

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2017

Docket No. ACR2017

**UNITED STATES POSTAL SERVICE REPLY COMMENTS REGARDING
FY 2017 PERFORMANCE REPORT AND FY 2018 PERFORMANCE PLAN**
(February 22, 2018)

I. INTRODUCTION

In Order No. 4334, the Postal Regulatory Commission (Commission) invited public comment on the United States Postal Service's Fiscal Year (FY) 2017 Performance Report and FY 2018 Performance Plan (Performance Report and Performance Plan).¹ Consistent with that order, on January 30, 2018, the Public Representative filed her comments (PR Comments) on the Performance Report and Performance Plan.² On February 8, 2018, the Association for Postal Commerce (PostCom) filed its comments (PostCom Comments) on the Performance Report and Performance Plan.³

The Commission is charged with evaluating whether the Postal Service has met the goals established under the provisions of 39 U.S.C. sections 2803 and 2804, which concern the contents and presentation of the Performance Report and Performance

¹ PRC Order No. 4334, Notice Regarding the Postal Service FY 2017 Annual Performance Report and FY 2018 Annual Performance Plan, Docket No. ACR2017 (Jan. 3, 2018).

² Public Representative Comments on the FY 2017 Performance Report and FY 2018 Performance Plan, Docket No. ACR2017 (Jan. 30, 2018).

³ Comments of the Association for Postal Commerce on FY 2017 Performance Report and FY 2018 Performance Plan, Docket No. ACR2017 (Feb. 8, 2018).

Plan, and may accordingly provide recommendations that protect or promote the public policy objectives set out in title 39. See 39 U.S.C. § 3653(d).

The Postal Service hereby submits these reply comments.

II. A SECOND YEAR OF COMPREHENSIVE SERVICE PERFORMANCE IMPROVEMENT SHOWS POSTAL SERVICE EFFORTS ARE WORKING

Each year, the Postal Service strives to improve the level of service performance it provides to its customers. For the second year in a row, these efforts have paid off: the Postal Service can point to real, measurable increases in service performance, and it plans to build on this positive trend in FY 2018.

A. The Public Representative Recognizes “Across the Board” Increases in the Postal Service’s Second Consecutive Year of Improvement

The Postal Service appreciates the PR’s acknowledgement that, for the second year in a row now, service “performance improved in every category.” PR Comments at 4. The PR further describes FY 2017 as displaying “an increase across the board in service performance,” with the Single-Piece First-Class Mail Three-to-Five-Day category experiencing “the most substantial increase.” PR Comments at 4-5. Although the Postal Service acknowledges the gap that remains between actual service performance and the aggressive “stretch” target for Single-Piece First-Class Mail Three-to-Five-Day, as the PR points out, “the FY 2017 differential has decreased compared with FY 2016,” which shows that the Postal Service’s diligent efforts to continue the trend of upward improvement in this category have been effective. PR Comments at 5.

The PR notes that, although the Postal Service “identifies temporary disruptions as one cause of the missed targets” for Single-Piece and Presort First-Class Mail, the Postal Service “does not specify whether these disruptions were in distribution, network

transportation or delivery processes.” *Id.* The Postal Service does maintain data on the impacts of weather or other naturally occurring events, particularly those that affect the collection of mail from collection boxes. However, identifying the exact number of impacted mail pieces would require an average size delivery unit to physically examine roughly 40,000 letter-sized mail pieces in order to determine class and origin and deduce the service standard. This process would be impracticable for the Postal Service to implement, especially considering that First-Class Mail arriving at a delivery unit is expected to be delivered on the same day.

While achieving a second consecutive year of improvement across service performance categories is encouraging news, the Postal Service understands that its goal is to ultimately reach the ambitious service performance targets that it sets. Nevertheless, as the Postal Service expressed in its ACR reply comments filed on February 12 in this docket (at 15), improvement is the only way to reach these targets. The PR asserts that “the Postal Service should set realistic targets in its Performance Plan”; the Postal Service for the most part concurs. PR Comments at 6. The Postal Service believes that its stretch targets are not only ultimately achievable, but set appropriately high enough to inspire the type of continuous improvement that has been documented over the past two fiscal years. This positive trend of annual increases in service performance scores demonstrates that the Postal Service should continue to challenge itself with aggressive targets for delivering high quality service to its customers.

