commission recommends that the Postal Service consider incorporating the operating ratio, or another measure associated with operational efficiency, as a performance indicator.

CHAPTER IV: STRATEGIC INITIATIVES

A. Background

39 U.S.C. § 2802 requires the Postal Service to prepare a strategic plan describing “general goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the Postal Service[.]” 39 U.S.C. § 2802(a)(2). On March 23, 2021, the Postal Service issued the *Delivering for America Plan*, a new strategic plan to achieve financial sustainability and service excellence during the next 10 years (10-Year Strategic Plan). The 10-Year Strategic Plan outlines the following strategic areas of focus to achieve financial sustainability and service excellence:

- Strengthen value of mail and sustain public service mission, including 6-day mail delivery.
- Implement service standards that achieve service excellence 95 percent of the time.
- Innovate and launch USPS Connect.
- Modernize delivery vehicle fleet, and with Congressional support, implement electric fleet by 2035.
- Implement best-in-class processing operations.
- Implement best-in-class delivery operations.
- Implement a modern, transformed network of retail Post Offices.
- Implement a fully optimized surface and air transportation network.
- Stabilize and empower workforce to include reducing pre-career turnover.
- Align organizational structure to support effectiveness.
- Support legislative and administrative actions.
- Implement a more rational pricing approach including a judicious implementation of new and existing pricing authorities.¹²³

¹²³ FY 2022 Annual Report at 32.

In the *FY 2022 Report* and *FY 2023 Plan*, the Postal Service refers to these 12 strategic areas of focus as “strategic initiatives.”¹²⁴ To assess its efforts in implementing the strategic initiatives, the Postal Service measures performance through progress against the four performance goals:

- **High-Quality Service** by delivering at least 95 percent of all mail and packages on-time, at all times during the fiscal year
- **Excellent Customer Experience** by improving customer satisfaction with services provided through every primary touchpoint measured by the CX surveys¹²⁵
- **Safe Workplace and Engaged Workforce** by creating a safe workplace and increasing employee engagement
- **Financial Health** by achieving a break-even (net income > \$0) cumulative net income during the next 10 years¹²⁶

The *FY 2022 Report* and *FY 2023 Plan* describes how each strategic initiative aligns with the performance goals. *FY 2022 Annual Report* at 53. Descriptions of each strategic initiative appear in Figure IV-1, within the Commission Analysis below.

The Postal Service explains that “[e]ach strategic initiative has a specific set of measures to track performance against desired” outcomes in the 10-Year Strategic Plan. *FY 2022 Annual Report* at 52. It provided the performance measures and FY 2023 targets in a CHIR response. Response to CHIR No. 18, question 6. The performance measures and FY 2023 targets for the strategic initiatives are the same as the performance indicators for each performance goal.¹²⁷

The Postal Service states that it “continuously refines the initiatives within the portfolio based on performance achieved to date, market conditions, feedback from customers and the [Commission], and input from employees.” *FY 2022 Annual Report* at 52. In FY 2023, the Postal Service plans to implement the same strategic initiatives but notes each one may be refined.¹²⁸

¹²⁴ See *id.* at 53; Response to CHIR No. 18, question 6; Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 21, March 4, 2022, questions 1.b., 2.a. (Docket No. ACR2021, Response to CHIR No. 21). The 10-Year Strategic Plan lists 11 “key strategies” that are the same as the strategic initiatives in the *FY 2022 Report* and *FY 2023 Plan* with one difference. In the 10-Year Strategic Plan, the key strategy “A Bold Approach to Growth, Innovation, and Continued Relevance” was divided into two strategic initiatives: “Innovate and Launch USPS Connect” and “Strengthen value of mail and sustain public service mission, including 6-day mail delivery.” Compare 10-Year Strategic Plan at 22-24, with *FY 2022 Annual Report* at 32, 53.

¹²⁵ The CX surveys are discussed in Chapter III. See Chapter III, Section B.1.a., *infra*.

¹²⁶ *FY 2022 Annual Report* at 32; Docket No. ACR2020, Response to CHIR No. 27, question 2.b.ii.

¹²⁷ Compare Response to CHIR No. 18, question 6, with *FY 2022 Annual Report* at 33.

¹²⁸ See *FY 2022 Annual Report* at 53; Response to CHIR No. 18, question 6. The Postal Service notes that the strategic initiatives are subject to change by the Postal Service Board of Governors “as changes in strategy become necessary or business conditions warrant.” *FY 2022 Annual Report* at 53.

