



POSTAL REGULATORY COMMISSION

Analysis of the Postal Service's FY 2024 Annual Performance Report and FY 2025 Performance Plan

July 23, 2025

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CHAPTER I. INTRODUCTION

In FY 2024, the Postal Service did not meet any of the four performance goals: High-Quality Service, Excellent Customer Service, Safe Workplace and Engaged Workforce, and Financial Health. Specifically, in FY 2024, the Postal Service did not meet any of the eight public performance indicators for the High-Quality Service goal; did not meet five of eight performance indicators for the Excellent Customer Experience goal; did not meet one of two performance indicators for the Safe Workplace and Engaged Workforce goal; and did not meet the performance indicator for the Financial Health goal.

A. Background

The Postal Service is required to submit to the Commission an annual performance report for the previous fiscal year and an annual performance plan for the current fiscal year.¹ On December 30, 2024, the Postal Service filed its fiscal year (FY) 2024 *Annual Report to Congress* in Docket No. ACR2024.² The FY 2024 Annual Report contains the Postal Service's FY 2024 annual performance report (FY 2024 Report) and FY 2025 annual performance plan (FY 2025 Plan).³

The FY 2024 Report and FY 2025 Plan discuss the Postal Service's performance goals, which are:

- High-Quality Service
- Excellent Customer Experience
- Safe Workplace and Engaged Workforce
- Financial Health

The FY 2024 Report discusses the Postal Service's progress in meeting its performance goals during FY 2024. The FY 2025 Plan describes the Postal Service's plans for meeting its performance goals in FY 2025.

¹ 39 U.S.C. §§ 2803, 2804, 3652(g); 39 C.F.R. § 3050.43.

² United States Postal Service Fiscal Year 2024 *Annual Report to Congress*, Library Reference USPS-FY24-17, December 30, 2024, ZIP folder "USPS-FY24-17.ARC.Files," file "FY 2024 Annual Report_Final.pdf" (FY 2024 Annual Report).

³ FY 2024 Annual Report at 38-59. This Analysis cites to pages from the FY 2024 Annual Report when referring to the FY 2024 Report and FY 2025 Plan.

Each performance goal has one or more performance indicators, which are metrics the Postal Service uses to measure outcomes and assess whether it has achieved the performance goals. *See* 39 U.S.C. § 2801(4). For example, the performance indicators for the High-Quality Service performance goal measure the percentage of various categories of mail delivered on time. Figure I-1 lists the four performance goals and their corresponding performance indicators in FY 2024.

Figure I-1
FY 2024 Performance Goals and Performance Indicators



Source: FY 2024 Annual Report at 39.

For each performance indicator, the Postal Service sets a target in the annual performance plan and provides the results in the annual performance report for that fiscal year. *See* FY 2024 Annual Report at 39. Table I-1 lists the four performance goals, their corresponding performance indicators, results from FY 2021 through FY 2024, and targets for FY 2024 and FY 2025.

Table I-1
Performance Goals and Performance Indicators,
Targets, and Results

Performance Goal	Performance Indicator		Targets		Results			
			FY 2025	FY 2024	FY 2024	FY 2023	FY 2022	FY 2021
High-Quality Service ^a	Single-Piece First-Class Mail	2-Day	87.00%	93.00%	86.44%	90.68%	91.34%	86.44%
		3-5-Day	80.00%	90.28%	72.61%	83.52%	83.62%	63.20%
	Presorted First-Class Mail	Overnight	94.00%	95.00%	93.30%	94.75%	94.92%	93.38%
		2-Day	92.00%	95.00%	91.40%	93.68%	93.36%	88.29%
		3-5-Day	88.00%	93.00%	86.66%	92.10%	91.49%	80.87%
	First-Class Mail Letter and Flat Composite ^b		88.00	92.50	86.47	91.43	91.00	82.69
	USPS Marketing Mail and Periodicals Composite ^b		94.00	94.36	93.53	94.20	92.86	87.12
	Market Dominant Composite ^b		91.40	93.08	90.55	93.18	92.14	85.30
Excellent Customer Experience	Customer Experience Composite Index ^b		79.41	78.96	77.80	76.93	72.72	68.49
	Business Service Network		98.00%	98.00%	97.77%	98.87%	98.20%	97.89%
	Point of Sale		87.96%	87.46%	88.01%	87.10%	86.34%	84.39%
	Delivery ^b		80.94	80.94	75.26	75.85	73.91	70.41
	Customer Care Center ^b		85.00	85.00	85.39	84.52	70.75	61.85
	Customer 360		48.15%	46.00%	46.29%	42.21%	38.44%	33.34%
	Business Mail Entry Unit		96.00%	96.29%	95.21%	96.89%	96.48%	95.66%
	usps.com		76.95%	78.07%	75.53%	72.79%	73.62%	67.13%
Safe Workplace and Engaged Workforce	Total Accident Rate		13.25	13.25	14.14	13.48	12.39	13.48
	Grand Mean Engagement Score ^c		N/A	3.49 ^d	3.50	3.47 ^d	3.50 ^d	3.54 ^d
	Engagement Score		72	N/A	70	N/A	N/A	N/A
	Engagement Survey Response Rate ^c		N/A	N/A	19%	17%	25%	25%
Financial Health	Controllable Income (Loss) \$ in billions		(\$1.09)	(\$0.75)	(\$1.80)	(\$2.26)	(\$0.47)	(\$2.39)

Note: **Red** numbers indicate target was not met. **Green** numbers indicate target set for the applicable fiscal year was met. Black numbers are those for which no comparisons are available. For the Total Accident Rate, which measures annual accident frequency, a lower result is better.

N/A – Not used as a performance indicator for that fiscal year.

^a Table I-1 lists targets and results for public performance indicators measuring High-Quality Service for Market Dominant products. The Postal Service filed under seal information for non-public performance indicators measuring High-Quality Service for certain Competitive products. FY 2024 Annual Report at 39 n.1.

^b Targets and results for these performance indicators are not presented as percentages because they are calculated by weighing and aggregating various survey results.

^c In FY 2022, the Postal Service changed the performance indicator for measuring an engaged workforce from the Engagement Survey Response Rate to the Grand Mean Engagement Score.

^d The FY 2024 target and results for FY 2021 through FY 2023 were recalculated for comparability purposes. *Id.* at 39 n.6.

Source: FY 2024 Annual Report at 39; Notice of the United States Postal Service of Filing Its Responses to Questions 1-6 of Chairman's Information Request No. 12, March 4, 2025, question 6 (Response to CHIR No. 12), folder CHIR 12 Response_ACR2024_Supporting

Materials_Public folder Question 06_CHIR 12_ACR2024 Excel file "FY 2024 Excellent Customer Experience Results.xlsx" (FY 2024 CX Results); Notice of the United States Postal Service of Filing Its Responses to Questions 1-14 of Chairman's Information Request No. 16, March 18, 2025, question 12 (Response to CHIR No. 16); Docket No. ACR2023, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2023 Annual Performance Report and FY 2024 Performance Plan*, July 2, 2024, at 3 (FY 2023 Analysis).

B. FY 2025 Plan and FY 2024 Report

Each year, the Commission must evaluate whether the Postal Service met its performance goals established in the annual performance plan and annual performance report. 39 U.S.C. § 3653(d). The Commission may also "provide recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in [Title 39]." *Id.*

1. Evaluation of Performance Goals

The Commission evaluates whether the Postal Service met each performance goal by comparing targets and results for each performance indicator measuring progress toward that goal. It considers the Postal Service to have met a performance goal if the result of each performance indicator for that performance goal meets or exceeds the target established in the applicable performance plan. FY 2023 Analysis at 4. If the Postal Service misses any target for a particular performance goal, the Commission considers the Postal Service to have not met that performance goal.

For each performance goal, the Commission compared FY 2024 targets and results for each performance indicator. Table I-1 and Figure I-2 show which performance indicators met or exceeded targets for each performance goal and which ones failed to meet targets. Based on this comparison, the Commission finds that in FY 2024:

- The Postal Service did not meet the High-Quality Service and Financial Health performance goals because the Postal Service did not meet any of its performance indicator targets.
- The Postal Service did not meet the Excellent Customer Experience performance goal because the Postal Service did not meet five of eight performance indicator targets.
- The Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal because it met one performance indicator target, but missed the other.

Figure I-2
FY 2024 Performance Indicators That
Met, Exceeded, or Failed to Meet Targets

Met or Exceeded Target



Failed to Meet Target

Source: FY 2024 Annual Report at 39.

Chapter III discusses the Postal Service’s explanations for why it did not meet the High-Quality Service, Excellent Customer Experience, Safe Workplace and Engaged Workforce, and Financial Health performance goals, as well as its plans and timelines for achieving each performance goal in FY 2025.

2. Summary of Key Observations and Recommendations

When evaluating whether the Postal Service met its performance goals, the Commission may provide recommendations⁴ related to protecting or promoting public policy objectives in Title 39, 39 U.S.C. § 3653(d). The Commission observations and recommendations are organized by each performance goal, detailed in Chapter III, and include the following:

High-Quality Service:

- The Commission finds that the High-Quality Service performance goal was not met in FY 2024, with the Postal Service failing to meet any of its eight public performance indicators.
- The Commission recommends that the Postal Service:
 - Continue investigating the issues experienced by its redesigned facilities and network that negatively affected service performance and avoid activating facilities during periods when other infrastructure changes are being implemented, volume is at peak levels, or severe weather is likely.
 - Continue to study and provide transparency regarding the Delivering for America Plan's⁵ impacts on service performance and consider pausing its implementation until these impacts are conclusively determined.
 - Overcome the vulnerabilities caused by Single-Piece First-Class Mail's additional processing requirements by reducing transportation delays, reducing human error, increasing on-time performance, and planning better to meet the additional processing needs.
 - Continue to proactively plan for and monitor efforts to address the next peak season.
 - Monitor and consider how employee availability fluctuation affects service and network changes.
 - Improve insourced Surface Transportation Center (STC) operations and carefully evaluate the remaining contractor-run centers for insourcing.
 - Continue improving low service performance scores achieved by site-specific operating plan measurement categories.
 - Address any comparability issues if service standards change in FY 2025.

⁴ Appendix A lists the Commission's findings, observations, and recommendations.

⁵ United States Postal Service, Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence, March 23, 2021, available at https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf (DFA Plan).

- Develop more granular composites based on mail class/product differences in service standards and processing.
- Provide detailed workpapers containing inputs and calculations for performance indicators.
- Increase efforts to address Critically Late Trips (CLTs) whose causes are within its direct control.
- Incorporate service performance indicators for rural areas and non-contiguous areas into the High-Quality Service goal.
- Study the causes for low-performing Areas/Districts and add service performance indicators for rural areas and non-contiguous areas to improve national scores.
- Resume the Unexpected Events Initiative development, quantify outside impacts, and report progress.

Excellent Customer Experience:

- The Commission finds that the Postal Service did not meet the Excellent Customer Experience performance goal in FY 2024 because it met three targets but missed five targets.
- The Commission will continue to monitor trends in Delivery performance indicator results, which represented the largest gap between results and targets in FY 2024, missed their targets since FY 2021, and declined from FY 2023 to FY 2024. To promote transparency, for each target that is not met in FY 2025, the FY 2025 annual performance report (FY 2025 Report) should identify specific reasons why and describe plans to meet FY 2026 targets.
- The Commission finds that based on FY 2024 results, FY 2025 targets for the Excellent Customer Experience performance indicators are reasonable.
- In FY 2024, the Postal Service appears to have effectively used the social media heat map and other social listening tools to help improve customer experience (CX).
- In FY 2024, the Postal Service appears to have used social media tools effectively to respond to customer questions and issues.

- The Commission recommends that the Postal Service continue to:
 - Consider the prior year's result and past performance when setting the subsequent year's target.
 - Measure CX using the Net Promoter Score and leverage artificial intelligence tools to respond to customer inquiries in FY 2025.
 - Encourage employees to leverage the social media heat map to focus on key areas and support more data-driven decision-making throughout the Postal Service.
 - Using X, Facebook ChatBOT, and other social media platforms to help customers and improve CX.

Safe Workplace and Engaged Workforce:

- The Commission finds that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2024 because it met the Grand Mean Engagement Score target but missed the Total Accident Rate target.
- Because the increase in motor vehicle accidents (MVAs) was a "significant factor" in the Postal Service not meeting the FY 2024 Total Accident Rate target, the Commission recommends that the Postal Service closely monitor and focus on initiatives to improve motor vehicle safety.
- The Commission recommends:
 - If the Postal Service does not meet the FY 2025 Total Accident Rate target, the FY 2025 Report should provide a detailed explanation why and identify significant factor(s) contributing to missing the target.
 - If the number of MVAs increases in FY 2025, the Postal Service should file data in the FY 2025 *Annual Compliance Report* (ACR) showing the number of MVAs involving employees, the total number of miles traveled, and the ratio of accidents to miles traveled.
- The Commission will continue to monitor the Postal Service's progress in reducing injuries caused by crimes committed against Postal Service employees. It recommends that the FY 2025 Report or FY 2025 ACR discuss actions taken and results achieved under Project Safe Delivery in FY 2025, as well as include FY 2025 data on the number and types of injuries caused by crimes committed against Postal Service employees.
- If the number of heat-related illnesses and injuries increases in FY 2025, the Commission recommends that the FY 2025 Report explain why, identify specific factors causing the increase, and describe plans to promote heat safety in FY 2026.

- The Commission recommends that the Postal Service amplify monitoring and transparency of MVAs involving contractors transporting mail to better inform the Postal Service's contracting decisions that affect safety, service performance, and costs.
- The Commission finds that employee engagement levels as measured by the Grand Mean Engagement Score improved slightly between FY 2023 and FY 2024. To improve FY 2025 Postal Pulse survey results, the Commission recommends:
 - The Postal Service consider implementing regular employee-manager meetings and incorporating survey feedback to improve the workplace.
 - The FY 2025 Report identify engagement drivers from the dashboard, describe any action plans implemented, and explain how these action plans affected employee engagement in FY 2025.
- If the Engagement Survey Response Rate does not improve in FY 2025, the Commission recommends that the FY 2025 Report explain why and describe plans for improvement in FY 2026.

Financial Health:

- The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2024.
- The Commission expects the Postal service to report in future *Annual Reports to Congress* the DFA Plan's effects on Financial Health performance indicator results and labor productivity.
- The Commission recommends that the Postal Service:
 - Continue to include information on Controllable Income (Loss) and non-controllable expenses in future annual reports, regardless of whether the performance goal was met.
 - Adopt Net Income (Loss) as a supplemental or replacement performance indicator for Controllable Income (Loss).
 - Continue monitoring and reporting on Total Factor Productivity (TFP), labor productivity, and other productivity measures, and explain the reasons for any changes in TFP and/or labor productivity in FY 2025.

C. Procedural History

Since Docket No. ACR2013, the Commission has evaluated whether the Postal Service met its performance goals in reports separate from the *Annual Compliance Determination* (ACD).⁶ By issuing separate reports, the Commission provides a more in-depth analysis of the Postal Service's progress toward meeting its performance goals and plans to improve performance in future years. The Commission continues this current practice by issuing its analysis of the FY 2025 Plan and FY 2024 Report separately from the FY 2024 ACD.⁷

In conducting this review, the Commission designated a Public Representative and invited comments on whether the Postal Service met its performance goals and satisfied applicable statutory and regulatory requirements.⁸ It also sought input on public policy recommendations, strategic initiatives, and other relevant matters. *Id.*

Several Chairman's Information Requests (CHIRs) were issued seeking clarification of the FY 2025 Plan and FY 2024 Report.⁹ The Postal Service responded to all information

⁶ See Docket No. ACR2013, Postal Regulatory Commission, *Review of Postal Service FY 2013 Performance Report and FY 2014 Performance Plan*, July 7, 2014; Docket No. ACR2014, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2014 Program Performance Report and FY 2015 Performance Plan*, July 7, 2015; Docket No. ACR2015, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2015 Annual Performance Report and FY 2016 Performance Plan*, May 4, 2016; Docket No. ACR2016, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2016 Annual Performance Report and FY 2017 Performance Plan*, April 27, 2017 (FY 2016 Analysis); Docket No. ACR2017, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2017 Annual Performance Report and FY 2018 Performance Plan*, April 26, 2018; Docket No. ACR2018, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2018 Annual Performance Report and FY 2019 Performance Plan*, May 13, 2019; Docket No. ACR2019, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2019 Annual Performance Report and FY 2020 Performance Plan*, June 1, 2020; Docket No. ACR2020, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2020 Annual Performance Report and FY 2021 Performance Plan*, June 2, 2021 (FY 2020 Analysis); Docket No. ACR2021, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2021 Annual Performance Report and FY 2022 Performance Plan*, June 30, 2022 (FY 2021 Analysis); Docket No. ACR2022, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2022 Annual Performance Report and FY 2023 Performance Plan*, June 28, 2023 (FY 2022 Analysis); FY 2023 Analysis.

⁷ See Docket No. ACR2024, *Annual Compliance Determination*, March 28, 2025 (FY 2024 ACD).

⁸ Notice Requesting Comments on the Postal Service FY 2024 Annual Performance Report and FY 2025 Annual Performance Plan, January 22, 2025, at 3 (Order No. 8652).

⁹ Chairman's Information Request No. 6, January 30, 2025 (CHIR No. 6); Chairman's Information Request No. 11, February 14, 2025 (CHIR No. 11); Chairman's Information Request No. 12, February 25, 2025; Chairman's Information Request No. 14, March 4, 2025; Chairman's Information Request No. 16, March 11, 2025 (CHIR No. 16); Chairman's Information Request No. 17, March 19, 2025 (CHIR No. 17); Chairman's Information Request No. 18, March 25, 2025; Chairman's Information Request No. 20, April 3, 2025 (CHIR No. 20); Chairman's Information Request No. 21, April 8, 2025; Chairman's Information Request No. 22, April 17, 2025; Chairman's Information Request No. 23, April 23, 2025; Chairman's Information Request No. 24, April 25, 2025. The Public Representative filed a motion to issue an information request with questions regarding the Excellent Customer Experience and Safe Workplace and Engaged Workforce performance goals. Motion of the Public Representative for Issuance of an Information Request, February 12, 2025; see Notice of Errata to Motion for Issuance of Information Request, February 13, 2025. The motion is granted, and the proposed questions issued in CHIR No. 11.

requests.¹⁰ The Public Representative and the Greeting Card Association (GCA) filed comments, which the Postal Service addressed in reply comments.¹¹

The Commission analyzes the FY 2025 Plan and FY 2024 Report in the following chapters:

- Chapter II analyzes the FY 2025 Plan and FY 2024 Report for compliance with the legal requirements of 39 U.S.C. §§ 2803 and 2804.
- Chapter III evaluates whether the Postal Service met its four performance goals in FY 2024 and contains related observations and recommendations for each performance goal.
- Chapter IV discusses the Postal Service's strategic initiatives and its DFA Plan.

¹⁰ Notice of the United States Postal Service of Filing its Responses to Questions 1-7 of Chairman's Information Request No. 6 and Application for Non-Public Treatment (USPS-FY24-NP36), February 6, 2025 (Response to CHIR No. 6); Notice of the United States Postal Service of Filing its Responses to Questions 1-5 of Chairman's Information Request No. 11, February 21, 2025 (Response to CHIR No. 11); Response to CHIR No. 12; Notice of the United States Postal Service of Filing its Responses to Questions 1-8 of Chairman's Information Request No. 14, March 11, 2025 (March 11 Response to CHIR No. 14); Response to CHIR No. 16; Notice of the United States Postal Service of Amended Response to Chairman's Information Request No. 14, Question 8 -- Errata, March 18, 2025 (March 18 Response to CHIR No. 14); Notice of the United States Postal Service of Filing its Responses to Questions 1-7, 9-10 of Chairman's Information Request No. 17 and Application for Non-Public Treatment, March 26, 2025 (March 26 Response to CHIR No. 17); Notice of the United States Postal Service of Filing its Responses to Questions 1, 3-11 of Chairman's Information Request No. 18 - First Response Set, April 1, 2025 (April 1 Response to CHIR No. 18); Notice of the United States Postal Service of Filing its Response to Question 2 of Chairman's Information Request No. 18 - Final Response Set, April 7, 2025 (April 7 Response to CHIR No. 18); Notice of the United States Postal Service of Filing its Responses to Questions 1-6 of Chairman's Information Request No. 20 and Application for Non-Public Treatment - First Response Set, April 10, 2025 (April 10 Response to CHIR No. 20); Notice of the United States Postal Service of Filing its Responses to Questions 7-15 of Chairman's Information Request No. 20 - Final Response Set, April 14, 2025 (April 14 Response to CHIR No. 20); Notice of the United States Postal Service of Filing its Response to Questions 8, 11 of Chairman's Information Request No. 17 - Final Response Set, April 14, 2025 (April 14 Response to CHIR No. 17); Notice of the United States Postal Service of Filing its Responses to Questions 1-15 of Chairman's Information Request No. 21 and Application for Non-Public Treatment, April 15, 2025 (Response to CHIR No. 21); Notice of the United States Postal Service of Filing its Responses to Questions 1-3, 5, 7-12 of Chairman's Information Request No. 22, April 24, 2025 (April 24 Response to CHIR No. 22); Notice of the United States Postal Service of Filing its Responses to Questions 4, 6 of Chairman's Information Request No. 22 - Final Response Set, April 25, 2025 (April 25 Response to CHIR No. 22); Notice of the United States Postal Service of Filing its Responses to Questions 1-2 of Chairman's Information Request No. 23, April 29, 2025 (Response to CHIR No. 23); Notice of the United States Postal Service of Filing its Responses to Chairman's Information Request No. 24, May 1, 2025 (Response to CHIR No. 24). The Postal Service filed motions for late acceptance. Motion of the United States Postal Service for Late Acceptance of the Response to Question 2 of Chairman's Information Request No. 18, April 7, 2025; Motion of the United States Postal Service for Late Acceptance of the Response to Questions 7-15 of Chairman's Information Request No. 20, April 14, 2025; Motion of the United States Postal Service for Late Acceptance of the Response to Questions 4, 6 of Chairman's Information Request No. 22, April 25, 2025. The motions are granted.

¹¹ Public Representative Comments on the FY 2024 Performance Report and FY 2025 Performance Plan, March 14, 2025 (PR Comments); Comments of the Greeting Card Association, March 14, 2025 (GCA Comments); Reply Comments of the United States Postal Service, March 28, 2025 (Postal Service Reply Comments).

CHAPTER II. COMPLIANCE WITH LEGAL REQUIREMENTS

A. Legal Requirements

This chapter evaluates whether the FY 2025 Plan and FY 2024 Report complied with 39 U.S.C. §§ 2803 and 2804, respectively. The Postal Service's annual performance plan must cover "each program activity set forth in the Postal Service budget,"¹² and must:

- Establish performance goals that define the performance level to be achieved by a program activity
- Express the performance goals in an objective, quantifiable, and measurable form unless an alternative form is used¹³
- Briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources needed to meet the performance goals
- Establish performance indicators to measure or assess each program activity's relevant outputs, service levels, and outcomes
- Provide a basis for comparing actual program results with established performance goals
- Describe the means to be used to verify and validate measured values

39 U.S.C. § 2803(a). The annual performance plan may aggregate, disaggregate, or consolidate program activities, provided that doing so does not omit or minimize the significance of any program activity constituting a major function or operation. *Id.* § 2803(c).

¹² A "program activity" is "a specific activity related to the mission of the Postal Service[.]" 39 U.S.C. § 2801(5).

¹³ See 39 U.S.C. § 2803(b). The Postal Service may use an alternative form if it determines that it is not feasible to express the performance goals for a particular program activity in an objective, quantifiable, and measurable form. *Id.* The alternative form must either: (1) include separate descriptive statements of a minimally effective program and a successful program, with sufficient precision and in such terms to allow for an accurate, independent determination of whether the program activity's performance meets the criteria of either descriptive statement; or (2) "state why it is infeasible or impractical to express a performance goal in any form for the program activity." *Id.* § 2803(b)(1), (b)(2).

The Postal Service's annual performance report must:

- Evaluate whether the Postal Service has met the performance goals previously established by the annual performance plan for that fiscal year
- “[S]et forth the performance indicators established in the Postal Service performance plan, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year”¹⁴
- Include “actual results for the three preceding fiscal years”
- Evaluate the annual performance plan for the current fiscal year (in this case, the FY 2025 Plan) relative to the performance achieved toward those goals in the year covered by the annual performance report (in this case, the FY 2024 Report)
- If the Postal Service does not meet a performance goal, explain why the goal was not met and describe plans and schedules for achieving the performance goal¹⁵
- Include summary findings of program evaluations completed during the fiscal year covered by the report

39 U.S.C. § 2804(b)(1), (c), (d).

These statutory requirements were explained in detail in the FY 2023 Analysis. FY 2023 Analysis at 15-24. CHIR Nos. 6, 11, 16, and 20 were issued to help evaluate compliance with 39 U.S.C. §§ 2803 and 2804. CHIR No. 6, questions 1-4; CHIR No. 11, questions 1-2; CHIR No. 16, question 1; CHIR No. 20, question 1.

B. Comments

The Public Representative comments that the FY 2025 Plan complies with 39 U.S.C. § 2803. PR Comments at 5. He observes that the Postal Service plans to replace the performance indicator for measuring employee engagement from the Grand Mean Engagement Score to the Engagement Score. *Id.* To maintain comparability of results in the FY 2025 Report, he asks the Commission to direct the Postal Service to continue providing the Grand Mean Engagement Score for the questions that were part of both the pre-FY 2024 Postal Pulse survey and the new Postal Pulse survey. *Id.*

The Public Representative comments that the FY 2024 Report's presentation of the High-Quality Service, Safe Workplace and Engaged Workforce, and Financial Health performance goals appears to comply with 39 U.S.C. § 2804. *Id.* He notes that for the Excellent Customer

¹⁴ 39 U.S.C. § 2804(b)(1). If performance goals are specified in an alternative form by descriptive statements of a minimally effective program activity and a successful program activity, the annual performance report must describe results of these program activities in relation to these categories, including whether the performance failed to meet the criteria of either category. *Id.* § 2804(b)(2); *see id.* § 2803(b).

