I. INTRODUCTION

In Order No. 4967, the Postal Regulatory Commission (Commission) invited public comment on the United States Postal Service’s Fiscal Year (FY) 2018 Performance Report and FY 2019 Performance Plan (Performance Report and Performance Plan).\(^1\) Consistent with that order, on February 8, 2019, the Public Representative filed her comments (PR Comments) on the Performance Report and Performance Plan.\(^2\)

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 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. HIGH QUALITY SERVICE

After two years of improvement, the PR notes that the Postal Service's service performance declined in FY 2018. The PR also expresses concern regarding the missing of Percentage On-Time targets and the difficulty in quantifying the impact of weather-related delays. However, the PR approves of the Postal Service's plan to identify mailpieces affected by adverse, uncontrollable events.

In response, the Postal Service has identified and reported on the top root causes of many of its service performance issues. As stated to the Commission, the mitigation plans for FY 2019 include working with the field sites to better ensure that they understand and can adhere to established processes. The Postal Service will be driving service through adherence to the 24-hour clock, and will perform targeted service reviews. Finally, the tools within Informed Visibility (IV) will assist the Postal Service in identifying sites with the highest opportunity for improvement.

Despite the PR's criticism of the setting of service performance targets (in particular that for 3-to-5 Day Delivery for Single-Piece First-Class Mail), the Postal Service continues to believe that its targets are appropriate and attainable: these stretch targets are not only ultimately achievable, but they are set appropriately high enough to inspire the type of continuous improvement that is needed. In FY 2019, the Postal Service will focus on adhering to its processing and transportation schedules in an attempt to meet the 3-to-5 Day Delivery standard, as well as other performance targets.

The PR notes that the highest gap between actual service and the applicable target is observed for the 3-to-5 Day delivery standard for Single-Piece First-Class Mail. Due to the distance that mail travels within the 3-to-5 Day delivery standard, there is more potential for mail not moving to its next handling on time. For example, mail may
be required to move via multiple transportation channels and travel through more than one processing plant. The Postal Service is now using the Informed Visibility (IV) application to identify the root causes of these failures and focus on bringing service performance up to established targets.

The PR expresses concern about the Postal Service’s ability to quantify the impact of weather-related disruptions on its performance scores. As noted in its response to Chairman’s Information Request No. 2, Question 1.b., the Postal Service will be working on an initiative in FY 2019 to identify mail impacted by unforeseen events outside of its control. This initiative will utilize a data-driven approach to identify and flag mailpieces impacted by unexpected events such as weather events. Using this intelligence, the Postal Service will be able to more accurately quantify impacts from these events and diagnose service failures. Furthermore, the ability to categorize the impacted mailpieces will enable the Postal Service to report on service performance – with impacted pieces included, and with impacted pieces excluded.

III. EXCELLENT CUSTOMER EXPERIENCES

The PR expresses concerns about the fact that customer surveys fell short of targets in FY 2018 (with the exception of the BMEU survey). The PR also urges the Postal Service to reconsider its BMEU target for FY 2019.

In FY 2019, the Postal Service will continue providing excellent customer experiences across all channels. To emphasize this commitment, the Postmaster General created a Vice President of Customer Experience position to provide leadership, coordination, and attention on improving the customer experience.
The Postal Service set FY 2019 National Performance Assessment (NPA) targets using a standard methodology. When evaluating FY 2018 NPA scores, the Postal Service analyzed data at the most localized level, which for BMEU was at the District level. When all 67 District BMEU scores were analyzed, the median score was 95.13. Because the District level median score was higher than the FY 2018 target of 95.00, 95.13 became the FY 2019 target. Although the national score was higher than 95.13, achieved performance at the measured depth (in this case, the District level) becomes the new fiscal year target.

IV. ENSURE A SAFE WORKPLACE AND ENGAGED WORKFORCE

The PR notes that the Postal Service did not meet targets for the two performance indicators used for this corporate goal.

For Total Accident Rate, the Postal Service acknowledges that it did not meet its performance goal in FY 2018. However, the Postal Service has continued making steady progress in reducing accidents year over year. In FY 2015, the total accident rate was at an all-time high of 16.28. The FY 2018 performance represents a 7.3 percent rate reduction and nearly 3,000 fewer accidents overall.

Regarding the Engagement Survey Response Rate, the Postal Service’s goal is that every employee should have the opportunity to have their voice heard. As such, the Postal Service sets response rate goals that are challenging relative to baseline performance in an effort to continuously improve.

V. FINANCIAL HEALTH

The PR notes that the respective targets for Controllable Income and Deliveries per Total Work Hours (DPTWH) were not met in FY 2018; she also questions a figure in
one of the tables in the FY 2018 Annual Report to Congress, and urges the Postal Service to lower its DPTWH target.

The Postal Service’s FY 2018 total revenue was $70.8 billion, more than the planned FY 2018 revenue of $70.2 billion. The Postal Service’s FY 2018 controllable income (loss) was ($2.0 billion), $0.6 billion more than the FY 2018 target ($1.4 billion), primarily attributable to higher-than-expected compensation and benefit expenses driven mainly by workhour overruns. Transportation cost increases, primarily for highway routes, further contributed to the higher-than-planned expenses.

The Postal Service acknowledges the typographical error included on page 17 of the FY 2018 Annual Report to Congress. The table has been revised online (https://about.usps.com/who-we-are/financials/annual-reports/fy2018.pdf) to include the correct DPTWH FY 2019 target of 1.4. The targets for DPTWH % Change and Controllable Income are based on the approved Integrated Financial Plan (IFP) for FY 2019. The DPTWH % SPLY goal uses the IFP work hours, which target a reduction of 8 million hours, primarily from increased operational efficiencies in mail processing, delivery, and customer services. It is important that the Postal Service’s Pay for Performance targets reflect its approved financial plan.

VI. REQUIREMENTS OF 39 U.S.C. SECTIONS 2803 AND 2804

The PR concludes that the Postal Service satisfied the requirements of 39 U.S.C. section 2803 but not those of section 2804, stating that the FY 2018 Performance Report does not include results for three preceding fiscal years for the Excellent Customer Experiences performance goals.
By way of explanation, the Postal Service asserts that it did meet the requirements set forth in 39 U.S.C. section 2804, as the composite level index score was provided for the three preceding years (fiscal years 2015-2017). The Postal Service has maintained comparability between fiscal years 2015-2017 at the Composite Index level, as each Composite Index is relative to a 15-cell matrix. However, since Customer Experience is a Composite Index, each subcomponent may change year to year based on the best available customer touchpoints. Enterprise Customer Care (eCC) was included in the Excellent Customer Experiences (formerly Customer Insights) Composite Index beginning in FY 2016, while both USPS.com and Business Mail Entry Unit (BMEU) subcomponents were included as factors in the Customer Experience Composite Index in FY 2018. The Postal Service is striving to maintain comparability in performance measurement, while also working to improve the effectiveness of performance evaluation.

VII. CONCLUSION

The Postal Service appreciates the input of the Public Representative in commenting on the FY 2018 Performance Report and FY 2019 Performance Plan. The Postal Service also appreciates the opportunity to respond to the issues raised by the Public Representative in her comments.
Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Anthony Alverno
Chief Counsel
Global Business and Service Development
Corporate and Postal Business Law Section

B.J. Meadows III
Attorney

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1101
(202) 268-3009; Fax -5329
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