

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

ANNUAL COMPLIANCE REVIEW, 2016

Docket No. ACR2016

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 1 - 5 OF CHAIRMAN'S INFORMATION REQUEST NO. 15

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 15, issued on February 10, 2017. Each question is stated verbatim and followed by the response. The response to Question 6 is still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. The Postal Service states that it “continued to significantly exceed our Standard Mail performance targets across the nation, achieving record-breaking service for our business customers.” FY 2016 *Annual Report* at 16.
  - a. Please explain how the Postal Service exceeded public Standard Mail performance targets to achieve “record-breaking service.” In the response, please identify the product-specific Standard Mail performance targets that were exceeded and provide accompanying results.
  - b. Please explain how the FY 2016 Standard Composite performance indicator result (92.97) was calculated. In the response, please specify the product-level indicators on which this Composite performance indicator is based and provide the formula used to calculate it.
  - c. Please explain why the FY 2016 result for the Standard Composite performance indicator (92.97) is higher than most of the Standard Mail service performance scores shown in the Postal Service’s *Annual Report on Service Performance for Market-Dominant Products*.<sup>1</sup> In the response, please explain the reasons why the product-specific Standard Mail performance results and targets identified in response to question 1.a, above, differ from the Standard Mail performance results and targets listed in the Service Performance Report. See *id.* at 12.
  - d. Please confirm that the Standard Mail measurement description, sample coverage, and statistical validity of measurement results discussed in the Service Performance Report are the same for the Standard Mail products used to measure the Standard Composite performance indicator. See Service Performance Report at 12-13; FY 2016 *Annual Report* at 15. If not confirmed, please explain.

**RESPONSE:**

a. The targets referenced in that quote are for the Standard Composite, which is comprised of Standard Mail letters and flats entered at Destination Entry Sectional Center Facility (SCF) or National Distribution Center (NDC), which made up 78 percent of all Standard Mail in FY16. In the Annual Report to Congress, performance for that measure is shown as 92.97 in FY16, which far exceeded performance in the prior two

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<sup>1</sup> Compare FY 2016 *Annual Report* at 15 with Library Reference USPS-FY16-29, file “FY16-29 Service Performance Report.pdf,” at 12 (Service Performance Report).

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years of 89.58 and 90.09 and exceeded the target of 91.0. That metric combines mail across multiple Standard Mail product categories, and excludes mail which is not entered with destination SCF/FSS or NDC entry discounts. Standard Mail service reports available at <http://about.usps.com/what-we-are-doing/service-performance/welcome.htm> and provided to the Commission as part of the quarterly service performance reporting submission also display Standard Mail scores across products for Destination Entry and End-to-End categories. These reports showed that the FY16 Destination Entry score of 92.3 exceeded the performance target of 91.0 and represented the highest annual score since measurement began. This Destination Entry score includes Destination Delivery Unit (DDU)-entry Saturation flats and Every Door Direct Mail-Retail in addition to mail entered at destination SCF and NDC. The FY16 End-to-End score also improved by more than 6 points over FY15 performance and by more than 2 points over FY13 and FY14 results.

At the individual Standard Mail product level, two products exceeded the target in FY16 for overall performance measured across all applicable entry types and service standards. The following chart displays those products, targets and FY16 performance scores.

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Standard Mail	FY16 Target	FY16 Score
<b>High Density and Saturation Letters</b>	91.0	94.9
<b>Parcels</b>	91.0	98.3

The high-quality service performance results for Standard Mail Letters were achieved as a result of continued application of Lean principles and an operating philosophy of continuous improvement. More specifically, the Postal Service has operated through a continuous cycle of developing, measuring and improving Work In-Process (WIP) cycle time analytical metrics and operational best practices for the past several years. Key stages of the WIP cycle include the time between mail entry and the tray sorting operation and between the tray sorting operation and the single-piece sorting operation (automation).

Practices employed within these stages include efforts to ensure that the correct “start the clock” activities are used in order to start both the service measurement clock and the WIP cycle time process. In addition, focus is placed on ensuring that the correct “color code” is associated with mailings as they are entered at mail processing facilities. This ensures that the color code which corresponds with the scheduled processing and delivery days for each mailing corresponds to the actual start the clock time. As an aid to maintaining a First-In-First-Out (FIFO) inventory flow, FIFO lanes were marked on the work room floors of nearly every mail processing facility during the past several years.