¹⁵ *Id.* § 2804(d)(3)(A) and (B). If the performance goal is impractical or infeasible, the annual performance report must explain why and recommend further action. *Id.* § 2804(d)(3)(C).

Experience goal, the Postal Service changed the survey response options from a 6-point to a 5-point scale, which could affect comparability. *Id.* However, he states he "is not overly concerned about the comparability of the Excellent Customer Experience results across fiscal years" because the Postal Service supported its reasons for revising the survey scale, and the FY 2024 results do not appear to have obvious anomalies. *Id.* at 5-6.

In its reply comments, the Postal Service agrees that the FY 2024 Report complies with 39 U.S.C. §§ 2803 and 2804 relating to High Quality Service, Excellent Customer Experience, Safe Workplace and Engaged Workforce, and Financial Health. Postal Service Reply Comments at 1.

C. Commission Analysis

With respect to the public and non-public performance indicators, the Commission finds that the FY 2025 Plan complies with section 2803, and the FY 2024 Report complies with section 2804.

The sections below discuss compliance issues in detail. Appendix B includes checklists for compliance with the major requirements of 39 U.S.C. §§ 2803 and 2804 to help the Postal Service's efforts to ensure that the FY 2026 annual performance plan (FY 2026 Plan) and FY 2025 Report comply next year.

1. FY 2025 Plan

The FY 2025 Plan complies with 39 U.S.C. § 2803 for the following reasons:

First, the FY 2025 Plan explains that FY 2025 targets for each performance indicator are aligned with the FY 2025 Integrated Financial Plan (IFP), which includes the Postal Service's planned revenue and expenses for FY 2025. FY 2024 Annual Report at 38. The Postal Service notes that each fiscal year, it "develops a budget and plan intended to be sufficient to meet its targeted financial and nonfinancial performance outcomes." *Id.* It sets all performance indicator targets "to be achievable given the planned expenses in the IFP." *Id.* Thus, the FY 2025 Plan complies with section 2803(a) by identifying the program activities in the FY 2025 IFP (planned revenue and expenses) and linking them to the targets set for each performance indicator.

Second, the FY 2025 Plan "establish[es] performance goals to define the level of performance to be achieved by a program activity[.]" 39 U.S.C. § 2803(a)(1). In the FY 2025 Plan, the Postal Service establishes four performance goals and sets targets for each public performance indicator the Postal Service will use to evaluate performance during FY 2025. *See* FY 2024 Annual Report at 39. Several non-public performance indicators are used to measure progress toward the High-Quality Service performance goal, and the

corresponding FY 2025 targets were included in a non-public annex filed with the FY 2024 ACR.¹⁶

Third, the FY 2025 Plan “express[es] [performance] goals in an objective, quantifiable, and measurable form” by setting quantitative, numerical targets, such as percentages and dollar amounts. 39 U.S.C. § 2803(a)(2). The FY 2025 targets are expressed as numbers such as a percentage or dollar amount. *See* FY 2024 Annual Report at 39.

Fourth, the FY 2025 Plan “briefly describe[s] the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals” by explaining what resources are necessary to meet each performance goal. 39 U.S.C. § 2803(a)(3). For example, to meet the High-Quality Service performance goal in FY 2025, the Postal Service states that it will continue implementing changes to network processing and transportation, investing in its infrastructure, and preparing for the peak season. FY 2024 Annual Report at 43.

Fifth, the FY 2025 Plan “establish[es] performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity[.]” 39 U.S.C. § 2803(a)(4). Each performance goal has at least one performance indicator that evaluates outputs, service levels, and outcomes. For example, the Safe Workplace and Engaged Workforce performance goal uses two performance indicators to measure workplace safety and employee engagement outcomes. *See* FY 2024 Annual Report at 49-51.

Sixth, the FY 2025 Plan “provide[s] a basis for comparing actual program results with the established performance goals[.]” 39 U.S.C. § 2803(a)(5). The FY 2025 Plan lists the performance indicators that will provide a basis for comparing FY 2025 results with the targets set in the FY 2025 Plan. *See* FY 2024 Annual Report at 39.

Seventh, the FY 2025 Plan “describe[s] the means to be used to verify and validate measured values” by explaining how it verifies and validates targets and results for each performance indicator using objective measurement systems. 39 U.S.C. § 2803(a)(6); FY 2022 Analysis at 17. For example, the Postal Service explains that it uses an internal Service Performance Measurement (SPM) system “that measures and reports service performance from the time mail is in the Postal Service’s possession to when a USPS employee delivers it to a home, business, or PO Box.” FY 2024 Annual Report at 40.

¹⁶ *See* FY 2024 Annual Report at 39 n.1; Library Reference USPS-FY24-NP30, December 30, 2024, PDF file “NP30 Section 4 - Competitive Performance Report and Plan.pdf.”

The Commission finds that the FY 2025 Plan complies with each requirement of 39 U.S.C. § 2803(a). To comply with 39 U.S.C. § 2803(a), the FY 2026 Plan must identify all program activities in the FY 2026 IFP and link each program activity to at least one performance goal or indicator. To comply with other requirements of section 2803, the FY 2026 Plan must include the information described above for FY 2026.

2. FY 2024 Report

The FY 2024 Report complies with 39 U.S.C. § 2804 for the reasons described below. In this analysis, “methodology” refers to the formula or steps for calculating results. A methodology change occurs when the Postal Service changes the formula or steps for calculating targets and results.

a. Comparable FY 2024 Targets and Results

In the FY 2023 Analysis, the Commission stated that to comply with section 2804(b)(1), “the FY 2024 Report must set forth the same performance indicators and targets as the FY 2024 Plan and compare FY 2024 targets and results for each performance indicator.” FY 2023 Analysis at 18. Also, the FY 2024 Report must include comparable FY 2024 targets and results. *Id.* If it does not, the FY 2024 Report must explain why and address the lack of comparability by explaining either of the following: (1) how to compare results between the current and former methodologies; or (2) why making this comparison is not feasible. *Id.*

The FY 2024 Report includes the same performance indicators and targets set in the FY 2024 Plan except for the Grand Mean Engagement Score and Controllable Income (Loss).¹⁷ For the Controllable Income (Loss) target, the Postal Service acknowledges a typographical error and confirms that the FY 2024 target is the same as the one set in the FY 2024 Plan. Response to CHIR No. 16, question 12. For the Grand Mean Engagement Score, the Postal Service explains that it recalculated the FY 2024 target for comparability purposes. FY 2024 Annual Report at 39 n.6; Response to CHIR No. 6, question 1.a. The Postal Service confirms that the FY 2024 target and result for each performance indicator are comparable. Response to CHIR No. 6, question 1.a.

The Commission finds that the FY 2024 Report complies with 39 U.S.C. § 2804(b)(1) because the FY 2024 Report either includes the same performance indicators and targets set in the FY 2024 Plan or explains why the target changed. Also, FY 2024 targets and results for each performance indicator are comparable.

¹⁷ Compare FY 2024 Annual Report at 39, with United States Postal Service Fiscal Year 2023 Annual Report to Congress, Library Reference USPS-FY23-17, December 29, 2023, ZIP folder “USPS.FY23.17_ARC.Files,” PDF file “FY2023.Annual.Report.to.Congress.pdf,” at 39 (FY 2023 Annual Report).

*To comply next year, the FY 2025 Report must set forth the same performance indicators and targets as the FY 2025 Plan. Also, the FY 2025 result for each performance indicator must be comparable to the corresponding FY 2025 target set in the FY 2025 Plan. If a comparable FY 2025 result is not provided, the FY 2025 Report must address the lack of comparability by explaining **either** of the following:*

- 1. How to compare results between the current and former methodologies; **or***
- 2. Why making this comparison is not feasible.*

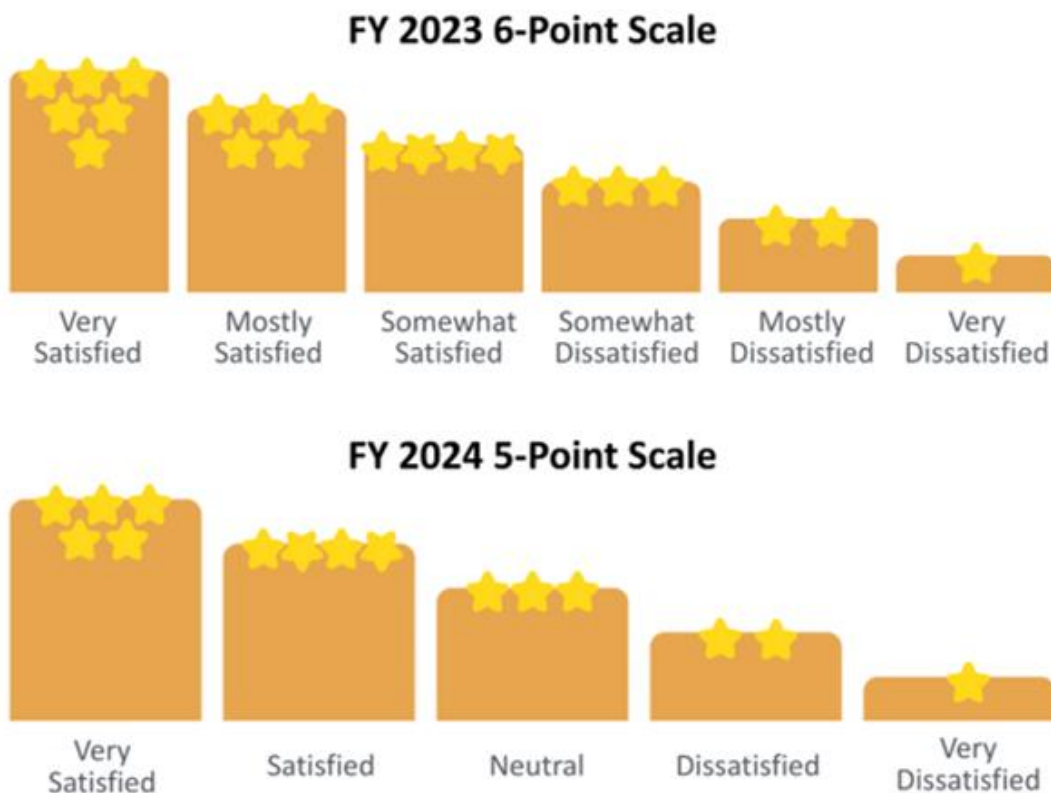
b. Comparable 3-Year Results

In the FY 2023 Analysis, the Commission stated that “[t]o comply with 39 U.S.C. § 2804(c) next year, the FY 2024 Report must include comparable results for each performance indicator for FYs 2021, 2022, 2023, and 2024. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology.” FY 2023 Analysis at 20. If comparable results cannot be provided, the Commission directed the Postal Service to identify each performance indicator with non-comparable results and address the lack of comparability in the FY 2024 Report. *Id.* at 20-21.

The FY 2024 Report complies with 39 U.S.C. § 2804(c) for each performance goal. Below the Commission discusses changes to the Excellent Customer Experience and Safe Workplace and Engaged Workforce performance indicators and explains why these changes did not affect compliance with section 2804(c).

Excellent Customer Experience. In FY 2024, the Postal Service adjusted the response scales for all customer survey questions from a 6-point scale to a 5-point scale, combining the previous two neutral options of Somewhat Dissatisfied and Somewhat Satisfied with a single Neutral response option. FY 2024 Annual Report at 44. These changes are shown in Figure II-1.

Figure II-1
Customer Experience Survey Changes
From a 6-Point to a 5-Point Scale



Source: Notice of the United States Postal Service of Filing its Responses to Questions 1-18 of Chairman's Information Request No. 4 and Application for Non-Public Treatment First Response Set, January 30, 2025, question 7.b., folder "CHIR 4_ACR2024_First Response Set_Public Attachments," folder "Public Supporting Materials_CHIR 4_FY24," folder "Question 07_CHIR 4_ACR2024," PDF file "CXMA_Annual Compliance Review_Surveys_FY24 (REV.1.30.25).pdf" (FY 2024 CX Surveys); Docket No. ACR2023, Library Reference USPS-FY23-38, December 29, 2023, folder "FY23.38.Files," PDF file "CX_Surveys_FY23.pdf."

The Public Representative questions whether this change affected comparability of results. PR Comments at 29-30. The Postal Service responds that results are comparable because it continued to calculate results using the same methodology based on the percentage of respondents who chose the top two most positive response options. Response to CHIR No. 11, question 1.b. The Commission finds that this change did not affect comparability because the Postal Service continued to use the same methodology for calculating results.

Safe Workplace and Engaged Workforce. In FY 2024, the Postal Service changed the Postal Pulse survey, which measures employee engagement. FY 2024 Annual Report at 50. To ensure comparability with results from past years, the Postal Service recalculated the Grand Mean Engagement Score based on six questions that overlap between the former and current surveys. *Id.* Thus, Grand Mean Engagement Score results from FY 2021 through FY 2024 are comparable and thus compliant with 39 U.S.C. 2804(c).

The FY 2024 Report complies with 39 U.S.C. § 2804(c) for each performance goal. To comply with 39 U.S.C. § 2804(c) next year, the FY 2025 Report must include comparable results for each performance indicator for FYs 2022, 2023, 2024, and 2025. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology.

If comparable results from FY 2022 through FY 2025 are not provided for any performance indicator, the FY 2025 Report must:

- 1. Identify each performance indicator with non-comparable results from FY 2022 through FY 2025; **and***
- 2. Address the lack of comparability by explaining **either** of the following:*
 - a. How to compare results from FY 2022 through FY 2025 between the current and former methodologies; **or***
 - b. Why making this comparison is not feasible.*

For the Safe Workplace and Engaged Workforce performance goal, the FY 2025 Report must provide comparable FY 2022 through FY 2025 Grand Mean Engagement Score results recalculated based on the six questions that overlap between the former and current Postal Pulse surveys. See FY 2024 Annual Report at 50.

The FY 2025 Report must include all information necessary to evaluate compliance with the requirements of 39 U.S.C. §§ 2803 and 2804, including section 2804(c). The Postal Service may satisfy this requirement by either: (1) including the information itself in the text of the FY 2025 Report or FY 2025 ACR; or (2) including cross-references identifying the documents containing this information in the text of the FY 2025 Report.

c. Goals Not Met

To meet a performance goal, the Postal Service must meet or exceed **all** targets for that goal. If any target is missed, the Postal Service did not meet the performance goal. In that case, the FY 2024 Report must explain why the Postal Service did not meet the goal and describe plans and timelines for achieving the goal. 39 U.S.C. § 2804(d)(3).

In FY 2024, the Postal Service did not meet any of the four performance goals. The FY 2024 Report provides the requisite explanations, plans, and timelines. *See* FY 2024 Annual Report at 42-55.

The Commission finds that the FY 2024 Report complies with 39 U.S.C. § 2804(d)(3) because it explains why performance goals were not met and describes plans and timelines for meeting the goals in FY 2025. To comply next year, for each FY 2025 target that is not met, the FY 2025 Report must both explain why and describe plans and schedules for meeting the FY 2026 target.

d. Other Annual Performance Report Requirements

The FY 2024 Report meets other requirements of 39 U.S.C. § 2804. First, it "review[s] the success of achieving the [FY 2024] performance goals" by stating whether the Postal Service met targets for each performance indicator in FY 2024. 39 U.S.C. § 2804(d)(1); *see* FY 2024 Annual Report at 39. Second, the FY 2024 Report "evaluate[s] the performance plan for the current fiscal year [FY 2025] relative to the performance achieved towards the performance goals in the fiscal year covered by the report [FY 2024]" by comparing FY 2025 targets with FY 2024 results for each performance indicator the Postal Service will use during FY 2025. *See* 39 U.S.C. § 2804(d)(2).

Third, the FY 2024 Report "include[s] the summary findings of those program evaluations completed during the fiscal year covered by the report." 39 U.S.C. § 2804(d)(4). "[P]rogram evaluations" are "assessment[s], through objective measurement and systematic analysis, of the manner and extent to which Postal Service programs achieve intended objectives." *Id.* § 2801(6). The FY 2024 Report evaluates how programs helped the Postal Service meet targets in FY 2024 by, for example, explaining that the Postal Service exceeded the FY 2024 Point of Sale target by implementing a Customer Display Unit-Quick Retail Survey. FY 2024 Annual Report at 46.

The Commission finds that the FY 2024 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).

3. Non-Public Performance Indicators

The annual performance plan may include a non-public annex covering program activities or parts of program activities relating to the avoidance of interference with criminal prosecution or matters otherwise exempt from public disclosure under 39 U.S.C. § 410(c). 39 U.S.C. § 2803(d). In FY 2024, the Postal Service measured progress toward the High-Quality Service performance goal using non-public performance indicator(s) for some Competitive products and filed data as part of the non-public annex of the ACR. FY 2024 Annual Report at 39 n.1. The Postal Service filed information on non-public performance indicator(s) in Library Reference USPS-FY24-NP30 and identified this library reference in the FY 2024 ACR. FY 2024 ACR at 12.

Requirements in 39 U.S.C. §§ 2803 and 2804 apply both to public and non-public performance indicators. *See* FY 2023 Analysis at 23. In the FY 2023 Analysis, the Commission directed the Postal Service to file the following information for each non-public performance indicator under seal with the FY 2024 ACR: (1) comparable FY 2024 targets and results; (2) comparable results from FY 2021 through FY 2024 (or explanations addressing lack of comparability); and (3) measurable FY 2025 targets. *Id.* at 24. It stated that for each FY 2024 target that is not met, the Postal Service must explain why and describe plans for meeting the FY 2025 target. *Id.* The Postal Service responded to comparability questions in Response to CHIR No. 6, questions 3, 4.

Based on information and CHIR responses filed under seal, the Commission finds that with respect to the non-public performance indicator(s), the FY 2025 Plan and FY 2024 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively.

To comply with 39 U.S.C. §§ 2803 and 2804, for the Competitive products' non-public performance indicator(s), the Postal Service must file under seal with the FY 2025 ACR:

- 1. Comparable FY 2025 targets and results*
- 2. Comparable results from FY 2022 through FY 2025 (or explanations addressing lack of comparability)*
- 3. Measurable FY 2026 targets for each non-public performance indicator the Postal Service plans to use in FY 2026*

The FY 2025 ACR should continue to identify the library reference that contains this information. If the Postal Service does not meet the FY 2025 target for any non-public performance indicator, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2026 target.

4. Performance Indicator Changes

The Commission previously recommended that the Postal Service describe any performance indicator or methodology changes in the *Annual Report to Congress* and analyze the impact of methodology changes on results. See FY 2016 Analysis at 18. The Commission also recommended that the Postal Service provide the rationale for making these changes. FY 2023 Analysis at 25. A change in performance indicator occurs when the Postal Service changes the metric for measuring progress toward a performance goal. For example, in FY 2017 the Postal Service changed the employee safety performance indicator from the Occupational Safety and Health Administration Illness and Injury Rate to the Total Accident Rate. FY 2016 Analysis at 20. In a CHIR response, the Postal Service confirms that it does not plan to make any changes to the performance indicators or methodologies for calculating targets and results in FY 2025. Response to CHIR No. 11, question 2.

To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service continue to limit the number of changes to performance indicators and methodologies for calculating targets and results. If the Postal Service plans to add or change any performance indicators or methodologies, the Commission recommends that the Annual Report to Congress continue to describe these changes, provide the rationale for making them, and analyze the impact of these changes on results.

The Commission recommends that the Postal Service not change performance indicators, methodologies, or targets once they are set for a given fiscal year. To help ensure compliance with 39 U.S.C. § 2804(c), if the Postal Service changes a performance indicator or the methodology for calculating targets or results, the Commission recommends that the Postal Service maintain the same performance indicator or methodology for at least 3 consecutive fiscal years unless the change is clearly not beneficial or effective.

CHAPTER III. EVALUATION OF PERFORMANCE GOALS

In this chapter, the Commission discusses each performance goal individually. It evaluates whether the Postal Service met the performance goals in FY 2024 as required by 39 U.S.C. § 3653(d). The Commission also makes related observations and recommendations for each performance goal.

A. High-Quality Service

1. Key Observations and Recommendations

The Commission finds that the Postal Service failed to meet its High-Quality Service performance goal for FY 2024, with none of the eight public performance indicators achieved. For FY 2025, the Postal Service should address the impact of any service standard changes on data comparability and to either explain the basis for comparability or propose a method to assess performance over time.

The Commission urges the Postal Service to:

- *Develop more granular performance indicators to supplement overly aggregated composites.*
- *Investigate and correct service issues from network redesigns and facility activations—avoiding concurrent major changes, seasonal peaks, and weather-sensitive periods.*
- *Resume and report on the Unexpected Events Initiative to better diagnose service failures from external disruptions.*
- *Address operational failures in single-piece mail processing and transportation.*
- *Improve site-specific operational precision (SSOP), especially in areas like Truck Departures.*
- *Optimize and assess peak season service strategies.*
- *Monitor and mitigate impacts of low employee availability on service.*
- *Incorporate performance indicators reflecting service in rural and non-contiguous areas.*
- *Actively reduce controllable CLTs.*

The Commission further recommends transparency regarding the DFA Plan's impact on service performance, urges a pause on certain DFA initiatives pending a full assessment, and emphasizes continued targeted improvements in low-performing regions to boost national scores.

2. Background

In FY 2024, the Postal Service measured service performance using internal SPM, which provides data from the time a mailpiece is first deposited in a Postal Service facility to the time when the mailpiece is scanned at the delivery point. *See* FY 2024 Annual Report at 40. For most Market Dominant products, the Postal Service sets a service standard for the number of days allowed for delivery of a mailpiece to be on time. *See, e.g.,* FY 2022 Analysis at 25. Service performance results are expressed as the percentage of mail meeting the applicable service standard. *See id.*

The Postal Service uses the percentage of selected and combined mail products delivered on-time to assess whether its performance meets the High-Quality Service performance goal.¹⁸ To evaluate progress toward the High-Quality Service performance goal in FY 2024, the Postal Service used eight public performance indicators measuring service performance for Market Dominant products:

- Single-Piece First-Class Mail, 2-Day
- Single-Piece First-Class Mail, 3-5-Day
- Presorted First-Class Mail, Overnight
- Presorted First-Class Mail, 2-Day
- Presorted First-Class Mail, 3-5-Day
- First-Class Mail Letter and Flat (FCLF) Composite
- USPS Marketing Mail and Periodicals Composite
- Market Dominant Composite

The Single-Piece First-Class Mail performance indicators measure the performance of Single-Piece First-Class Mail letters, postcards, and flats throughout the fiscal year. FY 2024

¹⁸ The Postal Service also reports service performance on all Market Dominant products in the ACR. *See* 39 U.S.C. § 3652(a)(2)(B)(i). Service performance measurement reporting in the ACR is independent of service performance measurement reporting in annual performance plans and annual performance reports under 39 U.S.C. §§ 2803 and 2804. The reporting of these service performance measurements in the *FY 2024 Annual Report* does not meet the same class- or group-specific granular reporting criteria as the service performance measurements required in the Commission's rules for purposes of the ACR. *See* 39 C.F.R. §§ 3055.20 through 3055.24. For instance, the Single-Piece First-Class Mail and the Presorted First-Class Mail performance indicators in the *FY 2024 Annual Report* combine service performance results for different products. By contrast, the ACR requires the Postal Service to disaggregate service performance results by mail subject to the Overnight, 2-Day, or 3-Day, 4-Day, and 5-Day service standards (as well as in the aggregate for the 3-to-5-day service standards and in the aggregate for all service standards combined) by First-Class Mail product. *See, e.g.,* 39 C.F.R. § 3055.20(a).

Annual Report at 40. Results are expressed as the estimated percentage of Single-Piece First-Class Mail delivered on-time by service standard (2-Day and 3-5-Day, respectively). *Id.*

The Presorted First-Class Mail performance indicators measure the performance of commercial Presorted First-Class Mail letters, postcards, and flats delivered throughout the fiscal year. *Id.* Results are expressed as the estimated percentage of total Presorted First-Class Mail delivered on time by service standard (Overnight, 2-Day, and 3-5-Day). *Id.*

The FCLF Composite performance indicator measures the weighted average of the performance of Single-Piece First-Class Mail and Presorted First-Class Mail across all service standards, weighted by volume. *Id.*

The USPS Marketing Mail and Periodicals Composite performance indicator measures the percentage of all USPS Marketing Mail and Periodicals mailpieces that were delivered within the applicable service standard during the fiscal year. *Id.* This performance indicator is a composite measuring USPS Marketing Mail letters and flats, as well as Periodicals. *Id.* Approximately two-thirds of the volume in this composite indicator consists of USPS Marketing Mail letters; the remainder is made up of USPS Marketing Mail flats and Periodicals. *Id.*

The Market Dominant Composite is a composite indicator measuring the percentage of First-Class Mail; USPS Marketing Mail; Periodicals; Bound Printed Matter (BPM) letters and flats; and parcels of Media Mail, Library Mail, and BPM, that were delivered within their applicable service standards during the fiscal year. *Id.*

The Postal Service also provided non-public performance data for certain Competitive products. *See id.* at 39 n.1.