B. Commission Analysis

None of the commenters discuss the strategic initiatives. In the *FY 2021 Analysis*, the Commission made the following recommendations regarding the strategic initiatives:

- Identify and describe each strategic initiative the Postal Service used in FY 2022
- Explain how the strategic initiatives relate to the performance goals and performance indicators
- Describe the Postal Service's progress toward completing each strategic initiative during FY 2022, and identify performance measures and results, if applicable
- Describe each strategic initiative the Postal Service will use in FY 2023, and provide performance measures and targets
- Explain in detail how the strategic initiatives changed between FY 2022 and FY 2023¹²⁹

The Postal Service adopted some of these recommendations in the *FY 2022 Report* and *FY 2023 Plan* and provided other information in CHIR responses. The Postal Service identifies each strategic initiative used in FY 2022 and aligns them with one or more performance goals. See *FY 2022 Annual Report* at 53. It previously described each strategic initiative in Docket No. ACR2021 and confirmed in a CHIR response that these descriptions apply to and remain current for the strategic initiatives implemented in FY 2022 and planned for FY 2023.¹³⁰ The *FY 2022 Report* does not describe the Postal Service's progress toward completing each strategic initiative in FY 2022. However, the Postal Service provided this information in three separate reports: the Delivering for America First-Year Progress Report (First-Year Progress Report); the report for FY 2022, Quarters 2 and 3 required by the Postal Service Reform Act (PSRA Report); and the Delivering for America Second-Year Progress Report (Second-Year Progress Report).¹³¹

The Postal Service issued two progress reports on the 10-Year Strategic Plan that describe the Postal Service's progress toward plan goals and reviews activities undertaken during the first two years after the 10-Year Strategic Plan was issued. The First-Year Progress

¹²⁹ *FY 2021 Analysis* at 124.

¹³⁰ Docket No. ACR2021, Response to CHIR No. 21, question 2.a.; Response to CHIR No. 18, question 5.

¹³¹ United States Postal Service, *Delivering for America First-Year Progress Report*, April 7, 2022; available at <https://about.usps.com/what/strategic-plans/delivering-for-america/assets/usps-dfa-one-year-report.pdf> (First-Year Progress Report); United States Postal Service, *Delivering for America, Responses of the United States Postal Service to the Reporting Requirements Specified in the Postal Service Reform Act of 2022, FY 2022 3rd and 4th Quarter*, December 2, 2022; available at <https://www.prc.gov/dockets/document/124453> (PSRA Report); United States Postal Service, *Delivering for America Second-Year Progress Report*, April 2023, at 3; available at <https://about.usps.com/what/strategic-plans/delivering-for-america/assets/usps-dfa-two-year-report.pdf> (Second-Year Progress Report). On June 2, 2023, the Postal Service filed with the Commission the Delivering for America progress report for FY 2023, Quarters 1 and 2. United States Postal Service, *Delivering for America, Responses of the United States Postal Service to the Reporting Requirements Specified in the Postal Service Reform Act of 2022, FY 2023 1st and 2nd Quarter*, June 2, 2023.

Report describes progress through April 7, 2022, and the Second-Year Progress Report describes activities through April 2023. These reports also describe the Postal Service's progress toward the strategic initiatives in FY 2022. For example, the Postal Service made progress toward the "Implement a More Rational Pricing Approach" strategic initiative by implementing new and existing pricing authority using the revised pricing framework for Market Dominant products. First-Year Progress Report at 7.

Section 207 of the PSRA requires the Postal Service to submit semi-annual reports to the President, the Commission, the Senate Committee on Homeland Security and Governmental Affairs, and the House Committee on Oversight and Reform describing the Postal Service's operations and financial condition. PSRA § 207(a). Pursuant to this section, on December 2, 2022, the Postal Service submitted the PSRA Report on the operations and financial condition of the Postal Service covering FY 2022 Quarters 3 and 4 (April 1, 2022 through September 30, 2022). The Postal Service must update the PSRA Report every six months through December 2, 2027. *See* PSRA § 207(a), (d).

The PSRA Report also describes the Postal Service's progress toward the strategic initiatives during FY 2022, Quarters 3 and 4. The PSRA requires the Postal Service to report its progress on 15 postal areas, such as actual mail and package volume growth and the effect of pricing changes on product volume for Market Dominant and Competitive products. PSRA § 207(b). Most of these areas align with the strategic initiatives. Figure IV-1 describes each strategic initiative and the Postal Service progress toward each one in FY 2022 based on the PSRA Report, First-Year Progress Report, and Second-Year Progress Report.

**Figure IV-1
FY 2022 Strategic Initiatives, Descriptions,^a and FY 2022 Progress as Reported by the Postal Service**

Strengthen Value of Mail and Sustain Public Service Mission, Including 6-Day Mail Delivery^b	
<ul style="list-style-type: none"> • Increase the value of mail to senders by using new data-driven tools and promoting digital integration. • Develop new programs, resources, and offerings that benefit businesses of all sizes, including enhancing Informed Delivery and Informed Visibility and mail promotions and incentives. 	<ul style="list-style-type: none"> • Reinforced the Postal Service’s public service mission and value of the mail by committing to maintain 6-day delivery, expanding parcel delivery to 7 days a week. • Processed/delivered more than 87 million COVID test kits in three weeks. • Supported the 2021 election vote (FY 2022 Quarter 1) via: <ul style="list-style-type: none"> ○ Delivery of 40.6 million ballots (to or from voters); and ○ For ballots from voters to election officials specifically: an average delivery time of 1.4 days and 99.2 percent delivered within 3 days.
Implement Service Standards that Achieve Service Excellence 95 Percent of the Time^c	
<ul style="list-style-type: none"> • Modify existing service standards for letter- and flat-shaped First-Class Mail from a 1 to 3-Day Standard within the continental United States to a 1 to 5-day service standard. • Modify existing service standards for First-Class Package Service. 	<ul style="list-style-type: none"> • Implemented new service standards for First-Class Mail, Periodicals, and First-Class Package Service. • Increased on-time service performance results observed in FY 2022, Quarters 3 and 4 compared to FY 2021, Quarters 3 and 4 results for First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services. • Exceeded FY 2022 targets for First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services during FY 2022, Quarters 3 and 4.
Innovate and Launch USPS Connect	
<ul style="list-style-type: none"> • Support a new product offering, USPS Connect, which is a diverse suite of scalable and customizable solutions for businesses to reach their customers, including Local, Regional, National, and Returns offerings.^d 	<ul style="list-style-type: none"> • Implemented USPS Connect Local nationally to more than 3,400 facilities by the end of FY 2022 (with nearly 2,100 facilities added in Quarters 3 and 4). • Rebranded and implemented USPS Connect Regional to provide mailers with the ability to enter packages directly into the sortation network based on newly published Parcel machinable rates. • Enhanced the USPS Connect Returns program by improving returns service and scanning performance in processing, delivery, and retail operations; adding automatic insurance of \$100 for all Priority Mail packages, including returns; adding returns information to Informed Delivery; and enabling return labels printing at self-service kiosks.