B. PostCom Mischaracterizes the Postal Service's Efforts to Accurately Report on Service Performance and Plan for Continued Improvement

PostCom accuses the Postal Service of reporting on service performance “in a way that works to obscure the true picture,” specifically claiming that reporting on USPS Marketing Mail Letters “in aggregate masks what may be [an] important difference in service performance between pieces entered at an NDC versus those entered at an SCF.” PostCom Comments at 2. PostCom further states that the “Informed Visibility (IV) platform already enables collection of service information that is used internally for diagnostic and analytic purposes,” and that postal customers “deserve to see the resulting information.” *Id.* IV does collect and analyze a wealth of service information to help identify opportunities to improve service. Additionally, this information is aggregated to generate service scores through the proposed internal Service Performance Measurement (SPM) system. However, official service performance measurement is currently conducted through a third party (IBM) and designed based on the Commission’s reporting requirements. Providing more granular scores from the official legacy system would likely incur additional costs.

PostCom also asserts that, because the Postal Service uses composite targets like the First-Class Mail Letter and Flat Composite, “flats service performance is meaningless.” *Id.* at 3. The facts, however, demonstrate otherwise. As noted in the Postal Service’s reply comments filed on February 12 in this docket (at 17-18), the Postal Service pays close attention to the individual scores for Overnight, Two-Day, and Three-to-Five Day First-Class Mail Flats, all of which have increased for the second consecutive year. The use of composite targets in the Performance Report and

Performance Plan does not impede the Postal Service's conscientious efforts to continuously address service performance issues with respect to these products.

Finally, PostCom claims that the Postal Service's plan to improve high-quality service in FY 2018, while "well-intentioned," is "lacking in specifics." PostCom Comments at 4. However, one week prior to PostCom's submission of its comments, the Postal Service provided detailed descriptions of various elements of its plan in its response to Chairman's Information Request (ChIR) No. 9. See Response to ChIR No. 9, Questions 4-7. This response explains how improved software, including the Performance to Plan Dashboard and Container Tracking System, will help the Postal Service meet FY 2018 service performance targets through a more accurate run plan and greater real time visibility. See Response to ChIR No. 9, Question 4. The response also elaborates on how the Postal Service will continue to enhance the IV platform to pinpoint areas of opportunity in the mail flow and reduce inefficiencies, while also deploying new technologies such as Informed Mobility, which will allow informed decisions to be made on safety, service, and cost efficiencies. See Response to ChIR No. 9, Questions 5-6. This ChIR response even provides details on how the Postal Service intends to increase the amount of advanced mail, ensure that all late arrival mail is captured, and improve delivery point sequencing procedures, showing that the Postal Service's plan for improving high-quality service in FY 2018 is anything but lacking in specifics. See Response to ChIR No. 9, Question 7.

III. THE POSTAL SERVICE CONTINUES TO IMPROVE AT PROVIDING EXCELLENT CUSTOMER EXPERIENCES ACROSS PLATFORMS

The Public Representative recognizes that the Postal Service "met or surpassed" some of its targets for providing excellent customer experiences in FY 2017. PR

Comments at 6. Although the Customer Insights Composite score fell short of its stretch target, albeit by less than one percentage point, improvements were made across all customer experience categories. See Performance Report and Performance Plan at 14. For example, the score for Delivery experienced a remarkable increase of nearly seven percentage points, resulting in the Postal Service surpassing its target for this important category. See *id.* at 14. The Postal Service intends to continue this progress and will work to identify more ways of reaching its aggressive customer experience targets in FY 2018.