In FY 2024, the Postal Service failed to meet any of its eight targets for the public Market Dominant performance indicators—Single-Piece First-Class Mail, 2-Day; Single-Piece First-Class Mail, 3-5-Day; Presorted First-Class Mail, Overnight; Presorted First-Class Mail, 2-Day; Presorted First-Class Mail, 3-5-Day; FCLF Composite; USPS Marketing Mail and Periodicals Composite; and Market Dominant Composite. *Id.* at 41. The Postal Service notes that its FY 2024 targets were “aggressive” and that it did not meet its targets “because of several factors associated with the complex changes required to modernize [its] processing and transportation across the network.” *Id.* These factors included the rollout of national processing and transportation changes, “the emergency insourcing of STC operations,” “environmental disruptions,” and “the illogical dependencies of various inefficient physical distribution and sampling activities that are included in our service measurement.” *Id.*

To improve High-Quality Service in FY 2025, the Postal Service reports that it plans to continue implementing the DFA Plan. *Id.* at 42. To that end, the Postal Service intends to transform processing facilities and transportation networks; remedy temporary

disruptions to operations; better align service standards with operations; plan for the peak season; invest in infrastructure; and stabilize and empower its workforce. *Id.* at 43.

3. Comments and Related Analysis

FY 2024 Service Performance Results and FY 2025 Targets. Initially, the Public Representative states that no service performance scores met their targets in FY 2024 and notes that the Postal Service blames this failure on aggressive targets and the fact that it is in the midst of significant processing and transportation changes related to the implementation of the DFA Plan. PR Comments at 9-10. The Public Representative also notes that while service performance targets generally increased between FY 2021 and FY 2024, they have been significantly lowered for FY 2025. *Id.* at 9.

The Greeting Card Association (GCA) initially mentions the poor performance (and related issues) of 3-to-5-Day Single-Piece First-Class Mail that it discussed in its comments to the 2024 ACR. GCA Comments at 1. GCA also points out that none of the composite indicators of High-Quality Service performance met their targets and questions the notion that any of these targets were “aggressive.” GCA Comments at 2.

In terms of the FY 2025 Performance Plan, GCA notes that the service performance targets have all been lowered for FY 2025 and is skeptical that lowered targets “reflect an expectation of improved performance.” *Id.* at 3. As such, GCA states that “the Commission should no longer accept the explanation that service deterioration is due to” the temporary impacts of executing the DFA Plan. *Id.* at 4-5. Instead, according to GCA, the Postal Service should provide “a well-thought-out, thoroughly explained forecast of when, for each class and subtype of mail, [its eventual] 95% [service performance] goal will be achieved” and the Commission should consider how to remedy the current violations of the Postal Service’s service standards. *Id.* at 5.

The Postal Service initially notes that it responded to GCA’s FY 2024 ACR comments and incorporates that response in its reply.¹⁹ The Postal Service also reiterates that, though it lowered its FY 2025 targets in line with the fact that its network is still deficient, it is making an ongoing effort to correct these deficiencies and has indeed set its targets higher than the actual results seen in FY 2024. Postal Service Reply Comments at 2-3.

The Commission notes that it discussed its concerns with Postal Service targets relating to service performance in the FY 2024 ACD. *See* FY 2024 ACD at 70-72. The Commission reiterates its recommendation that the Postal Service provide greater clarity regarding the purpose and basis behind changes in targets to help the Commission evaluate the reasonableness of such targets and promote public transparency.

¹⁹ Postal Service Reply Comments at 2 (citing Reply Comments of the United States Postal Service, February 11, 2025).

Service Performance Initiatives and FY 2025 Performance Plan. The Public Representative states that, during the election process, the Postal Service transports, processes, and delivers election mail (both to and from the public and the election officials). PR Comments at 10-11. This involves many complicating factors over which the Postal Service has no control, including election law, election deadlines, ballot enveloping design and ballot counting. *Id.* at 11. Nevertheless, despite these factors, the Public Representative notes that the Postal Service achieved commendable service performance delivering the mail for the 2024 general election. *Id.* at 15. He also believes that “the Postal Service’s establishment and maintenance of specialized management teams” for purposes of election mail is “a solid idea” that can be replicated across other areas. *Id.*

The Public Representative notes that much of the Postal Service’s FY 2025 Performance Plan—including preparing for the FY 2025 peak season and stabilizing the Postal Service’s workforce—is intertwined with continuing the implementation of the DFA Plan. *Id.* at 18. He notes, however, that both of these steps would be necessary even absent the DFA Plan. *Id.* Specifically, he notes that recent data and competition in the parcel market suggests that peak season volumes “may be plateauing.” *Id.* at 19. He also states that creating an internal supply chain for vehicle service drivers, as planned by the Postal Service, is advisable to ensure an adequate and timely source of drivers. *Id.* Further, the Public Representative states that, whether or not the Postal Service was undergoing the DFA Plan, it would still require significant infrastructure investments in its delivery fleet, package sorting capacity, and facilities. *Id.* at 20.

According to the Public Representative, “remediating temporary disruptions to operations” is the most crucial aspect of the FY 2025 Performance Plan. *Id.* at 21. For instance, after reviewing several audit reports performed by the Postal Service Office of the Inspector General (OIG) on the initiation of RP&DCs at several sites, the Public Representative states that “swift remediation of operational problems, both pre and post-implementation, is essential to the success of the conversion process.” *Id.* In short, he states that the Postal Service’s ability to meet its FY 2025 service performance targets largely depends on successful launches of the remaining RP&DCs and suggests that the Postal Service use “its Performance Excellence Teams in a proactive manner to identify and fix potential issues before they occur.” *Id.* at 25. He also “encourages the Postal Service to coordinate and solicit input from local management to respond to region- or facility-specific needs, as it did with the launch of the Portland RPDC.” *Id.*

In its reply comments, the Postal Service states that it appreciates the Public Representative’s positive feedback on some of its initiatives and recognizes that “much more work remains to be done” and that it “currently do[es] not have a network that satisfies our service and cost objectives.” Postal Service Reply Comments at 3. It notes, therefore, that it is committed to continuing to implement the DFA Plan going forward and will make “incremental progress in advance of full network modernization.” *Id.*

Given that the Postal Service has acknowledged changes in its processing and transportation network related to the DFA Plan were a contributing factor in its failure to meet its High-Quality Service goal targets in FY 2024, the Commission recommends that the Postal Service develop and implement mitigation strategies to address the service performance delays resulting from DFA Plan implementation.

4. Commission Analysis

As explained above, in FY 2024, the Postal Service failed to meet any of its eight targets for the public performance indicators related to Market Dominant products that measure progress toward the High-Quality Service performance goal.

As such, the Commission finds that the High-Quality Service performance goal was not met in FY 2024.

a. Observations on Results and Targets

The Commission notes that reports prepared pursuant to 39 U.S.C. § 2804 must “include actual results for the three preceding fiscal years[.]” and the Commission has previously found that such actual results must be comparable across all 3 preceding fiscal years. 39 U.S.C. § 2804(c); *see, e.g.*, FY 2022 Analysis at 18. A lack of comparability with respect to performance indicator results makes them less valuable to both the Postal Service and the Commission for reviewing progress in addressing service performance issues.

The Postal Service asserts that from FY 2021 to FY 2024, all indicator results for High-Quality Service remained constant in that “they comprise the same types of mail, and they reflect the percentage of mail in measurement that met allotted service standards.” Response to CHIR No. 16, question 1.a.-b. However, the Postal Service made several changes during this time period that impacted these service standards. Specifically, it implemented changes in critical entry times (CETs) for certain categories of Periodicals, effective January 29, 2023.²⁰ This likely added an additional service day for a portion of the affected Periodicals mailers who cannot meet the revised earlier CET. *Id.* at 25, 40. In addition, the Postal Service also implemented new, lengthened service standards for First-Class Mail and Periodicals in FY 2022.²¹ These service standards were effective October 1, 2021, at the beginning of FY 2022. *Id.* The Postal Service states it is unable to estimate what the FY 2024 High-Quality Service indicator results would have been had the CET change not been adopted or the service standards not been changed. Response to CHIR No. 16, question 1.a.-b. Nevertheless, according to the Postal Service, the service standard changes for First-Class Mail and Periodicals at the beginning of FY 2022 “undoubtedly contributed to improved

²⁰ See United States Postal Service, *Changes to Periodical Critical Entry Times, Effective January 29, 2023*, USPS Postal Pro (December 29, 2022), available at <https://postalpro.usps.com/node/11634>; *see also* Docket No. N2022-2, Advisory Opinion on Changes to the Critical Entry Times for Certain Categories of Periodicals, November 30, 2022 (Docket No. N2022-2, Advisory Opinion). The CET is the latest time of day that a mailpiece can be tendered to the Postal Service and have that day count when measuring its service performance. Docket No. N2022-2, Advisory Opinion at 1-2. The Postal Service changed the CETs for three categories of Periodicals from the previous CETs of 1100 or 1400 to the earliest CET of 0800. *Id.* at 9.

²¹ FY 2022 Annual Report at 35; *see* Docket No. ACR2022, *Annual Compliance Determination*, March 29, 2023, at 103 (FY 2022 ACD).

service performance for Market Dominant products” in FY 2022.²² Because the change in CET for certain categories of Periodicals in FY 2023 and the service standard changes for First-Class Mail and Periodicals in FY 2022 complicate the comparability of year-over-year on-time service performance results for these classes, the Commission reiterates its previous suggestion that the Postal Service develop a method to accurately measure how service performance has changed for these mailpieces over time.²³

In the FY 2025 Annual Report, the Postal Service should address whether service standard changes implemented on April 1, 2025 affected the comparability of performance indicator results. If comparability has been affected, the Postal Service should propose a way for the Commission to compare FY 2025 High-Quality Service performance indicator results to results from prior fiscal years. If the Postal Service asserts that comparability is unaffected, the Postal Service should fully explain the basis and supporting evidence for this assertion.

Table III-1
Public High-Quality Service Performance Indicators
Comparison of Targets (%)

High-Quality Service Performance Indicators		FY 2025	FY 2024	FY 2023	FY 2022	FY 2021	FY 2014-FY 2020
Single-Piece First-Class Mail	2-Day	87.00%	93.00%	93.00%	90.25%	87.81%	96.50%
	3-5-Day	80.00%	90.28%	90.28%	90.00%	68.64%	95.25%
Presorted First-Class Mail	Overnight	94.00%	95.00%	95.00%	94.75%	93.99%	96.80%
	2-Day	92.00%	95.00%	95.00%	93.00%	89.20%	96.50%
	3-5-Day	88.00%	93.00%	92.20%	90.50%	84.11%	95.25%
First-Class Mail Letter and Flat Composite ^a		88.00%	92.50%	92.50%	91.00%	84.88%	96.00%
USPS Marketing Mail and Periodicals Composite ^a		94.00%	94.36%	93.37%	91.50%	86.62%	91.80% ^b
Market Dominant Composite		91.40%	93.08%	93.00%	91.25%	85.86%	N/A ^c

^a The Postal Service did not begin using First-Class Mail Letter and Flat Composite and USPS Marketing Mail and Periodicals Composite until FY 2017. Docket No. ACR2017, Library Reference USPS-FY17-17, December 29, 2017, PDF file “USPS-FY17.17.Annual Report.pdf,” at 15 (FY 2017 Annual Report).

^b The FY 2017 USPS Marketing Mail and Periodicals Composite target was 91.00. FY 2017 Annual Report at 14.

^c The Postal Service did not begin using the Market Dominant Composite as a performance indicator until FY 2021. Docket No. ACR2020, Library Reference USPS-FY20-17, December 29, 2020, PDF file “FY2020.Annual.Report.USPS.FY20.17.pdf,” at 34 (FY 2020 Annual Report).

Source: FY 2024 Annual Report at 39; FY 2023 Annual Report at 39; FY 2022 Annual Report at 33; FY 2021 Annual Report at 33; FY 2020 Annual Report at 33; Docket No. ACR2019, Library Reference USPS-FY19-17, December 27, 2019, file “FY19.Annual.Report.USPS.FY19.17.pdf,” at 20 (FY 2019 Annual Report); FY 2018 Annual Report at 17; FY 2017 Annual Report at 14; Docket No. ACR2016, Library Reference USPS-FY16-17, file “FY16.17 2016 Annual Report.pdf,” December 29, 2016, at 15 (FY 2016 Annual Report).

²² Docket No. ACR2022, Responses of the United States Postal Service to Questions 1-11 of Chairman’s Information Request No. 17, March 10, 2023, question 3.c. (Docket No. ACR2022, Response to CHIR No. 17).

²³ See Docket No. ACR2023, *Annual Compliance Determination*, March 28, 2024, at 112-13 (FY 2023 ACD).

Table III-2
Public High-Quality Service Performance Indicators
Comparison of FY 2024 Targets and Results and FY 2023-FY 2024 Results (%)

High-Quality Service Performance Indicator		Target	FY 2024		FY 2023	
			Result	Percentage Point Performance Gap	Result	Difference from FY 2024 ^a
Single-Piece First-Class Mail	2-Day	93.00%	86.44%	-6.56	90.68%	-4.24
	3-5-Day	90.28%	72.61%	-17.67	83.52%	-10.91
Presorted First-Class Mail	Overnight	95.00%	93.30%	-1.70	94.75%	-1.45
	2-Day	95.00%	91.40%	-3.60	93.68%	-2.28
	3-5-Day	93.00%	86.66%	-6.34	92.10%	-5.44
First-Class Mail Letter and Flat (FCLP) Composite		92.50%	86.47%	-6.03	91.43%	-4.96
USPS Marketing Mail and Periodicals Composite		94.36%	93.53%	-0.83	94.20%	-0.67
Market Dominant Composite		93.08%	90.55%	-2.53	93.18%	-2.63

^a This column calculates the difference between FY 2024 and FY 2023 results.

Source: FY 2024 Annual Report at 39, 41.

As Table III-2 shows, none of the eight FY 2024 performance indicator targets were met and, in fact, all indicators fell from their 2023 levels. Similar to results from FY 2023 and FY 2022, the service standard categories with fewer days to delivery exhibited better performance than the service standard categories with more days to delivery. *See, e.g.*, FY 2023 Analysis at 38. Within First-Class Mail, the Presorted categories outperformed their Single-Piece analogs. The Postal Service states that it continued to work aggressively in FY 2024 to implement the DFA Plan. FY 2024 Annual Report at 41. The Postal Service states that this included optimizing surface transportation routes and moving products to those routes from air transportation, reducing processing hours, vacating surplus facilities, and undertaking significant insourcing activities. *See id.*

The Postal Service states that the targets set for FY 2024 were aggressive and demonstrated its commitment to “achiev[ing] long term goals of providing high quality of service in a financially sustainable manner.” *Id.* In evaluating this claim, the Commission notes that for FY 2021, targets for High-Quality Service indicators were lowered considerably because of the COVID-19 pandemic with the expectation they would be adjusted upwards for FY 2022. *See* Table III-1; FY 2021 Analysis at 35. For FY 2022, FY 2023, and FY 2024, targets were increased for each performance indicator as the Postal Service recovered from the COVID-19 pandemic and factored in the effects of the lengthened service standard and other elements of its DFA Plan. Thus, the targets have moved incrementally closer to the 95 percent on-time level, which is the Postal Service’s

stated long-term goal in its DFA Plan.²⁴ However, in FY 2025, the Postal Service is lowering its targets for each of the performance indicators. *See* FY 2024 Annual Report at 41-42.

In recent years, the Commission has looked to quarterly service performance and/or performance indicator results to attempt to trace the effect of the COVID-19 pandemic and other factors on the Postal Service's operations.²⁵ Historically, results during the second half of a given fiscal year (Quarters 3 and 4) tended to outperform results from the first half of the fiscal year (Quarters 1 and 2), largely owing to seasonal trends.²⁶ However, starting in FY 2020 that historical pattern was disrupted.

In FY 2020, contrary to the normal pattern of seasonal variation, performance indicator scores began declining in Quarters 3 and 4, before ultimately reaching a nadir in Quarter 1 of FY 2021. As the Commission has found previously, the timing of the service performance declines in late FY 2020 generally correspond with the onset of the COVID-19 pandemic.²⁷ Beginning in FY 2021 Quarter 2, performance indicator results began to improve, and that pattern continued through the end of FY 2021 and through FY 2023.

Table III-3
Public High-Quality Service Performance Indicators FY 2024 by Quarter (%)

High-Quality Service Performance Indicators		FY 2024 Targets	FY 2024 Results			
			Q1	Q2	Q3	Q4
Single-Piece First-Class Mail	2-Day	93.00%	87.16%	86.79%	85.62%	85.88%
	3-5-Day	90.28%	70.13%	69.88%	72.49%	78.84%
Presorted First-Class Mail	Overnight	95.00%	93.87%	92.84%	93.06%	93.65%
	2-Day	95.00%	91.30%	91.27%	90.88%	92.60%
	3-5-Day	93.00%	86.40%	83.75%	86.17%	90.90%
First-Class Mail Letter and Flat Composite		92.50%	85.94%	84.12%	86.04%	89.45%
USPS Marketing Mail and Periodicals Composite		94.36%	93.25%	93.14%	93.17%	94.52%
Market Dominant Composite		93.08%	90.14%	89.20%	90.21%	92.41%

Source: FY 2024 Annual Report at 41; Response to CHIR No. 6, question 7.

²⁴ *See* FY 2024 Annual Report at 41; DFA Plan at 27; Table III-1; Docket No. ACR2022, Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 25, April 20, 2023, question 7 (Docket No. ACR2022, Response to CHIR No. 25).

²⁵ *See, e.g.*, FY 2024 Analysis at 39-41; FY 2022 Analysis at 33-35; FY 2021 Analysis at 37-40; FY 2020 Analysis at 36-37; *see also* FY 2023 ACD at 130; FY 2022 ACD at 136; Docket No. ACR2021, *Annual Compliance Determination*, March 29, 2022, at 145 (FY 2021 ACD); Docket No. ACR2020, *Annual Compliance Determination*, March 29, 2021, at 164-65 (FY 2020 ACD).

²⁶ *See, e.g.*, Docket No. ACR2019, *Annual Compliance Determination*, March 25, 2020, at 105.

²⁷ *See* FY 2021 ACD at 160; FY 2020 ACD at 165; FY 2020 Analysis at 37. However, the Postal Service acknowledged that COVID-19-related operational disruptions were not the sole cause of service declines over this period, which were also attributable, at least in part, to Postal Service operational initiatives. *See* FY 2020 Analysis at 37; FY 2020 ACD at 99-150.

Table III-3 shows a general conformity to the normal pattern of seasonal variation as the results from the second half of the fiscal year outperform the results from the first half. The notable exceptions to this are Single-Piece First-Class Mail, 2-Day and Presorted First-Class Mail, 2-Day, which display the lowest service performance results for their respective indicators in Quarter 3.

In terms of service performance results and targets in general, beginning in the *FY 2022 Analysis* the Commission recommended that the Postal Service develop more granular composites based on significant class, shape, and product-level differences between mailpieces. *FY 2022 Analysis* at 36. If the Postal Service continued to use highly aggregated composites as performance indicators, the Commission recommended that the Postal Service also develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly aggregated composites. *Id.* Finally, the Commission expected the Postal Service to include with each Annual Report supporting workpapers containing the inputs for, and a detailed calculation of, the High-Quality Service performance indicator results, to the extent that they are not included elsewhere in the ACR filing. *Id.* The Commission noted that the USPS Marketing Mail and Periodicals and Market Dominant Composites include items with various service standards. *Id.* at 35.

As it stands now, the Postal Service states that it has not developed more granular composites because it already reports service performance on components of its composites at a more granular level in its ACR filings. *See* Response to CHIR No. 16, question 2.a. It states that the composites are provided in addition to, not instead of, more granular indicators. *Id.*

The Commission continues to have concerns about the use of highly aggregated composites as performance indicators that incorporate disparate mail classes, shapes, and products. Such composites are subject to being affected by changes in weights arising from changes in the mail mix. As a result, such composites, without notes about how they are affected by the mail mix, do not provide a full account of the extent to which High-Quality Service is being achieved, which is the relevant inquiry with respect to the High-Quality Service performance goal.²⁸

²⁸ The USPS Marketing Mail and Periodicals Composite illustrates why the Commission is concerned about highly aggregated indicators. The USPS Marketing Mail and Periodicals Composite FY 2024 target was 94.36 percent on-time service performance, and it fell short of this composite target by only 0.83 percentage points. *FY 2024 Annual Report* at 41. Despite the referenced composite almost meeting its target, both Periodicals products had individualized on-time service performance results substantially lower than this target, suggesting worse performance than apparent from the composite. In-County Periodicals and Outside County Periodicals respectively had 83.30 and 83.00 percent on-time service performance. *FY 2024 ACD* at 66. This is possible because Periodicals constitute a smaller portion of the composite volume; approximately two-thirds of the volume in this composite indicator consists of USPS Marketing Mail letters, while the remainder is made up of USPS Marketing Mail flats and Periodicals. *FY 2024 Annual Report* at 40-41.

The Commission continues to recommend that the Postal Service develop more granular composites based on significant class, shape, and product-level differences between mailpieces in terms of service standards and how they are processed and delivered. If the Postal Service intends to continue using highly aggregated composites as performance indicators, then the Commission recommends that the Postal Service develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly aggregated composites.

The Postal Service provides supporting workpapers for service performance results in Library Reference USPS-FY24-29.²⁹ For the past 3 years, the Commission has recommended that the Postal Service also include supporting workpapers containing the inputs for, and a detailed calculation of, the High-Quality Service performance indicator results. This year, the Postal Service provided a basic calculation of the High-Quality Service indicators in Library Reference USPS-FY24-17.³⁰ The Commission considers the workpaper to be an initial step in addressing the recommendation and believes further detail regarding the inputs for, and the calculation of, the High-Quality Service performance indicator results would be beneficial.

b. Explanations for Missing Targets in FY 2024 and Planned Mitigations

The Postal Service discusses three reasons for the failure to meet its High-Quality Service targets: (1) “[p]rocessing and transportation changes across the network[;]” (2) “STC insourcing[;]” and (3) “[e]nvironmental disruptions.”³¹ Additionally, the Postal Service discusses its mitigation efforts to address shortcomings that led to missing targets. FY 2024 Annual Report at 42. Below, the Commission evaluates the Postal Service’s reasons for missing its targets in FY 2024 and discusses the factors that impeded performance in previous years.

²⁹ Library Reference USPS-FY24-29, December 30, 2024.

³⁰ Library Reference USPS-FY24-17, December 30, 2024, ZIP folder “USPS-FY24-17.ARC.Files,” folder “High-Quality Service Workpapers,” file “High Quality Service Scores.xlsx.”

³¹ FY 2024 Annual Report at 41-42. Additionally, without further explanation in its FY 2024 Annual Report, the Postal Service contends that its failure to meet its High-Quality Service targets was also caused by “the illogical dependencies of various inefficient physical distribution and sampling activities that are included in [its] service measurement.” Id. at 41. In response to an information request, the Postal Service explained that the distance between a post office and an originating processing facility affects the time at which mail will arrive to be processed, in turn impacting “service across the network.” Response to CHIR No. 18, question 2. The Postal Service explains that it is working to improve its First Mile sampling (and service measurement as a whole) to better align with the DFA Plan. Id. More information about the Postal Service’s service performance measurement plan is available in Docket No. RM2024-9.

(1) Processing and Transportation Changes Across the Network

In FY 2023, per the DFA Plan, the Postal Service began to roll out its redesigned facilities and redesigned network. *See* FY 2023 Annual Report at 42. The Postal Service’s future network model is to aggregate processing facilities into both RP&DCs and newly designed LPCs. *Id.* LPCs are designed to connect RP&DCs to delivery operations with the primary mission of sorting letter and flat mail to carrier route or delivery walk sequence and serving as a transfer center to aggregate product on its way to delivery. *Id.*

The Postal Service states that the ongoing processing and transportation changes contributed to it missing its targets in FY 2024. FY 2024 Annual Report at 42. The Postal Service explains that it continued implementing its "more rational" and streamlined regional processing model, anchored around approximately 60 RP&DCs. *Id.* According to the Postal Service, this will optimize mail and package flow to allow it to “capture significant operational and logistics efficiencies and savings.” *Id.* This process involves implementing new operating plans, redistributing processing volumes, reassigning employees, and insourcing certain operations which, in the short term, negatively impacted service performance. *Id.* at 42. Additionally, the Postal Service states that it piloted LTO—an effort to improve the efficiency of transportation, “avoid redundant trips,” and minimize its carbon footprint. *Id.* However, it notes that this, too, may have had a negative impact on service performance in FY 2024. *Id.* Nevertheless, the Postal Service is unable to quantify the negative impact that the ongoing processing and transportation changes had on service performance. Response to CHIR No. 18, question 1.

The Postal Service submitted a request for an advisory opinion from the Commission regarding the RP&DC network changes and the LTO initiative. Detailed information on these improvement efforts, their impact on service performance, and the Commission’s recommendations are available in Docket No. N2024-1.

*The Commission recommends that the Postal Service continue to investigate the issues experienced by its redesigned facilities and redesigned network, that negatively affected service performance; continue to apply lessons learned with each newly activated facility to subsequent facilities; avoid activating multiple facilities in a region simultaneously; avoid activating facilities while at the same time implementing other major changes under the DFA Plan such as LTO; avoid activating facilities during peak season; and avoid activating facilities in periods more likely to experience severe weather impacts. In addition, the Commission recommends that the Postal Service follow the advice provided by the Commission in Docket No. N2024-1.*³²

³² Docket No. N2024-1, Advisory Opinion on the Operational and Service Standard Changes Related to the Delivering for America Plan, January 31, 2025, at 5-10 (Docket No. N2024-1, Advisory Opinion).