Modernize Delivery Vehicle Fleet and Implement Electric Fleet by 2035	
<ul style="list-style-type: none"> • Upgrade the vehicle fleet, including the purchase and deployment of the Next Generation Delivery Vehicles. • Leverage new technology to improve safety and comfort and increase delivery efficiency by providing more space for mail and packages. 	<ul style="list-style-type: none"> • Congress passed the Inflation Reduction Act of 2022, which provided the Postal Service \$1.29 billion to buy zero-emission delivery vehicles and \$1.71 billion to develop infrastructure to support these vehicles. • In December 2022, announced plans to acquire 106,000 new delivery vehicles, including at least 66,000 battery electric-powered delivery vehicles, 45,000 battery electric-powered Next Generation Delivery Vehicles, and 21,000 commercial off-the-shelf vehicles that are expected to be battery electric-powered. • Bought left-hand drive commercial off-the-shelf vehicles to replace minivans that reached the end of their useful life.
Implement Best-in-Class Processing Operations	
<ul style="list-style-type: none"> • Modernize the Postal Service’s operating plans. • Invest in the logistics and processing network, including processing equipment investments, technology upgrades, and facility footprint realignment. 	<ul style="list-style-type: none"> • Invested in processing automation and information technologies, including next general mobile delivery devices, package sorting systems, delivery unit sorters, and mail machine moves and disposals. • Expanded facility footprint to an additional 13 million square feet across 100 locations. • Leveraged National Distribution Centers and Processing and Distribution Centers to enter mail and package products via either: <ul style="list-style-type: none"> ○ Origin-entry for processing and distribution to the entire country; or ○ Destination-entry for processing and distribution to the local geographic area.
Implement Best-in-Class Delivery Operations	
<ul style="list-style-type: none"> • Enhance delivery operations by driving operational precision; optimizing delivery units; modernizing route structures, investing in employees, technology, and systems; and deploying sortation equipment to delivery units. 	<ul style="list-style-type: none"> • Bought and deployed Small Delivery Unit Sorter machines to support automated processing at delivery unit sites. • Bought and deployed robotic induction systems for existing Parcel Sorting Machines to automate handling and induction of mail onto the machine sorters.
Implement a Modern, Transformed Network of Retail Post Offices	
<ul style="list-style-type: none"> • Transform retail locations into a destination center for local businesses providing expert shipping and mailing solutions, including the alignment of retail locations to meet evolving customer needs. • Expand partnerships with government partners to provide additional services to include passport services and fingerprint/biometric capture. 	<ul style="list-style-type: none"> • In the process of investing in and designing retail locations to make them modern, go-to destinations meeting customer needs. • Continued to build on partnership with the United States State Department to process passport applications.

	<ul style="list-style-type: none"> • Since March 2021, implemented new programs, resources, and offerings designed to create a better customer experience, including launching Prepaid Acceptance Scanning, surpassing 50 million users for Informed Delivery, and partnering with e-commerce companies to expand the Label Broker service.
<p>Implement a Fully Optimized Surface and Air Transportation Network</p>	
<ul style="list-style-type: none"> • Redesign the surface and air transportation network. • Reduce reliance on air transportation for certain classes of mail. • Deploy a state-of-the-art platform for end-to-end execution of a unified logistics operation. 	<ul style="list-style-type: none"> • Used the most effective mode of transportation to reduce costs and improve reliability by implementing First-Class Mail and First-Class Package Service standard changes. • Decreased the share of First-Class Mail and First-Class Package Service volumes transported via the air network.
<p>Stabilize and Empower Workforce to Include Reducing Pre-Career Turnover</p>	
<ul style="list-style-type: none"> • Hire, develop, and retain capable and diverse employees. • Reduce non-career employee turnover by half, expand career planning programs, elevate front-line leadership capabilities, establish an Executive Diversity Council, and enhance employee safety and wellbeing. 	<ul style="list-style-type: none"> • Since October 2020, converted approximately 125,000 pre-career^e employees into full-time career positions, including 50,000 conversions between April 2022 and March 2023. • Hired 40,000 seasonal employees in early fall to allow adequate time for training and on-the-job experience. <ul style="list-style-type: none"> ○ Reduced total workhours by 9.4 million (equivalent to \$487 million in compensation and benefits) in FY 2022 compared to FY 2021. ○ Encouraged employees to take leave before the peak season and allowed flexible overtime during peak season. • Implemented a right-sizing effort in mail processing to better align the workforce with operating plans and equipment needs, reduce the overtime demand on employees, achieve predictability and precision, and improve employee engagement and retention.
<p>Align Organizational Structure to Support Effectiveness</p>	
<ul style="list-style-type: none"> • Design a high-performing organization with greater line of sight from strategy to business outcomes focusing on Retail and Delivery, Logistics and Processing, and Commerce and Business • Accept, process, and deliver mail and packages more efficiently. Use infrastructure to enable growth. 	<ul style="list-style-type: none"> • Design a high-performing organization with greater line of sight from strategy to business outcomes focusing on Retail and Delivery, Logistics and Processing, and Commerce and Business • Accept, process, and deliver mail and packages more efficiently. • Use infrastructure to enable growth.

