

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

ANNUAL COMPLIANCE REVIEW, 2014

Docket No. ACR2014

**UNITED STATES POSTAL SERVICE RESPONSES TO QUESTIONS 1-5, 12-14,
26, 27, AND 31-33 OF CHAIRMAN'S INFORMATION REQUEST NO. 13**
(March 11, 2015)

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 13, issued on March 2, 2015. Each question is stated verbatim and followed by the response. The responses to Questions 6-11, 15-25, 28-30, 34, and 35 are still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. In Postal Service Responses to CHIR No. 5, question 9, the Postal Service did not provide the FY 2014 results for the Cross-Portfolio Key Performance Metrics.¹ Please provide the FY 2014 results for each Cross-Portfolio Key Performance Metric.

RESPONSE:

Metric	Description	Planned	Actual	FY2014 Variance
1	Total revenue (\$)	\$5,400,000,000	\$6,544,776,806	\$1,144,676,806
2	Total cost savings (\$)	\$1,130,280,959	\$836,725,566	(\$293,555,393)
3	Total work hours reduced (hours)	24,000,000	7,709,309	(16,290,691)
4	Total headcount reduced (FTEs)	Metric removed from portfolio reporting during FY14		
5	Total facility square feet reduced (sq ft)	2,200,000	2,200,882	882
6	Commercial mail in Full Service IMb (%)	80.0%	79.3%	(0.7%)
7	IMb adoption rate (%)	94.0%	97%	3%
8	Package scanning rate (%)	97.0%	96.2%	(0.8%)

¹ United States Postal Service Responses to Questions 1-5, 8 and 9 of Chairman's Information Request No. 5, February 10, 2015 (Postal Service Responses to CHIR No. 5).

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2. In Postal Service Responses to CHIR No. 5, question 9, the FY 2015 metric "Gross Consideration (Facilities)" appears to have replaced the FY 2014 metric "Total Square Feet Reduced (Sq Ft)." Please describe:
- a. The differences between the new FY 2015 Gross Consideration metric and the FY 2014 Total Square Feet Reduced metric.
 - b. The reasons for changing the performance metric.

RESPONSE:

- a. "Gross consideration" refers to the revenue generated by selling and out leasing underutilized or excess properties. "Square foot reduced" refers to the associated total square foot reduced due to the selling and out leasing underutilized or excess properties.
- b. It was determined that tracking gross consideration alone is sufficient to provide visibility into the outcomes for the initiative.

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3. In Postal Service Responses to CHIR No. 5, question 9, the FY 2014 metric "Total Work Hours Reduced" notes in the "FY15 Metric" column that it is "Not in DRIVE for FY15." In the 2015 Integrated Financial Plan, the Postal Service plans to reduce 5 million work hours.² Please reconcile the differences between the FY 2015 Cross-Portfolio Key Performance Metrics provided in Postal Service Responses to CHIR No. 5, question 9 and the 2015 Integrated Financial Plan.

RESPONSE:

Please see the material filed in folder USPS-FY14-NP39.

² United States Postal Service, Fiscal Year 2015 Integrated Financial Plan, November 24, 2014, at 2.

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4. In Postal Service Responses to CHIR No. 5, question 9, the FY 2014 metric- 'Total Headcount Reduction', notes in the 'FY 15 Metric' column, 'Not in DRIVE for FY15.' In its Five-Year Business Plan, the Postal Service anticipates reducing approximately 146,000 career and non-career full-time equivalent employees by 2017.³ Please reconcile the differences between the FY 2015 Cross-Portfolio Key Performance Metrics provided in Postal Service Responses to CHIR No. 5, question 9 and the Five-Year Business Plan.

RESPONSE:

The FY15 DRIVE portfolio currently does not include initiatives to reduce headcount reduction of career and non-career employees beyond natural attrition. The metric was removed from the DRIVE portfolio in FY14.

³ United States Postal Service, Five-Year Business Plan, April 2013, at 28 (Five-Year Business Plan), <http://about.usps.com/strategic-planning/five-year-business-plan-2012-2017.pdf>.