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Another service performance improvement strategy employed in 2016 is the advancement and measurement of Standard Mail Letters. When feasible, based on local operating conditions, the Postal Service advances Standard Mail scheduled for Monday and Tuesday delivery into a processing window that enables delivery on Saturday, which is generally the lightest delivery day of the week. This practice balances the processing and delivery workload for Monday, which is generally the heaviest delivery day of the week.

For Standard Mail Parcels, the Postal Service has placed emphasis on similar operational practices, applying Lean principles and continuous improvement techniques as it has with Standard Letters. Specifically, this has included focusing on achieving the proper start the clock time and identification of the correct processing and delivery commitment. The Postal Service has also implemented FIFO staging lanes and, where operationally feasible, processing arriving mail on day zero (entry date), regardless of service commitment. In addition, in 2016, the Postal Service was able to leverage the additional parcel processing capacity that was deployed in 2015-2016. This additional capacity was in the form of APPS and APBS bin extensions in several processing facilities as well as the deployment of 32 SPSS machines through 2016. The additional processing capacity helped to reduce the cycle time between mail entry and processing.

b. In FY2016, the Standard Composite included a subset of mail from these products: High Density and Saturation Letters, High Density and Saturation Flats & Parcels,

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Carrier Route, Letters, and Flats. However, only letter and flat-shaped pieces which were entered at destination entry SCF or NDC were included in the Standard Composite performance indicator.

FY2016 Formula for Standard Composite:

$$\frac{\sum_{All\ Types} Score * Measured\ Volume}{\sum_{All\ Types} Measured\ Volume}$$

*All Types in FY2016 formula include: SCF Entry Standard letters, SCF Entry Standard Flats, NDC Entry Standard letters, and NDC Entry Standard Flats across all Standard Mail products and all applicable service standards.*

*Score represents the annual performance score, representing the percent of each type of mail which was delivered on-time.*

c. The primary reason why the FY 2016 result for the Standard Composite performance indicator (92.97) is higher than most of the Standard Mail service performance scores shown in the Postal Service's Annual Report on Service Performance for Market-Dominant Products is that the FY 2016 Standard Composite performance indicator included a subset of Standard Mail, as described above in the responses to parts a and b.<sup>2</sup> The letters and flats entered at destination SCF and NDC were delivered within the service standard at a higher rate than origin entered end-to-end Standard Mail. The detailed quarterly service performance reports provided to the Commission show service performance for each Standard Mail product for a variety of service standard groupings, including those relevant to the Standard Composite: Destination Entry Three-to-Five-Day (SCF) and Destination Entry Five-Day-and-Above (NDC). The

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<sup>2</sup> See also United States Postal Service FY2016 Annual Report to Congress at 15, n.5.

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service performance target for all Standard Mail products was shown as 91.0 for the year in both the FY2016 Annual Report to Congress (at 15) and the Annual Report on Service Performance for Market-Dominant Products (at 12).

d. It is confirmed that the Standard Mail measurement description, sample coverage, and statistical validity of measurement results discussed in the Service Performance Report are the same for the Standard Mail products used to measure the Standard Composite performance indicator. The Measurement Description includes information about the measurement processes for DDU-entry Saturation Mail flats, Every Door Direct Mail-Retail, and Standard Mail Parcels which are not applicable to the FY 2016 Standard Composite, but which are applicable to several of the Standard Mail product measurements.

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2. The Postal Service states that in FY 2016, it implemented a portfolio of “strategic initiatives” to meet its performance goals. FY 2016 *Annual Report* at 70.
- a. Please confirm that the strategic initiatives are the same as the Delivering Results, Innovation, Value, and Efficiency (DRIVE) portfolio of initiatives listed in the FY 2016 *Annual Report*. See *id.* at 71.
  - b. If confirmed, please use Table 1 below to provide the FY 2017 strategic initiatives, and explain any changes made to the strategic initiatives between FY 2016 and FY 2017.
  - c. If not confirmed:
    - i. Please explain the differences between strategic initiatives and the DRIVE portfolio of initiatives.
    - ii. Please provide a table similar to Table 1 below comparing FY 2016 and FY 2017 strategic initiatives.