Support Legislative and Administrative Actions	
<ul style="list-style-type: none"> • Create a legislative and administrative framework that aligns with the Postal Service’s needs. • Request integrating Medicare with Postal Service health plans and eliminating pre-funding obligations stemming from the PAEA. • Correct the unfair allocation of CSRS benefits for legacy Post Office Department employees. 	<ul style="list-style-type: none"> • Create a legislative and administrative framework that aligns with the Postal Service’s needs. • Request integrating Medicare with Postal Service health plans and eliminating pre-funding obligations stemming from the PAEA. • Correct the unfair allocation of CSRS benefits for legacy Post Office Department employees.
Implement a More Rational Pricing Approach	
<ul style="list-style-type: none"> • Align the Postal Service’s pricing strategies with operational and marketplace needs by applying new Commission rules on Market Dominant product pricing above CPI. • Review all Competitive postal products and services for opportunities to drive higher revenue based on needs. 	<ul style="list-style-type: none"> • Align the Postal Service’s pricing strategies with operational and marketplace needs by applying new Commission rules on Market Dominant product pricing above CPI. • Review all Competitive postal products and services for opportunities to drive higher revenue based on needs.

Source: *FY 2022 Annual Report* at 18; First-Year Progress Report at 1-7; PSRA Report at 8-26; Second-Year Progress Report at 4-29.

^aThe Postal Service provided descriptions of each strategic initiative in Docket No. ACR2021, Response to CHIR No. 21, question 2.a.

^bPSRA § 202(a) requires delivery to be made at least 6-days a week (codified in 39 U.S.C. § 101(b)).

^cPSRA § 201(a) requires the Postal Service to file reasonable performance targets for each Market Dominant product with the Commission for each fiscal year both pre- and post-implementation (codified in 39 U.S.C. § 3692(a)(1-2)).

^dUSPS Connect Local offers expected same-day or next-day delivery to customers who are located within the same ZIP Code as participating Postal Service facilities. PSRA Report at 12. USPS Connect Local shipping and mailing shipping and mailing supplies are available at no additional cost when postage is printed and paid through the Click-N-Ship application. *Id.* USPS Connect Regional provides shippers mailers who need expanded geographical reach direct access to plants and distribution centers across the country for next-day and two-day delivery services. *Id.* at 13. USPS Connect Returns enhances the Postal Service’s return shipping options through network and technology investments and improvements. *Id.* at 14.

^eThe Postal Service uses the term “pre-career” to refer to part-time workers. Response to CHIR No. 7, questions 29.a.-b. “Through the collective bargaining process, the Postal Service negotiated a provision that provides a path to career employment for all pre-career employees who remain in [the Postal Service’s] employ for 24 months. The current agreements allow pre-career employees, who stay employed with the Postal Service for two years, to be automatically converted to career status.” *Id.*

^fSee 39 C.F.R. part 3030; Order No. 5763.

^gDocket No. R2022-1, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, May 27, 2022 (Order No. 6188) (finding that the Postal Service’s planned pricing and classification adjustments were consistent with applicable law and may take effect as planned July 10, 2022).

^hDocket No. CP2022-22, Order Approving Changes in Rates of General Applicability for Domestic Competitive Products, December 21, 2021 (Order No. 6071), as amended by Docket No. CP2022-22, Notice of Erratum, December 22, 2021 (finding that the Postal Service’s planned pricing and classification adjustments were consistent with applicable law and may take effect as planned January 9, 2022); Docket No. CP2022-62, Order Approving Changes in Rates and Classifications of General Applicability for Competitive Products, June 8, 2022 (Order No. 6195) (finding that the Postal Service’s planned pricing and classification adjustments were consistent with applicable law and may take effect as planned July 10, 2022).

On April 20, 2023, the Commission found it would be beneficial to provide a forum to examine the recent and planned network changes associated with the Postal Service's 10-Year Strategic Plan and therefore initiated Docket No. PI2023-4 for such purpose. *See* Order No. 6488. Given the public interest and potential for significant impact on the postal industry, the Commission observes that the *FY 2023 Report* could be improved by including information and/or cross-references to the 10-Year Strategic Plan progress reports, PSRA reports, or other documents that describe the Postal Service's progress in FY 2023 toward the goals and initiatives in the 10-Year Strategic Plan.