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5. In the FY 2014 Report and FY 2015 Plan, the Postal Service explains that it missed the FY target for Deliveries per Hour because of a high turnover rate (more than 40 percent) for city carrier assistants and other factors. Annual Report at 41. In FY 2014, the Postal Service extended the Voice of the Employee Survey to all employees. Annual Report at 40. Based on the Voice of the Employee Survey results, what insights were gained about the high turnover rate for city carrier assistants?

RESPONSE:

The FY 2014 Voice of the Employee (VOE) index score for Non-Career employees was thirteen points higher than for Career employees. A review of the FY 2014 exit data indicates "Personal Reasons" as the top cause of CCA resignation. Comments associated with the "Personal Reasons" selection cited life situations that could not be accommodated with the job requirements, for example, dependent care, a desire to finish school, and work schedules.

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12. The FY 2014 overall retail experience result as measured by the RCE program is substantially higher than the FY 2014 POS Survey result. Annual Report at 50 and Postal Service Responses to CHIR No. 5, question 2.e. Please reconcile the differences between the two metrics and discuss any methodological or reporting distinctions.

RESPONSE:

Wait Time in Line (WTIL) has a significant impact on the perception of a customer, who will ordinarily submit a POS survey when they have an extreme customer service experience, either positive or negative. Because POS surveys measure customer perception and the RCE measures actual wait time in line, identical periods of waiting can lead to different results in the POS surveys and the RCE. For example, a five minute wait time can result in a positive outcome under the RCE and a negative outcome under the POS surveys.

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13. Has the Postal Service analyzed the FY 2014 customer experiences data by rural and non-rural geographic locations? If so, please discuss findings and conclusions. If not, please explain why the Postal Service has not conducted this analysis in FY 2014.

RESPONSE:

The Postal Service has not conducted an analysis of customer experiences by rural and non-rural geographic locations. RCE surveys are not conducted in many areas that could be considered "rural."

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14. The performance goals in the FY 2014 Report and FY 2015 Plan must relate to the general goals and objectives in the Postal Service's strategic plan. 39 U.S.C. § 2802(a)(4). See note 4, *supra*.
- a. Is the Postal Service's strategic plan the same as its Five-Year Business Plan? If not, please explain what the Postal Service's strategic plan is, where to find it, and how it relates to the Five-Year Business Plan.
 - b. Please describe the program evaluations used in establishing or revising general goals and objectives of the strategic plan, with a schedule for future program evaluations. See *id.* § 2802(a)(6).

RESPONSE:

- a. The Five-Year Business Plan is the strategic plan. It communicates the strategic plans, objectives and goals of the Postal Service, and addresses applicable statutory requirements. The Five-Year Business Plan was published on April 16, 2013, and is available on usps.com at <http://about.usps.com/strategic-planning/five-year-business-plan-2012-2017.pdf>.
- b. There are two mechanisms for program evaluation used by the Postal Service. National Performance Assessment (NPA) tracks performance from the corporate level down to the business unit level and the goals and objectives are revised annually for compensable purposes. The performances of strategic initiatives are tracked in a rigorous portfolio management program called DRIVE. The goals and objectives of the strategic initiatives are evaluated on a quarterly basis.

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26. Please refer to the FY 2014 Cross-Portfolio Key Performance Metrics provided in Postal Service Responses to CHIR No. 5, question 9. Please provide a crosswalk linking each FY 2014 strategic initiative (see Annual Report at 73) to the corresponding FY 2014 Cross-Portfolio Key Performance Metric.