**Table 1  
FY 2016 and FY 2017 Strategic Initiatives**

<b>Performance Goal</b>	<b>FY 2016 Strategic Initiatives</b>	<b>Change From Prior Year</b>	<b>FY 2017 Strategic Initiatives</b>
<b>Deliver High-Quality Service</b>	Optimize Network Platform		
	Optimize Delivery Platform		
	Optimize Retail Platform		
	Build a World-Class Package Platform		
	Optimize Delivery Platform		
<b>Provide Excellent Customer Experiences</b>	Build a World-Class Customer Care Process		
	Create a World-Class Social Media Platform		
	Leverage Technology and Data to Drive Business Value		
<b>Sustain Controllable Income</b>	Accelerate Innovation to Maximize Revenue and Profit		
	Informed Delivery		
	Optimize Customer and Revenue Visibility		
	Leverage Technology and Data to Drive Business Value		
	Obtain PRC Approval for an Alternative Pricing Model		



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<b>Ensure a Safe Workplace and Engaged Workforce</b>	Engage and Empower Employees		
	Contract Implementation and Compliance		
	Corporate Succession Planning		
	Improve Safety Programs		
	Leverage Technology and Data to Drive Business Value		
Source: FY 2016 <i>Annual Report</i> at 71.			

**RESPONSE:**

a.-b. Confirmed. The changes in strategic initiatives between FY2015 and FY2016 were minimal and described in the USPS FY2016 Annual Report to Congress on pages 70 and 71. Going forward into FY2017, the USPS has updated its portfolio of strategic initiatives (referenced in Table 1 below).

**Table 1  
FY 2016 and FY 2017 Strategic Initiatives**

<b>Performance Goal</b>	<b>FY 2016 Strategic Initiatives</b>	<b>Change From Prior Year</b>	<b>FY 2017 Strategic Initiatives</b>
<b>Deliver High-Quality Service</b>	Optimize Network Platform (1)	Refined	Optimize Network Platform (1)
	Optimize Delivery Platform (2)	Refined	Optimize Delivery Platform (2)
	Optimize Retail Platform (3)	Refined	Optimize Retail & Customer Service Platform (3)
	Build a World-Class Package Platform (43)	Refined	Build a World-Class Package Platform (43)
	Leverage Technology and Data to Drive Business Value (51)	Refined	Moved to “Sustain Controllable Income” Performance Goal. New title is “Accelerate Innovation to Maximize Business Value” (51)
	Optimize Customer and Revenue Visibility (30)	Closed	
	Obtain PRC Approval for an Alternative Pricing Model (56)	Closed	
		Refined	Build a Bench of Effective Leaders (55). Moved from “Ensure a Safe and Engaged Workforce” Performance Goal. Formerly titled as “Corporate

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<b>Performance Goal</b>	<b>FY 2016 Strategic Initiatives</b>	<b>Change From Prior Year</b>	<b>FY 2017 Strategic Initiatives</b>
			Succession Planning” (55).
		New	Effectively Leverage Complement (59)
<b>Provide Excellent Customer Experiences</b>	Build a World-Class Customer Care Process (25)	Refined	Build a World-Class Customer Experience (25)
	Create a World-Class Social Media Platform (52)	Refined	Create a World-Class Social Media Platform (52)
		Refined	Implement Informed Delivery (58). Moved from “Sustain Controllable Income” Performance Goal. Formerly titled as “Informed Delivery” (58).
		New	Build a World-Class International Platform (61)
<b>Sustain Controllable Income</b>	Accelerate Innovation to Maximize Revenue and Profit (77)	Refined	Accelerate Innovation to Maximize Customer Value (77)
	Informed Delivery (58)	Refined	Moved to “Provide Excellent Customer Experiences” Performance Goal. New title is “Implement Informed Delivery” (58)
		Refined	Accelerate Innovation to Maximize Business Value (51). Moved from “Deliver High-Quality Service” Performance Goal. Formerly titled as “Leverage Technology and Data to Drive Business Value” (51)
		New	Develop an Innovation Framework (60)
<b>Ensure a Safe Workplace and Engaged Workforce</b>	Engage and Empower Employees (53)	Refined	Build a Culture of Engagement (53)
	Contract Negotiations (54)	Closed	
	Corporate Succession Planning (55)	Refined	Moved to “Deliver High-Quality Service” Performance Goal as “Build a Bench of Effective Leaders” (55)
	Improve Safety Programs (57)	Refined	Deliver a Safe Workplace (57)
Source: FY 2016 <i>Annual Report</i> at 71 and USPS internal “Ready Now – Future Ready” Strategic Portfolio documents (FY2017).			