In the *FY 2021 Analysis*, the Commission recommended that the Postal Service describe each strategic initiative the Postal Service will use in FY 2023, provide related performance measures and targets, and explain in detail how the strategic initiatives changed between FY 2022 and FY 2023. *FY 2021 Analysis* at 124. In the *FY 2023 Plan*, the Postal Service identifies the strategic initiatives it will use in FY 2023 and provided performance measures and targets in a CHIR response.¹³² In the *FY 2023 Plan*, the Postal Service states that each strategic initiative was refined for FY 2023 but does not explain how they were refined. *See FY 2022 Annual Report* at 52-53. In a CHIR response, the Postal Service explained that the strategic initiatives are updated to reflect new annual targets set for the performance indicators, and all strategic initiatives have been refined to align with FY 2023 targets. Response to CHIR No. 27, question 1. It provided tables showing, for each strategic initiative, the corresponding performance indicators and FY 2023 targets. *Id.* The *FY 2024 Plan* could be improved by describing in detail how each strategic initiative changed between FY 2023 and FY 2024 or including specific cross-reference to other documents that contain this information.

In the FY 2023 Report and FY 2024 Plan, the Commission recommends that the Postal Service:

- *Identify and describe each strategic initiative the Postal Service used in FY 2023.*
- *Explain how the strategic initiatives relate to the performance goals and performance indicators.*
- *Describe the Postal Service's progress toward completing each strategic initiative during FY 2023 or include cross-references to the 10-Year Strategic Plan progress reports, PSRA reports, or other documents that contain this information.*
- *Describe each strategic initiative the Postal Service will use in FY 2024, and provide performance measures and targets, if applicable.*
- *Explain in detail how the strategic initiatives changed between FY 2023 and FY 2024.*

¹³² *FY 2022 Annual Report* at 53; Response to CHIR No. 18, question 6.

Appendix A: Commission Findings and Recommendations

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

- *The Commission finds that the FY 2023 Plan complies with all requirements of 39 U.S.C. § 2803(a).*
- *The Commission finds that the FY 2022 Report complies with 39 U.S.C. § 2804(b)(1). To comply with 39 U.S.C. § 2804(b)(1) next year, the FY 2023 Report must set forth the same performance indicators and targets as the FY 2023 Plan and compare FY 2023 targets and results for each performance indicator.*
- *The FY 2023 result for each performance indicator must be comparable to the corresponding FY 2023 target set in the FY 2023 Plan. If a comparable FY 2023 result is not provided, the FY 2023 Report must address the lack of comparability by explaining **either** of the following:*
 1. *How to compare results between the current and former methodologies; **or***
 2. *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.*
- *Except for the Excellent Customer Experience performance goal, the FY 2022 Report complies with 39 U.S.C. § 2804(c). The FY 2022 Report is non-compliant with respect to this performance goal because CCC performance indicator results are not comparable from FY 2019 through FY 2022, and the Postal Service did not provide the explanations required by the Commission.*

To comply with 39 U.S.C. § 2804(c) next year, the FY 2023 Report must include comparable results for each performance indicator for FYs 2020, 2021, 2022, and 2023. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology. If comparable results from FY 2020 through FY 2023 are not provided for any performance indicator, the FY 2023 Report must:

1. *Identify each performance indicator with non-comparable results from FY 2020 through FY 2023; **and***
2. *Address the lack of comparability by explaining **either** of the following:*
 - a. *How to compare results from FY 2020 through FY 2023 between the current and former methodologies; or*
 - b. *Why making this comparison is not feasible.*

- *The FY 2023 Report must include all information necessary to evaluate compliance with the requirements of 39 U.S.C. §§ 2803 and 2804, including section 2804(c). Inclusion of this information in the FY 2023 Report may be satisfied by either: (1) including the information itself in the text of the FY 2023 Report; or (2) including cross-references identifying the documents containing this information in the text of the FY 2023 Report.*
- *The Commission finds that the FY 2022 Report complies with 39 U.S.C. § 2804(d)(3) because it explains why performance goals were partially met and describes plans and schedules for meeting the goals in FY 2023. To comply with 39 U.S.C. § 2804(d)(3) next year, for each FY 2023 target that is not met, the FY 2023 Report must both explain why and describe plans and schedules for meeting the FY 2024 targets.*
- *The Commission finds that the FY 2022 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).*
- *The Commission finds that Library Reference USPS-FY22-NP30 complies with the Commission's directives in the FY 2021 Analysis. For the non-public performance indicators, the FY 2023 Plan complies with 39 U.S.C. § 2803(a)(2) by setting measurable FY 2023 target(s) for each performance indicator the Postal Service will use in FY 2023. See Section B.1., supra. The FY 2022 Report complies with 39 U.S.C. § 2804(b)(1) and 2804(c) because it provides comparable FY 2022 targets and results as well as comparable results from the past 3 fiscal years. See Sections B.2.a., b., supra. The FY 2022 Report also complies with 39 U.S.C. § 2804(d)(3) because the Postal Service explains why it did not meet FY 2022 target(s) and describes plans and schedules for meeting FY 2023 target(s).*
- *To ensure that the FY 2024 Plan and FY 2023 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively, the Commission recommends that the Postal Service continue to explain where to find information on the non-public service performance indicators, such as in a footnote in the master table of targets and results. For the Competitive products' non-public performance indicator(s), the Postal Service must file under seal with the FY 2023 ACR: (1) FY 2023 and FY 2024 targets; (2) comparable FY 2023 targets and results; and (3) comparable results from FY 2020 through FY 2023. If the Postal Service does not meet the FY 2023 target for any non-public performance indicator, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2024 target. The FY 2023 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 continue to limit the number of changes to performance indicators and methodologies for calculating targets and results. If the Postal Service plans to add or change any performance indicators or methodologies, the Commission recommends that the Annual Report to Congress 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), if the Postal Service changes a*

