

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2017

Docket No. ACR2017

PUBLIC REPRESENTATIVE COMMENTS ON THE
FY 2017 PERFORMANCE REPORT AND FY 2018 PERFORMANCE PLAN

(January 30, 2018)

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I. INTRODUCTION

In response to Order No. 4334,¹ the Public Representative hereby provides comments concerning the Postal Service's FY 2017/18 Report & Plan.² The Postal Service prepared and filed its FY 2017/18 Report & Plan pursuant to 39 U.S.C. §§ 2804 and 2803. As required by 39 U.S.C. § 3653(d), the Commission must then evaluate whether the Postal Service has met the goals established under 39 U.S.C. §§ 2803 and 2804.

In its Notice, the Commission asks commenters to consider:

- If the Postal Service met the established performance goals;
- If the FY 2017/18 Report & Plan meet statutory requirements, including 39 U.S.C. §§ 2803 and 2804;
- The recommendations or observations the Commission should make concerning the Postal Service's strategic initiatives;
- The recommendations the Commission should provide to the Postal Service in relation to protecting or promoting public policy objectives under 39 U.S.C. § 3653(d); and
- Other matters relevant to the Commission's analysis of the FY 2017/18 Report & Plan under 39 U.S.C. § 3653(d).

Notice at 2-3.

II. LEGAL REQUIREMENTS

Pursuant to 39 U.S.C. § 3652(g), the Postal Service filed the FY 2017/18 Report & Plan with the Commission along with its FY 2017 Annual Compliance Report. The Commission is required to evaluate "whether the Postal Service has met the goals

¹ Notice and Order Regarding the Postal Service FY 2017 Annual Performance Report and FY 2018 Annual Performance Plan, January 3, 2018 (Notice).

² FY2017 Performance Report and FY2018 Performance Plan, Docket No. ACR2017, Library Reference USPS-FY17-17, December 29, 2017.

established under sections 2803 and 2804, and may provide recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in [title 39].” 39 U.S.C. § 3653(d).

As set forth in 39 U.S.C. § 2803 governing the Postal Service’s performance plans, each annual performance plan shall:

- Establish performance goals to define the level of performance to be achieved by a program activity (see 39 U.S.C. § 2803(a)(1));
- Express the goals in an objective, quantifiable and measureable form (see 39 U.S.C. § 2803(a)(2));³
- Include a brief description of operational processes and resources required to meet the performance goals (see 39 U.S.C. § 2803(a)(3));
- Establish performance indicators for measuring or assessing the relevant outputs, service levels, and outcomes of each project activity (see 39 U.S.C. § 2803(a)(4));
- Provide a basis for comparing actual program results with the performance goals (see 39 U.S.C. § 2803(a)(5)); and
- Describe the means for verification and validation of measured values (see 39 U.S.C. § 2803(a)(6)).

As set forth in 39 U.S.C. § 2804 governing program performance reports, each report shall:

- Set forth the performance indicators established in the performance plan, along with the actual program performance achieved compared with the performance goals for that fiscal year (see 39 U.S.C. § 2804(b)(1));
- If the performance goals are specified by descriptive statements of a minimally effective program activity and a successful program activity, the results of such program shall be described in relation to those categories

³ This is required unless the Postal Service decides to use an alternative form as prescribed in 39 U.S.C. § 2803(b).

and whether the performance failed to meet the criteria of either category (see 39 U.S.C. § 2804(b)(2));

- Include actual results for three preceding fiscal years (see 39 U.S.C. § 2804(c));
- Review the success of achieving the performance goal (see 39 U.S.C. § 2804(d)(1));
- Evaluate the current performance plan relative to the performance achieved in that fiscal year covered by the report (see 39 U.S.C. § 2804(d)(2));
- Explain, where applicable, why the goal was not met and describe the plans and schedules for achieving the established performance goal or why it may not be achievable and what action would be recommended (see 39 U.S.C. § 2804(d)(3)); and
- Include the summary findings of the program evaluations for the fiscal year covered in the report (see 39 U.S.C. § 2804(d)(4)).

III. COMMENTS ON THE PERFORMANCE REPORT AND PLAN

A. Meeting the Established Goals

The FY 2017/18 Report and Plan focuses on the following four goals:

- Deliver High-Quality Service (Service, % On-Time);
- Provide Excellent Customer Experiences (Customer Experience);
- Ensure a Safe Workplace and Engaged Workforce (Workplace Environment); and
- Sustain Controllable Income.