c. Not applicable.

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3. Please confirm that the FY 2015 initiative "Building the Workforce of the Future" was split into these initiatives: Engage and Empower Employees, Contract Implementation and Compliance, Corporate Succession and Planning, and Improve Safety Programs. See *id.* If not confirmed, please explain.

**RESPONSE:**

Confirmed. However, "Contract Implementation & Compliance" is incorrectly titled. The correct initiative title is: "Contract Negotiations".

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4. The following requests relate to cross-portfolio performance indicators.
- a. Please provide FY 2016 results and FY 2017 targets for each cross-portfolio performance indicator listed in Table 2 below.

**Table 2**

**Cross-Portfolio Performance Indicators**

Cross-Portfolio Performance Indicator	FY 2017 TARGET	FY 2016 TARGET	FY 2016 RESULT
Total DRIVE Cost Savings (\$ Millions)		955	
Total Work Hours Reduced (Millions)		13.00	
Revenue (\$ Billions)		69.4	
Sources: Docket No. ACR2015, Analysis of the Postal Service's FY 2015 Annual Performance Report and FY 2016 Performance Plan, May 4, 2016, at 71 (FY 2015 <i>Analysis</i> ); Docket No. ACR2015, Responses of the United States Postal Service to Question 1-6 of Chairman's Information Request No. 9, February 11, 2016, question 6.a.			

- b. Please identify any changes to the cross-portfolio performance indicators, results, and targets listed in Table IV-2 of the FY 2015 *Analysis*. See FY 2015 *Analysis* at 71.
- c. Please provide a table containing aligning FY 2017 strategic initiatives directly with FY 2017 performance goals and cross-portfolio performance indicators.<sup>3</sup>

**RESPONSE:**

- a. Please see updated table below.

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<sup>3</sup> Table IV-4 of the FY 2015 *Analysis* is a similar table comparing FY 2016 performance goals, strategic initiatives, and cross-portfolio performance indicators. *Id.* at 74.

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**Table 2  
Cross-Portfolio Performance Indicators**

<b>Cross-Portfolio Performance Indicator</b>	<b>FY 2017 TARGET</b>	<b>FY 2016 TARGET</b>	<b>FY 2016 RESULT</b>
Total DRIVE Cost Savings (\$ Millions)	690	955	158
Total Work Hours Reduced (Millions)	6.0	13.00	3.1
Revenue (\$ Billions)	70.7	69.4	71.6
Sources: Docket No. ACR2015, Analysis of the Postal Service's FY 2015 Annual Performance Report and FY 2016 Performance Plan, May 4, 2016, at 71 (FY 2015 <i>Analysis</i> ); Docket No. ACR2015, Responses of the United States Postal Service to Question 1-6 of Chairman's Information Request No. 9, February 11, 2016, question 6.a.			

b. Confirmed. There are no changes to the cross-portfolio performance indicators, results or targets.

c. The table below provides the alignment of FY2017 strategic initiatives with FY2017 performance goals and cross-portfolio performance indicators.

