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POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

ANNUAL COMPLIANCE REVIEW, 2015	Docket No. ACR2015

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-6 OF CHAIRMAN'S INFORMATION REQUEST NO. 9

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 9, issued on February 4, 2016. Each question is stated verbatim and followed by the response. The responses to Questions 7-11 are still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. In Docket No. ACR2014, the Postal Service stated its FY 2015 performance target for average training hours per employee was 6.7 hours.[1] Please provide the:

a. Average training hours per employee for FY 2015; and the

b. FY 2016 performance target for the average training hours per employee. If FY 2016 performance targets have not been developed, please explain why the Postal Service has not developed these targets for FY 2016.

RESPONSE:

a. The average training hours per employee for FY 2015 was 13.8 hours.

b. FY 2016 Target Plan average training hours per employee is eight (8.0) hours.

[1] Docket No. ACR2014, United States Postal Service Response to Question 6 of Chairman's Information Request No. 14, March 26, 2015, question 6b (March 26 Response to CHIR No. 14).

2. In Docket No. ACR2014, the Postal Service stated its FY 2015 performance target for average annual turnover rate of non-career employees was 20 percent, and its FY 2015 performance target for average annual turnover rate of external hires was 4.5 percent. March 26 Response to CHIR No. 14, question 6b. Please provide the:

a. Average annual turnover rate of non-career employees for FY 2015;

b. Average annual turnover rate of external hires for FY 2015;

c. FY 2015 turnover rate for each category of non-career employees shown on page 27 of the FY 2015 Annual Report (*e.g.*, casuals, postal support employees); and the

d. FY 2016 performance targets for average annual turnover rate for non-career employees and external hires. If FY 2016 performance targets have not been developed, please explain why the Postal Service has not developed these targets for FY 2016.

RESPONSE:

a. The average annual turnover rate of non-career employees for FY 2015 is 38.69 percent.

b. Of the 223 career external hires during FY2015, 24 (or 10.76 percent) are no longer employed with the Postal Service.

c. The FY 2015 turnover rate for each category of non-career employees, as shown on page 27 of the FY 2015 Annual Report, is as follows: City Carrier Assistant (CCA) = 54.24%, Rural Part-time (RCA) = 30.10%, Postal Support Employees (PSE) = 36.60%, Mail Handler Assistant (MHA) = 29.86%, and Casuals =68.4%. Turnover rates for Postmaster Relief, Leave Replacements, and Non-Bargaining Temporary employee groups are generally not tracked, as both are non-career path assignments with limited numbers and limited work hour opportunities. There is an expectation that turnover rates for these groups will be higher.

d. The FY2016 performance target for average annual turnover rates for non-career hires is 34.8 percent. No targets have been established for FY 2016 because the number of career (external) hires is significantly smaller in comparison to non-career and conversions. Tracking this metric does not impact the overall turnover concerns. However, while career turnover is low compared to non-career turnover, it is still a concern. The Postal Service is taking actions, such as exit interviews, to understand the reasons for career turnover.

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3. The Postal Service states that in FY 2015, it "hired more than 117,000 non-career employees in all flexible workforce categories, including postal support employee (PSE), city carrier assistant (CCA), mail handler assistant (MHA), rural carrier associate (RCA), casual and Postmaster relief (PMR)." FY 2015 Annual Report at 41. The Postal Service also notes that it "participated in career events to recruit for targeted positions where there's a major hiring need, such as operations industrial engineers (OIEs), CCAs, PSEs and MHAs." *Id.* Please refer to these statements and the "USPS Employees" table on page 27 of the FY 2015 Annual Report.

a. Please discuss whether and how the 117,000 non-career employee hires in FY 2015 are reflected in the FY 2015 "USPS Employees" counts on page 27 of the FY 2015 Annual Report.

b. Please include a discussion of all relevant factors affecting the number of employees in each category of career and non-career employees between FY 2014 and FY 2015.

c. Does the Postal Service continue to have "a major hiring need" for OIEs, CCAs, PSEs, and MHAs? If yes, please explain why the Postal Service was unable to recruit the intended number of flexible workforce employees and its plans in FY 2016 to fill its hiring needs.

RESPONSE:

a. Only a portion of the 117,000 are reflected in the EOY tables on page 27, because some of them (approximately 52,000) separated before the end of the year. This is not surprising, as almost 22,000 of the non-career hires were specifically hired into positions during the peak mailing season for short term periods. The remainder of the 117,000 non-career hires are reflected in the EOY tables on page 27. Approximately 5,000 were converted to career positions (and thus are counted within the approximately 492,000 EOY career employees), and approximately 60,000 were still active as non-career (and thus are counted within the approximate 130,000 EOY non-career employees). Employee turnover has a major impact on continued noncareer hiring.

b. Factors affecting number between FY 14 and FY15.

