

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

ANNUAL COMPLIANCE REVIEW, 2013

Docket No. ACR2013

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 1-9 OF CHAIRMAN'S INFORMATION REQUEST NO. 10

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 10, issued on February 21, 2014. Yesterday's closure of the Commission due to weather precluded filing until today. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. On page 38 of the United States Postal Service 2013 Annual Report to Congress (2013 Annual Report), located at USPS-FY13-17, the Postal Service notes that the "customer experience" goal is measured by national surveys of residential and small/medium business owners. The Customer Experience Measurement (CEM) Surveys in USPS-FY13-38 include a survey for large commercial businesses (those businesses with more than 250 employees). However, on page 39 of the 2013 Annual Report, there are no specific data or targets listed in the "Customer experience" section of the "Corporatewide goals, measures, results and targets" table for the large commercial business customers. How does the Postal Service measure and assess its "customer experience" performance for large commercial business customers? Please include in your response data sources used, calculation methodology, and target level of Postal Service performance as a "tangible, measureable objective, against which actual achievements are compared...." See 39 U.S.C. § 2801(3).

**RESPONSE:**

While a survey for the large commercial businesses (those businesses with more than 250 employees) was part of the CEM FY13 program, the scores from that survey are not used in the National Performance Assessment (NPA) Corporate wide measurement goal. Constraints around the methodology for the large business survey preclude it from being part of the NPA index. The sample universe of large commercial businesses (those businesses with more than 250 employees) is only about 50,000 businesses across the nation, which does not provide an adequate sample size with which to estimate performance at the District level on a monthly basis. Instead, scores from the large business survey were obtained on a quarterly basis.

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2. On page 54 of the 2013 Annual Report, the Postal Service states that the "Total Factor Productivity declined in 2008 and 2009 as mail volume declined more rapidly than the Postal Service could adjust. Since that time the projections have been more accurate and timely adjustments have been made."

(a) How are the current projections more accurate than the earlier projections?

(b) What timely adjustments were made?

**RESPONSE:**

The referenced statement from the Annual Report, particularly the last sentence, needs some clarification in order to answer this question. The decline in Total Factor Productivity (TFP) for FY 2008 and FY 2009 resulted from the rapid, large declines in volumes occurring in those years. Total volumes declined by 4.5 percent in FY 2008 and 12.7 percent in FY 2009. Together they yield a total of nearly a 17 percent volume decline, averaging nearly 9 percent decline per year. Despite the best efforts of management, it was not possible to make such large adjustments in resources in such a short time period. The volume declines since 2009, from FY 2009 to FY 2013 have moderated to an annual average decline of under 3 percent. This slowing in the rate of decline has allowed the Postal Service to bring resources in line with volumes and to further improve efficiency as shown by the growth of TFP beyond that of the FY 2007 levels as shown in the diagram at page 55 of the Annual Report, as further discussed below.

(a-b.) Projections since FY 2008 and FY 2009 have improved, but in any event, projections play a small role in the TFP levels experienced since FY 2007. Instead, more timely resource adjustments were enabled by the slowing of the volume declines. Between FY 2007 and FY 2009 total workhours (an important element of TFP) declined

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on average at 6 percent per year, which was too slow to keep pace with more rapidly declining volumes. Between FY 2009 and FY 2013 total workhours declined on average at over 3 percent per year, which is a somewhat faster rate than volume declines as indicated above. (Total workhours are reported in Postal Service Form 10-K at page 29).

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3. Footnote 4 on page 39 of the 2013 Annual Report states that the CEM indicator is part of the National Performance Assessment computed as an index of survey questions.

(a) Please indicate which CEM survey questions were used to create the CEM indicator. Include in your response the summary statistics of the employee responses to each question from each survey used. In addition, explain how the index of 78.4 was calculated.

(b) Please refer to page 39 of the FY 2012 Comprehensive Statement on Postal Operations (FY 2012 Comprehensive Statement), located at USPS-FY12-17. Is the "overall customer experience score(%) (National Performance Assessment index)" directly comparable to the CEM indicator shown on page 39 of the 2013 Annual Report? If not, please explain assumptions and calculation differences between the two measurements.

(c) Is the FY 2013 indicator methodology more accurate than the survey response percent used in the past? If so, how?

**RESPONSE:**

(a) The following table contains the four CEM survey questions used to create the CEM indicator.