<b>Cross-Portfolio Performance Indicators</b>	<b>FY 2017 STRATEGIC INITIATIVES</b>	<b>FY17 PERFORMANCE GOALS</b>
Total DRIVE Cost Savings (\$ Millions)	Optimize Network Platform (1) Optimize Delivery Platform (2) Build a World-Class Package Platform (43) Build a Culture of Engagement (53)	Invest in our Future Platforms  Equip, Empower & Engage Employees
Total Work Hours Reduced (Millions)	Optimize Network Platform (1)	Invest in our Future Platforms
Revenue (\$ Billions)	Accelerate Innovation to Maximize Customer Value (77)	Innovate Faster to Deliver Value

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5. The Postal Service previously stated that results of the Occupational Safety and Health Administration Illness and Injury rate (OSHA I&I Rate) performance indicator “represent a snapshot in time and will change after the close out of the year, as the recordability status of claims change or as new claims are filed.”<sup>4</sup> In its FY 2015 *Annual Report to Congress*, the Postal Service stated that the FY 2014 OSHA I&I Rate result reported as of September 30, 2014 was later restated “due to employee claims filed after the close of the fiscal year.”<sup>5</sup>
- a. Please discuss the methodology and process for restating OSHA I&I Rate results after they are reported in the Postal Service’s *Annual Report to Congress*.
  - b. Please explain why the OSHA I&I Rate results for fiscal years 2013, 2014, and 2015 differ between the FY 2015 *Annual Report* and the FY 2016 *Annual Report*. See Table 3, below. In the response, please identify which results are snapshots taken at the end of the fiscal year of the respective *Annual Report to Congress*, and which results were restated to reflect additional employee claims filed, or for other reasons.

**Table 3  
Comparison of OSHA I&I Rate Results**

	FY 2015 OSHA I&I Rate Result	FY 2014 OSHA I&I Rate Result	FY 2013 OSHA I&I Rate Result
FY 2016 <i>Annual Report to Congress</i>	6.85	6.75	6.05
FY 2015 <i>Annual Report to Congress</i>	6.55	6.68	5.63

Sources: FY 2016 *Annual Report* at 15; FY 2015 *Annual Report* at 14.

- c. In the FY 2015 *Annual Report*, the FY 2012 OSHA I&I Rate result is reported at 5.44. FY 2015 *Annual Report* at 14. Please specify whether this result is a snapshot taken at the end of FY 2012, or whether this result has been restated.
- d. For FY 2013 through FY 2016, please provide the OSHA I&I Rate result as of September 30 of the respective fiscal year *Annual Report*.

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<sup>4</sup> Docket No. ACR2015, Responses of the United States Postal Service to Questions 1-4 of Chairman’s Information Request No. 20, March 18, 2016, question 2.

<sup>5</sup> Docket No. ACR2015, United States Postal Service 2015 Annual Report to Congress, Library Reference USPS-FY15-17, December 29, 2015, at 17-18 (FY 2015 *Annual Report*).

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**RESPONSE:**

a. The Occupational Safety and Health Act (OSHA) at 29 CFR 1904.7 defines a recordable accident as one that results in:

- Medical treatment beyond first aid;
- Days away from work;
- Restrictions or transfer to another job;
- Death; or
- Loss of consciousness

The Postal Service is required to maintain current and updated records for a period of five years. These records are to be made available for review upon request. Our accident reporting process is continuously updated as statuses change. These changes are tracked and maintained in the Employee Health and Safety (EHS) system.

b - d. For purposes of the Annual Report to Congress, the Postal Service publishes the OSHA I&I rate effective at the close of the fiscal year. This snapshot in time cannot be replicated after submission due to changes in the status of claims or due to additional claims for prior periods being added to our current log of recordable accidents.

Each time that the OSHA I&I rate reports are run, there is the potential for the figures to change. An accident that was previously non-recordable can change status over time.

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The table below reflects the data reported as part of our National Performance Assessment (NPA) and the current figures for the OSHA I&I rate:

<b>Category</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>NPA – Report to Congress</b>	5.44	5.63	6.34	6.55	6.25
<b>Current OSHA I&amp;I Rate</b>	5.88	6.06	6.76	6.85	6.41

The Postal Service Office of Inspector General (OIG) audited the submission process for the Annual Report to Congress. They identified a typographical error in the 2015 report; which was corrected and a new report was submitted. New procedures were implemented by the Strategic Management Office to ensure that future reports are validated prior to submission of the final report.