performance indicator or the methodology for calculating targets or results, the Commission recommends that the Postal Service maintain the same performance indicator or methodology for at least 3 consecutive fiscal years unless the change is clearly not beneficial or effective.

Chapter III – Evaluation of Performance Goals:

High-Quality Service:

- *The Commission commends the Postal Service for its efforts to deliver COVID-19 test kits. These efforts demonstrate the Postal Service’s vital role in the COVID-19 pandemic response.*
- *The Commission finds that the High-Quality Service performance goal was partially met in FY 2022, with the Postal Service failing to meet one performance indicator related to Market Dominant products.*
- *The Commission continues to recommend that the Postal Service develop more granular composite indicators for service performance based on significant class, shape, and product-level differences between mailpieces. If the Postal Service continues using highly aggregated composites as performance indicators, then the Commission recommends that the Postal Service also develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly aggregated composites. Finally, the Commission expects the Postal Service to include with each Annual Report supporting workpapers containing the inputs for, and a detailed calculation of, the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the ACR filing.*
- *In the FY 2023 Report, the Postal Service should address whether any service standard changes implemented in FY 2023¹ affected the comparability of performance indicator results. If comparability has been affected, the Postal Service should propose a way for the Commission to compare FY 2023 High-Quality Service performance indicator results to results from prior fiscal years. If the Postal Service asserts that comparability is unaffected, the Postal Service should fully explain the rationale and supporting basis for this assertion. The Postal Service should also consider methodologies to study the effect of service standard changes on OPP at affected facilities.*
- *The Commission encourages the Postal Service to continue reviewing routings and streamlining its network to reduce complexity, improve reliability, and improve service performance for the Single-Piece First-Class Mail 3- 5-Day performance indicator.*

¹ For example, the change in CETs for certain categories of Periodicals, effective January 29, 2023. See United States Postal Service, *Changes to Periodical Critical Entry Times, Effective January 29, 2023*, USPS Postal Pro (Dec. 29, 2022), available at <https://postalpro.usps.com/node/11634>; see also Docket No. N2022-2, Advisory Opinion on Changes to the Critical Entry Times for Certain Categories of Periodicals, November 30, 2022 (Docket No. N2022-2, Advisory Opinion).

- *The Commission recommends that the Postal Service consider the additional processing requirements for single-piece volumes when devising targets in the future. As these requirements and associated challenges can be anticipated based on experience, they should be accounted for in developing applicable targets.*
- *If the Postal Service experiences higher-than-expected failure in certain processes relating to the processing of single-piece volumes and does not achieve any of its single-piece performance targets in FY 2023, it should explain the reasons why failures in processing single-piece volumes exceed expectations and identify the operational processes experiencing the failures.*
- *The Commission commends the Postal Service's FY 2022 and FY 2023 initiatives to make proactive plans to provide High-Quality Service during peak seasons, and it recommends that the Postal Service continue monitoring and optimizing peak season performance.*
- *The Commission recommends that the Postal Service continue to monitor fluctuations in employee availability and its impact on service performance.*
- *The Commission recommends that the Postal Service continue initiatives to reduce supplier failure, improve supplier capacity, and increase its efforts to address CLTs whose causes are within its direct control.*
- *The Commission supports the Postal Service's renewal of the Unexpected Events Initiative, and it recommends that the Postal Service report on its progress in developing, and any results from, the Unexpected Events Initiative in the FY 2023 Report, including any effect on reducing CLTs.*
- *The Commission commends the Postal Service for its efforts devoted to delivering Election Mail and Political Mail during the CY 2022 election cycle. These efforts were undertaken notwithstanding the adverse effects of the COVID-19 pandemic, in furtherance of the vital role the Postal Service plays in the American democratic process.*
- *In all future Annual Reports through the first year following completion of the 10-Year Strategic Plan, the Commission recommends that the Postal Service report how the 10-Year Strategic Plan (as a whole and for applicable distinct initiatives) affected the High-Quality Service performance indicator result.*
- *The Commission continues to recommend that the Postal Service explore ways to better balance service performance scores across the nation and study the reasons for service performance issues in the lowest performing Areas/Districts.*

Excellent Customer Experience:

- *The Commission finds that the Postal Service partially met the Excellent Customer Experience performance goal in FY 2022 because it missed five targets and met or exceeded three targets.*

- *The Commission recommends that the Postal Service consider asking questions on the C360 survey about mail theft to collect more data and evaluate its impact on C360 performance indicator results. The Commission also recommends that the Postal Service consider adding questions to the Delivery survey about missed mail or non-delivery of mail to gather more data on this issue.*
- *In FY 2023, the Commission recommends that the Postal Service strive to improve performance indicator results by targeting key drivers of overall satisfaction. For the C360 performance indicator, the Commission recommends that the Postal Service strive to improve successful resolution of customer issues, which is a key driver for C360 overall satisfaction.*
- *The Commission finds that the FY 2023 targets for the Excellent Customer Experience performance indicators are reasonable. It reiterates its recommendation that the Postal Service consider the prior year's result when setting the subsequent year's target. To improve transparency, the FY 2024 Plan should discuss the rationale for setting the FY 2024 targets.*
- *The Commission recommends that the Postal Service continue to use the NPS to measure and assess CX in FY 2023. 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 and continue its efforts to improve NPS results for the other CX surveys.*
- *The Commission finds that the Postal Service is effectively using social listening to determine what people are saying about its brand and services on social media. The social media heat map is an effective tool for visualizing customer comments and categorizing them by concern and geographic area. The Commission recommends that the Postal Service continue to use social listening and the social media heat map to improve CX in FY 2023.*
- *The Commission commends the Postal Service for continuing to expand its efforts to respond to customer inquiries via social media. The Commission encourages the Postal Service to continue using the Facebook ChatBOT, AIVA, and other AI tools to continue helping customers and to improve the response time for customer inquiries.*

Safe Workplace and Engaged Workforce:

- *The Commission finds that the Postal Service partially met the Safe Workplace and Engaged Workforce performance goal in FY 2022.*
- *The Commission commends the Postal Service for meeting the Total Accident Rate target for the fourth year in a row and achieving the best result since the Postal Service began using the Total Accident Rate as a performance indicator in FY 2017. The Postal Service's continued use of workplace safety data analysis tools and the Safety Intervention and Recognition Program appear to have been effective in*

promoting a safe workplace in FY 2022 because the number of accidents decreased for each accident type.

- *The Commission finds that the FY 2023 Total Accident Rate target is reasonable considering the changes in FY 2023 that could increase the potential for safety incidents. The Postal Service's plans to continue using the OSH Scorecard and SHMT in FY 2023 appear designed to improve employee safety and the Total Accident Rate. The Commission recommends that in the FY 2023 Report, the Postal Service describe efforts to promote a safe workplace in FY 2023 and plans to improve employee safety in FY 2024.*
- *The Commission recommends that the Postal Service continue to recognize employees that promote a safe workplace and motor vehicle safety in quarterly newsletters and other publications. Also, the Commission recommends that the Postal Service continue to monitor the safety and performance of contractor-operated motor vehicles (including vehicles operated by subcontractors of freight brokers) and address safety incidents shortly after they occur to help prevent future incidents and unsafe practices.*
- *The Commission is concerned that mean scores for almost every question on the Postal Pulse survey decreased in FY 2022 but acknowledges that none of the scores declined by more than 0.08 points on the survey scale. The decline in employee engagement is consistent with employee engagement levels across the country in recent years. If the Grand Mean Engagement Score continues to decline or does not increase in FY 2023, the Commission recommends that the FY 2023 Report identify all reasons for employee dissatisfaction that are specific to Postal Service employees and analyze the impact of postal-related changes on employee engagement.*
- *The FY 2023 target is reasonable considering the range of Grand Mean Engagement Scores during the past few years. The Postal Service's plans to implement engagement initiatives for front-line supervisors and newly hired pre-career employees are reasonable steps for improving the Grand Mean Engagement Score and overall employee engagement. The Commission recommends that the Postal Service continue implementing and expanding pilot programs to improve employee engagement and retention for both career and non-career employees. Also, in the FY 2023 Report, the Commission recommends that the Postal Service describe how the implementation of these initiatives affected the FY 2023 Grand Mean Engagement Score.*
- *The Commission recommends that the Postal Service implement the programs described in the FY 2023 Plan to improve the Engagement Survey Response Rate in FY 2023. If the rate does not improve in FY 2023, the Commission recommends that the Postal Service investigate and address the root causes and describe its efforts to do so in the FY 2023 Report.*

Financial Health:

- *The Commission finds that the Postal Service met the Financial Health performance goal in FY 2022.*