RESPONSE:

Metric	Cross-Portfolio Key Performance Metric	2014 Strategic Initiative
1	Total revenue (\$)	Customer Growth & Retention Optimize Facility Footprint
2	Total cost savings (\$)	Optimize Network Operations Optimize Delivery Operations Transform Access
3	Total work hours reduced (hours)	Optimize Network Operations
4	Total headcount reduced (FTEs)	Metric removed from portfolio reporting during FY14
5	Total facility square feet reduced (sq ft)	Optimize Facility Footprint
6	Commercial mail in Full Service IMb (%)	Achieve 100% Product Visibility
7	IMb adoption rate (%)	Achieve 100% Product Visibility
8	Package scanning rate (%)	Achieve 100% Product Visibility

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27. Please provide an Excel file with the disaggregated survey responses for each of the five survey instruments: BSN, POS, Residential Delivery, Small/medium business Delivery and CCC. Each survey respondent's response should represent one row in the file including the geographic information for each customer survey specified in CHIR No. 5, question 3.⁴ An example of how the requested data by customer survey should be provided for each survey respondent is included along with this CHIR.⁵

RESPONSE:

Responsive information for the BSN, POS, Residential Delivery, and the Small/medium business Delivery is included in USPS-FY14-NP38. Responsive information for the CCC survey instrument is still being prepared and will be provided separately.

⁴ Chairman's Information Request No. 5, February 3, 2015 (CHIR No. 5)

⁵ See the requested response file format shown in Excel file CustomersSurveysRespondentsResponses.xls, which is filed with this CHIR.

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31. The Postal Service Responses to CHIR No. 7⁶ explained the differences between the number of delivery points shown in the Excel file DeliveryPointsFY2014.xlsx provided in Library Reference USPS-FY14-33 and the Annual Report at 45. The differences are that the number of delivery points in Library Reference USPS-FY14-33 does not include Post Office Box routes and only includes active delivery points; whereas the number of delivery points in the Annual Report include both active and inactive delivery points.
- a. What are the differences between active and inactive delivery points? Please include in your response which types of delivery points would be considered active and which types of delivery points would be considered inactive.
 - b. Does the number of delivery points provided in Library Reference USPS-FY14-33 include highway contract route delivery points?
 - c. Please describe the types of delivery points contained in the BUS OTH1 and RES OTH1 columns of the Excel file DeliveryPointsFY2014.xlsx provided in Library Reference USPS-FY14-33. If the delivery points contained in the BUS OTH1 and RES OTH1 columns are something other than door-to-door delivery points, please provide the number of delivery points along with a description of each type of delivery point.
 - d. Please discuss the rationale for including inactive and active delivery points in calculating the Postal Service's Deliveries per Hour (DPH) measure.

RESPONSE:

a. An "active" delivery point is a delivery point to which the Postal Service currently delivers mail. An "inactive" delivery point is a delivery point to which the Postal Service does not currently deliver mail. A specific delivery point may be considered "inactive" for a variety of reasons, such as the delivery point may be vacant; there may be a "temporary forward" request applied to the delivery

⁶ Responses of the United States Postal Service to Questions 9 and 12-13 of Chairman's Information Request No. 7, February 23, 2015, question 9 (Postal Service Responses to CHIR No. 7).

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RESPONSE TO QUESTION 31 (continued)

point; or a delivery point may be under construction, demolished, blighted or otherwise identified as not likely to become active for some time.

b. Yes, USPS FY 14-33 includes highway contract route delivery points.

c. "RES OTH1" and "BUS OTH1" reflect only "Door Delivery" since Sidewalk Delivery has been added as of the beginning of fiscal year 2014.

d. The Postal Service's Deliveries per Hour (DPH) measurement is based upon the number of possible delivery points. The number of possible delivery points is determined by adding the number of active and inactive delivery points.

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32. Please refer to the worksheet tabs Beginning FY14 and End FY14 in the DeliveryPointsFY2014 Excel file provided in Library Reference USPS-FY14-33. By the end of FY 2014, the referenced worksheets show a decrease in total active delivery points. The delivery points data in the Annual Report show an overall increase in the total number of delivery points between FY 2013 and FY 2014. Annual Report at 45. Is the increase in delivery points discussed in the Annual Report due to an increase in the number of inactive delivery points? Please explain.