(2) Surface Transportation Center Expansion Complications

The Postal Service states that it insourced eight STCs immediately prior to and during the FY 2024 peak season, a process involving adding approximately 1,000 new employees and modifying transportation schedules for thousands of trips. FY 2024 Annual Report at 42. The Postal Service also notes that it was forced to insource several of these STCs earlier than scheduled due to bankruptcy on the part of its contractor, straining Postal Service resources and requiring *ad hoc* solutions. *Id.* Project planning on these types of transitions usually takes months, but the Postal Service was suddenly faced with insourcing six locations immediately, prior to, and during FY 2024 peak season, all within a matter of weeks.³³ Consequently, “First-Class Mail service performance was negatively impacted in particular due to the increased need for Postal Service coordination to move mail through multiple facilities.” FY 2024 Annual Report at 42. The Postal Service also noted that the emergency insourcing of STCs led to increased congestion in facility yards and platforms. Library Reference USPS-FY24-29, PDF file “USPS-FY24-29 Preface.pdf,” at 13. Nevertheless, the Postal Service is unable to quantify this negative impact. Response to CHIR No. 18, question 1.

³³ Docket No. ACR2023, Responses of the United States Postal Service to Questions 1-13 of Chairman's Information Request No. 11, February 20, 2024, question 9.c.

The Postal Service has insourced the following STCs so far:

Table III-4
Surface Transportation Center Insourcing Progress

Insourcing Date	STC Locations
September 2023	Memphis, TN
	Salt Lake City, UT
October 2023	Indianapolis, IN
	Sacramento, CA*
	Atlanta, GA*
	Washington, DC*
	Chicopee, MA*
November 2023	Long Beach, CA*
January 2024	Kansas City, KS*

September 2023



October 2023



November 2023



January 2024



* STC locations that were managed by a supplier that ceased operations due to bankruptcy proceedings.
Source: Response to CHIR No. 16, question 3.a.; Docket No. ACR2023, Response to CHIR No. 11, question 9.a.

The Postal Service continues to utilize contractor-run STCs in Chicago, IL; Orlando, FL; Phillipsburg, NJ; and Dallas, TX. Docket No. ACR2023, Response to CHIR No. 11, question 9.b. These locations have contracts that expire in May 2025, October 2025, July 2026, and October 2028, respectively.³⁴ The Postal Service currently has no plans to insource these sites in FY 2025. Response to CHIR No. 16, question 3.b.-c.

The Postal Service asserts that it anticipates improvements in service performance resulting from the stabilization of the emergency insourcing activities. April 25 Response to CHIR No. 22, question 6. While the negative impacts from the emergency insourcing are expected to be mitigated, the Postal Service previously explained that it does not believe the STC insourcing will improve service performance scores for single-piece volumes in the short-term; however, it does expect that the insourcing will lead to better overall control over its network and minimize the changes of third-party failure impacting postal operations in the future. *Id.*; Docket No. ACR2023, Response to CHIR No. 11, question 9.c.

The Commission recommends that the Postal Service continue improving operations in the insourced STCs to minimize any remaining negative impacts on the service performance of Single-Piece First-Class Mail and Presorted First-Class Mail. The Commission also recommends that the Postal Service carefully evaluate the remaining contractor-run STCs to determine whether and how quickly they should be insourced to balance the chance of contractor failure impacting service performance and potential capacity concerns.

(3) Environmental Disruptions

The Postal Service states that, “[g]iven the complexity and scale of the Postal Service’s operations across the United States,” it is “unavoidable” that its operations would be negatively impacted due to severe weather. FY 2024 Annual Report at 42. The Postal Service has attributed decreased service performance to natural disasters and extreme weather events for several years. *See, e.g.*, FY 2021 Annual Report at 35; FY 2022 ACD at 112-13; FY 2023 Annual Report at 42. Nevertheless, the Postal Service remains unable to quantify the impact that such environmental disruptions have on service performance. *See* Response to CHIR No. 18, questions 1, 3.

In an effort to enable the Postal Service to quantify more accurately the effects of, and diagnose service failures caused by, events outside of management control, such as weather-related emergencies and natural disasters, the Postal Service created the Unexpected Events Initiative. *See* FY 2022 Analysis at 43. Progress on the Unexpected Events Initiative has repeatedly stalled and, in response to information requests from the Commission as part of the FY 2023 ACR process, the Postal Service stated that it expected to resume development efforts for the Unexpected Events Initiative at some point in the future, but cautioned that the finite resources devoted to this initiative may be diverted to

³⁴ Docket No. N2024-1, Response of United States Postal Service to Questions 1-24 of Presiding Officer’s Information Request No. 2, October 31, 2024, question 22.b.

other competing priorities.³⁵ As such, the Commission recommended that the Postal Service resume developing the Unexpected Events Initiative as soon as possible. FY 2023 Analysis at 58. Nevertheless, the Postal Service now indicates that, though its goal is still to “evaluate how it can quantify the impacts to service performance and other related metrics caused by unexpected events,” “no meaningful solutions were developed in FY 2024.” Response to CHIR No. 18, question 4.

The Commission recommends that the Postal Service resume development of the Unexpected Events Initiative as soon as possible, because this initiative could enable the Postal Service to more accurately quantify the effects of, and diagnose service failures caused by, outside factors, such as weather disruptions and the St. Louis shutdown. The Postal Service should report on its progress in developing, and any results from, the Unexpected Events Initiative in the FY 2025 Report, including any effect on reducing CLTs.

(4) Other Factors Affecting Service Performance

During FY 2020 and FY 2021, various factors had negative effects on service performance. See FY 2021 ACD at 108-28. Although effects of some of these factors (such as those related to the COVID-19 pandemic) abated in FY 2022, other factors have continued to negatively affect the Postal Service’s service performance results ever since and are discussed below.

(a) Additional Processing Requirements for Single-Piece First-Class Mail, 2-Day and 3-5-Day

In its FY 2023 Annual Report, the Postal Service explained that Single-Piece First-Class Mail, 3-5-Day requires additional processing, which prohibits its ability to mitigate potential failures or disruptions. FY 2023 Annual Report at 41. In addition, for Single-Piece First-Class Mail, 2-Day, the Postal Service noted that additional handling and processing requirements for this category relative to Presorted First-Class Mail, 2-Day allow for only a slim recovery window. *Id.* The Postal Service explained that “single-piece volumes are by their nature more prone to processing failures than are presort[ed] volumes, as they generally undergo more processing ‘touches’ and are often conveyed through more nodes within the transportation network.” Docket No. ACR2023, Response to CHIR No. 4, question 3. The Postal Service noted that “[a]s a result, single-piece volumes prove not only vulnerable to human error within processing facilities, but also to transportation delays between facilities[.]” and that “[s]uch transportation delays appear to have played a significant role in hampering single-piece service performance scores in FY 2023, especially [due to] issues experienced with STC operations.” *Id.* Ultimately, this results in “late arrivals of [single-piece] volumes, both at processing facilities and at delivery units.” *Id.*

In response, the Commission recommended that the Postal Service address the vulnerabilities to Single-Piece First-Class Mail’s service performance that stem from additional processing requirements and directed the Postal Service, if this type of mail

³⁵ Docket No. ACR2023, Responses of the United States Postal Service to Questions 1-5 OF Chairman's Information Request No. 4, January 24, 2024, question 4 (Docket No. ACR2023, Response to CHIR No. 4).

continues to suffer from higher-than-expected processing failures, to diagnose and remedy these issues. FY 2023 Analysis at 49. Given that the Postal Service did not achieve any of its single-piece performance targets in FY 2024, and in response to information requests, the Postal Service explains that the “increase in processing volume failures in FY2024 was due to two principal impacts” the extensive disruption caused by Hurricane Helene and “the continuing systematic network transformation efforts across several large markets and insourcing at several STC/THS sites.” Response to CHIR No. 16, question 4.

The Commission continues to recommend that the Postal Service overcome the vulnerabilities caused by Single-Piece First-Class Mail’s additional processing requirements, by, for example, reducing transportation delays, reducing human error, increasing on-time performance, and planning better to meet the additional processing needs. If the Postal Service experiences higher-than-expected failure in certain processes relating to the processing and transportation of single-piece volumes and fails to achieve any of its single-piece performance targets in FY 2025, it should diagnose the causes behind the failures in processing and transportation of single-piece volumes, identify the operational processes experiencing the failures, and fix them.

The Postal Service states that it “continues to refine operations across the network to improve service performance . . .” FY 2024 Annual Report at 42. Mail processing sites in FY 2024 continued to pursue achievement of SSOPs with the intent of streamlining operations and setting “predictable, service-responsive, achievable goals for operational clearance times.” Library Reference USPS-FY24-29, PDF file “USPS-FY24-29 Preface.pdf,” at 24. The Postal Service explains that improvement in OPP in FY 2024 had a positive impact on service performance and that “sites were able to meet clearance times and transportation needs more efficiently in FY 2024.” *Id.*

If a site does not achieve its SSOP target, the Postal Service undertakes an operational review to ensure the SSOP is correctly set; reviews if the site has the correct complement and is managing appropriately; reviews the relevant mail arrival profile; and identifies other barriers impacting SSOP compliance. April 10 Response to CHIR No. 20, question 4.a. Truck Departures is one of the SSOP measurement categories that shows the processing impact on total late trips. Library Reference USPS-FY24-29, ZIP folder “USPS-FY24-29 Files,” Excel file “FY24 Site Specific Op Plan.xlsx,” tab “Categories Description.” The Truck Departures category scores slightly under 62 percent both nationally and regionally. *See id.* tab “FY24 Operating Plan – Public.” The Postal Service explains that several factors can contribute to these lower scores including “dock congestion, dock personnel availability, late processing, and mail not on the dock timely.” April 10 Response to CHIR No. 20, question 4.b.i. The Postal Service explains that its improvement actions taken to address the low SSOP scores for Truck Departures include “reducing dock congestion; monitoring appropriate dock personnel; managing processing clearance times timely; and ensuring mail is on the dock timely.” *Id.* question 4.b.ii. The Postal Service states that division, region, and headquarters management review several SSOP measure categories in FY 2024 and FY 2025. April 24 Response to CHIR No. 22, question 5.b.i. Specifically, “[a]t the beginning of

each fiscal year, [h]eadquarters management reviews the measure categories calculation.” *Id.* Additionally, division and region management review scores and compliance and can suggest changes. *Id.*

The Commission recommends that the Postal Service continue to track the correlation between OPP and SSOP on the one hand and service performance on the other hand and continue to improve the low scores achieved by SSOP measurement categories such as Truck Departures.

(b) Peak Season Performance

As a result of the FY 2020 and FY 2021 peak season challenges, the Postal Service began to implement a variety of operational changes.³⁶ For the FY 2024 peak season (which occurred in FY 2024 Quarter 1 from approximately November 23, 2023, through December 31, 2023), the Postal Service continued to engage in proactive planning and implementation spanning multiple functions.³⁷ The Postal Service states that it implemented FY 2024 peak season initiatives as planned, which “included right-sizing the workforce, deploying additional floor space, and leveraging greater package sorting capacity.” Docket No. ACR2023, Response to CHIR No. 16, question 7.b.

In its self-initiated audit of service performance during FY 2024 peak mailing season, the OIG found that the Postal Service successfully implemented most of its initiatives, explaining that the Postal Service “met some processing and distribution goals, all logistics goals, and most retail and delivery goals.” OIG Report No. 24-050-R24 at 4. Specifically, the Postal Service hired more employees than its goal,³⁸ leased less mail processing annexes than planned, completed approximately 99 percent of its internal mail processing audits, implemented its planned operational schedule with less success than the targeted performance goal, supported operations with adequate transportation availability, and used multiple monitoring and reporting tools to facilitate more informed operation decision making. *Id.* at 5-9. The OIG also observed that the service performance scores decreased for most Market Dominant products and on-time delivery decreased compared to FY 2023 peak season. *Id.* at 10.

The OIG found that the Postal Service developed its FY 2025 peak season (which occurred in FY 2025 Quarter 1 from approximately November 28, 2024, through December 31, 2024) preparedness initiatives to build upon the successes it had during prior peak

³⁶ In FY 2020 and FY 2021, as a result of the COVID-19 pandemic, unprecedented package volume contributed to decreased Market Dominant service performance during the Postal Service’s peak season and subsequent months. See FY 2021 ACD at 117. Additionally, for FY 2021, the traditional Quarter 1 peak season volume continued into Quarter 2. FY 2021 Analysis at 43; cf. FY 2021 ACD at 117-19.

³⁷ United States Postal Service, Office of Inspector General, Report No. 24-050-R24, Service Performance During the Fiscal Year 2024 Peak Mailing Season, August 26, 2024, at 3, 5, available at <https://www.uspsoig.gov/reports/audit-reports/service-performance-during-fiscal-year-2024-peak-mailing-season> (OIG Report No. 24-050-R24). As defined by the OIG, the FY 2024 peak season covers Thanksgiving through New Year’s Eve in calendar year 2023, which occurs in FY 2024 Quarter 1. See *id.* at 3.

³⁸ The OIG notes, however, that “[t]he additional hiring was not an indication of poor planning; the number of employees hired during peak season included pre-career employees, which are not considered seasonal hires.” OIG Report No. 24-050-R24 at 5.

seasons.³⁹ The OIG notes that “[i]n accordance with the Postal Service’s Delivering for America 10-year strategic plan, the Postal Service continues to transform its network[,]” which, for the FY 2025 peak season includes “adding additional square footage by creating [RPDCs],” consolidating delivery operations by “combining several delivery units into Sorting and Delivery Centers (S&DC)[,]” and “decreas[ing] reliance on air transportation and mov[ing] more volume to surface transportation.” OIG Report No. 24-132-R25 at 3-4 (footnote omitted). The OIG cautions that changes to air logistics operations may put the Postal Service at risk, as the Postal Service’s new primary air cargo provider has less air stops than the prior contractor and, furthermore, unpredictable conditions, such as weather, may impact the Postal Service’s ability to move packages through the air. *Id.* at 8. The OIG also warns against the risks with increased reliance on surface transportation, because more packages moving through ground transportation creates a heavier flow of packages, which increases the potential for gridlock. *Id.* However, the OIG notes that the Postal Service created plans to mitigate these potential risks. *Id.* Overall, the OIG found that if the Postal Service’s “initiatives are implemented as planned and volume forecasts are accurate, the Postal Service should be prepared for [the FY 2025] peak season . . .” *Id.* at 9.

The Postal Service itself notes that its FY 2025 “[p]eak season initiatives incorporated lessons learned from prior years.” Response to CHIR No. 21, question 2.a.-b. The Postal Service provides a detailed list of its peak season initiatives in response to an information request. *See id.* However, the Postal Service asserts that it cannot determine the impact of any discrete initiatives on service performance, even though it believes the initiatives implemented by the Postal Service positively affected service performance. *Id.*

The Postal Service reports approximately 17.4 billion pieces of mail delivered in FY 2025 from November 9, 2024, through January 3, 2025, which is less than FY 2024. Response to CHIR No. 21, question 2. In FY 2024, the Postal Service delivered approximately 18.3 billion pieces of mail from November 11, 2023, through January 5, 2024. *Id.* The Postal Service considers the actual volumes for November and December of FY 2025 to be accurate compared to its forecasted volumes. *Id.*

The Commission recommends that the Postal Service continue to make proactive plans to provide High-Quality Service during peak seasons. The Commission recommends that the Postal Service measure and monitor its efforts to optimize peak season performance and evaluate their efficacy to better ascertain what efforts are the most impactful on peak season performance.

³⁹ United States Postal Service, Office of Inspector General, Report No. 24-132-R25, Fiscal Year 2025 Peak Season Preparedness, November 21, 2024, at 6, available at <https://www.uspsoig.gov/reports/audit-reports/fiscal-year-2025-peak-season-preparedness> (OIG Report No. 24-132-R25). As defined by the OIG, the FY 2025 peak season covers Thanksgiving through New Year’s Eve in Calendar Year 2024, which occurs in FY 2025 Quarter 1. *See id.* at 3.

(c) Employee Availability

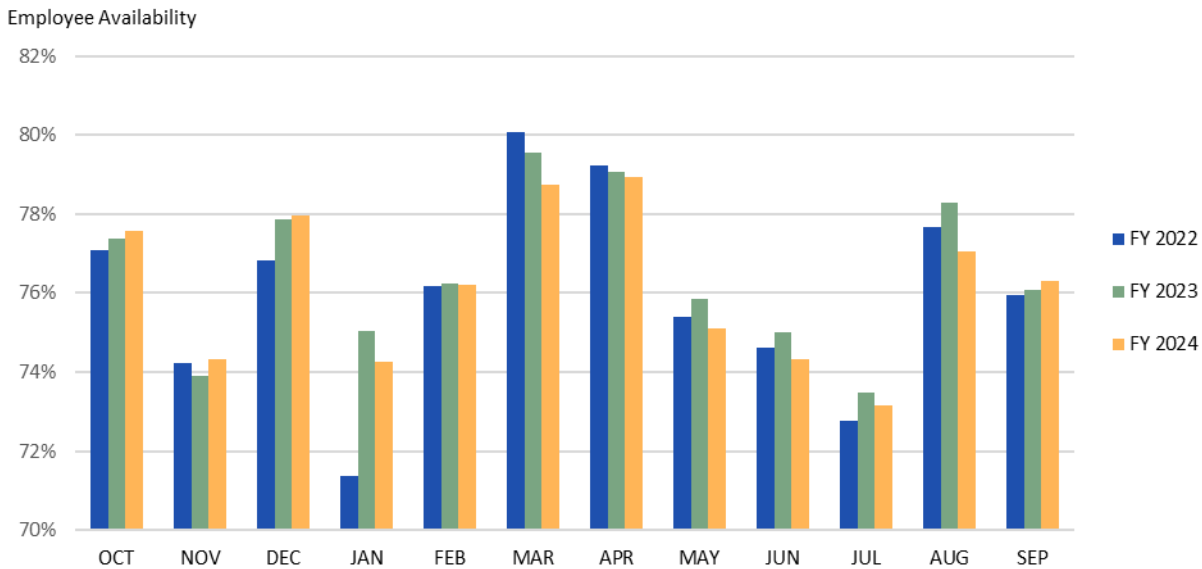
Although low employee availability caused by the COVID-19 pandemic began to subside after Quarter 1 of FY 2022, the Commission recommended that the Postal Service continue to monitor fluctuations in employee availability and its impact on service performance, because employee availability may continue to pose issues for the Postal Service. FY 2022 Analysis at 40; FY 2023 Analysis at 54.

The Postal Service provides employee availability data in total and by function, disaggregated by month for FY 2024.⁴⁰ On average, employee availability decreased in FY 2024 compared to FY 2023, with the Postal Service reporting average employee availability of 76.15 percent in FY 2024, 0.32 percentage points less than in FY 2023. The Postal Service states that it is “unable to isolate and quantify the reasons behind the decreased employee availability[, because e]mployee availability can be affected by numerous factors, many of which are not within the control of the Postal Service[.]” April 24 Response to CHIR No. 22, question 2.a. However, the Postal Service recognizes that the 0.32 percentage point decrease may be attributable to the decrease in Quarter 4 employee availability, which the Postal Service explains was affected by seasonal storms, such as Hurricane Helene. *Id.*

Monthly employee availability data for FY 2024 failed to surpass FY 2023 levels for eight consecutive months. The difference in monthly employee availability for FY 2024 compared to FY 2023 ranges from a 0.02 percentage point difference in February to a 1.21 percentage point difference in August. Figure III-1 presents overall employee availability by month for FY 2022, FY 2023, and FY 2024.

⁴⁰ United States Postal Service Responses to Questions 1-22 of Chairman’s Information Request No. 1, January 17, 2025, question 1, Excel file “CHIR No. 1 Q1 FY24 - Employee Availability Data.xlsx” (Response to CHIR No. 1).

Figure III-1
Employee Availability, by Month, FY 2022-FY 2024

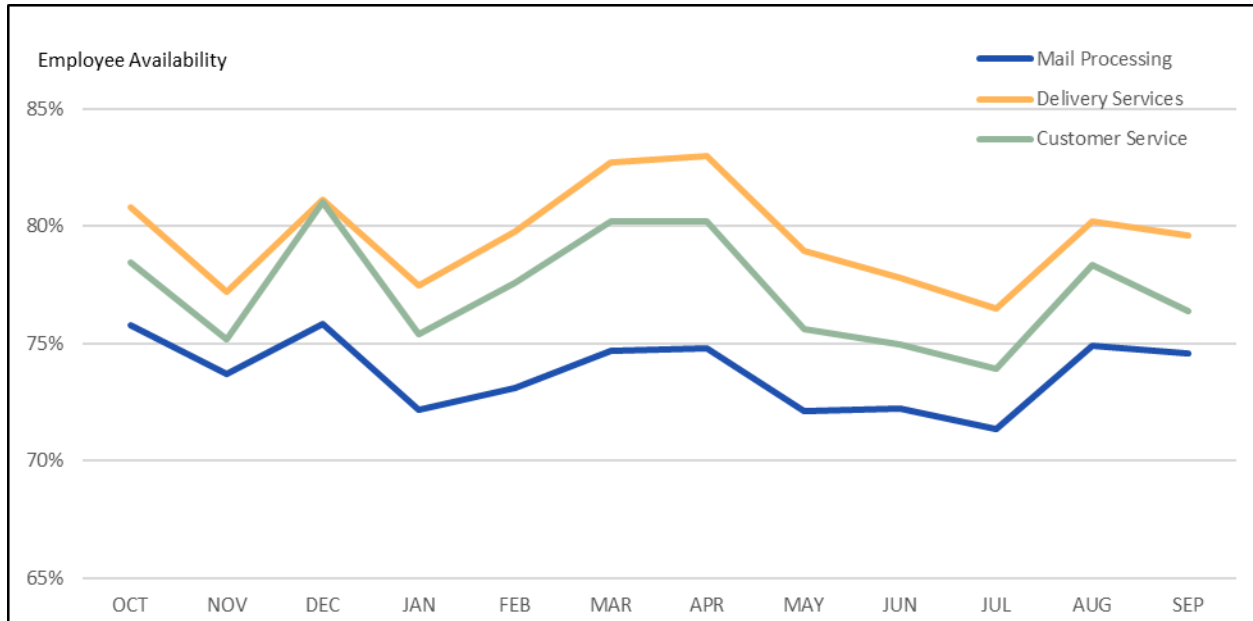


Source: Response to CHIR No. 1, question 1, Excel file "ChIR No. 1 Q1 FY24 - Employee Availability Data.xlsx," tab "Month_Quarter."

The figure demonstrates the seasonal fluctuations persistent in employee availability. The Postal Service categorizes these seasonal patterns as "ordinary" and states that it "has not made and does not plan to make efforts to address ordinary seasonal employee availability fluctuations, which generally correspond well with periods of lower mail volumes." April 24 Response to CHIR No. 22, question 3.a.-b.

Figure III-2 provides insight into the fluctuation of employee availability, at the national level, throughout FY 2024.

Figure III-2
Employee Availability, by Function, by Month, FY 2024



Note: A complete list of the Postal Service's functions and Labor Distribution Codes appears in Docket No. R2006-1, Library Reference USPS-LR-L-55, May 3, 2006, ZIP folder "LR-55," folder "LR-L-55 electronic version (.doc & .excel)," folder "lr-l-55 part1," PDF file "_Labor Distribution Codes.pdf."

Source: Response to CHIR No. 1, question 1, Excel file "ChIR No. 1 Q1 FY24 - Employee Availability Data.xlsx," tab "Month_Quarter_Func."

These data indicate that the Postal Service's national employee availability was consistently lower for mail processing (Function 1) than delivery services (Function 2) and customer service (Function 4). National employee availability for all three functions reported the lowest availability for FY 2024 in July 2024.

Overall, the Postal Service reports that for FY 2025 it continues to make efforts to improve employee availability. April 24 Response to CHIR No. 22, question 2.b. These efforts include "maintaining the authorized career workforce, replacing attrition, increasing supervisory staffing, and providing flexibility through part-time (pre-career) workforce." *Id.* Additionally, the Postal Service states that it is "undertaking efforts to reduce the number of employees on the Zero Workhours List, which includes career employees who have not worked in the past 13 or more pay periods and non-career employees who have not worked in the past 2 or more pay periods." *Id.* These efforts include a focus on manager and supervisor enforcement of Postal Service rules and regulations regarding attendance control and the Postal Service further notes that on a case-by-case basis, and as needed, district human resources and labor relations personnel actively support managers and supervisors in these endeavors. *Id.*

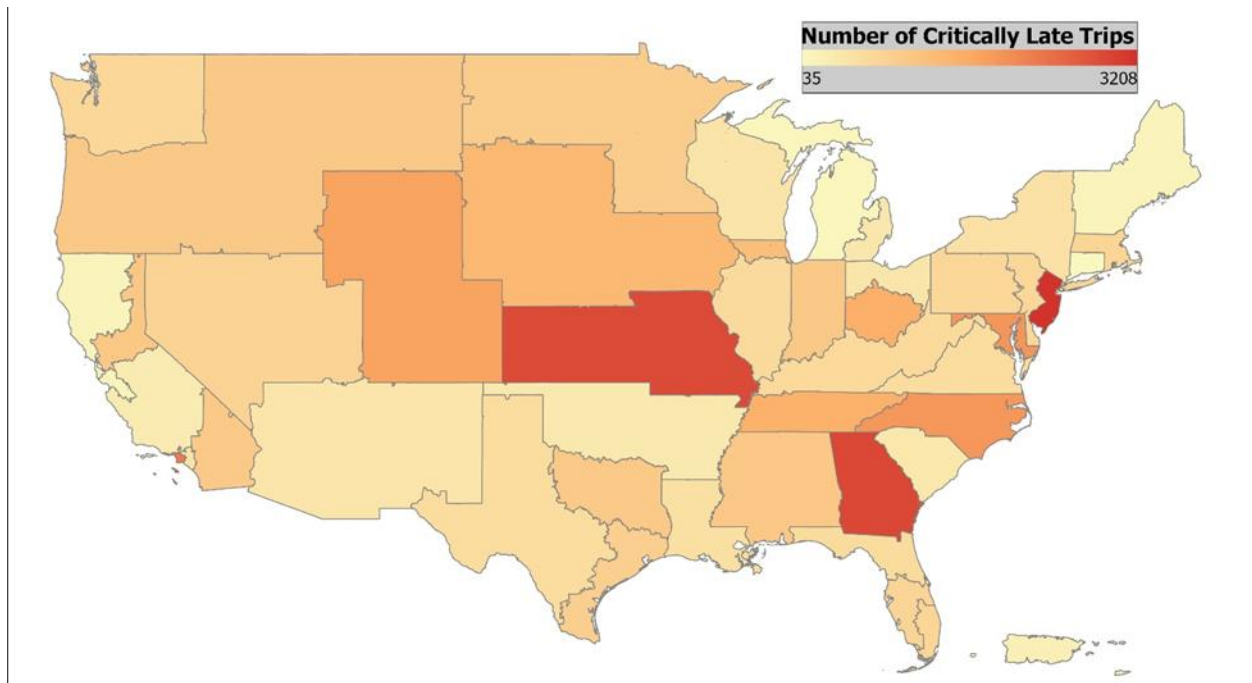
Because employee availability may continue to pose issues for the Postal Service, particularly when low employee availability coincides with network changes and/or disruptive events, the Commission recommends that the Postal Service continue to monitor the impact of fluctuations in employee availability on service performance and consider how low employee availability could impact network changes and/or disruptive events.