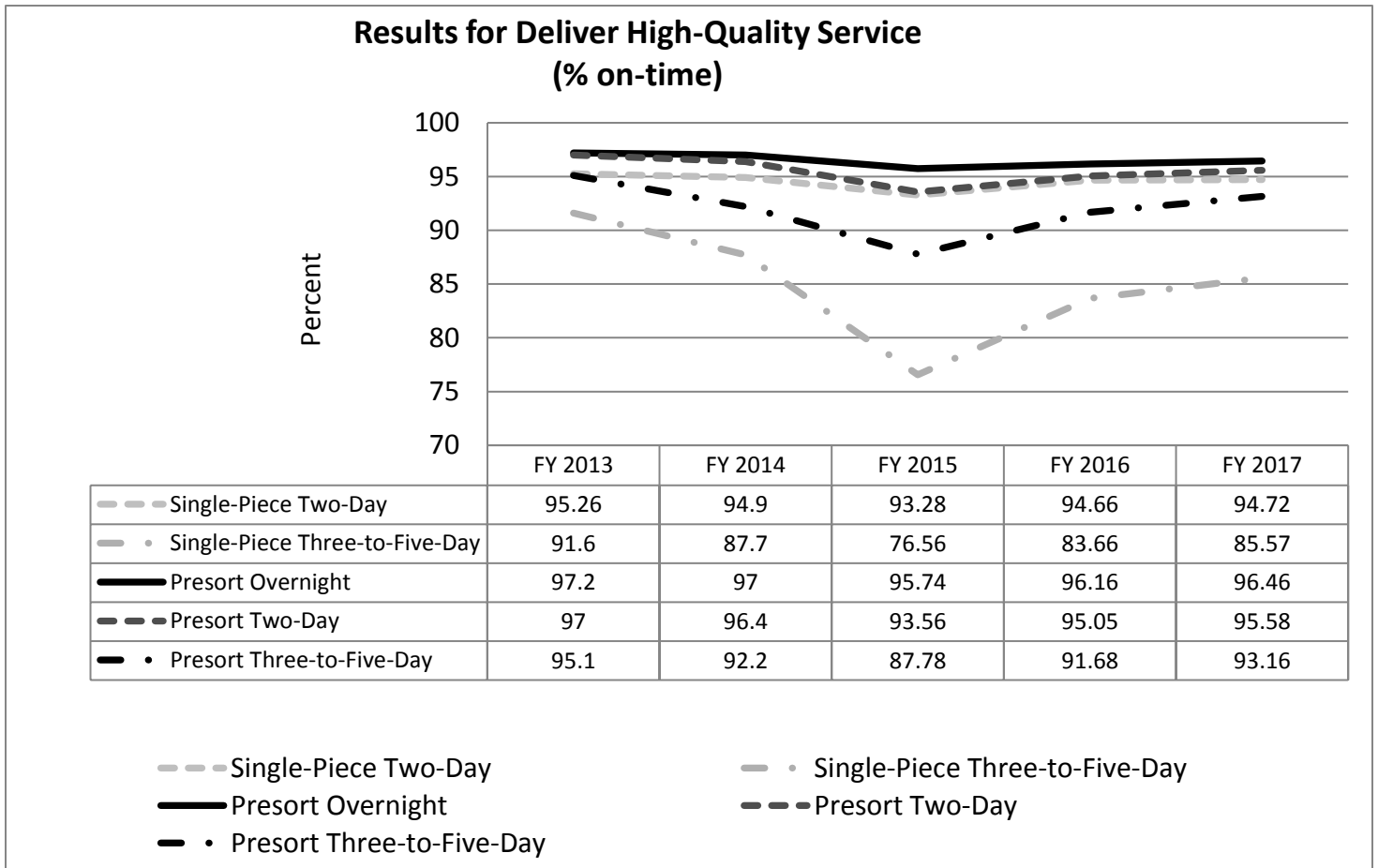
FY 2017/18 Report and Plan at 13-28.

Based on an analysis of the FY 2017/18 Report and Plan, and for the reasons described below, the Public Representative concludes that the Postal Service either only partially met or failed to meet its established performance goals.

1. Deliver High-Quality Service (% On-Time)

The Postal Service uses % On-Time delivery to measure its performance for its Deliver High-Quality Service goal. FY 2017/18 Report & Plan at 14. As Figure 1 on the next page illustrates, for two years in a row, the Postal Service’s performance improved in every category. The Single-Piece 3-to-5-Day category saw the most substantial increase.