<b>Label</b>	<b>Question on survey</b>
Experience with Receiving	1. Now, just thinking about your overall experience with the letters or packages you recently RECEIVED, how satisfied are you with USPS performance?
Experience with Sending	2. Now, just thinking about your recent experience with SENDING letters or packages, how satisfied are you with USPS performance?
Experience with most frequently visited PO	3. Now, just thinking about the Post Office you visit most frequently, how satisfied are you with their performance?
Experience with most recent contact with USPS	4. Now, just thinking about your MOST RECENT contact with the USPS, how satisfied are you with that experience?

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Summary statistics and index calculations are shown in the image below. The Top2Box is the percentage of respondents that answer the question with one of the top two options on the 6-point response scale ('Very Satisfied' or 'Mostly Satisfied').

<b>CEM NPA Indicator Detailed Calculation</b>					
<b>Fiscal Year: 2013</b>		<b>Report Period: M12 FY2013 YTD (Sep 2013)</b>		<b>Level: National</b>	<b>Change</b>
				National	
	Residential	Top2 Box	Weight		
	Experience with Receiving	91.0 x	25% =	22.7	
	Experience with Sending	90.7 x	25% =	22.7	
	Experience with most frequently visited PO	85.0 x	25% =	21.2	
	Experience with most recent contact with USPS	61.5 x	25% = +	15.4	
	<b>Residential Performance</b>				<b>82.0</b>
	Small/Med Business	Top2 Box	Weight		
	Experience with Receiving	87.7 x	25% =	21.9	
	Experience with Sending	86.7 x	25% =	21.7	
	Experience with most frequently visited PO	80.1 x	25% =	20.0	
	Experience with most recent contact with USPS	51.0 x	25% = +	12.7	
	<b>Small/Med Business Performance</b>				<b>76.4</b>
	CEM Performance Score	Top2 Box	Weight		
	Residential	82.0 x	35% =	28.7	
	Small/Med Business	76.4 x	65% = +	49.7	
	<b>CEM Performance Score</b>				<b>78.4</b>

(b) The FY2012 NPA Index was calculated with the same computations as the one in FY2013

(c) The indicator methodology between FY2012 and FY2013 was identical. However, the scores reported in previous comprehensive statements reflect only the response percentages to Question 1 ("First of all, thinking about all aspects of your recent experiences with the U.S. Postal Service, how satisfied are you with us?"). The score from the FY 2013 Comprehensive Statement reflects the true index as described

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in subpart (a), rather than what was presented in the table in previous comprehensive statements.

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4. Page 50 of the 2013 Annual Report states that "One key measure of a customer's retail experience is wait time in line." It notes that, "[f]or FY2013, the final national Wait Time in Line average was 2:29 versus the previous year of 2:34, an improvement of 5 seconds." From the description on page 50, it appears this "national" estimate is only for large retail outlets.

(a) How does the Postal Service measure the customer's wait time in line retail experience at smaller retail facilities?

(b) The CEM surveys contain a question related to wait time in line: "During your most recent visit to the Post Office, how long did you wait in line for a clerk?" Please show and compare results from the Retail Customer Experience (RCE) program versus the results from the CEM wait time in line question.

(c) Please explain any differences that exist in the "customer retail experience" wait time results between the CEM surveys and the RCE program.

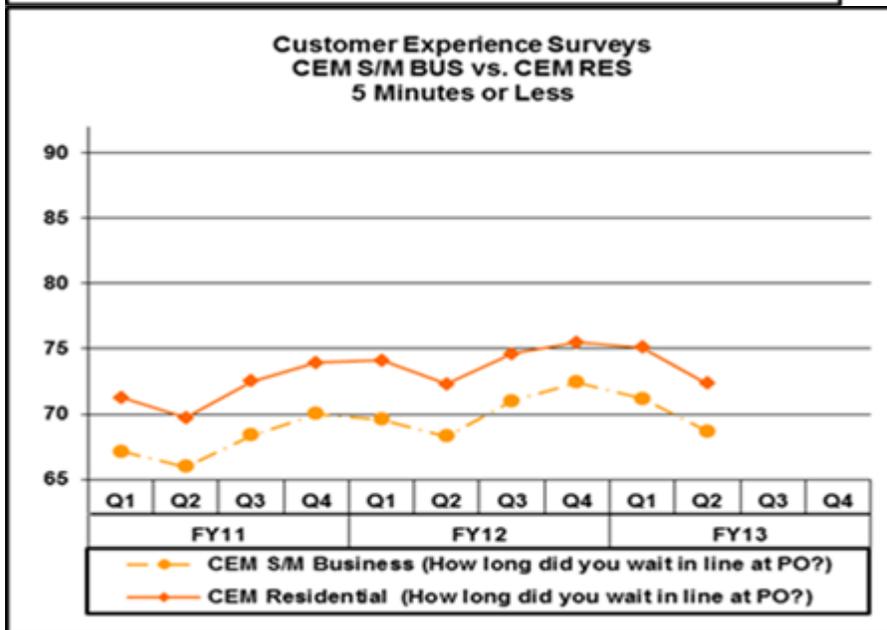
(d) Can the CEM survey data provide an accurate national estimate of all retail outlets wait time in line (rather than only large retail outlets as obtained through the RCE program)? Please discuss.