(d) Supplier Performance and Capacity

The Postal Service tracks surface trips that arrive more than 4 hours late, referred to as CLTs.⁴¹ The Postal Service reports that over half of CLTs were caused by contractors in FY 2022, FY 2023, and FY 2024. *See* FY 2023 ACD at 105, Figure V-8; Response to CHIR No. 1, question 3, Excel file “ChIR No. 1 Q3 CLT FY 2024 SV.xlsb.” In FY 2024, the total number of CLTs decreased, and the categories of CLTs caused by contractors and CLTs caused by outside factors also observed decreases. *See id.*; FY 2023 ACD at 104, Figure V-7.

Figure III-3 shows the number of CLTs by District in FY 2024.

Figure III-3
FY 2024 First-Class Mail Number of Critically Late Trips, By District



Note: Alaska and Hawaii CLT data are not available.

Source: Library Reference USPS-FY24-29, ZIP folder “USPS-FY24-29 Files.zip,” Excel file “ACR2024 EOY CLT FY24 Q3-Q4.xlsb,” tab “CLT FY 24,” with “District” column.

⁴¹ FY 2023 ACD at 102; *see* Docket No. ACR2015, Responses of the United States Postal Service to Questions 1-20 of Chairman’s Information Request No. 22, November 15, 2016, question 12.b.i.

The Midwest, Great Plains, and Rocky Mountain geographic regions, which tend to be more rural, appear to suffer from high numbers of CLTs despite having substantially lower population densities and thus volumes.⁴² As enshrined in the statute, the Postal Service “shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities.” 39 U.S.C. § 101(a). Currently, the High-Quality Service performance indicators are volume-weighted, such that poor service results in low-volume areas (such as rural areas) could be obfuscated by this aggregation of results. By not discretely evaluating its service performance in these areas, the Postal Service’s current performance indicators do not illustrate its progress in achieving its stated mission of delivering High-Quality Service to all areas and all communities. To remedy this gap in goal setting, the Postal Service could calculate one or several indicators to track on-time performance in rural areas.⁴³ The Postal Service has discussed its ability to track service performance at under-performing areas at a local level. *See* Response to CHIR No. 21, question 1.a.i.

The OIG found that LTO, an initiative under the DFA Plan, negatively impacted service to customers.⁴⁴ Specifically, the service performance of single-piece mail in rural communities declined following the implementation of the LTO initiative in the first six regions: Richmond, VA; Wisconsin; Phoenix, AZ; Atlanta, GA; Portland, OR; and Alabama. OIG Report No. 24-142-R25 at 5. Those six regions also experienced a decline in presort mail service performance following LTO implementation; however, the OIG found that since most presort mail is inducted directly at the processing plants instead of the local offices, the impact to presort mail service performance was minimal. *Id.* at 6. The LTO initiative is designed to reduce the overall number of transportation trips between sorting facilities and delivery units and increase the amount of mail transported on each trip. *Id.* at 1, 3. This is achieved by the Postal Service no longer transporting originating mail collected at the optimized delivery units to the processing facilities the same day it is collected. *Id.* at 3. Rather, the mail remains at the delivery unit until the next day, delaying its entry into sorting operations. *Id.* This delay in mail transportation at the LTO affected offices resulted in an overall decrease in service to the mailers served by those facilities. *Id.* at 6. The OIG found that the LTO initiative affected more rural ZIP Codes than urban ones throughout the 15 regions where the LTO initiative was implemented. *Id.* at 9. This further underlines the importance of tracking service performance in rural areas.

⁴² *See, e.g.*, United States Census Bureau, Historical Population Density Data (1910-2020), April 26, 2021, available at <https://www.census.gov/data/tables/time-series/dec/density-data-text.html>. The percentage of total trips that were critically late varied per division with relatively higher percentages mostly occurring in western United States and relatively lower percentages mostly occurring in eastern United States. Of note, the Southeast division (which includes Georgia) experienced a relatively high percentage of CLTs while the Southwest division (which includes Texas) experienced a relatively low percentage. *See* Library Reference USPS-FY24-29, Service Performance of Market Dominant Products, ZIP folder “USPS-FY24-29 Files.zip,” Excel file “ACR2024 EOY CLT FY24 Q3-Q4.xlsx,” tab “CLT FY 24,” with “Division” column.

⁴³ *See, e.g.*, Docket No. RM2022-3, Michael D. Bradley, On the Estimation of a Top-Down Model for City Carrier Street Time, January 5, 2022, at 39-40 (Bradley Study) (describing a method considered by the Postal Service to employ Rural-Urban Commuting Area data from the Economic Research Service of the Department of Agriculture to identify metropolitan, micropolitan, small town, and rural ZIP Codes).

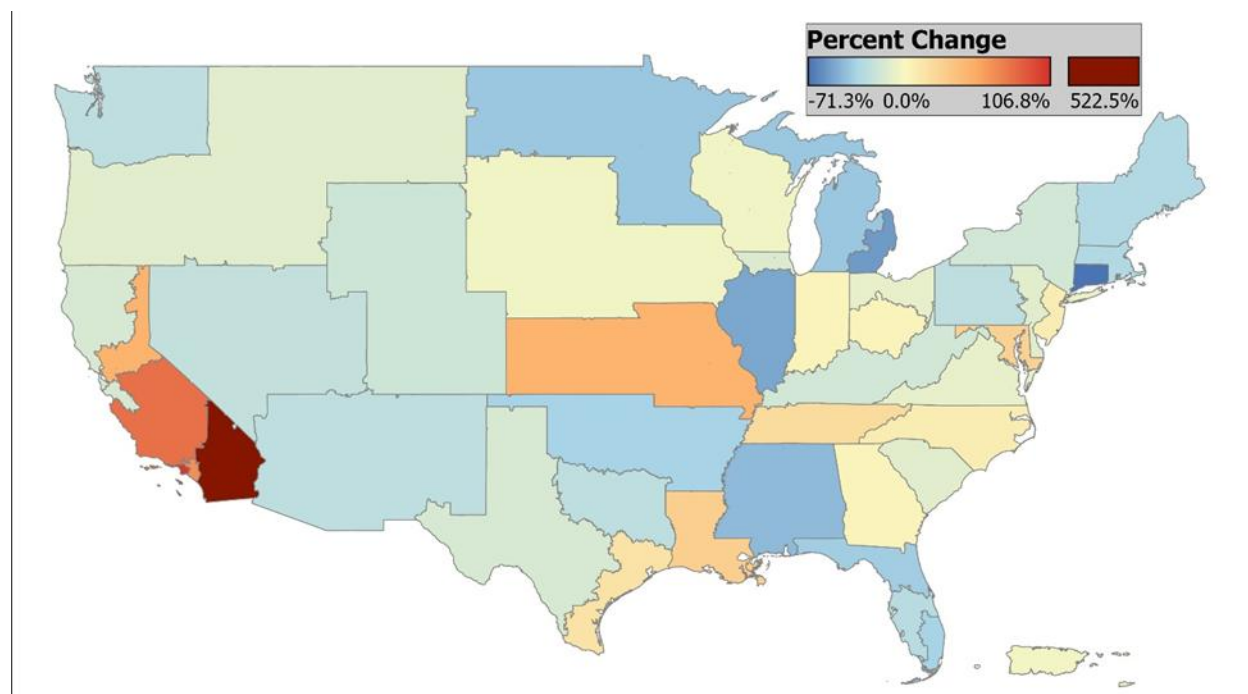
⁴⁴ United States Postal Service, Office of Inspector General, Report No. 24-142-R25, Network Changes: Local Transportation Optimization, December 18, 2024, at 5, available at <https://www.uspsig.gov/reports/audit-reports/network-changes-local-transportation-optimization> (OIG Report No. 24-142-R25).

Similarly, service performance issues in non-contiguous areas of the United States are not well understood. For example, the FY 2024 CLT data for First-Class Mail in Alaska and Hawaii are not available. See Figures III-3 & III-4. Service performance for various Market Dominant mail products in non-contiguous areas exhibited uneven on-time results in comparison with contiguous areas in FY 2024. See Figures III-5, III-6, III-7. This demonstrates the importance of incorporating performance indicators for service performance in non-contiguous areas into the Postal Service’s High-Quality Service goal as well.

The Commission recommends the Postal Service incorporate one or more performance indicators that illustrate its service performance in rural areas and non-contiguous areas into its High-Quality Service goal. In doing so, the Postal Service would align its High-Quality Service goal with its mission to serve all areas and all communities.

Figure III-4 shows a comparison of CLTs between FY 2023 and FY 2024 at the district level.

Figure III-4
FY 2023 - FY 2024 Percent Change in First-Class Mail Number of Critically Late Trips, By District



Notes: From FY 2023 to FY 2024, CLTs increased for 16 districts, which is equivalent to one third of the mapped districts. Alaska and Hawaii CLT data are not available.

Source: Docket No. ACR2023, Library Reference “USPS-FY23-29: Service Performance of Market Dominant Products,” December 29, 2023, ZIP folder “FY23-29 Files.zip,” Excel file “ACR2023 CLT Data.xlsx,” tab “SV FY22 and FY23,” table “CURRENT STRUCTURE” with “District” column and Docket No. ACR2024, Library Reference “USPS-FY24-29: Service Performance of Market Dominant Products,” December 30, 2024, ZIP folder “USPS-FY24-29 Files.zip,” Excel file “ACR2024 EOY CLT FY24 Q3-Q4.xlsx,” tab “CLT FY 24” with “District” column.

The variation in the percentage change of CLTs is largely District-dependent as it is not congruous within geographical regions. Although the Postal Service tracks the number of CLTs, it remains unable to quantify the impacts of CLTs on service performance. Response to CHIR No. 20, question 3.

In order to address CLTs related to supplier performance, the Postal Service states that it has implemented a “review and accountability process” in which Logistics Directors conduct monthly reviews focusing on top suppliers. Response to CHIR No. 16, question 5.b. More granularly, field managers and directors at the Division-level receive weekly reports that “identify the specific lanes that have consistent CLTs.” *Id.* Moreover, the Postal Service works with its suppliers using advanced routing and planning tools to mitigate transit concerns based on traffic and geographic patterns. *Id.* According to the Postal Service, these reviews are “instrumental in promoting supplier accountability and improving the overall on-time performance and safety of trips.” *Id.* Additionally, the Postal Service has utilized the “Freight Auction” market to analyze supplier data in an effort to bolster timely departures and arrivals. *Id.* The Postal Service has also expanded its network visibility platforms, allowing it to more accurately evaluate supplier arrival times at Postal Service facilities more accurately. *Id.*

The Postal Service has indicated that its efforts to address CLTs whose causes are within its control focus on transportation supplier performance. *See* CHIR No. 16, question 5. While it is important that the Postal Service is focusing on closely monitoring supplier performance, over one third of CLTs in FY 2024 were attributable not to contractors, but to processing failures and other issues within the Postal Service’s direct control.⁴⁵ In fact, Postal Service-caused CLTs increased by 55.77 percent from FY 2023 to FY 2024. *See id.*; FY 2023 ACD at 105, Figure V-8. The Commission urges the Postal Service to consider implementing initiatives that will address CLTs related to Postal Service-controlled issues, such as dock congestion, dock personnel issues, and late processing of mail.

The Commission recommends that the Postal Service increase efforts to address CLTs whose causes are within its direct control.

⁴⁵ *See* Response to CHIR No. 1, question 3, Excel file “ChIR No. 1 Q3 CLT FY2024 SV.”

c. Plans for Improving High-Quality Service in FY 2025
(1) Continued Implementation of DFA Plan

The Postal Service reports that in FY 2025, it will continue implementing elements of its DFA Plan. FY 2024 Annual Report at 42-43. These efforts generally involve transforming processing facilities and transportation networks; remedying temporary disruptions to operations; better aligning service standards with operations; planning for the peak season; investing in infrastructure; and stabilizing and empowering the workforce. *See id.* at 43.

In terms of its efforts to remediate disruptions to operations, the Postal Service also notes that it has created the Performance Excellence Team to “troubleshoot[] and address[] systemic issues in [its] network and across the Postal footprint” in an effort to promote productivity and “drive performance improvements at processing facilities” in line with the DFA Plan. *Id.*

Additionally, the Postal Service reports that it is proposing to revise its service standards⁴⁶ for “end-to-end products,” as the current standards “are not in line with the growing parcel business, expanding delivery points, and declining mail volume.” FY 2024 Annual Report at 43. Thus, the Postal Service seeks to revise the standards to better align with its updated “plant network configuration” in order to reduce costs and increase efficiency.⁴⁷

In FY 2025, the Postal Service plans to utilize the facilities and processing capabilities brought on in the last 3 years to manage the peak season efficiently, reducing reliance on temporary facilities and employees. FY 2024 Annual Report at 43. Moreover, processing capacity will continue to be augmented as the DFA Plan is executed. *Id.*

⁴⁶ On October 4, 2024, the Postal Service in Docket No. N2024-1 filed a request for an advisory opinion for planned changes in the nature of postal services that would generally affect service on a nationwide or substantially nationwide basis. Docket No. N2024-1, United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, October 4, 2024. The Commission’s role regarding N-case proceedings is advisory in nature, and the Commission issued its Advisory Opinion on the Postal Service’s proposed operational and service changes on January 31, 2025. Docket No. N2024-1, Advisory Opinion. The Postal Service implemented its Docket No. N2024-1 proposal in two phases, with Phase 1 going into effect on April 1, 2025, and Phase 2 going into effect on July 1, 2025. Service Standards for Market-Dominant Mail Products, 90 Fed. Reg. 10857 (Feb. 28, 2025) (codified at 39 C.F.R. pt. 121).

⁴⁷ *Id.* In Docket N2024-1, the Postal Service proposed significant operational changes to its processing and transportation networks, including the creation of a nationwide hub-and-spoke network of RP&DCs and LPCs designed to consolidate and reduce transportation links among facilities. Docket No. N2024-1 Advisory Opinion at 5, 97. The Postal Service also proposed implementing a nationwide Regional Transportation Optimization (RTO) initiative that will result in delayed processing of outgoing mail volume from Post Offices located in 5-Digit ZIP Codes where at least one Post Office is more than 50 miles (driving distance) from the servicing RPDC. *Id.* at 5, 96. On April 1, 2025 during Phase 1, the Postal Service implemented its RTO initiative, by adding one service expectation day to certain volume in Leg 1 (*i.e.*, from collection to originating processing facility) for items originating in ZIP Codes covered by RTO). 90 Fed. Reg. 10857-10858, 10865-10866. These changes affected First-Class Mail (excluding eligible Presort First-Class Mail pieces) and Periodicals. *Id.* at 10868. On July 1, 2025, during Phase 2, the Postal Service implement its proposal in its entirety. *Id.* at 10858. Among other changes during Phase 2, the Postal Service expanded by 4 hours each of the existing service standard bands within Leg 2 (*i.e.*, from originating processing facility to destinating processing facility) for First-Class Mail so that such mail can travel farther to plants that are a greater distance from the originating plant within the Leg 2 bands. *Id.* at 10858, 10865-10866. These changes affected First-Class Mail, Periodicals, USPS Marketing Mail, and Package Services. *Id.* at 10869-10871. Generally for Periodicals, the Postal Service adds 1 day to the applicable First-Class Mail service standard. *Id.* at 10868-10871. Generally for USPS Marketing Mail and Package Services, the Postal Service adds 2 days to the applicable First-Class Mail service standard. *Id.* at 10868-10871.

The Postal Service states that it will continue to make significant capital investments in its infrastructure in FY 2025. *Id.* These include additional automated package sorting equipment and the continued expansion of the Postal Service’s Battery Electric Vehicle (BEV) fleet, including the accompanying charging infrastructure. *Id.* The Postal Service reports that it has made infrastructure investments totaling over \$17 billion to date, with plans to invest more than \$40 billion over the course of the DFA Plan. *Id.* These investments will go to, among other things, modernizing its delivery vehicle fleet, updating processing facilities, improving operational technology, support, and software, and expanding package capacity. *Id.*

Regarding its workforce, the Postal Service notes that it has “invested in employee recruitment, retention, and skill development, while promoting clear career paths and diversity.” *Id.* In this vein, it notes that, in conjunction with the American Postal Workers’ Union (APWU), it has established a Postal Vehicle Operator class, which will allow it to insource more of its transportation activities, ensure cost controls despite fluctuations in contractor rates, and better mitigate driver shortages. *Id.*

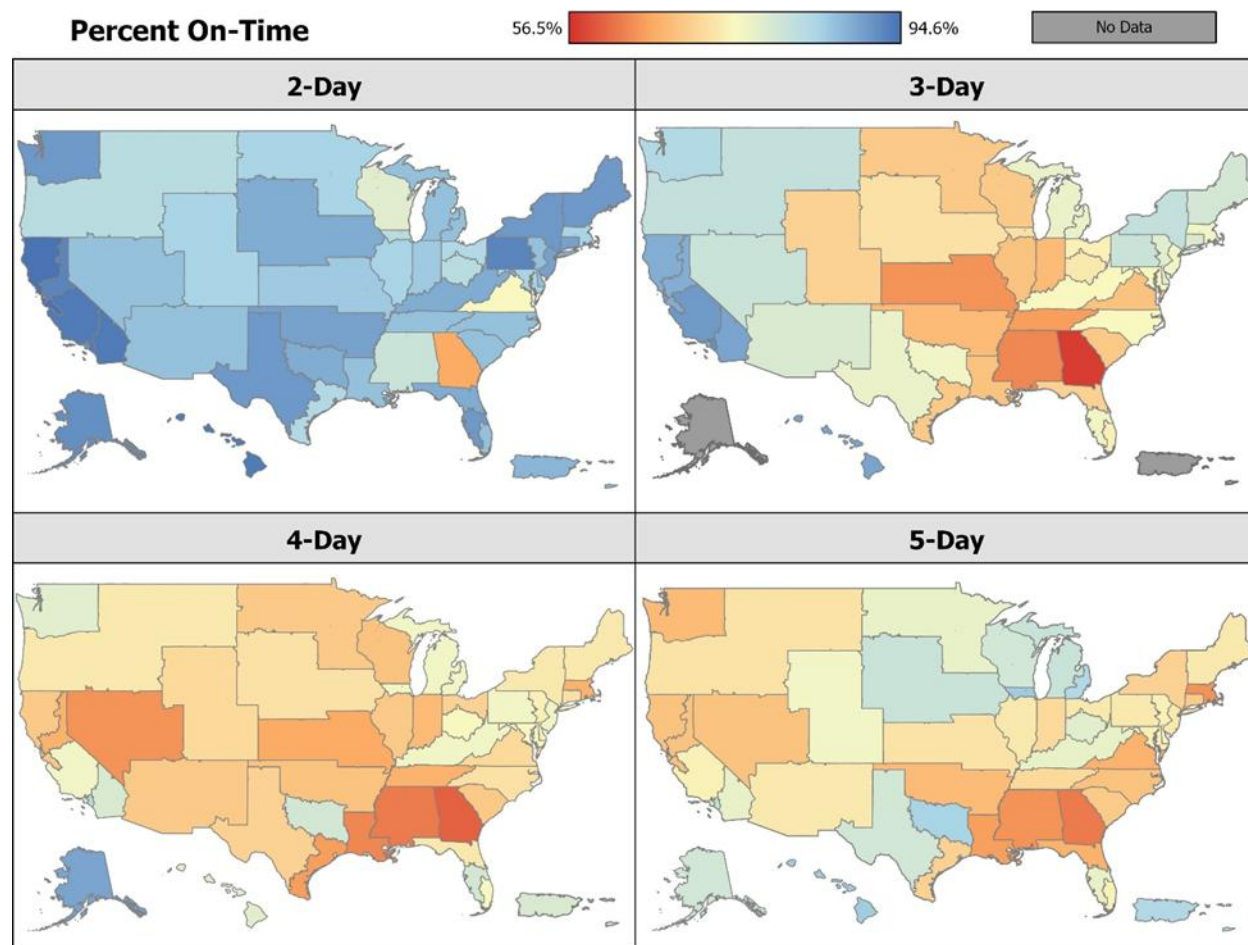
The Postal Service states that it will continue its rollout of the redesigned network by activating more RP&DCs, LPCs, and S&DCs in FY 2025. *Id.* Concurrently, it will continue redesigning its transportation and logistics operations to eliminate waste and efficiently integrate with network operations. *Id.*

Given the connection characterized by the Postal Service between implementation of the DFA Plan and increased High-Quality Service performance indicator results, the Commission recommends that the Postal Service continue to provide transparency regarding this connection. Specifically, in all future annual reports through the first year following completion of the DFA Plan, the Postal Service should report how the DFA Plan (as a whole and for applicable distinct initiatives) affected the High-Quality Service performance indicator result. Moreover, in Docket No. N2024-1, the Commission provided a series of recommendations to the Postal Service regarding several aspects of the DFA Plan. See, e.g., Docket No. N2024-1, Advisory Opinion at 5-10. The Commission advises the Postal Service to pursue these recommendations in order to align the DFA Plan with improved High-Quality Service performance. The Commission also recommends that the Postal Service consider pausing other DFA Plan initiatives in addition to the movement of processing operations associated with the mail processing facility reviews until it has conducted a comprehensive study of the DFA Plan’s potential impacts on service performance.

(2) Service Performance by District and/or Area

There are differences in service performance across geographic areas. For example, Figures III-5, III-6, and III-7 show geographic variation in on-time service performance of Single-Piece First-Class Mail, 2-, 3-, 4-, and 5-Day Letters/Postcards, Single-Piece First Class Mail, 3-5-Day Letters/Postcards, and Outside County Periodicals, respectively.

Figure III-5
FY 2024 On-Time Service Performance, By District
Single-Piece First-Class Mail, 2-, 3-, 4-, and 5-Day Letters/Postcards



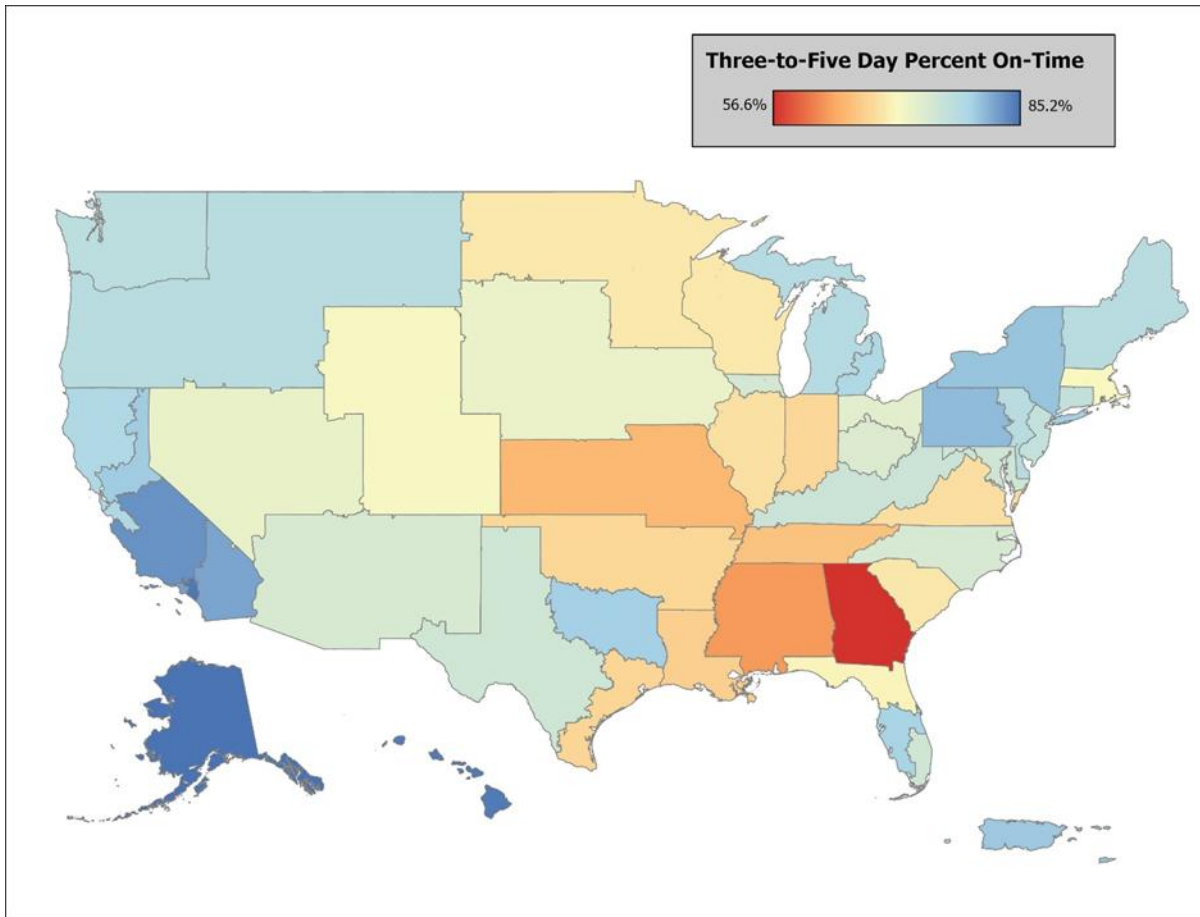
Source: United States Postal Service, FY 2024 Quarter 4 - Quarterly Performance Measurement Data, November 12, 2024, ZIP folder "QuartPerf_FY24_Q4.zip," ZIP folder "FY24 Q4 SPM Reports by Service Standard.zip," Excel file "SPFC LC 244 Scores Report.xls," tab "SPFC LC YTD."