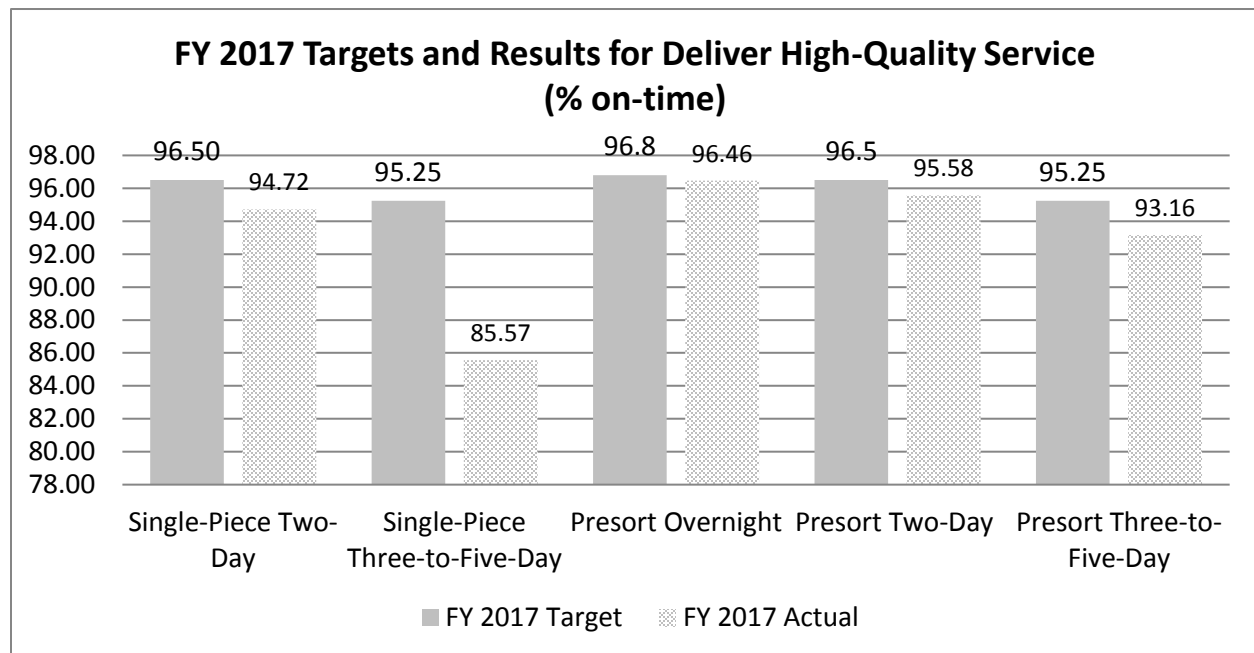
Figure 1



Source: FY 2017/18 Report & Plan at 14.

Despite an increase across the board in service performance, the Postal Service failed to meet all its targets in FY 2017. FY 2017/18 Report & Plan at 14. As in previous years, the highest gap between actual service and the applicable target is observed for the Three-to-Five-Day delivery standard for Single-Piece First-Class Mail. However, the FY 2017 differential has decreased compared with FY 2016, 9.68 and 11.59, respectively.

Figure 2



Source: FY 2017/18 Report & Plan at 14.

In the FY 2017/18 Report & Plan, the Postal Service highlights the gains in On-Time scores, but it fails to provide a reasonable explanation for missing its % On-Time targets. *Id.* It identifies temporary disruptions as one cause of the missed targets. However, it does not specify whether these disruptions were in distribution, network transportation or delivery processes. And, it provides no information explaining these disruptions nor whether these disruptions were unique to FY 2017. Because the Postal Service missed all of its % On-Time delivery targets, the Public Representative

concludes that in FY 2017, the Postal Service did not meet its Deliver High-Quality Service performance goal.

The Public Representative reiterates the comments of previous Public Representatives that the Postal Service should set realistic targets in its Performance Plan.⁴ Based on past performance, it is unlikely that it will meet the target for the Three-to-Five-Day delivery standard for Single-Piece First-Class Mail. In order to achieve the target set for FY 2018, the Postal Service would have to increase its on time performance by 11 percent. The Postal Service did not discuss what changes it will make to bring about such an unprecedented improvement for this category. Even though the Postal Service's score in FY 2017 improved compared with FY 2016, the score increased by just 2 percent.