Total Headquarters Employees and HQ related employees	No significant change
Area Offices	No significant change
Postmasters/Installation Head	Reduction due to final POStPlan changes
Supervisors/Managers	Increase due to push to fill vacant supervisor positions in the field
Professional Admin/Technical Personnel	No significant change
Clerks/Nurse	Increase in clerks due to final impacts of POStPlan implementation and related MOUs.
Mail handlers	No significant change
City Delivery Carriers	Remained the same
Motor Vehicle Operators	No significant change
Rural Delivery Carriers	Increase due to the increase in number of routes
Building and Equipment Maintenance	Reduction due to implementation of MS-47 and a reduction in positions due to Network consolidations.
Vehicle Maintenance employees	No significant changes
Casuals	No significant change
Postal Support Employees	Increase due to final implementation of POStPlan and related MOUs
Non Bargaining Temporary	Increase due to centralization of hiring process
Rural Part Time/RCA/RCR/AUX	Increase due to focus on using leave replacements for Sunday delivery and overtime reduction.
Postmaster Relief and leave replacement	POStPlan implementation reduced need for PMRs

City Carrier Assistants(CCA)	Increase due to increased package delivery and Sunday delivery.
Mail Handler Assistants (MHA)	No significant change

c. The Postal Service still has a continued need to hire 125,000 non-career employees in FY16 to maintain the appropriate levels. Continued hiring of non-career employees (including PSEs and MHAs) is necessitated by conversions to career positions and current attrition rates.

Operations Industrial Engineer (OIE) is a specialized position requiring an engineering background; in some regions the market for these applicants is very competitive. USPS is planning to hire 42 OIEs this spring.

Recruiting for City Carrier Assistants (CCAs) is a challenge in some regions due the physical nature of the position and extreme outdoor environments, as well as local economic conditions.

4. In the 2015 Report on Form 10-K, the Postal Service states, "[t]his increase [4,000 career employees between FY 2014 and FY 2015] is the result, *in part*, of an increase in career employees needed to support the continuing growth in our Shipping and Packages business and the continuing growth in the delivery network."[2] Please discuss the other reasons for the increase in the number of career employees, especially the significant increase in the number of employees for the combined employee category labeled clerks/nurses. FY 2015 Annual Report at 27.

RESPONSE:

The 10-K is accurate in its explanation that continued growth in the Shipping and Packages business and the continued growth in the delivery network contributed to the increase in career employees. What the 10-K does not reference specifically is the increase in "clerks" due to the final impacts of POStPlan implementation and related MOUs, as referenced above in the response to question 3.b of this Information Request. The 2015 conversions that transpired in accordance with the applicable MOU disproportionately affected the clerks/nurses category. (Note: "nurses" total approximately 300 of this category and were not affected by the conversions.)

[2] United States Postal Service, 2015 Report on Form 10-K, November 13, 2015, at 19 (emphasis added).

5. The Postal Service states that in FY 2015, it "focused on the implementation of a portfolio of 18 strategic initiatives to meet its ambitious performance and financial goals." *Id.* at 64. The "FY 2015 Initiatives" listed on page 65 of the FY 2015 Annual Report only list 17 initiatives.

a. Please list the 18 strategic initiatives the Postal Service focused on implementing in FY 2015.

b. Using Table 1 below, please provide the FY 2016 strategic initiatives and explain any differences between FY 2015 and FY 2016, including how and why the strategic initiative changed from FY 2015.

Table 1

FY 2015 and FY 2016 Strategic Initiatives

Performance Goal	FY 2015 Strategic Initiatives	Change From Prior Year	FY 2016 Strategic Initiatives
Service	Optimize Network Operations		
	Optimize Delivery Operations		
	Transform Access		
	Optimize Facility Footprint		
	Build a World-Class Package Platform		
	Modernize Delivery		
Customer Experience	Improve Customer Experience		
	Leverage Technology and Data to Drive Business Value		
Financial	Accelerate Innovation		
	Sales Excellence		
	International Competitiveness		
	Achieve 100% Customer and Revenue Visibility		
	Revenue Assurance		
	Greenfield Costing		
Workplace	Building the Workforce of the Future		
	Building an Integrated Human Resource System		
Source: *Id.* at 65.			

c. Please explain the differences between the strategic initiatives and the Delivering Results, Innovation, Value and Efficiency (DRIVE) portfolio of initiatives. *See id.* at 64.

d. If strategic initiatives differ from DRIVE initiatives, please provide a table similar to Table 1 above comparing the FY 2015 and FY 2016 DRIVE initiatives.

RESPONSE:

a. The table on page 65 is correct. There were only 17 initiatives in FY 2015.

b. The changes to our initiatives can be categorized by the following five actions (see table below):

- **⚠ New — Initiative has been created in FY15 to address an emerging business need.**
- **⇔ Continued — This initiative continued into FY15 with minimal changes from FY14.**
- **⊗ Closed — This initiative was closed as a result of a completed activity or change in business need.**
- **⇮ Refined — To achieve greater alignment with organizational goals the initiative has been refined to reflect the current business situation.**
- **⤧ Combined — Initiative has been combined with a similar DRIVE initiative(s) to more accurately reflect the current business situation and provide greater alignment organizationally.**