Figure III-5 highlights the district-level service performance differences between 2-, 3-, 4-, and 5-Day Single-Piece First-Class Mail Letters/Postcards.⁴⁸ Figure III-6 highlights the district-level service performance for 3-5-Day Single-Piece First-Class Mail Letters/Postcards. The Postal Service provides Single-Piece First-Class Mail, 2-Day and Single-Piece First-Class Mail, 3-5-Day performance measures, and neither measure met its FY 2024 Target of 93.00 percent and 90.28 percent, respectively. *See* FY 2024 Annual Report at 41. Notably, both Single-Piece First-Class Mail service performance indicators have the largest percentage point differences between the FY 2024 actual and target scores,

⁴⁸ The maps are derived from the complete dataset of 2-, 3-, 4-, and 5-Day Single-Piece data rather than data from each day by district.

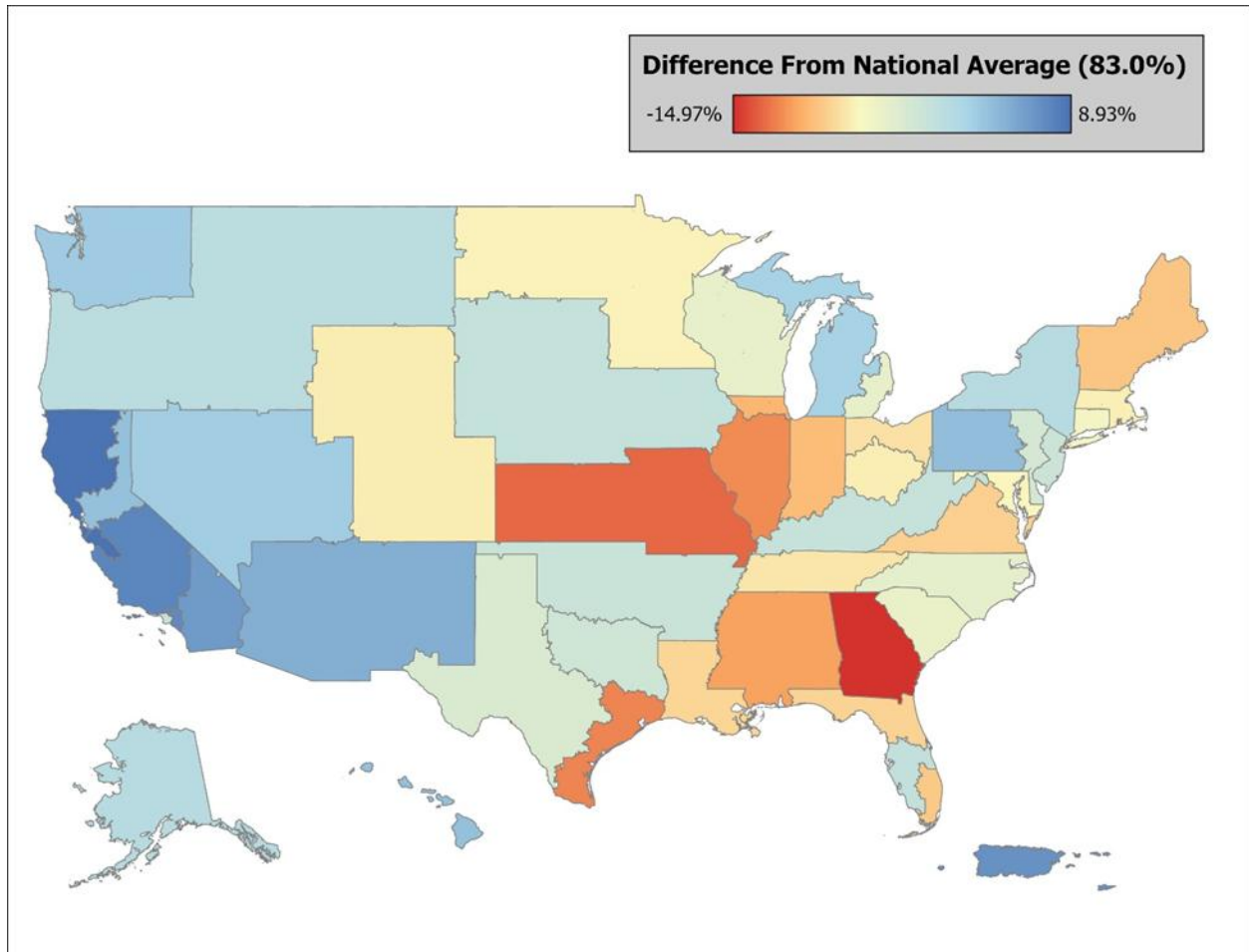
falling 6.56 percentage points for 2-Day and 17.67 percentage points for 3-5-Day. *Id.* Additionally, the mode of transportation used to move the mail between districts changes depending on the service standard; for example, 2-Day transportation is mostly surface while 3-, 4-, and 5-Day is a mixture of surface and air transportation. The Postal Service states that over the last year, it achieved significant cost reductions by optimizing surface transportation routes and moving products from air to surface transportation. *Id.* However, the trade-off for these cost reductions appears to be a significant decline in service performance.

Figure III-6
FY 2024 On-Time Service Performance, By District
Single-Piece First-Class Mail, 3-5-Day Letters/Postcards



Source: United States Postal Service, FY 2024 Quarter 4 - Quarterly Performance Measurement Data, November 12, 2024, ZIP folder "QuartPerf_FY24_Q4.zip," ZIP folder "FY24 Q4 SPM Reports.zip," ZIP folder "First-ClassMail.zip," Excel file "SPFC LC 244 Scores Report.xls," tab "SPFC LC YTD."

Figure III-7
FY 2024 On-Time Service Performance, By District
Outside County Periodicals



Source: Response to CHIR No. 23, question 2, Excel file "ChIR23_Response_Question_2.xlsx," tab "Data."

Figure III-7 shows lower on-time service performance in the central and southern geographic regions and higher service performance in the western region compared to the national average. The Postal Service combines Periodicals and Marketing Mail in a composite which reaches 93.53 percent on-time service performance, notably the closest measure to its respective FY 2024 target. *See* FY 2024 Annual Report at 41. However, the Postal Service states that the Marketing Mail and Periodicals composite is weighted to be comprised of two-thirds Marketing Mail letters, with the remainder being Marketing Mail flats and Periodicals. *Id.* With the composite highlighting the performance of Marketing Mail letters, it is difficult to determine the Periodicals' performance separately. Disaggregating Periodicals demonstrates a notable difference from the composite, ultimately showing the need to improve Periodicals' performance in FY 2025, despite the composite performing better than other measures in FY 2024.

The Commission continues to recommend that the Postal Service explore ways to better balance service performance scores across the nation. It is likely that significant gains in national scores could be made by focusing efforts on low-performing Areas and/or Districts. Thus, the Commission recommends the Postal Service continue to study the reasons for service performance issues in the lowest performing Areas/Districts. Further, the Commission recommends the Postal Service incorporate one or more performance indicators to capture service performance in rural areas and non-contiguous areas as mentioned above.

B. Excellent Customer Experience

1. Key Observations and Recommendations

The Commission finds that the Postal Service failed to meet its Excellent Customer Experience goal in FY 2024, achieving only three of eight targets. Delivery performance was the largest shortfall, continuing a multi-year decline. The Commission supports the Postal Service's technology-driven improvement plans but stresses the importance of delivery accuracy and courtesy.

For FY 2025, the Commission finds the performance targets reasonable and urges the Postal Service to ground future targets in past results. For any unmet targets in FY 2025, the Postal Service should explain the shortfall and outline corrective actions in its report.

The Commission endorses continued use of the Net Promoter Score (NPS), expects reversal of recent NPS declines, and requires explanations and improvement plans for any further declines. It encourages continued use of social listening tools like heat maps and social media platforms to enhance responsiveness and decision-making. If dissatisfaction with the Facebook ChatBOT remains high, the Postal Service should explain why and address this in future reports.

The Commission commends the Postal Service's effective use of artificial intelligence (AI) tools, such as the Artificial Intelligence Virtual Agent (AIVA), and recommends sustained efforts to enhance customer experience (CX) through technology and proactive customer support.

2. Background

The Postal Service measures customer experience (CX) by conducting surveys of residential, small/medium business, and large business customers.⁴⁹ In FY 2024, the Postal Service measured CX using the following eight surveys:

- Business Service Network (BSN)
- Point of Sale (POS)
- Delivery
- Customer Care Center (CCC)
- Customer 360 (C360)
- Business Mail Entry Unit (BMEU)
- *usps.com*
- Large Business Panel

Each survey measures a customer touchpoint or interaction between the customer and the Postal Service. The surveys were described in detail in the *FY 2022 Analysis*. See FY 2022 Analysis at 50-53.

In FY 2024, the Postal Service used eight performance indicators or metrics to track progress toward the Excellent Customer Experience performance goal. Seven of those performance indicators correspond directly to one of the CX surveys.⁵⁰ Results are calculated as the percentage of customers who responded “Very Satisfied” or “Satisfied” to a question about overall satisfaction on the particular survey. FY 2024 ACR at 55.

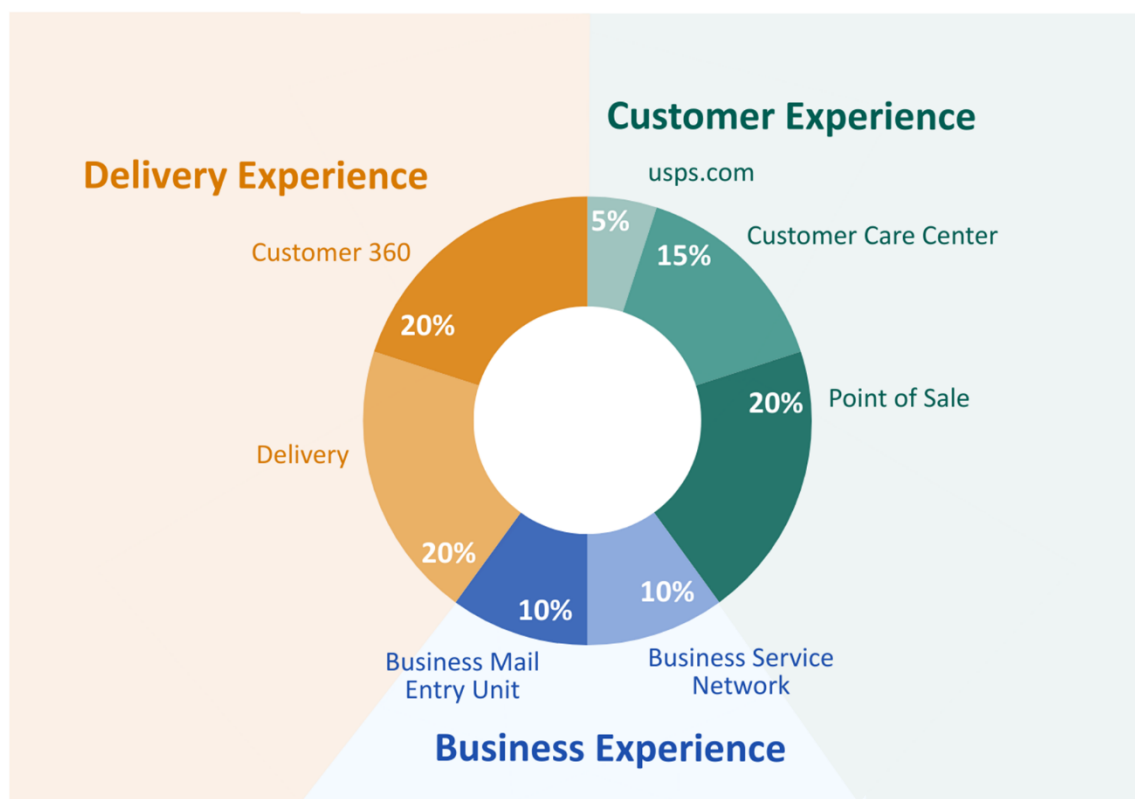
The Postal Service used results of the seven CX survey performance indicators to calculate the CX Composite Index, which is the eighth performance indicator tracking progress toward the Excellent Customer Experience performance goal. See FY 2024 Annual Report at 44. While each survey measures CX based on specific touchpoints or interactions with the Postal Service, the CX Composite Index measures overall CX across the most frequently used customer-facing channels. *Id.*

The CX Composite Index is a weighted aggregate based on results of the CX survey performance indicators. *Id.* Figure III-8 shows how each CX survey was weighted to calculate the FY 2024 CX Composite Index result.

⁴⁹ Residential customers live in U.S. households that receive mail delivery. Small/medium business customers have fewer than 250 employees at one location. Large business customers have 500 or more employees. Library Reference USPS-FY24-38, December 30, 2024, PDF “USPS-FY24-38 Preface.pdf,” at 3, 6.

⁵⁰ See FY 2024 Annual Report at 44. The Postal Service does not use the Large Business Panel survey as a performance indicator because it asserts that business CX is already measured by the BSN and BMEU surveys. FY 2022 Analysis at 53 n.76.

Figure III-8
Customer Experience Composite Index
Weights of Performance Indicators in FY 2024



Source: FY 2024 Annual Report at 44.

The FY 2024 CX Composite Index result was 77.80, which did not meet the FY 2024 target (78.96). *See* FY 2024 CX Results. The Postal Service explains that the target was not met because four performance indicators missed their respective FY 2024 targets: BSN, BMEU, *usps.com*, and Delivery. FY 2024 Annual Report at 44. The FY 2024 BSN and BMEU results missed their respective FY 2024 targets by less than 1.08 percentage points, and the FY 2024 *usps.com* and Delivery results missed their respective FY 2024 targets by 2.54 and 5.68 percentage points, respectively. *See* Table III-5, below. The Postal Service explains that the *usps.com* result did not meet the target because of pain points related to user experience, messaging, and task completion. *Id.* at 46; March 11 Response to CHIR No. 14, question 1.a. For the Delivery performance indicator, the Postal Service states it missed the target due to network updates made as part of the DFA Plan. FY 2024 Annual Report at 47.

To improve progress toward the Excellent Customer Experience performance goal in FY 2024, the Postal Service states it will improve its measurement of CX by ensuring that survey questions accurately measure both customer sentiment and customer satisfaction

attributes. *Id.* at 48. It notes it will prevent undesirable customer experiences by providing its employees with actionable data to help them resolve customer pain points. *Id.*

3. Comments

The Public Representative concludes that the CX Composite Index missed the FY 2024 target primarily because of the Delivery performance indicator, which missed its target by more than 5 percentage points. PR Comments at 42. He comments on results and targets for each survey. *Id.* at 30-41. The Public Representative observes that the number of responses to the *usps.com* survey increased by more than 900 percent and recommends that the Postal Service identify any significant changes to the number of survey responses in the ACD, *Annual Report to Congress*, or Library Reference 38. *Id.* at 40. He points out that for the *usps.com* survey, a large percentage of respondents chose the "Neutral" option compared to the other CX surveys. *Id.* He recommends that the Postal Service investigate any patterns or sources of dissatisfaction among these respondents. *Id.*

In its reply comments, the Postal Service responds that although its priority is to improve the *usps.com* website, it will consider investigating how survey responses are distributed to shift "Neutral" responses to those with higher satisfaction. Postal Service Reply Comments at 5. It states it is identifying areas for improvement by investigating how satisfaction scores are distributed across the primary reasons for website visit and website applications. *Id.*

4. Commission Analysis

In FY 2024, the Postal Service exceeded POS, CCC, and C360 targets, but missed targets for the CX Composite Index, BSN, BMEU, *usps.com*, and Delivery performance indicators. See FY 2024 Annual Report at 44-47.

The Commission finds that the Postal Service did not meet the Excellent Customer Experience performance goal in FY 2024 because it met three targets but missed five targets.

In the sections below, the Commission analyzes targets and results and compares the Postal Service's measurement of CX to several metrics used in the public and private sector: the NPS, social media customer service, and AI tools.

a. Analysis of Targets and Results

(1) FY 2024 Targets and Results

For each performance indicator, Table III-5 shows results from FY 2021 through FY 2024 and compares FY 2024 targets and results. As Table III-5 shows, in FY 2024 the Postal Service met three targets and missed five targets.

Table III-5
Excellent Customer Experience Performance Indicators
Comparison of FY 2024 Targets and FY 2021-FY 2024 Results

Performance Indicator	FY 2024 Targets	Difference Between FY 2024 Target and Result	Results			
			FY 2024	FY 2023	FY 2022	FY 2021
Customer Experience Composite Index ^a	78.96	-1.16	77.80	76.93	72.72	68.49
Business Service Network	98.00%	-0.23	97.77%	98.87%	98.20%	97.89%
Point of Sale	87.46%	0.55	88.01%	87.10%	86.34%	84.39%
Delivery ^a	80.94	-5.68	75.26	75.85	73.91	70.41
Customer Care Center ^a	85.00	0.39	85.39	84.52	70.75	61.85
Customer 360	46.00%	0.29	46.29%	42.21%	38.44%	33.34%
<i>usps.com</i>	78.07%	-2.54	75.53%	72.79%	73.62%	67.13%
Business Mail Entry Unit	96.29%	-1.08	95.21%	96.89%	96.48%	95.66%

Note: Red text indicates below target. Green text indicates above target.

^a Targets and results for these performance indicators are not expressed as percentages because they are calculated by weighting and aggregating various survey results.

Source: FY 2024 Annual Report at 44; FY 2024 CX Results; FY 2023 Analysis at 74.

Table III-5 shows that the CX Composite Index, BSN, and BMEU performance indicators missed their targets by less than 1.16 percentage points. The CX Composite Index increased between FY 2023 and FY 2024 and has steadily improved since FY 2021. Although BSN and BMEU results fell by just over 1 percentage point between FY 2023 and FY 2024, they continued to have the highest customer satisfaction scores compared to the other Excellent Customer Experience performance indicators. Over the last four fiscal years, the Postal Service's business customers consistently reported the highest customer satisfaction levels compared to the other surveyed customer segments.

Although the *usps.com* performance indicator missed its target by 2.54 percentage points, the result improved by 2.74 percentage points between FY 2023 and FY 2024. The Delivery performance indicator, which missed the FY 2024 target by 5.68 percentage points, had the largest difference between the target and result. The Delivery result also declined by less than one percentage point between FY 2023 and FY 2024.

The Postal Service explains that it missed the FY 2024 Delivery target because of growing pains resulting from network updates made as part of the DFA Plan. FY 2024 Annual Report at 47. The Public Representative comments that the DFA Plan should not significantly impact Delivery survey results, which reflect satisfaction with receiving mail and packages for residential and small/medium business customers. PR Comments at 36. He states that it is unclear whether results reflect issues with last-mile delivery or problems with mail processing upstream. *Id.*

The Postal Service's Delivery performance indicator results represent the largest gap between results and target in FY 2024, missed their targets since FY 2021, and declined from FY 2023 to FY 2024. The Postal Service acknowledges that DFA Plan network updates affected customer satisfaction with receiving packages by the date expected. *See* FY 2024 ACR at 63. To improve Delivery survey results, the Postal Service states it has leveraged available technology "to increase efficiency by identifying optimal lines of travel and placing customer deliveries in the most efficient delivery sequence." FY 2024 Annual Report at 62. Moreover, issues related to accuracy and courtesy can be addressed by personnel delivering mail and packages.

The Commission will continue to monitor trends in Delivery performance indicator results, which represent the largest gap between results and target in FY 2024, missed their targets since FY 2021, and declined from FY 2023 to FY 2024. The Postal Service's plans to improve results appear designed to improve accuracy and delivery speed by leveraging technology. In addition, the Postal Service should ensure that personnel delivering items focus on delivery accuracy and courtesy. To promote transparency, for each target that is not met in FY 2025, the FY 2025 Report should identify specific reasons why and describe plans to meet FY 2026 targets.

(2) FY 2025 Targets

The Postal Service set FY 2025 targets for each Excellent Customer Experience performance indicator, which are shown in Table III-6, along with FY 2024 targets and results.

Table III-6
Excellent Customer Experience Performance Indicators
FY 2025 Targets and FY 2024 Targets and Results

Performance Indicators	Targets		FY 2024 Results
	FY 2025	FY 2024	
Customer Experience Composite Index ^a	79.41	78.96	77.80
Business Service Network	98.00%	98.00%	97.77%
Point of Sale	87.96%	87.46%	88.01%
Delivery ^a	80.94	80.94	75.26
Customer Care Center ^a	85.00	85.00	85.39
Customer 360	48.15%	46.00%	46.29%
usps.com	76.95%	78.07%	75.53%
Business Mail Entry Unit	96.00%	96.29%	95.21%

Note: Red text indicates below target. Green text indicates met or above target.

^a Targets and results for these performance indicators are not presented as percentages because they are calculated by weighting and aggregating various survey results.

Source: FY 2024 Annual Report at 44, 47; FY 2024 CX Results.

Table III-6 shows that FY 2025 targets are within 1 percentage point of the FY 2024 target except for the C360 and *usps.com* performance indicators. The Public Representative comments that most of the targets are appropriate, but the Postal Service could have selected a higher FY 2025 CCC target considering the result has improved during the past 6 years. PR Comments at 30-42. He observes that since FY 2021, the Delivery performance indicator has missed its target by approximately 5 to 7 percentage points. *Id.* at 37.

In a CHIR response, the Postal Service confirms that it considered FY 2024 results when setting FY 2025 Excellent Customer Experience targets. March 11 Response to CHIR No. 14, question 2.d. It explains that each FY 2025 target "is based on the median performance across the population being scored from the previous fiscal year" and the Postal Service's continuous improvement. *Id.* If it misses a target, the Postal Service states it will determine whether the target is achievable based on the current environment and performance during the previous fiscal year. *Id.* It explains that the Delivery target remains the same in FY 2025 because of the median performance in FY 2024 and anticipated continuous improvement in FY 2025. *Id.*

The Commission finds that based on FY 2024 results, FY 2025 targets for the Excellent Customer Experience performance indicators are reasonable. It recommends that the Postal Service continue to consider the prior year's result and past performance when setting the subsequent year's target. To improve transparency, the Commission recommends that the

Postal Service provide the rationale for setting FY 2026 targets in the FY 2026 Plan or FY 2025 ACR.

b. Net Promoter Score

In FY 2024, the Postal Service continued to use the NPS on all CX surveys. FY 2024 ACR at 56. The NPS measures customers' willingness to recommend a business to a friend or acquaintance. *Id.* The NPS measures customer perception on a scale of 0 (Not at All Likely) to 10 (Extremely Likely) based on a single question: "How likely is it that you would recommend [Organization X/Product Y/Service Z] to a friend or colleague?"⁵¹ Depending on their response, customers fall into one of three categories:

- **Promoters**, who respond with a score of 9 or 10 and are typically loyal and enthusiastic customers.
- **Passives**, who respond with a score of 7 or 8, are satisfied with the company, service, or product but not happy enough to be considered Promoters.
- **Detractors**, who respond with a score of 0 to 6, are unhappy customers who are unlikely to buy from the company again and may even discourage others from buying from that company.

Id.

During 2023, the Qualtrics XM Institute surveyed 5,288 U.S. customers of 5 parcel delivery companies and found that these parcel delivery companies had an average NPS of 24, which was the 6th highest across all 22 industries surveyed.⁵² Moreover, the study found that compared to Detractors, Promoters of a parcel delivery company are 2.9 times more likely to buy more products and services, 4.1 times more likely to trust, and 3.7 times more likely to forgive the company if it makes a mistake. Scutt & Quaadgras, *infra*, note 52. These findings illustrate that leveraging the NPS metric could be a lucrative opportunity for the Postal Service to understand what satisfies Promoters, how to replicate that experience for other customers, and how to identify and address the issues that led some customers to become Detractors.

⁵¹ Adam Bunker, *What Is NPS? The Ultimate Guide to Boosting Your Net Promoter Score*, Qualtrics XM, available at <https://www.qualtrics.com/experience-management/customer/net-promoter-score/>.

⁵² James Scutt and Talia Quaadgras, *Economics of Net Promoter Score, 2024*, Qualtrics XM (June 2024), at 18, available at <https://www.xminstitute.com/research/economics-nps-2024/> (Economics of NPS). Of the 22 industries studied, the highest reported average NPS was for the grocery industry (30) and the lowest was consumer payments (-6). *Id.* at 2.

