

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

ANNUAL COMPLIANCE REPORT, 2009

Docket No. ACR2009

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-6 OF COMMISSION INFORMATION REQUEST NO. 3
(February 10, 2010)

Commission Information Request No. 3 was issued on February 4, 2010. A response was requested by February 10, 2010. Attached are the Postal Service's responses to all six questions. Each request is stated verbatim, and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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February 10, 2010

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1. Section 2803(a) states “[t]he Postal Service shall prepare an annual performance plan covering each program activity set forth in the Postal Service budget, which shall be included in the comprehensive statement....” The following questions paraphrase 2803(a) and 2803(a)(1) through (a)(6). Please identify where in USPS-FY09-17 (2009 Comprehensive Statement) the Postal Service: 1 Pub. L. 109-435, 120 Stat 3198 (2006) at sec. 204. See 39 U.S.C. 3653.
 - a. Identifies each program activity set forth in the Postal Service budget.
 - b. Establishes performance goals to define the level of performance to be achieved by a program activity.
 - c. Expresses such goals in objective, quantifiable, and measurable forms, that define the level of performance to be achieved;
 - d. Briefly describes the operational processes, skills and technology and the human, capital, information, or other resources required to meet the performance goals;
 - e. Establishes performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;
 - f. Provides a basis for comparing actual program results with the established performance goals; and
 - g. Describes the means to be used to verify and validate measured values.

RESPONSE:

Since 1993, the Postal Service has complied with the requirements of the Government Performance and Results Act. It establishes high priority corporate goals, drives results and focuses effort with challenging targets, and continuously refines its systems and processes to assure that measurement is valid and efficient. Corporate goals are expressed in objective, quantifiable form. Performance indicators are established for each goal; measurement systems are described; and targets are compared with actual results. The processes and resources required to meet the goals are briefly discussed in the performance plan and report, but operating processes, technologies, and resources are discussed in extensive detail throughout the balance of the *Comprehensive Statement on Postal Operations*.

With regard to the requirement in 39 U.S.C. 2803 that the Postal Service’s performance plan cover each program activity set forth in its annual budget, implemented at a time when roughly a quarter of the Postal Service’s operating expenses came from appropriations, the annual Postal Service budget is now limited to appropriations to

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provide mandated free or reduced-rate mail. Therefore, the budget alone does not provide adequate or relevant context for managing performance.

The Postal Service developed its performance management system through an extensive process based on the Malcolm Baldrige National Quality Award criteria. The system's success has been recognized by several independent organizations, including The American Productivity and Quality Center (2005) and The IBM Foundation for the Business of Government (2006). In 2006, the Postal Service was inducted into the Balanced Scorecard Hall of Fame, following an independent review by Palladium, the organization established by Drs. Robert S. Kaplan and David P. Norton to recognize excellence in planning and execution. Drs. Kaplan and Norton, both of Harvard University, originated the balanced scorecard concept. The Postal Service's reports follow guidelines set up by the Mercatus Institute at George Mason University. The Institute evaluates the performance reports by cabinet agencies and issues an annual report on best practices.

The Postal Service's corporate goals are balanced across three Baldrige criteria — voice of the customer, voice of the business, and voice of the employee. These are further broken down into nine categories, with annual targets and performance reported for each: For service (First-Class Mail Overnight, First-Class Mail 2-day, First-Class Mail 3 to 5-day, Priority Mail, and Express Mail); for financial performance (Total National Revenue and Total Factor Productivity); and for employee safety and engagement (OSHA Illness and Injury Rate and Voice of the Employee Survey Rate). Targets are excluded for Priority Mail and Express Mail because they are competitive products.

Performance reporting to the public has been based on the requirements of the Government Performance and Reporting Act. The reports have been subject to review by the Government Accountability Office (GAO), and adjustments have been made to conform to GAO recommendations. The Postal Service publishes multiple public reports — the *Annual Report*, the *Comprehensive Statement on Postal Operations* (including the

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annual performance plan and report), and, as a result of the PAEA, the *Annual Compliance Report*. The Postal Service continues to follow the guidance of the Performance Improvement Council sponsored by the Office of Management and Budget to integrate its reports to provide more clarity and convenience to stakeholders.

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2. Section 2803(b) allows the Postal Service to determine that performance goals for a particular program activity are not feasible to report in an objective, quantifiable, and measurable form. However, in that instance 2803(b)(1) and (b)(2) require an alternative form that either describes a minimally effective program and a successful program or explains why it is infeasible or impractical to express a performance goal in any other form. If alternative forms are used, please identify where they appear in the 2009 Comprehensive Statement.