**RESPONSE:**

(a) The Postal Service measures customer wait time in line at smaller retail facilities primarily through a Point-of-Sale (POS) survey. There are over 17,000 retail locations that generate customer receipts with an invitation to take a POS survey on-line. The POS survey asks customers "How long did you wait in line for a sales associate?"

(b) Please see the images below which plot the quarterly scores on wait time in line from the RCE, POS, and CEM surveys.

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(c) .Score magnitude differences are a function of the measurement type, but the pattern of results across time shows a high correlation between all four sources of information.

(d) No, the CEM survey data cannot provide an accurate national estimate of all retail outlets because, as of October 2013, the Postal Service no longer collects CEM

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data for Residential and Small Medium Business.

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5. The Voice of the Employee (VOE) survey is a performance indicator for achieving the Postal Service's performance goal of "Improve Safety and Employee Engagement."

(a) Please provide a copy of the FY 2013 VOE survey form.

(b) Please provide the summary statistics of the employee responses to each question.

**RESPONSE:**

(a) The Voice of the Employee (VOE) survey questionnaire is provided as part of the Preface in USPS-FY13-NP39.

(b) Summary statistics are provided in USPS-FY13-NP39.

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6. Page 39 of the FY 2012 Comprehensive Statement included a chart of "Cross-Portfolio Performance Metrics." To facilitate year-to-year performance review, please provide the same performance metrics for FY 2013.

**RESPONSE:**

The following chart provides the requested information for FY 2013. Please note that the data applies to Strategic Change Initiatives only. Additionally, the chart does not contain data for *Overall Customer Experience Score* or *Legislative Impact* because these metrics were not tracked as Cross-Portfolio Key Performance Indicators in FY2013.

**Cross-Portfolio Key Performance Metrics for FY 2013**

Metric	Description	Planned	Actual	FY2013 Variance
1	Total revenue (\$)	\$4,200,000,000	\$5,069,494,234	\$869,494,234
2	Total cost savings (\$)	\$1,032,963,951	\$872,106,981	-\$160,856,970
3	Total work hours reduced (hours)	12,688,354	9,805,603	-2,882,751
4	Total headcount reduced (FTEs)	43,000	36,535	-6,465
5	Total facility square feet reduced (sq ft)	1,200,000	3,030,797	1,830,797
6	Commercial mail in Full Service IMb (%)	60.0%	64.0%	4.0%
7	IMb adoption rate (%)	95.0%	95.1%	0.1%
8	Package scanning rate (%)	98.0%	95.1%	-2.9%

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7. On page 42 of the 2013 Annual Report, the Postal Service states that the primary reason the "Deliveries per Hour" goal was not met because the "volume was significantly higher in FY2013 than we planned at the start of the year." The table on page 33 of the 2013 Annual Report shows that the total number of mail pieces decreased between FY 2012 and FY 2013. For the deliveries per hour measure, please provide electronic spreadsheets showing the calculation including the source of the volumes and delivery points used in the numerator, and the workhours used in the denominator.

**RESPONSE:**

The statement on page 42 of the 2013 Annual Report is correct that the main reason that the Postal Service missed the "Deliveries per Hour" goal was because volume was significantly higher than plan. The table on page 33 is also correct showing that volumes declined from 2012 to 2013. The volumes declined year over year, but the decline was much less (approximately 5B pieces) than what was planned in our Integrated Financial Plan.

