

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

Annual Compliance Report, 2020

Docket No. ACR2020

PUBLIC REPRESENTATIVE COMMENTS ON THE
FY 2020 PERFORMANCE REPORT AND FY 2021 PERFORMANCE PLAN

(March 1, 2020)

I. INTRODUCTION

In response to Order No. 5803,¹ the Public Representative hereby provides comments concerning the Postal Service's FY 2010/21 Report & Plan.² The Postal Service prepared and filed its FY 2020/21 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 2019/20 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;

¹ Notice and Order Regarding the Postal Service FY 2020 Annual Performance Report and FY 2021 Annual Performance Plan, January 5, 2020 (Notice).

² FY2020 Performance Report (FY 2020 Report) and FY2021 Performance Plan (FY 2021 Plan), Docket No. ACR2020, Library Reference USPS-FY20-17, December 29, 2020.

- 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 2019/20 Report & Plan under 39 U.S.C. § 3653(d).

Notice at 2-3.

II. APPLICABLE LEGAL REQUIREMENTS

Pursuant to 39 U.S.C. § 3652(g), the Postal Service filed the FY 2020/21 Report & Plan with the Commission along with its FY 2020 Annual Compliance Report. The Commission is required to evaluate “whether the Postal Service has met the goals 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));

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

- 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 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

The comments that follow are divided into two sections. The first section discusses whether the Postal Service met the established performance goals for FY 2020. The second section notes compliance related concerns.

A. FY 2020 Results

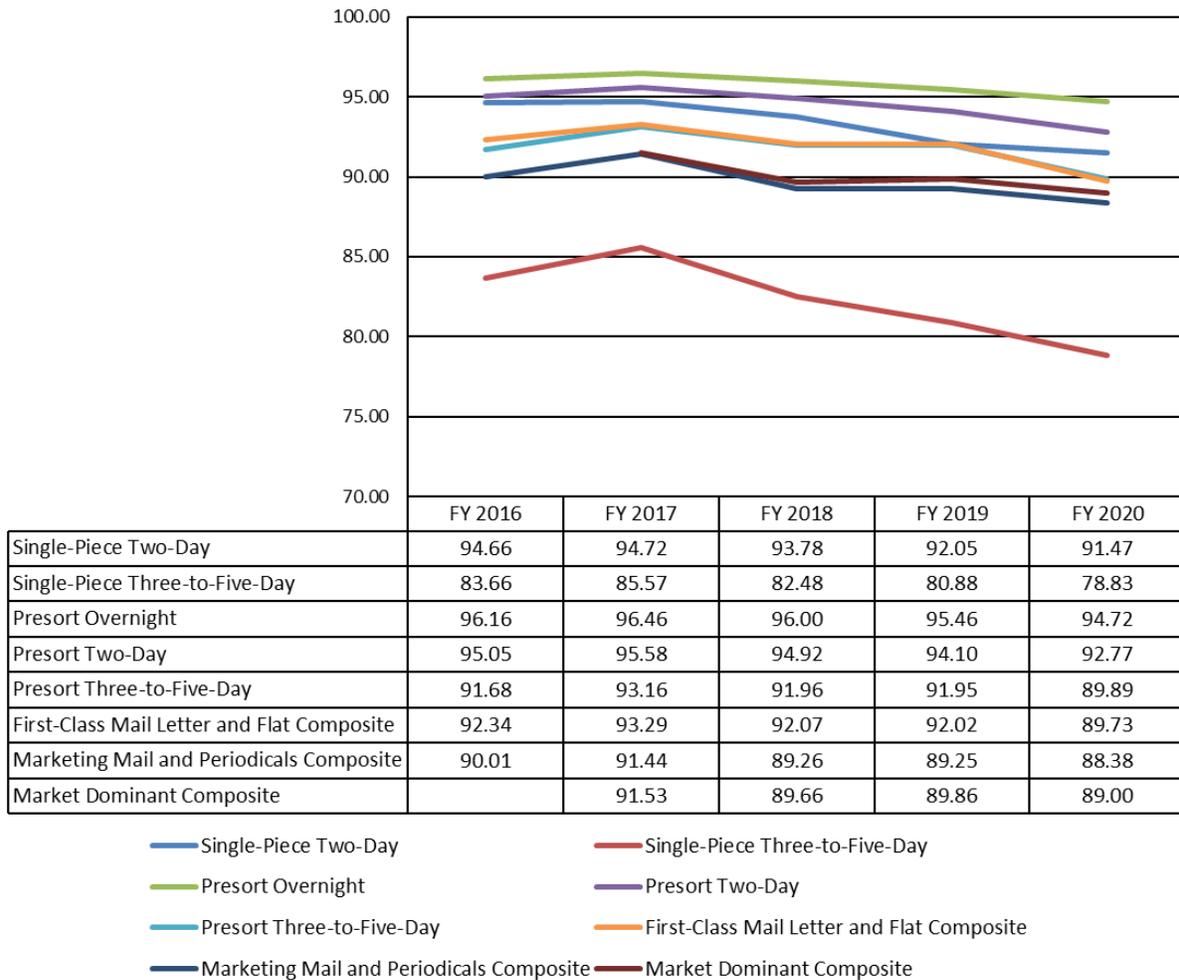
The FY 2020/21 Report and Plan focuses on the following four goals: Deliver High-Quality Service; Excellent Customer Experiences; Safe Workplace and Engaged Workforce; and Financial Health. FY 2020/21 Report and Plan at 31. For each of these goals, the Public Representative discusses the Postal Service performance regarding the established performance goals for FY 2020.