RESPONSE:

As noted, the Postal Service's corporate goals are reported in an objective, quantifiable, and measurable form.

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3. Section 2803(c) and (d) allow the Postal Service to aggregate, disaggregate, or consolidate program activities with certain restrictions, and create nonpublic annexes.
 - a. Please indicate where any program activities have been aggregated, disaggregated, or consolidated.
 - b. Please identify any non-public annexes related to these performance plans.

RESPONSE:

The goals are explicitly defined in the performance plan and performance report.

Where a change has been made to “aggregate” or “disaggregate” some element of an indicator, the change is described (see note that First-Class Mail International was removed as part of the corporate First-Class Mail goals for 2010 [page 60]).

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4. Section 2804(a) requires the Postal Service to “prepare a report on program performance for each fiscal year, which shall be included in the annual comprehensive statement...” Please identify where in the 2009 Comprehensive Statement the report on program performance is provided.

RESPONSE:

Pages 59-63 of the *Comprehensive Statement on Postal Operations* contain the Postal Service’s performance report for FY 2009.

Strategic planning principles in the private sector favor focusing on a limited number of priority goals, with a “cascade” of subordinate goals assigned throughout the organization. This is consistent with how the Postal Service uses the National Performance Assessment to assign accountability for achieving performance targets at the area, district, business unit, and individual levels. Focusing on a limited number of priority goals is also the current direction of OMB’s Performance Improvement Council, a direction started before the change of administrations due to dissatisfaction with the use of existing federal agency program evaluation tools. It should also be noted that each year multiple individual programs and activities are reviewed by the Postal Service Office of the Inspector General and the Government Accountability Office.

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5. Section 2804(b)(1) requires the report on program performance to measure actual performance of programs by the indicators established for each program activity identified in question 1, above. Section 2804(b)(2) requires the Postal Service report on results for each program activity that it determined was not feasible to express performance goals in an objective, quantifiable, and measurable form.
 - a. For each program activity please indicate the location in the report of performance indicators and actual performance achieved.
 - b. Please indicate the location in the report of results for each program activity that the Postal Service determined was not feasible to express the performance goals in an objective, quantifiable, and measurable form.

RESPONSE:

All corporate goals and results are shown in the performance plan and report. The body of the Comprehensive Statement also reports progress on multiple high-level efforts within the organization. For example, pages 41-43 describe activities underway to comply with the objectives of the Energy Independence Security Act of 2007. If the Postal Service were later to establish a corporate goal related to this Act, or to any other activity or effort, that goal would be included within the annual performance plan.

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6. Section 2804(d) requires the report to contain four major elements. Those elements are paraphrased in the subparts of this question. Please identify where the 2009 Comprehensive Statement provides:
- a. A review of the success of achieving the performance goals for the fiscal year;
 - b. An evaluation of the performance plan for FY 2010 relative to the performance achieved toward the performance goals in FY 2009;
 - c. An explanation and description of each instance where a performance goal has not been met (including when a program activity's performance is determined not to have met the criteria of a successful program activity under section 2803(b)(2)) including:
 - i. why the goal was not met;
 - ii. plans and schedules for achieving the established performance goal; and
 - iii. if the performance goal is impractical or not feasible, why that is the case and what action is recommended; and
 - d. The summary findings of those program evaluations completed during the fiscal year covered by the report.

RESPONSE:

The performance plan and report do meet the requirements of Section 2804(d). The report (1) reviews achievements against the corporate goals for the year; (2) explains performance relative to plan; (3) explains those instances where goals have not been met (see Total Factor Productivity, pages 61-62); and (4) summarizes program evaluations completed during the year. The performance plan and report exist as a summary of performance. Where the Postal Service is evaluating the possibility of changing indicators, or is developing or testing new measurement systems, it is described in the report (see Future Services Measurement, pages 60-61).

A detailed management system and extensive reports are not ends in themselves. The purpose of such systems and measures is to establish organizational direction and

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define priorities, identify areas for improvement, and evaluate results according to objective, reliable, and verifiable indicators. Postal performance indicators have been subjected to extensive review, and, where warranted, adjustments have been made. The Postal Service's performance against its priority corporate goals – in service, finances, and workplace improvement – is clearly documented.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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