The calculation of the Deliveries per Hour using data from the 2013 10-K report is provided in an Excel file (ChIR10.Q7 – DPH Calculation.xls) attached to this response electronically. Please note that volume is not an element in the formula, but is what drove workhour usage well above plan.

The numerator of the DPH formula averages year end 2012 and year end 2013 Total Deliveries to get an Average Deliveries for the year for FY 13. This Total Delivery number is multiplied by the number of delivery days in the fiscal year (303). The denominator is the total workhours for FY 2013. The result is the Deliveries per Hour metric for FY 2013.

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8. The Postal Service explains on page 42 of its 2013 Annual Report that other things contributed to the "Deliveries per Hour" target not being met, including "limiting to voluntary our centralization of business deliveries." Page 54 of the 2013 Annual Report notes that to improve delivery efficiency, the Postal Service converted 43,333 business and 36,302 residential deliveries to centralized deliveries.

(a) What percentage of new delivery points for businesses and residences were centralized deliveries in FY 2013?

(b) USPS-FY13-33, DeliveryPointsFY2013.xls, "Other" worksheet, shows that there were 4,756,004 door-to-door residential delivery points in the Pacific region at the beginning of FY 2013. The same worksheet also shows that by the end of the FY 2013, the number had increased to 4,767,225. Please discuss the factors that contributed to this increase.

**RESPONSE:**

(a) 51.98 percent of new residential deliveries were centralized, 33.33 percent of new business deliveries were centralized

(b) In September, 2013, sidewalk deliveries were introduced into our AMS system. This category is still considered "other" delivery; however, it is more efficient in that it is not at the door but at a box located closer to the curb. The Pacific Area moved 7,430 previously defined curbside boxes to this new category during this period allowing for most of this "other" delivery increase. During this same period, nearly 3,000 deliveries were activated from the "no stat" category to active deliveries and that, in addition to normal growth in "other" due to in-growth, account for the remaining increase in this category.

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9. On page 39 of the 2013 Annual Report, the Postal Service includes two new service performance goals for FY 2014: "First-Class Composite" and "Standard Composite." Footnote 1 describes the First-Class composite as an aggregate of Single-Piece First-Class Mail and Commercial First-Class Mail.

(a) Is the new "First-Class Composite" service performance measure an aggregate of single-piece First-Class letters, cards, flats and Presorted letters/cards for overnight, two-day, and three-to-five day service standards obtained from the EXFC?

(b) Please describe the components of the Standard Mail products aggregated for the new "Standard Composite" service performance measure.

(c) Are parcels included in the Single-piece First-Class Mail service performance measurement? If so, please discuss the data source(s) used and the validity of the combined data, if the data sources differ.

**RESPONSE:**

(a) The First-Class Composite measure includes all items listed in part (a) above, as well as single-piece First-Class parcels and a proxy measure of Presorted First-Class flats performance, using EXFC flats scores. Single-piece First-Class letters, cards, and flats performance measures are from the EXFC system, as are the proxy results for Presorted First-Class flats. Presorted letters/cards performance measures are produced by the iMAPS system using Full-Service Intelligent Mail. Single-piece First-Class Parcels results are measured internally by the USPS using data for retail parcels from the Product Tracking System.

(b) The Standard Mail Composite performance measure consists of Standard letters and flats entered under Destination Entry SCF and Destination Entry NDC entry discount rates. The results come from all measurable Full-Service Intelligent Mail Standard Mail letters and flats entered at destination SCF and NDC entry discounts and locations. The composite measure captures the most heavily used methods of entry for

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Standard Mail. These entry discount types represented approximately 77 percent of all Standard Mail in FY 2013.

(c) Yes, parcels are included in Single-Piece First-Class Mail service performance measurement. Parcel performance is measured using USPS data from the Product Tracking System for retail parcels with USPS Tracking service applied. The parcel scores are combined with single-piece letters, cards, and flats scores from EXFC at the district, area, and national levels using national level weights. The weights are derived from RPW data, and represent the proportion of parcel pieces out of the total single-piece First-Class Mail volume and the proportion of letters, cards, and flats out of the total volume. The application of the national level proportions to the district and area level aggregates represents the best data available and is consistent with the EXFC measurement methodology, which uses national level data to establish the proportions of letters, cards and flats to be measured in each district.