Table III-7 shows FY 2024 NPS results and the percentages of Promoters and Detractors for each CX survey for the Postal Service. The Commission explained how to calculate the NPS in the *FY 2022 Analysis*. FY 2022 Analysis at 66-70.

Table III-7
FY 2024 Net Promoter Scores
Promoters and Detractors

Customer Experience Survey	Percentage of Promoters (9-10) ^a	Percentage of Detractors (0-6) ^a	FY 2024 Net Promoter Scores ^b
Business Service Network	90.3%	2.5%	87.8
Point of Sale	79.9%	11.3%	68.7
Delivery ^c	54.0%	25.4%	28.5
Customer Care Center ^c	55.4%	31.2%	24.2
Customer 360	33.5%	54.7%	-21.2
Business Mail Entry Unit	90.0%	3.4%	86.6
<i>usps.com</i>	56.7%	24.5%	32.2

^a The percentages of Promoters and Detractors were calculated by the Commission based on disaggregated CX survey results provided by the Postal Service.

^b Some FY 2024 scores do not equal the percentage of Promoters minus the percentage of Detractors due to rounding.

^c The NPS results are composite scores derived from results of two more specific surveys. The Delivery NPS is an unweighted composite of the residential and small/medium business customer surveys. The CCC NPS is an unweighted composite of the IVR and Live Agent surveys.

Source: Commission calculation using Postal Service survey responses provided in Response to CHIR No. 1, question 21, folder "CHIR 1_ACR2024_Attachments," folder "Public Supporting Materials_CHIR 1_FY24," folder "Question 15-16 and 21_CHIR 1_FY2024 ACR," Excel file "CX_Question_Response_Counts_FY24 (REV 1.17.25).xlsx."

The BSN and BMEU surveys had the highest NPS and were the only ones with an NPS that was more than 86. The POS survey had the third highest NPS of 68.7. NPS scores for the *usps.com* and Delivery surveys were lower (32.2 and 28.5, respectively).

Each of the CX surveys had a higher percentage of Promoters than Detractors except for the C360 survey, which had the only NPS expressed as a negative number (-21.2). The C360 survey also had the highest percentage of Detractors (54.7), which was more than half of C360 survey respondents. Only 33.5 percent of C360 survey respondents were Promoters that were highly likely or extremely likely to recommend the Postal Service to a friend, family, or colleague.

Table III-8 compares NPS results for each CX survey between FY 2021 and FY 2024.

Table III-8
Net Promoter Scores, FY 2021–FY 2024

Customer Experience Survey	FY 2021	FY 2022	FY 2023	FY 2024
Business Service Network	86.2	88.0	91.2	87.8
Point of Sale	65.3	70.3	72.7	68.7
Delivery ^a	29.3	35.0	39.4	28.5
Customer Care Center ^a	10.0	25.7	47.9	24.2
Customer 360	-38.3	-27.9	-20.7	-21.2
Business Mail Entry Unit	86.6	88.9	90.2	86.6
<i>usps.com</i>	20.0	33.9	34.5	32.2

^a The NPS results are composite scores derived from results of two more specific surveys. The Delivery NPS is an unweighted composite of the residential and small/medium business customer surveys. The CCC NPS is an unweighted composite of the IVR and Live Agent surveys.

Source: Response to CHIR No. 1, question 21, folder "CHIR 1_ACR2024_Attachments," folder "Public Supporting Materials_CHIR 1_FY24," folder "Question 15-16 and 21_CHIR 1_FY2024 ACR," Excel file "CX_Question_Response_Counts_FY24 (REV 1.17.25).xlsx," FY 2023 Analysis at 80.

Table III-8 shows that the NPS for each survey declined between FY 2023 and FY 2024. The largest declines were for the CCC and Delivery surveys, which decreased by 23.7 and 10.9 points, respectively. Between FY 2021 and FY 2024, the C360 survey had the only NPS expressed as a negative number.

In the FY 2023 Analysis, the Commission recommended that "[f]or each NPS that declines in FY 2024, the FY 2024 Report should explain why and describe plans for improvement in FY 2025." FY 2023 Analysis at 80. In a CHIR response, the Postal Service explains that for the CCC survey, the NPS question, which uses an 11-point scale, was placed between questions that use a 5-point scale, which could have confused customers and affected the NPS result. Response to CHIR No. 21, question 3.b.i. To address this, the Postal Service states that the CCC survey now contains a reminder informing customers about the changes made, which has subsequently increased the CCC NPS. *Id.*

For the Delivery survey, the Postal Service attributes the decline to the DFA Plan network updates. *Id.* question 3.a.i. It anticipates that this decrease will be temporary, and the continued improvements to the network and delivery experience should improve CX overall. *Id.* To improve the FY 2025 Delivery NPS, the Postal Service plans to continue its efforts to deliver to the correct address and exercise care with its delivery processes. *Id.* question 3.a.ii.

The Commission recommends that the Postal Service continue to use the NPS to measure and assess CX. The Commission will monitor the Postal Service's efforts to reverse the NPS declines observed from FY 2023 to FY 2024 and recommends the Postal Service continue its efforts to improve the NPS for each CX survey in FY 2025. For each NPS that declines in FY 2025, the FY 2025 Report should explain why and describe plans for improvement in FY 2026.

c. Social Media Customer Service

Social media customer service involves companies providing customer support through social media channels, including social media posts and direct messages.⁵³ By giving customers the option to reach out conveniently on social media, companies ultimately improve CX while reducing the cost to service customers compared to calling contact centers. See Qualtrics XM Social Media Customer Service. The Postal Service states that during FY 2024, it continued to use social media as an important platform for engaging customers who prefer interacting on social media rather than more traditional forms of communication such as email, chat, and telephone. FY 2024 ACR at 81. To evaluate customer perceptions and improve CX, the Postal Service uses social media mainly to conduct social listening and respond to customer inquiries, which are each described below.

(1) Social Listening

Social listening is the process of monitoring conversations and mentions related to a specific topic on social media platforms and analyzing them for insights into what actions the company can take to improve CX.⁵⁴ In FY 2024, the Postal Service states that the Social Business Intelligence (SBI) team continued to use social listening to review what people were saying about the Postal Service on various social platforms. FY 2024 ACR at 81. It notes that social listening helped the Postal Service understand “what overarching issues may be concerning to customers, such as delivery issues, operational issues, confusion about products or services and issues at the local [P]ost [O]ffice . . .” *Id.* at 81-82. The SBI team then compiled and analyzed data obtained from social listening to communicate lessons learned across the Postal Service to help specific groups solve problems at the root, before they become larger and less manageable. *Id.* at 82.

In a CHIR response, the Postal Service filed under seal the top concerns identified through social listening. Response to CHIR No. 21, question 4.a. It states that analyzing these concerns showed that customers prefer to seek help through social media platforms rather than traditional methods, and social media is becoming more accepted as a first line of contact, not only for complaints but also for support and resolution. *Id.* question 4.b. The Postal Service observes that these insights helped it respond to customer concerns more efficiently and maintain positive public engagement. *Id.*

⁵³ What is social media customer service?, Qualtrics XM, available at <https://www.qualtrics.com/experience-management/customer/social-media-customer-service/> (Qualtrics XM Social Media Customer Service).

⁵⁴ Harry Gough, *Social Listening: What it is and why it matters*, Qualtrics XM (August 3, 2024), available at <https://www.qualtrics.com/blog/social-listening/>.

To communicate lessons learned from social listening, the Postal Service continued to use the social media heat map during FY 2024, which geographically displays comments left on the Postal Service's official Facebook and X accounts and from online review websites.⁵⁵ The heat map covers all domestic addresses served by the Postal Service and categorizes information by customer concern, which can be viewed by Area, District, and ZIP Code. The Commission described the social media heat map in detail in the *FY 2022 Analysis*. See FY 2022 Analysis at 72-75.

In FY 2024, the Postal Service transitioned the heat map to an internal data visualization platform, which allowed anyone with a Postal Service email address to request access to the heat map data. FY 2024 ACR at 82; March 11 Response to CHIR No. 14, question 4.c.i.1. The heat map generated data showing social media activity in specific 5-Digit ZIP Codes and the corresponding activity of customers who either contacted support or commented on a specific postal issue. *Id.* question 4.c.ii. It mapped approximately 30 ratings applications such as Google and Yelp to understand how individual retail offices were performing. *Id.* The Postal Service shared the data with area and district managers as well as local postmasters. *Id.* question 4.c.iii. It also used heat map data to recognize Post Office employees for providing exceptional service to customers. *Id.*

Besides the social media heat map, the Postal Service used social listening tools in three other ways. First, it reviewed the top trending mail-related posts twice per day and shared them with the relevant audience, such as local leadership and national program managers, to make them aware of these concerns. March 11 Response to CHIR No. 14, question 6. Second, it used social listening software to understand and evaluate various postal topics that customer search for via search engines. *Id.* This information helped the Postal Service create social media posts and respond to and anticipate customer concerns. *Id.* Third, it used social listening software to explore customer concerns on specific topics or situations, such as the wildfires in California or Operation Santa. *Id.*

Social listening continues to be an important tool for companies to improve CX by monitoring what customers are saying about the company on social media. In FY 2024, the Postal Service appears to have effectively used the heat map and other social listening tools to help improve CX. The Postal Service adopted the Commission's recommendation in the FY 2023 Analysis by making the heat map available to a wider audience, which promotes transparency and makes the heat map a more effective tool for improving CX. The Commission recommends that in FY 2025, the Postal Service continue encouraging employees to leverage the social media heat map to focus on key areas and support more data-driven decision-making throughout the Postal Service.

⁵⁵ Docket No. ACR2023, Response to CHIR No. 22, question 2.c.; see United States Postal Service, *Temperature check: Social media gauges customer service*, USPS News Link (October 27, 2022), available at <https://link.usps.com/2022/10/27/temperature-check/>.

(2) Responding to Customer Inquiries

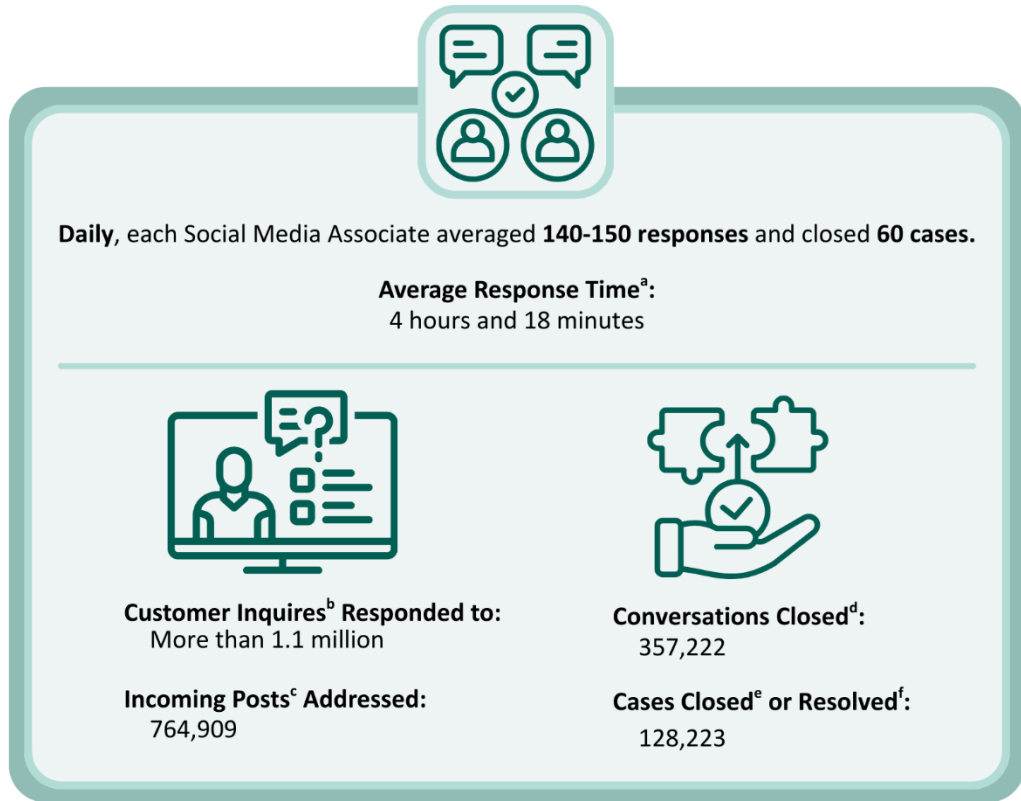
The Postal Service responds to customer inquiries and concerns primarily on two social media platforms: X and Facebook.⁵⁶ Customers may contact the Postal Service via its corporate@USPS Facebook page, as well as @USPS or @USPSHelp on X. *Id.* In FY 2024, the Social Customer Response (SCR) team continued to address X and Facebook customer inquiries directly with the customer from inception to completion. FY 2024 ACR at 82. The Postal Service explains that to address customer issues and inquiries, SCR associates contacted local Post Office supervisors, Managers, Postmasters, and other personnel. *Id.*

The Postal Service states that in FY 2024, the three most common types of customer inquiries or issues submitted via X and Facebook were: help with tracking, missing mail or packages, and international inquiries. Response to CHIR No. 21, question 7.a. For example, a Social Media Associate (SMA) helped a customer on X locate their package by contacting the local Post Office to determine where the package was. *Id.* question 7.b. The SMA engaged with the customer until the issue was resolved. *Id.*

Figure III-9 shows the reported number of inquiries the SCR team received, responded to, and resolved, as well as the average length of time for responding to customer inquiries.

⁵⁶ Docket No. ACR2021, Revised Responses of the United States Postal Service to Questions 2 and 3 of Chairman's Information Request No. 26--Errata, April 25, 2022, question 3.a.

Figure III-9
Social Customer Response Team
FY 2024 Reported Inquiries and Responses



^a For the period March 1, 2024 to March 1, 2025. It does not account for Sundays and holidays when the SCR team is not available to review and respond to customer cases.

^b An inquiry occurs when a customer asks for help from a Postal Service social media channel.

^c A post is any customer message or comment on a Postal Service social media channel.

^d A conversation is a communication exchange between a customer and Postal Service SMA. A conversation is closed when the Postal Service determines that the customer no longer needs help.

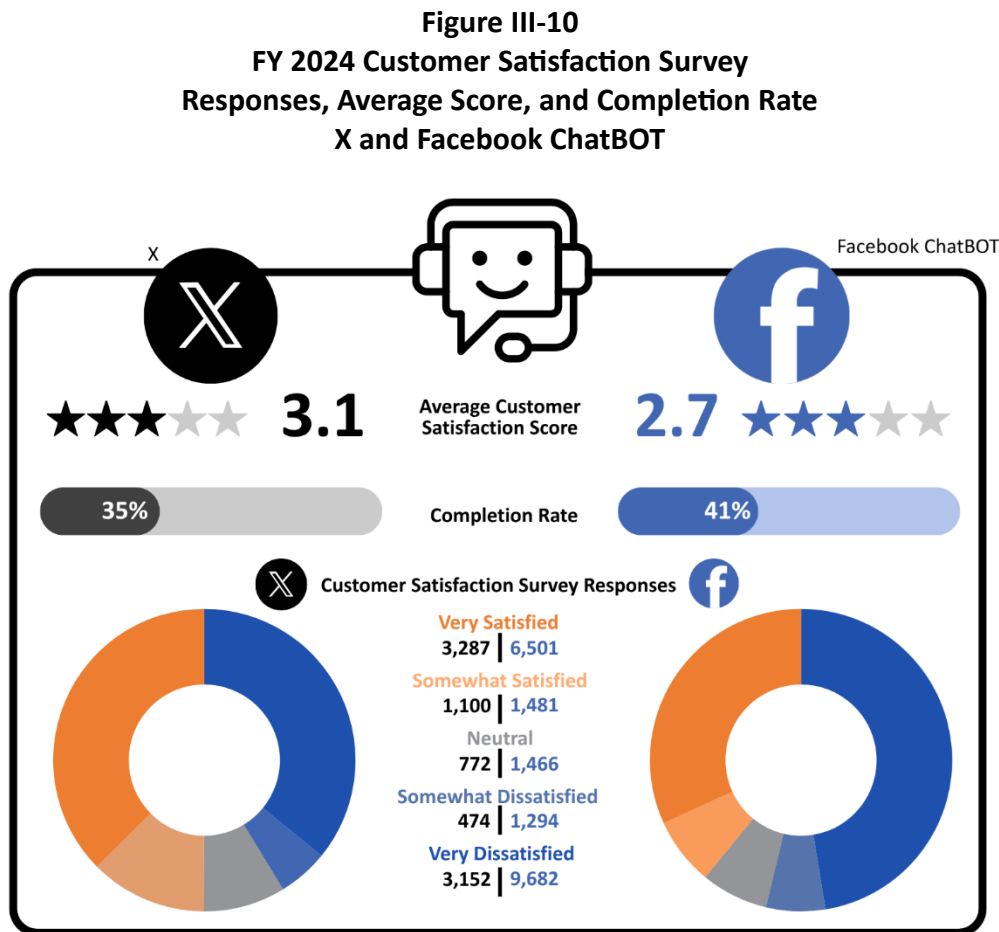
^e An inquiry becomes a case when it requires the SMA to perform detailed research to determine a resolution. A case is closed when, after research, the situation is deemed non-actionable, or the SMA liaised with the Local Post Office, who is now addressing the concern directly with the customer.

^f A case is resolved after the SMA researches the inquiry, reaches out to all available sources to determine the best course of action for resolving the issue, and the SMA and customer agree that the customer's concern has been resolved.

Source: FY 2024 ACR at 82-83; Response to CHIR No. 21, question 8.

Customers who submit a question, concern, or inquiry via X receive a customer satisfaction survey after the situation is closed or resolved. The survey asks the customer “How satisfied were you with the U.S. Postal Service agent who helped you?” on a scale of 1 (Very Dissatisfied) to 5 (Very Satisfied). April 24 Response to CHIR No. 22, question 9.a. Customers who seek help via the Facebook Chatbot receive a survey asking "How would you rate your service experience with the USPS?" on a scale of 1 (Very Dissatisfied) to 5 (Very Satisfied). Response to CHIR No. 21, question 11.a. Due to Facebook’s internal algorithms, the Postal Service is unable to send a customer satisfaction survey to customers who submit inquiries or issues via Facebook and interact with a SMA. *Id.* question 14.

Figure III-10 compares X and Facebook ChatBOT customer satisfaction survey responses, average score, and completion rate.



Source: FY 2024 ACR at 83; Response to CHIR No. 21, question 11.b.; April 24 Response to CHIR No. 22, question 10.

Figure III-10 shows that X had a higher Customer Satisfaction Score, but Facebook ChatBOT had a higher survey completion rate. Also, approximately 49 percent of X respondents were either Very Satisfied or Somewhat Satisfied. However, approximately 47 percent of Facebook ChatBOT customers were Very Dissatisfied. The Postal Service explains that changes to the Facebook ChatBOT "are incremental year over year and are limited to updates provided by the software provider and the BOT's internal learning algorithm to continue to develop an understanding of natural language to better serve customers." Response to CHIR No. 21, question 12. Also, in 2023, Facebook temporarily suspended its AI development because of concerns about how its bots were communicating.⁵⁷ These limitations may have affected Facebook ChatBOT survey responses. Nevertheless, in FY 2024, more than 117,486 Postal Service customers interacted with the Facebook ChatBOT, and of these customers, more than 41,167 were able to resolve their concerns without SMA interaction. Response to CHIR No. 21, question 12.

In FY 2024, the Postal Service appears to have used social media tools effectively to respond to customer questions and issues. The Commission encourages the Postal Service to continue using X, Facebook ChatBOT, and other social media platforms to help customers and improve CX. If a disproportionate number of Facebook ChatBOT survey respondents continue to be Very Dissatisfied in FY 2025, the Commission recommends that the FY 2025 Report or FY 2025 ACR explain why and describe plans to improve Facebook ChatBOT customer satisfaction in FY 2026.

d. Artificial Intelligence Tools

In FY 2024, the Postal Service continued to leverage AI tools to improve CX and its relationship with customers. As previously discussed, the Postal Service used the Facebook ChatBOT to respond to conversations and resolve customer issues without agent interaction for basic tasks such as looking up tracking numbers and stamp prices. FY 2024 ACR at 83. Also, the Postal Service continued using the AIVA to provide a self-service option for customers calling the CCC at 1-800-ASK-USPS. The AIVA handles package tracking, which is one of most common self-service call types. FY 2023 ACR at 77. In FY 2024, the Postal Service enhanced the AIVA's capabilities to collect tracking numbers, address inquiries related to scams and counterfeit labels, offer improved guidance on package in transit, and notify customers about packages out for delivery expected that same day. Response to CHIR No. 16, question 6.a.i. In FY 2024, the AIVA handled 6,113,087 calls, which is almost twice the number of calls handled in FY 2023 (3,553,361). *Compare* FY 2023 Analysis at 87, *with* Response to CHIR No. 16, question 6.a.ii. Also, 4,878,878 calls ended without live agent involvement, and the average overall satisfaction score was 64.28. Response to CHIR No. 16, question 6.a.ii.

Another AI tool the Postal Service used in FY 2024 to improve CX was the Insights Portal, an internal data science tool that provides a user interface for identifying and monitoring CX

⁵⁷ David Koff, Why Facebook Shut Down Its AI, Built In (March 22, 2023), available at <https://builtin.com/artificial-intelligence/facebook-shuts-down-ai>.

issues on *usps.com*. *Id.* question 7.a. This tool is consistent with recent trends; a report by Forrester indicates that most public sector organizations are using or planning to use generative AI (GenAI).⁵⁸ The report encourages public sector agencies to take a cautious approach to using GenAI considering the complexity and unpredictability of GenAI models. *Id.* at 7. It recommends that public agencies start with internal use cases by using GenAI internally. Using the Insights Portal is consistent with this recommendation.

In FY 2024, the Postal Service continued updating the Insights Portal by enhancing the search to enable searching for similar comments by keyword and excluding topics from the search. Response to CHIR No. 16, question 7.a.i. The Postal Service used data from the Insights Portal to identify critical CX topics that users mention in survey responses, which allowed the Postal Service to prioritize, investigate, and deploy updates to address customer concerns and improve the user experience on *usps.com*. *Id.* question 7.a.ii.

The Commission finds that the Postal Service appeared to effectively leverage AI tools to help customers and improve CX. The Commission observes that despite the increase in calls handled by the AIVA, the Postal Service was able to maintain a high overall satisfaction score. The Commission encourages the Postal Service to continue using these and other AI tools to continue improving CX and its efforts to respond to customer inquiries.

C. Safe Workplace and Engaged Workforce

1. Key Observations and Recommendations

The Commission finds the Postal Service did not meet its Safe Workplace and Engaged Workforce goal in FY 2024, missing the Total Accident Rate target despite achieving the Grand Mean Engagement Score target. A rise in motor vehicle accidents (MVAs) was a key factor in the shortfall.

The Commission recommends the Postal Service intensify efforts to improve motor vehicle safety, monitor MVAs closely, and report detailed accident data—including contractor-related incidents—to support safer operations and informed contracting decisions. If the FY 2025 accident target is missed or MVAs increase, the Postal Service should provide detailed analysis and data in its FY 2025 filings.

The Commission urges continued action and reporting under Project Safe Delivery to reduce employee injuries from crime. If heat-related illnesses and injuries rise in FY 2025, the Commission recommends the FY 2025 Report explain the causes and outline plans to improve heat safety in FY 2026.

While employee engagement modestly improved, the Commission recommends regular employee-manager interactions, use of survey feedback, and detailed reporting on

⁵⁸ Sam Higgins, *The State of Generative AI in the Public Sector*, 2024, Forrester June 21, 2024, at 4.

engagement drivers and response rates. If the Engagement Survey Response Rate does not improve in FY 2025, the Postal Service should explain and outline plans for FY 2026.

2. Background

In FY 2024, the Postal Service used two performance indicators to evaluate progress toward the Safe Workplace and Engaged Workforce performance goal. The Total Accident Rate measured progress toward improving employee safety. The Grand Mean Engagement Score assessed overall engagement levels of survey respondents.

a. Total Accident Rate

In FY 2024, the Postal Service continued to use the Total Accident Rate as a performance indicator to measure progress toward improving employee safety. FY 2024 Annual Report at 49. The Total Accident Rate is calculated by multiplying the total number of recorded accidents during the year by 200,000, which is the average number of annual workhours per employee (2,000) multiplied by 100 to standardize accident rates. *Id.* This number is then divided by the annual number of exposure hours. *Id.* The Total Accident Rate formula is:

$$\frac{\text{Total Number of Accidents} \times 200,000}{\text{Exposure Hours}}$$

Id.