2. Provide Excellent Customer Experiences

The Postal Service measures customer experience with the Customer Insights measurement system, including five subcomponents of the composite metrics (each representing a particular customer survey). FY 2017/18 Report & Plan at 14. In FY 2017, although some subcomponents met or surpassed the target, the composite score for Customer Experience fell short. *Id.* at 14. Therefore, the Public Representative concludes that in FY 2017, the Postal Service did not meet its Provide Excellent Customer Experiences performance goal.

⁴ See Docket No. ACR2014, Public Representative Initial Comments on the FY 2014 Performance Report and FY 2015 Performance Plan, February 25, 2015, at 5; see *also* Docket No. ACR2015, Public Representative Initial Comments on the FY 2015 Performance Report and FY 2016 Performance Plan, February 26, 2016, at 6.

3. Ensure a Safe Workplace and Engaged Workforce

In its evaluation of a safe workplace and engaged workforce, the Postal Service uses two performance indicators – Total Accident Rate and the Engagement Survey Response Rate. FY 2017/18 Report & Plan at 14.

The Postal Service fell short of its targets for both measures despite an increase from FY 2016. The Public Representative concludes that in FY 2017, the Postal Service did not meet its Ensure a Safe Workplace and Engaged Workforce performance goal.

The Public Representative notes that whether the Postal Service meets a performance goal is not only dependent on its performance but also on the targets it sets. The Postal Service set a target of 15 for Total Accidents Rate for FY 2018, a seemingly achievable goal. For Engagement Survey Response Rate, the target it set is most likely out of reach. The Postal Service states that it chose such a “stretch goal” in order to “emphasize the importance of this measure.” *Id.* at fn. 6. However, it is unclear whether the Postal Service believes that this target is attainable. While the Public Representative views ambitious targets favorably, she views unachievable targets as problematic. If the Postal Service misses the target set for FY 2018, whether by a little or a lot, it can assert that it was a “stretch goal” in the first place. If the Postal Service wants to convey the importance of this measure, it should set reasonable targets every year and then surpass them.

4. Sustain Controllable Income

To track financial performance results, the Postal Service uses two metrics – Deliveries per Total Work Hours (as a percent of the same period last year) and Controllable Income. FY 2017/18 Report & Plan at 14. In FY 2017, the actual net controllable income was negative \$810 million. *Id.* at 14. The target, of \$100 million was not met. Deliveries per Total Work Hours (DPTWH), also did not meet the FY 2017 target of 0.6 percent. *Id.* Actual DPTWH was significantly lower at negative 0.5 percent. *Id.* at 22. Despite failing to meet the DPTWH target in FY 2017 and falling below the FY 2016 actual, the Postal Service set the target at 2.1 percent for FY 2018,

at more than twice the highest percent increase in since 2014. The Public Representative reiterates that setting unattainable targets is a useless exercise. Targets should be achievable during the year covered by the plan. There is no point in setting targets that the Postal Service already knows it is incapable of meeting in FY 2018. Targets are not meant to be long-term goals. The information provided by the Postal Service regarding its initiatives does little to alleviate such concerns.

Taking into account that the Postal Service did not meet the DPTWH target nor the Controllable Income target, the Public Representative finds that the Postal Service did not meet its Sustain Controllable Income goal. However, the Postal Service's explanation of the shortfall is sufficient.

B. Compliance with the Requirements of 39 U.S.C. §§ 2803 and 2804

The Public Representative finds that with the Postal Service satisfies all but one of the requirements of U.S.C. §§ 2803 and 2804. The Postal Service failed to explain how the FY 2017 Performance Plan covers each of the program activities listed in the FY 2018 Congressional Budget. Therefore, the Public Representative finds that the FY 2018 Performance Plan does not comply with 39 U.S.C. § 2803(a).

IV. STRATEGIC INITIATIVES

In its Notice, the Commission also invited public comment on recommendations or observations that the Commission should make regarding the Postal Service's strategic initiatives. Notice at 2.

In its FY 2017/18 Report & Plan, the Postal Service provides a list of strategic initiatives as a part of the FY 2017 Comprehensive Statement on Postal Operations. FY 2017/18 Report & Plan at 27. The report contains a briefly discussion of the Postal Service's strategic initiatives and includes a table comparing the FY 2017 and FY 2018 initiatives, and linking them to the corporate goals and relevant strategies. *Id.* Previously, the Commission recommended that in the table provided in the report, the Postal Service include the initiatives not only for the prior years, but also for the

upcoming year. In the FY 2017/18 Report & Plan, the table includes initiatives for FY 2018 as recommended by the Commission. However, it no longer includes information about any years prior to FY 2017. Nonetheless, the table is an improvement over the table in last year's report.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Respectfully submitted,

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