1. Deliver High-Quality Service

The Postal Service uses % On-Time delivery to measure its performance for its Deliver High-Quality Service goal. FY 2020/21 Report & Plan at 34. As Figure 1 on the next page illustrates, for the third year in a row, the Postal Service's performance declined in every category. However, the decline in FY 2020 is more pronounced than in the previous years.

Figure 1

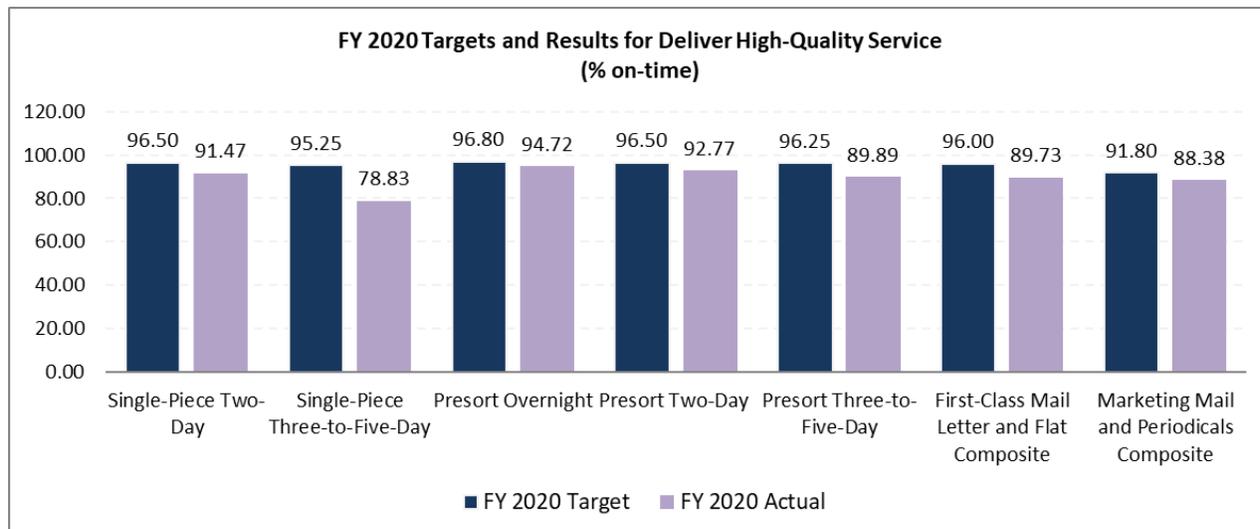
**Results for Deliver High-Quality Service
(% on-time)**



Source: FY 2020/21 Report & Plan at 33.

In addition to the across the board decrease in service performance, the Postal Service failed to meet all its targets in FY 2020. FY 2020/21 Report & Plan at 34. 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.

Figure 2



Source: FY 2019/20 Report & Plan at 20.

Because the Postal Service missed all of its % On-Time delivery targets, the Public Representative concludes that in FY 2020, the Postal Service did not meet its Deliver High-Quality Service performance goal. In the FY 2020/21 Report & Plan, the Postal Service discusses its delivery performance, relying primarily on the negative impacts of the pandemic to explain missing its % On-Time targets. *Id.*

2. Provide Excellent Customer Experiences

The Postal Service measures customer experience with the Customer Experience (CX) Composite Index, which is comprised of seven component surveys: Customer Care Center (CCC), usps.com, Business Mail Entry Unit (BMEU), Business Service Network (BSN), Point of Sales (POS), Delivery and Customer 360 (C360).