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Table 1

FY 2015 and FY 2016 Strategic Initiatives

Performance Goal	FY 2015 Strategic Initiatives	Change From Prior Year	FY 2016 Strategic Initiatives
Service	Optimize Network Operations	⇧ Refined	Optimize Network Platform
	Optimize Delivery Operations	⤧ Combined	Optimize Delivery Platform*
	Transform Access	⇧ Refined	Optimize Retail Platform
	Optimize Facility Footprint	⊗ Closed	
	Build a World-Class Package Platform	⇔ Continued	Build a World-Class Package Platform
	Modernize Delivery	⤧ Combined	*combined with Optimize Delivery Platform**
Customer Experience	Improve Customer Experience	⇧ Refined	Build a World Class Customer Care Process
	Leverage Technology and Data to Drive Business Value	⤧ Combined	Leverage Technology and Data to Drive Business Value**
		△ New	Create a World Class Social Media Platform
Financial	Accelerate Innovation Sales Excellence International Competitiveness	⤧ Combined	Accelerate Innovation to Maximize Revenue and Profit
	Obtain PCI Compliance	⊗ Closed	
	Achieve 100% Customer and Revenue Visibility	⇧ Refined	Optimize Customer and Revenue Visibility
	Revenue Assurance	⤧ Combined	*combined with Leverage Technology and Data to Drive Business Value***
	Greenfield Costing	⊗ Closed	
		△ New	Obtain PRC Approval for an Alternative Pricing Model
Workplace	Building the Workforce of the Future	⇧ Refined	Engage and Empower Employees
		△ New	Contract Negotiations
		△ New	Corporate Succession Planning
		△ New	Improve Safety Programs
	Building an Integrated Human Resource System	⤧ Combined	*combined with Leverage Technology and Data to Drive Business Value***

Source: *Id.* at 65.

*In FY2016, the *Optimize Delivery Operations* and *Modernize Delivery initiatives* were combined into a single initiative entitled *Optimize Delivery Platform*.

**In FY2016, the *Leverage Technology and Data to Drive Business Value*, *Revenue Assurance*, and *Building an Integrated Human Resource System* initiatives were combined into a single initiative entitled *Leverage Technology and Data to Drive Business Value*.

c. They are one and the same. There is no difference.

d. N/A

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6. The following requests relate to cross-portfolio performance indicators.

a. Please provide FY 2015 results and FY 2016 targets for each cross-portfolio performance indicator listed in Table 2 below.

Table 2

Cross-Portfolio Performance Indicators

Cross-Portfolio Performance Indicators	FY 2016 TARGET	FY 2015 TARGET	FY 2015 RESULT
Estimated Value of Closed Sales and Churn Reduction ($ Billions)		$5.45	
Total DRIVE Cost Savings ($ Billions)		$0.75	
Total Work Hours Reduced (Millions)		6.2	
Gross Consideration (Facilities) ($ Millions)		$175	
Commercial Mail in Full Service IMb (%)		85.0%	
Package Scanning Rate (%)		99.0%	
Sources: Docket No. ACR2014, United States Postal Service Responses to Questions 1-5, 8 and 9 of Chairman's Information Request No. 5, February 10, 2015, question 9; and Docket No. ACR2014, United States Postal Service Response to Question 28 of Chairman's Information Request No. 13, March 30, 2015, question 28c.			

b. Please identify any changes to the cross-portfolio performance indicators from the information provided in Docket No. ACR2014.

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RESPONSE:

a.

Table 2

Cross-Portfolio Performance Indicators

Cross-Portfolio Performance Indicators	FY 2016 TARGET	FY 2015 TARGET	FY 2015 RESULT
Estimated Value of Closed Sales and Churn Reduction ($ Billions)	Not in tracked in Cross-Portfolio Indicators for FY16	$5.45	$6.9
Total DRIVE Cost Savings ($ Millions)	$955	$666	$157
Total Work Hours Reduced (Millions)	13	6.2	0.93
Gross Consideration (Facilities) ($ Millions)	Not in tracked in Cross-Portfolio Indicators for FY16	$175	$194
Commercial Mail in Full Service IMb (%)	*Not in tracked in Cross-Portfolio Indicators for FY16*	85.0%	88.0%
Package barcoded (%)	Not in tracked in Cross-Portfolio Indicators for FY16	99.0%	98.6%
Revenue ($ Billion)	$69.4	N/A	N/A
Composite Customer Insights Score	86.7	N/A	N/A

Sources: Docket No. ACR2014, United States Postal Service Responses to Questions 1-5, 8 and 9 of Chairman's Information Request No. 5, February 10, 2015, question 9; and Docket No. ACR2014, United States Postal Service Response to Question 28 of Chairman's Information Request No. 13, March 30, 2015, question 28c.

*** Four of the Cross-Portfolio Performance Indicators in FY15 were discontinued in FY16 and two were added. The Executive Leadership Team is currently evaluating the numerous metrics tracked in DRIVE to determine if any of the metrics warrant escalation to the Cross-Portfolio Level.**

b. Changes in FY2015

- The "Package Scanning Rate (%)" was renamed to "Package barcoded (%)" to clarify the metric name.

- The "Total DRIVE Cost Savings ($ Millions)" target was revised to $666M, to reflect changes in the plan.