- *The Commission recommends that the Postal Service continue to include information on Controllable Income (Loss) and non-controllable expenses in future annual performance plans and annual performance reports.*
- *In all future Annual Reports through the first year following completion of the 10-Year Strategic Plan, the Postal Service should report on the effects of the 10-Year Strategic Plan on: (1) the Postal Service's Financial Health performance indicator results; and (2) labor productivity.*
- *The Commission encourages the Postal Service to communicate with its stakeholders to gather their views of the effects of rate increases on volume.*
- *Because of the challenges of characterizing expenses as controllable or non-controllable, and because of the limited categories of expenses that the Postal Service deems non-controllable, the Commission recommends that the Postal Service consider whether a GAAP measure such as Net Income (Loss) or Net Operating Income (Loss) offers a more useful indication of the Postal Service's financial health and whether such a metric should be used as a performance indicator in lieu of, or in addition to, Controllable Income (Loss). If the Postal Service makes changes to, or supplements, the Controllable Income (Loss) performance indicator in its FY 2023 Report, the Postal Service should also provide comparable performance indicator results for FY 2020 through FY 2023 to help ensure compliance with 39 U.S.C. § 2804(c).*
- *The Commission recommends that the Postal Service continue monitoring and reporting TFP and labor productivity trends. The Commission recommends that future annual performance reports continue to include information on TFP, labor productivity, and other productivity measures. In addition, the Postal Service should explain the reason for any changes in TFP and/or labor productivity in FY 2023.*
- *The Commission continues to recommend that the Postal Service consider adopting one or more additional performance indicators for measuring progress towards the Financial Health performance goal. Specifically, the Commission recommends that the Postal Service consider incorporating the operating ratio, or another measure associated with operational efficiency, as a performance indicator.*

Chapter IV - Strategic Initiatives:

In the FY 2023 Report and FY 2024 Plan, the Commission recommends that the Postal Service:

- *Identify and describe each strategic initiative the Postal Service used in FY 2023.*
- *Explain how the strategic initiatives relate to the performance goals and performance indicators.*
- *Describe the Postal Service's progress toward completing each strategic initiative during FY 2023 or include cross-references to the 10-Year Strategic Plan progress reports, PSRA reports, or other documents that contain this information.*

- *Describe each strategic initiative the Postal Service will use in FY 2024, and provide performance measures and targets, if applicable.*
- *Explain in detail how the strategic initiatives changed between FY 2023 and FY 2024.*

Appendix B - Figure 1
FY 2024 Plan Checklist for Compliance
with Major Requirements of 39 U.S.C. § 2803(a)

Checklist Items:
Does the *FY 2024 Plan*

Title 39 Section:
2803(a)

- Identify all program activities in the FY 2024 IFP?
- Link each program activity to at least one performance goal or performance indicator?

2803(a)(1)

- Set FY 2024 targets for each performance indicator that the Postal Service will use to evaluate performance during FY 2024?
- If applicable, explain why a FY 2024 target was not set for a performance indicator?

2803(a)(2)

Identify FY 2024 targets that are **either** of the following:

- Objective, quantifiable, and measurable,

OR

- Use an “alternative form” under 39 U.S.C. § 2803(b)?

2803(a)(3)

- Describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet each performance goal?

2803(a)(4)

- For each performance goal, establish at least one performance indicator to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity?

2803(a)(5)

- Provide a basis for comparing actual program results with the established performance goals?

2803(a)(6)

- Explain how the Postal Service verifies and validates targets and results for each performance indicator using objective measurement systems?

Note: The statutory requirements apply to both **public** and **non-public** performance indicators. The *FY 2024 Plan* and *FY 2023 Report* must include all information necessary to evaluate compliance with 39 U.S.C. §§ 2803 and 2804, which may be satisfied by either: (1) including the information itself in the text of the *FY 2024 Plan* or *FY 2023 Report*; or (2) including cross-references identifying the documents containing this information in the text of the *FY 2024 Plan* or *FY 2023 Report*. Further information appears in Chapter II, Sections B.1 and B.3., *supra*.

Appendix B - Figure 2
FY 2023 Report Checklist for Compliance
with Major Requirements of 39 U.S.C. § 2804

Checklist Items: Does the FY 2023 Report

Title 39 Section:

2804(b)(1)

- Set forth the FY 2023 result for each performance indicator that is comparable to the corresponding FY 2023 target set in the *FY 2023 Plan*?

If a comparable FY 2023 result is not provided, does the *FY 2023 Report*:

- Address the lack of comparability by explaining **either** of the following:
 - How to compare results between the current and former methodologies,

OR

- Why making this comparison is not feasible?

2804(c)

- For each performance indicator, provide results across FYs 2020-2023 that are comparable (calculated and expressed using the same methodology for each fiscal year)?

If comparable results across FYs 2020-2023 are not provided, does the *FY 2023 Report*:

- Identify each performance indicator with non-comparable results across FYs 2020-2023?
- Address the lack of comparability by explaining **either** of the following:
 - How to compare results across FYs 2020-2023 between the current and former methodologies,

OR

- Why making this comparison is not feasible?

2804(d)(3)

For each FY 2023 target that is not met, does the *FY 2023 Report both*:

- Explain why,
- AND**
- Describe plans and schedules for meeting FY 2024 target?

Note: The statutory requirements apply to both **public** and **non-public** performance indicators. The *FY 2024 Plan* and *FY 2023 Report* must include all information necessary to evaluate compliance with 39 U.S.C. §§ 2803 and 2804, which may be satisfied by either: (1) including the information itself in the text of the *FY 2024 Plan* or *FY 2023 Report*; or (2) including cross-references identifying the documents containing this information in the text of the *FY 2024 Plan* or *FY 2023 Report*. Further information appears in Chapter II, Sections B.2. and B.3., *supra*.