The Postal Service did not meet its performance target for the Customer Experience (CX) Composite Index in FY 2020. Therefore, the Postal Service did not meet its Provide Excellent Customer Experiences performance goal.

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. The Postal Service failed to meet its targets for both measures. Therefore, the Public Representative concludes that in FY 2020, the Postal Service did not meet its Ensure a Safe Workplace and Engaged Workforce performance goal.

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. In FY 2020, the actual net controllable income was negative \$3.75 billion. *Id.* at 20. The target of negative \$4 million was, therefore met. Deliveries per Total Work Hours (DPTWH), did not meet the FY 2020 target of 1.4 percent. *Id.* Actual DPTWH was significantly lower at negative 0.9 percent. *Id.*

Taking into account that the Postal Service did not meet the DPTWH target, the Public Representative finds that the Postal Service only partially met its Sustain Controllable Income goal.

B. Compliance Issues

a. % On-Time delivery targets

The FY 2021 Plan fails to meet the requirement to express performance goals as quantitative targets that can be compared with objectively measured results for each performance indicator. Specifically, the Postal Service did not set % On-Time delivery targets and for FY 2021. Instead, it stated it is “reviewing its network capabilities to determine what service levels are achievable in the current environment.” FY 2020 ACR at 39.

In previous years, Public Representatives have urged the Postal Service to set achievable % On-Time delivery targets in its Performance Plan.⁴ In fact, the Public Representative criticized the Postal Service's targets for FY 2020 for being unachievable.⁵ Each time, the Postal Service defended setting unreachable targets. It defended its FY 2020 targets by claiming that aggressive targets "should temper expectations that the Postal Service can achieve all of its targets in the short term, but it should not warrant lowering its long-term goals."⁶

The Postal Service is changing its own criteria for setting targets. For FY 2021, the Postal Service is aiming to set targets based on what is possible in the current environment, even though it admittedly set targets in FY 2020 that were unachievable in the environment at that time. The Postal Service offered no explanation as to how the pandemic impacts its long-term goals, if at all. And, while it is reasonable to expect that the pandemic will continue to affect the Postal Service's ability to deliver mail on time in the short term, the Postal Service failed to explain how the pandemic impedes its ability to set targets achievable in the long term. Nor did it explain why it switched from setting targets based on its long-term goals, to that what is "achievable in the current environment."

The Postal Service could have easily retained the FY 2020 targets to comply with 39 U.S.C. § 2803(a)(1)). Unless the Postal Service's long-term goals have changed since FY 2020, the FY 2020 targets are no less meaningful applied to FY 2021 than they were to FY 2020. Additionally, the Postal Service does not explain why the uncertainty created by the pandemic affects its ability to set some targets and not

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; Docket No. ACR2015, Public Representative Initial Comments on the FY 2015 Performance Report and FY 2016 Performance Plan, February 26, 2016, at 6 and Public Representative Initial Comments on the FY 2017 Performance Report and FY 2018 Performance Plan, January 30, 2018 at 6.

⁵ See Docket No. ACR2019, Public Representative Comments on the FY 2019 Performance Report and FY 2020 Performance Plan, February 28, 2020, at 7.

⁶ See United States Postal Service Reply Comments Regarding FY 2019 Performance Report And FY 2020 Performance Plan, March 13, 2020 at 2.

others. The Postal Service was able to set targets for its Customer Experience (CX) Composite Index, despite the uncertainty caused by the pandemic. For that indicator, the Postal Service increased the target for FY 2021, despite failing to meet the FY 2020 target.

The Commission should require that the Postal Service state whether the targets it sets are short-term or long-term goals. In addition, for long-term goals, it should require that the Postal Service explain how much progress it expects to make towards meeting those goals over the following year, and how long it expects it will take to achieve the targets it set. Otherwise, targets will remain moving targets that no one, including the Postal Service expects will be met over the fiscal year. Without providing a timeline for achieving long-term goals, setting long-term goals is as useful as a screen door on a submarine.

b. High-Quality Service Performance Indicator

The Postal Service is introducing a new performance indicator for the High-Quality Service performance goal. The new measure is a composite that combines outcomes for market-dominant mail categories that were previously measured separately. The Public Representative does not support this change. Less detailed reporting provides less transparency, as improvement in one category can mask a deterioration in another. Additionally, frequent changes to indicators hamper the Commission's ability to evaluate the Postal Service's performance over time.

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

Respectfully submitted,

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