IV. THE POSTAL SERVICE'S EFFORTS TO ENSURE A SAFE WORKPLACE AND ENGAGED WORKFORCE CONTINUE TO BRING POSITIVE RESULTS

The Postal Service appreciates the PR's acknowledgement of the improvement in safe workplace and engaged workforce scores from FY 2016. See PR Comments at 7. The PR further describes the Postal Service's FY 2018 target of 15 for Total Accident Rates as an "achievable goal," a description with which the Postal Service certainly agrees. *Id.* The Total Accident Rate has now experienced steady improvement for two years in a row. See Performance Report and Performance Plan at 14. In its response to ChIR No. 16, the Postal Service explains that the improvement between FY 2016 and FY 2017 can be attributed to various factors, including how, at the beginning of FY 2017, the Postal Service began shifting to a more proactive reporting process focused on leading indicators, such as hazard abatement, inspection, and joint safety committee meetings. See Response to ChIR No. 16, Question 2. The Postal Service also implemented a program in FY 2017 that involved assigning EAS level employees to serve as Safety Ambassadors during the peak holiday season,

which gave employees a single point of contact for all safety concerns and resulted in a nearly 23 percent reduction in accidents over the holidays. *See id.*

As for the Engagement Survey Response Rate, the Postal Service's score has increased by an impressive 16 percentage points from FY 2016. *See Performance Report and Performance Plan at 14, 19.* Based on this encouraging result, the Postal Service respectfully disagrees with the PR's view that a FY 2018 target of 75 percent for the Engagement Survey Response Rate is "most likely out of reach." PR Comments at 7. This increase was based in part on the Postal Service's decision to issue paper copies of the survey to both the work facilities and home addresses of bargaining employees, in contrast to FY 2016 when the Postal Service mailed the surveys to bargaining employees' home addresses only. *See Response to ChIR No. 9, Question 11.* The Postal Service is now poised to achieve its goal and will work hard to continue this trend of improvement throughout FY 2018.

V. THE POSTAL SERVICE CONTINUES TO WORK ON IMPROVING ITS FINANCIAL HEALTH

Although the respective targets for Controllable Income and Deliveries per Total Work Hours (DPTWH) were not met in FY 2017, the Postal Service appreciates the PR's finding that the Postal Service's explanation for not meeting its goal of sustaining controllable income "is sufficient." PR Comments at 8.

VI. THE PERFORMANCE PLAN MEETS THE REQUIREMENTS OF 39 U.S.C. SECTIONS 2803 AND 2804

The PR concludes that the Postal Service satisfied "all but one of the requirements of [39] U.S.C. §§ 2803 and 2804." PR Comments at 8. The Postal Service disagrees with the PR's finding that "the FY 2018 Performance Plan does not

comply with 39 U.S.C. § 2803(a).” *Id.* Specifically, the PR asserts that the Postal Service should have explained how its FY 2018 Performance Plan “covers each of the program activities listed in the FY 2018 Congressional Budget.” *Id.* However, section 2803(a) requires the Postal Service to “prepare an annual performance plan covering each program activity set forth in the *Postal Service budget . . .*” 39 U.S.C. § 2803(a) (emphasis added). In its Analysis of the Postal Service’s FY 2016 Annual Performance Report and FY 2017 Performance Plan, the Commission stated that “Postal Service budget,” as used in section 2803(a), refers to “the Postal Service’s operating budget that is part of the *Integrated Financial Plan*” (IFP).⁴ Accordingly, the Performance Report and Performance Plan includes a table that details planned revenues and expenses for FY 2018 for program activities set forth in the IFP. See Performance Report and Performance Plan at 21. This is followed by an analysis of how actual results for FY 2017 compare to the FY 2017 IFP, as well as an explanation of the plan for FY 2018 that is based on projections from the FY 2018 IFP. See *id.* at 22-24. As the Postal Service clearly explained in the Performance Report and Performance Plan, the indicator targets for FY 2018 align with the FY 2018 IFP and are designed “to be achievable given the planned finances in the IFP.” See *id.* at 13. Therefore, the Postal Service has met the requirements of 39 U.S.C. sections 2803 and 2804.

VII. STRATEGIC INITIATIVES

The Postal Service appreciates the PR’s acknowledgement that the Postal Service’s table comparing the FY 2017 and FY 2018 initiatives “is an improvement over

⁴ 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, at 13.

the table in last year's report." PR Comments at 9. The Strategic Initiatives, however, are not a critical component of the Performance Report and Performance Plan.

VIII. CONCLUSION

The Postal Service appreciates the opportunity to comment on the issues raised by the parties in their comments on the FY 2017 Performance Report and FY 2018 Performance Plan. The Postal Service also appreciates the PR's effort to highlight areas where the Postal Service has experienced increases in, or achieved or surpassed, its ambitious FY 2017 targets.

Respectfully submitted,

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