RESPONSE:

Upon further review, it was determined that a different methodology was used to determine the number of delivery points for worksheet tabs "Beginning FY14" and "End FY14." In determining the number of delivery points for the worksheet titled "Beginning FY14," the Postal Service included delivery points on "auxiliary routes," which are carrier routes scheduled to be completed within eight hours. In determining the number of delivery points for the worksheet titled "End FY14," the Postal Service did not include such delivery points. If the Postal Service included these delivery points in its calculations for "End FY14," there would be an increase in the overall number of delivery points. For ease of reference, the Postal Service updated numbers for "End FY14," which includes delivery points on "auxiliary routes," and provides these updated numbers below.

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RESPONSE TO QUESTION 32 (continued)

“End FY14” including delivery points on “auxiliary routes”

AREA	ACTIVE RES CURB	ACTIVE RES SDWK	ACTIVE RES NDCBU	ACTIVE RES CENTRAL	ACTIVE RES OTH1	Active Res
Northeast	3956953	38642	1080293	3996145	5427720	14,499,753
Eastern	9638219	44767	1639257	1709959	5736310	18,768,512
Western	7489487	235087	4805015	3177031	4163893	19,870,513
Pacific	2580585	519476	2933628	3059601	4266520	13,359,810
Southern	14189551	89751	4018391	4715960	3700920	26,714,573
Great Lakes	6590631	23766	1022870	2131736	4397237	14,166,240
Capital Metro	8068207	24019	1655529	1990852	1692515	13,431,122

AREA	ACTIVE BUS CURB	ACTIVE BUS SDWK	ACTIVE BUS NDCBU	ACTIVE BUS CENTRAL	ACTIVE BUS OTH1	Active Bus
Northeast	91832	1203	69974	94330	768080	1,025,419
Eastern	272581	2676	97050	49135	701154	1,122,596
Western	218514	4876	227534	113894	649025	1,213,843
Pacific	54471	8657	204837	129265	641123	1,038,353
Southern	406150	2796	313859	152117	922945	1,797,867
Great Lakes	203326	1092	57164	51131	547552	860,265
Capital Metro	217055	1006	123642	62904	409427	814,034

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33. Please refer to the Excel file ChIR5.Q7.DPH FY15 provided with the Responses to CHIR No. 5, question 7.⁷
- a. Line 28 of the FY 14 Actual DPH worksheet contains the following entry: "eFlash possible deliveries are the weighted average for the year, so no averaging is needed." Please discuss the weighting process and what delivery components are being averaged.
 - b. The delivery point totals used and shown (e.g., FY 2013) differ from what was provided to the Commission in Docket No. ACR2013, Responses of the United States Postal Service to Questions 1-9 of the Chairman's Information Request No. 10, March 4, 2014, question 7 in the ChIR10.Q7 – DPH Calculation Excel file. Please reconcile the differences between the Excel files and specify whether the FY 2014 DPH calculation methodology and/or the data source changed.

RESPONSE:

- a. "Possible deliveries" are a point-in-time measurement of the number of delivery points on a certain day. This measurement changes throughout the year as addresses are added to or subtracted from the delivery network. To calculate an average for the year, eFlash weighs each month's possible delivery total based on the number of delivery days for each month. This average delivery point total for the year can be compared to the total work hours used over the course of the year.
- b. For Fiscal Year 2014, the data source for "possible deliveries" changed to eFlash. Because eFlash reflects a weighted average for the year, it is no longer necessary to average the year-end "possible deliveries" for the two years obtained previously from the 10-k Report. Because the 10-k Report shows year-end

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RESPONSE TO QUESTION 33 (continued)

“possible deliveries,” it reflects a number greater than the weighted average for the year as calculated through eFlash. The eFlash weighted average is slightly different than the simple average of the year-end “possible deliveries” for the two years identified in the question above.

⁷ Responses of the United States Postal Service to Questions 6 and 7 of Chairman's Information Request No. 5, February 18, 2015 (Responses to CHIR No. 5).