The Total Accident Rate yields an annual accident frequency per 100 employees. A lower result is a better outcome. The Total Accident Rate uses the same formula as the Occupational Safety and Health Administration (OSHA) Illness and Injury Rate and includes recordable and non-recordable industrial accidents and MVAs.⁵⁹ Recordable accidents are those that result in the need for medical care, days away from work, or restricted duty. *Id.* Non-recordable accidents result in property damage or first aid treatment only. *Id.*

The FY 2024 Total Accident Rate was 14.14, which did not meet the FY 2024 target of 13.25 and was worse than the FY 2023 result (13.48). FY 2024 Annual Report at 39. The Postal Service explains that "[a] significant factor in the Postal Service not meeting [its] FY 2024 target was an increase in [MVAs,]" which increased by 7.23 percent between FY 2023 and FY 2024. *Id.* at 49. It attributes this increase to network redesign efforts, which included insourcing transportation operations and increasing the ground logistics footprint. *Id.*

The FY 2025 Total Accident Rate target is 13.25, which is the same as the FY 2024 target. *See id.* at 39. To meet this target, the Postal Service states it will continue to enhance the OSHA Scorecard and the Safety and Health Management Tool (SHMT), as well as monitor,

⁵⁹ *Id.*; Docket No. ACR2023, Responses of the United States Postal Service to Questions 1-19 of Chairman's Information Request No. 21, March 29, 2024, question 7 (Docket No. ACR2023, Response to CHIR No. 21).

track, and act on more serious accidents to proactively address severe injuries and reduce expenses related to workers' compensation claims. *Id.* at 50.

b. Grand Mean Engagement Score

Each year, the Postal Service administers the Postal Pulse survey to all employees to measure the level of engagement at the Postal Service. *Id.* Between FY 2016 and FY 2023, the Postal Pulse survey was based on the Gallup Q12 employee engagement survey. *See* FY 2016 Analysis at 51-52. In FY 2024, the Postal Service used a new vendor to administer the survey because of a printing error that disrupted the FY 2023 survey administration. *See* FY 2023 Annual Report at 50; FY 2024 Annual Report at 50. Figure III-11 is a copy of the FY 2024 Postal Pulse survey, which includes different questions compared to Postal Pulse surveys administered in prior years.

Figure III-11
FY 2024 Postal Pulse Survey

Postal Pulse Survey

Please see Privacy Act Statement on the reverse of this form.

Survey Instructions

For each survey question, choose your level of agreement with the statement. Fill in the circle completely. You may use pen or pencil.

We value your feedback. Please answer every question. Mail your completed survey using the enclosed Business Reply Envelope.

Thank you for your feedback!

Correct Mark

Incorrect Marks

Access Code 12345678

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
1. I am proud to work at the Postal Service.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. I intend to stay with the Postal Service for at least the next 12 months.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. I would recommend the Postal Service as a great place to work.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. My work gives me a sense of personal accomplishment.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. I know what is expected of me at work.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. I have the resources to do my job effectively.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. My job makes good use of my skills and abilities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. I am given opportunities to grow and develop in my current role.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. I understand how my job contributes to the success of the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. My opinions matter.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. I feel that I am a part of a team.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12. My team is committed to doing high quality work.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13. My manager or supervisor has created an environment on our team where people feel they belong.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Over Please →

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
14. I was made to feel welcome by my manager or supervisor.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15. My manager or supervisor recognizes my accomplishments.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16. My manager or supervisor gives me regular feedback on my performance.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17. My manager or supervisor supports my skill and career development.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
18. My manager or supervisor recently met with me one-on-one.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
19. I am comfortable reporting a safety issue.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
20. Safety is a priority to my manager or supervisor.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
21. Safety hazards are addressed when reported.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
22. My leadership communicates a clear vision for the future related to the Delivering for America plan.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
23. I understand the reasons for the changes taking place related to the Delivering for America plan.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
24. I understand how the changes taking place related to the Delivering for America plan will impact me and my job.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
25. The Postal Service is committed to equal employment opportunities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
26. I believe feedback from this survey will be used to make improvements.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please mail your completed survey to Perceptyx no later than Friday, September 13, 2024, using the postage-paid business reply envelope provided.

Access Code 12345678

Privacy Act Statement: Your information and survey responses will be used to administer the USPS Postal Pulse Survey in support of research and development efforts via personnel assessment instruments for workforce analysis. Collection is authorized by 39 U.S.C. 401, 410, 1001, and 1005.

Providing responses to the USPS Postal Pulse Survey is voluntary, but if not provided your feedback and responses will not be included in the employee survey results. We do not disclose your information to third parties without your consent, except to act on your behalf or request, or as legally required. This includes the following limited circumstances: incident to legal proceedings involving the Postal Service; for law enforcement purposes; to a congressional office on your behalf; to agents or contractors when necessary to fulfill a business function; to a U.S. Postal Service auditor; to labor organizations as required by applicable law; to government agencies in connection with decisions as necessary, to the Equal Employment Opportunity Commission (EEOC) when requested in connection with the investigation of a formal complaint; and to the Merit Systems Protection Board or Office of Special Counsel for the purpose of litigation. For additional information regarding our privacy policies, visit www.usps.com/privacy-policy.

Source: Library Reference USPS-FY24-38, folder USPS-FY24-38.Files, folder Employee Engagement.zip, file "FY2024_Postal_Pulse_Survey.pdf."

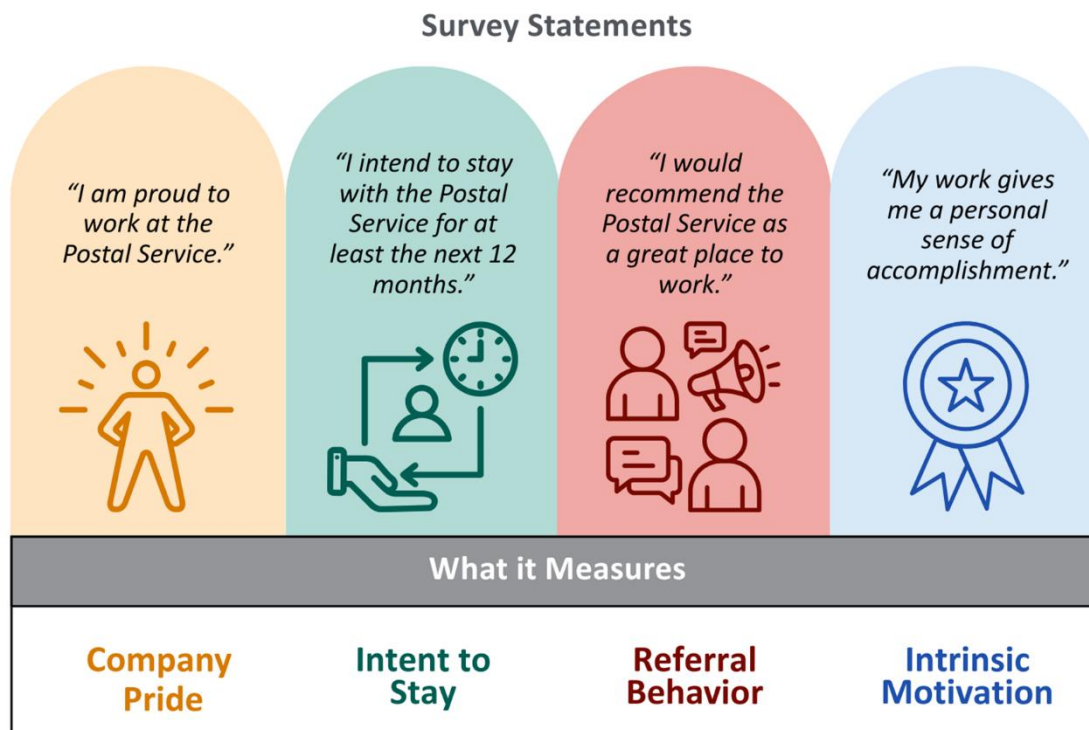
As Figure III-11 shows, the Postal Pulse survey asks participants to rate their level of agreement with 26 statements concerning their work environment based on a 5-point scale ranging from Strongly Disagree to Strongly Agree. In FY 2024, the Postal Pulse survey was administered from August 6, 2024 through September 13, 2024 to the Postal Service workforce, which consists of bargaining-unit and non-bargaining unit employees.⁶⁰ Non-bargaining unit employees received the survey link via postal email when the survey began and continued receiving links to the survey until they responded or when the survey closed. Response to CHIR No. 6, question 5.b. Bargaining-unit employees receive a paper copy of the survey at their work unit and, if available, via postal email. *Id.* The Postal Service did not mail surveys to employees' home addresses because "previous data have shown a significantly lower response rate for paper surveys mailed to employees' homes." *Id.*

The Postal Service uses Postal Pulse survey results to calculate the Grand Mean Engagement Score and the Engagement Survey Response Rate. The Grand Mean Engagement Score assesses overall engagement levels of survey respondents, while the Engagement Survey Response Rate shows the level of participation among the entire employee population. FY 2024 Annual Report at 50. To ensure comparability with past years' results, the FY 2024 Grand Mean Engagement Score target and results from FY 2021 through FY 2024 were recalculated based on six questions that correlate between the former and current surveys. *Id.* The FY 2024 Grand Mean Engagement Score was 3.50, which exceeded both the FY 2024 target (3.49) and FY 2023 result (3.47). *See id.* Between FY 2023 and FY 2024, the Engagement Survey Response Rate increased slightly from 17 percent to 19 percent. *Id.* at 39.

In FY 2025, the Postal Service will measure employee engagement using the Engagement Score instead of the Grand Mean Engagement Score. *Id.* at 50-51. The Engagement Score is the average percentage agreement for the four statements shown in Figure III-12.

⁶⁰ FY 2024 Annual Report at 50. Bargaining-unit employees are represented by a labor organization or union that negotiates with the Postal Service for wages, hours, and other terms and conditions of employment. "Bargaining unit employee," United States Postal Service, Glossary of Postal Terms (Publication 32), July 2013, available at https://about.usps.com/publications/pub32/pub32_terms.htm.

Figure III-12
Engagement Score Statements



Source: FY 2024 Annual Report at 51.

The FY 2025 target is 72 percent. *Id.* at 51. To meet the target, the Postal Service states it will recruit to fill critical positions such as pre-career and frontline supervisors; standardize the onboarding process; and provide supervisors training, equipment, and support. *Id.* It will also create a new dashboard showing managers which actions are most likely to drive engagement within the work unit. *Id.*

3. Comments

Regarding a Safe Workplace, the Public Representative comments that he is concerned about the increase in MVAs during the past two fiscal years. PR Comments at 43. He observes that the number of MVAs per mile has also steadily increased between FY 2021 and FY 2024. *Id.* at 44. He recommends that the Commission ask the Postal Service when it expects to see the MVA rate improve from implementing its transportation initiatives. *Id.* Also, he encourages the Postal Service to continue protecting its employees while on duty and the Commission to continue monitoring the Postal Service's progress on reducing injuries caused by crimes against postal employees. *Id.* at 46.

In its reply comments, the Postal Service acknowledges that insourcing operations have added more employees using motor vehicles as part of the job, which led to a short-term

increase in the likelihood of accidents occurring. Postal Service Reply Comments at 5. It states that it expects this increase to be temporary, but cannot eliminate accidents immediately or completely. *Id.* The Postal Service notes that it will combat crimes against employees by continuing law enforcement efforts while investing to secure the postal network. *Id.* at 6.

Regarding an Engaged Workforce, the Public Representative comments that he continues to have concerns about the usefulness of the Postal Pulse survey and questions whether survey respondents were a representative sample of all Postal Service employees. PR Comments at 48. He observes that bargaining-unit employees appear underrepresented and points out the difficulty in determining the degree to which FY 2024 survey results accurately reflect Postal Service employee engagement. *Id.* at 49.

Regarding the Engagement Score, the Public Representative observes that the average percentage agreement for the four Engagement Score questions (70 percent) was higher than the average percentage agreement for all 26 questions (59 percent). *Id.* at 49-50. He recommends that the Commission continue requesting disaggregated results for the Postal Pulse survey to perform the most thorough analysis possible. *Id.* at 50. He "suggests that the Postal Service report any steps taken to emphasize the importance of survey participation to its employees, such as by promoting any concrete changes attributable to the results of the survey." *Id.*

In its reply comments, the Postal Service asserts that the Engagement Survey Response Rate is "a valid portrayal of the sentiments of those employees who responded, to which [the Postal Service is] accountable." Postal Service Reply Comments at 7. It observes that employees who do not respond to the survey stand to benefit from conversations with managers that sprung from the survey process. It lists initiatives for improving employee engagement in FY 2025, including filling pre-career and frontline supervisor positions and standardizing the onboarding process. *Id.* at 7-8.

4. Commission Analysis

In FY 2024, the Postal Service missed the Total Accident Rate target and met the Grand Mean Engagement Score target. *See* FY 2024 Annual Report at 39.

The Commission finds that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2024 because it met the Grand Mean Engagement Score target but missed the Total Accident Rate target.

In the sections below, the Commission examines issues related to workplace safety and employee engagement and makes observations and recommendations for improving performance in future years.

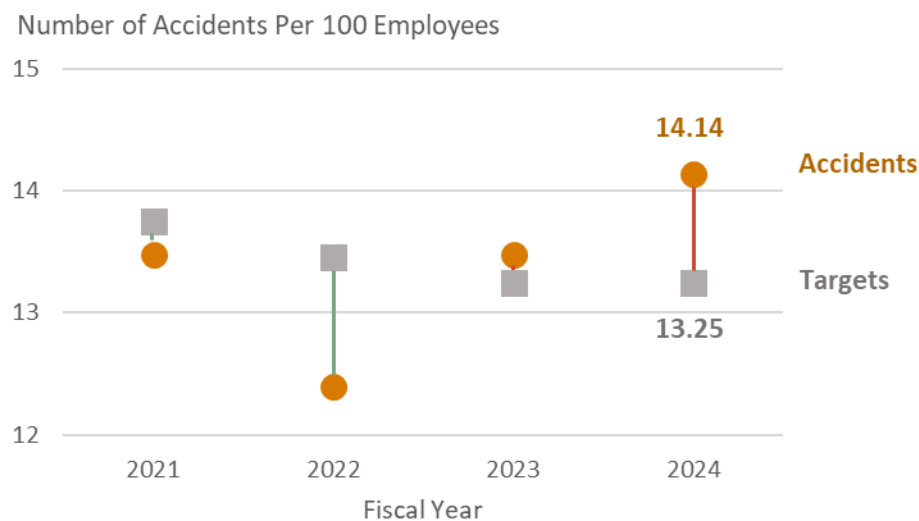
a. Safe Workplace

In this section, the Commission discusses the Total Accident Rate performance indicator, crimes against Postal Service employees, and heat-related injuries. The Commission also explores issues regarding contractor-operated MVAs.

(1) Total Accident Rate

Figure III-13 shows Total Accident Rate results from FY 2021 through FY 2024.

Figure III-13
Total Accident Rate Results
FY 2021–FY 2024



Source: FY 2024 Annual Report at 39; FY 2023 Annual Report at 39; FY 2021 Annual Report at 33.

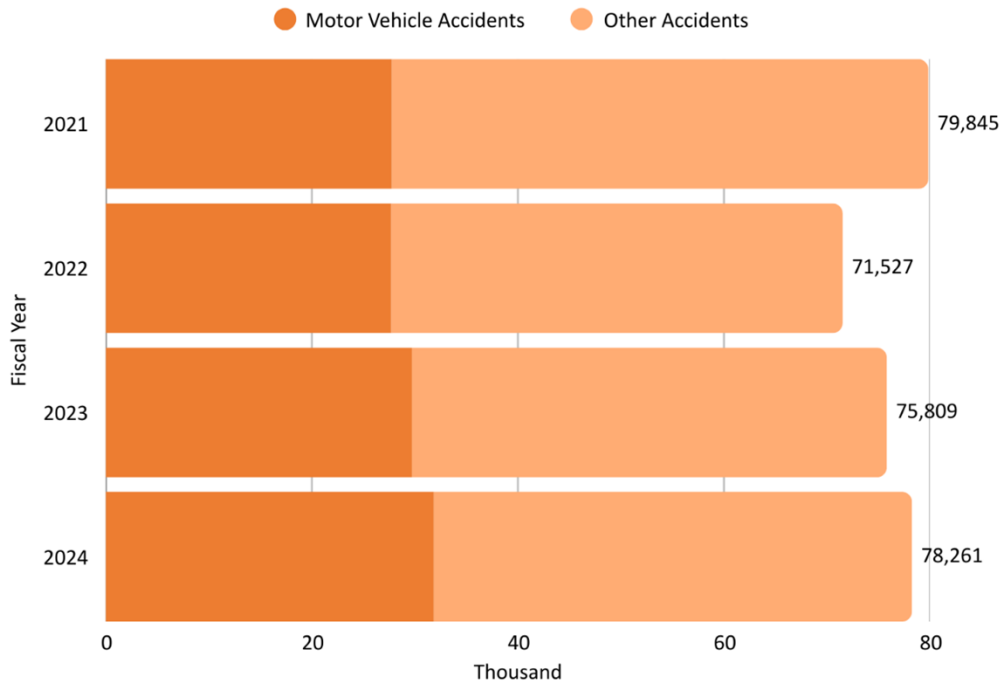
Figure III-13 shows that the Total Accident Rate improved in FY 2022 but worsened in FY 2023 and FY 2024. The FY 2024 result was 14.14, which did not meet the FY 2024 target of 13.25. The Postal Service explains that the increase in MVAs was a "significant factor" in not meeting the FY 2024 target. FY 2024 Annual Report at 49. It attributes the increase in MVAs to network redesign efforts, which included insourcing transportation operations and expanding its ground logistics footprint. *Id.* It states that these efforts added more employees using motor vehicles as part of their job, which increased the number of vehicles used and the potential for accidents to occur. *Id.* Between FY 2023 and FY 2024, the number of employees using motor vehicles as part of their job increased by approximately 1,525, and the number of Postal Service vehicles used increased by approximately 635. March 26 Response to CHIR No. 17, question 1.

To reduce the number of MVAs, in FY 2024 the Postal Service improved training and guidance to reduce the likelihood of large truck MVAs, such as backing, maneuvering, and defensive techniques. FY 2024 Annual Report at 49. It designed driver training and on-the-job instruction specifically for employees who operate large trucks. March 26 Response to CHIR No. 17, question 2.a. Driver training focuses on operating vehicles on public roadways and teaches skills such as backing to docks, serpentine backing, coupling and uncoupling trailers, and operating air shocks. *Id.* On-the-job instruction pairs a new truck driver with an experienced employee who helps guide the new truck driver through various activities, such as inspecting their vehicles, moving mail from one location to another, and other safety-related issues that may arise while working near a dock and in a congested yard. *Id.* The Postal Service notes that these initiatives have yielded positive results. In early FY 2025, the number of MVAs involving trucks decreased by as much as 17 percent in some locations, and the number of MVAs sustained by newly-hired employees declined by approximately 5 percent. *Id.* questions 2.b., 3.b.

The Public Representative comments that the Postal Service explanation for the increase in MVAs (ongoing network redesign) is reasonable. PR Comments at 44. He observes that insourcing transportation operations and the amount of mail transported by ground will also increase the chances for MVAs to occur. *Id.* He expresses concern about both the total number of MVAs and the number of MVAs per mile, which has steadily increased between FY 2021 and FY 2024 despite the Postal Service's efforts to prioritize transportation efficiency. *Id.* at 43-44. He recommends that the Commission ask the Postal Service when it expects to see the MVA rate improve due to the transportation initiatives. *Id.* at 44. The Postal Service responds that accidents cannot be eliminated or completely, but it anticipates the Total Accident Rate to improve in FY 2025. Postal Service Reply Comments at 5-6.

Figure III-14 shows the number of MVAs and the total number of accidents from FY 2021 through FY 2024.

Figure III-14
Total Accidents and Motor Vehicle Accidents
FY 2021–FY 2024

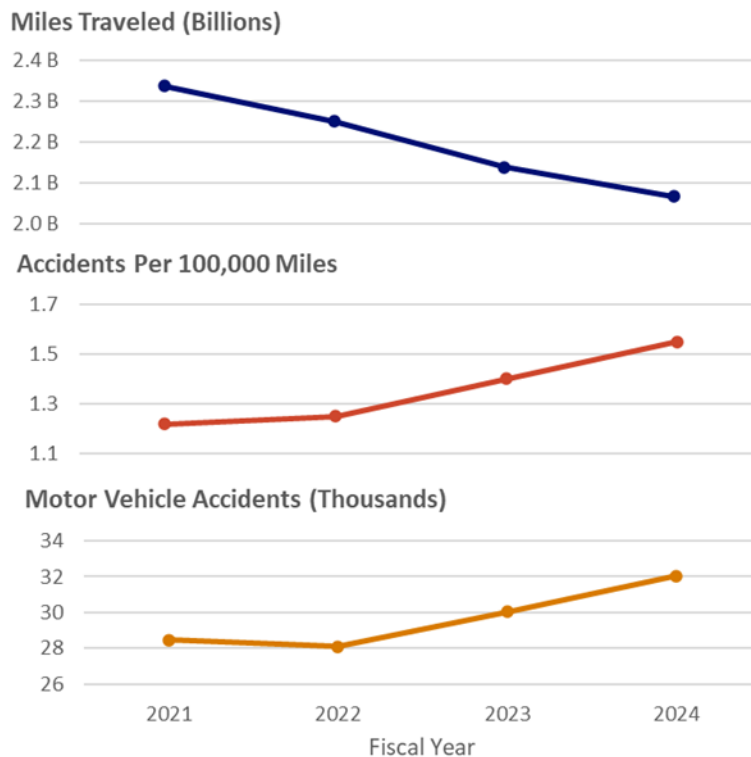


Source: FY 2024 Annual Report at 49; FY 2022 Annual Report at 42. The total number of accidents and number of MVAs may differ from the numbers reported in past Annual Reports to Congress and CHIR responses because these numbers are obtained from a dynamic database that reflect coding changes or additional claims submitted after the end of the fiscal year. See FY 2021 Annual Report at 43 n.2.

As Figure III-14 shows, MVAs represented approximately 40.69 percent of the total number of accidents in FY 2024. The number of MVAs and total accidents both increased between FY 2023 and FY 2024, with the number of MVAs increasing by 7.23 percent in FY 2024. See FY 2024 Annual Report at 49. This is more than double the percentage increase in total accidents, which was 3.23 percent in FY 2024. See *id.* With the Postal Service's recent emphasis on insourcing ground transportation, a larger increase in MVAs relative to all accidents is expected. Nevertheless, total accidents in FY 2024 are still fewer than the total accidents in FY 2021.

Figure III-15 shows the number of MVAs by mileage and the ratio of accidents to miles traveled. These numbers reflect all MVAs, including accidents while parked, accidents caused by other drivers, and clearance-related issues.

Figure III-15
Postal Service Motor Vehicle Accidents
Mileage and Ratio of Accidents to Miles Traveled
FY 2021–FY 2024



Source: Response to CHIR No. 11, question 5. The total number of accidents and number of MVAs may differ from the numbers reported in past *Annual Reports to Congress* and CHIR responses because these numbers are obtained from a dynamic database that reflect coding changes or additional claims submitted after the end of the fiscal year. See FY 2021 Annual Report at 43 n.2.

Figure III-15 shows that the number of miles traveled per year has steadily decreased between FY 2021 through FY 2024. Despite this decrease, the number of accidents per 100,000 miles increased from 1.22 in FY 2021 to 1.55 in FY 2024. The Commission is concerned that the Total Accident Rate, number of MVAs, and ratio of accidents to miles traveled all increased between FY 2023 and FY 2024. These increases were partly caused by insourcing transportation operations, which led to more employees driving motor vehicles as part of their job. These employees need time to learn how to properly maneuver their vehicles and adjust to new job responsibilities. The Commission acknowledges that the potential for MVAs may increase in the short term as the Postal Service continues to insource transportation operations. Still, it expects the number of MVAs and Total Accident Rate to stabilize over time as employees adjust to their routines.

The FY 2025 Total Accident Rate target is the same as the FY 2024 target (13.25). FY 2024 Annual Report at 50. The Postal Service acknowledges that it did not meet the target in FY 2024, but states that the target remains the same for FY 2025 "because it strikes a balance between ambition and achievability based on past performance." March 26 Response to CHIR No. 17, question 7. It anticipates that the short-term increases in the Total Accident Rate will level off and decrease as insourcing transportation becomes the norm. *Id.*

To meet the FY 2025 target, the Postal Service states it will continue enhancing the OSHA Scorecard and the SHMT. FY 2024 Annual Report at 50. For example, the Postal Service plans to improve visualizations generated by these tools to match recent organizational changes. April 24 Response to CHIR No. 22, question 11.a. These improvements could reduce accidents through risk and hazard mitigation. *Id.* question 11.b-c.

Because the increase in MVAs was a "significant factor" in the Postal Service not meeting the FY 2024 Total Accident Rate target, the Commission recommends that the Postal Service closely monitor and focus on initiatives to improve motor vehicle safety. The driver training and on-the-job instruction are reasonable steps for reducing the number of MVAs and improving the Total Accident Rate, and the Commission is encouraged by the initial success of these initiatives in early FY 2025.

The Commission recommends that:

- *If the Postal Service does not meet the FY 2025 Total Accident Rate target, the FY 2025 Report should provide a detailed explanation why and identify significant factor(s) contributing to missing the target.*
- *If the number of MVAs increases in FY 2025, the Postal Service should file data in the FY 2025 ACR showing the number of MVAs involving employees, the total number of miles traveled, and the ratio of accidents to miles traveled.*

(2) Crimes Against Postal Service Employees

In the FY 2023 Analysis, the Commission discussed injuries caused by crimes against Postal Service employees, which increased significantly between FY 2017 and FY 2023. *See* FY 2023 Analysis at 96-100. To address these injuries, the Postal Service and the Postal Inspection Service launched Project Safe Delivery, an initiative designed to protect postal employees and secure mail and packages. *Id.* at 97. In the FY 2023 Analysis, the Commission recommended that the Postal Service continue to monitor injuries caused by crimes committed against postal employees, and the FY 2024 Report discuss actions taken and results achieved under Project Safe Delivery in FY 2024.

In a CHIR response, the Postal Service describes actions taken in FY 2024 to monitor and reduce injuries caused by crimes against its employees, such as launching a Project Safe Delivery website with regular updates to mail theft and robbery statistics, news, and press releases; conducting surge operations in high-crime areas; and securing mail receptacles and locking mechanisms. April 1 Response to CHIR No. 18, question 5. As a result, between FY 2023 and FY 2024, the number of letter carrier robberies declined by 27 percent, and there were more than 2,400 arrests made and 1,300 investigative actions taken.⁶¹

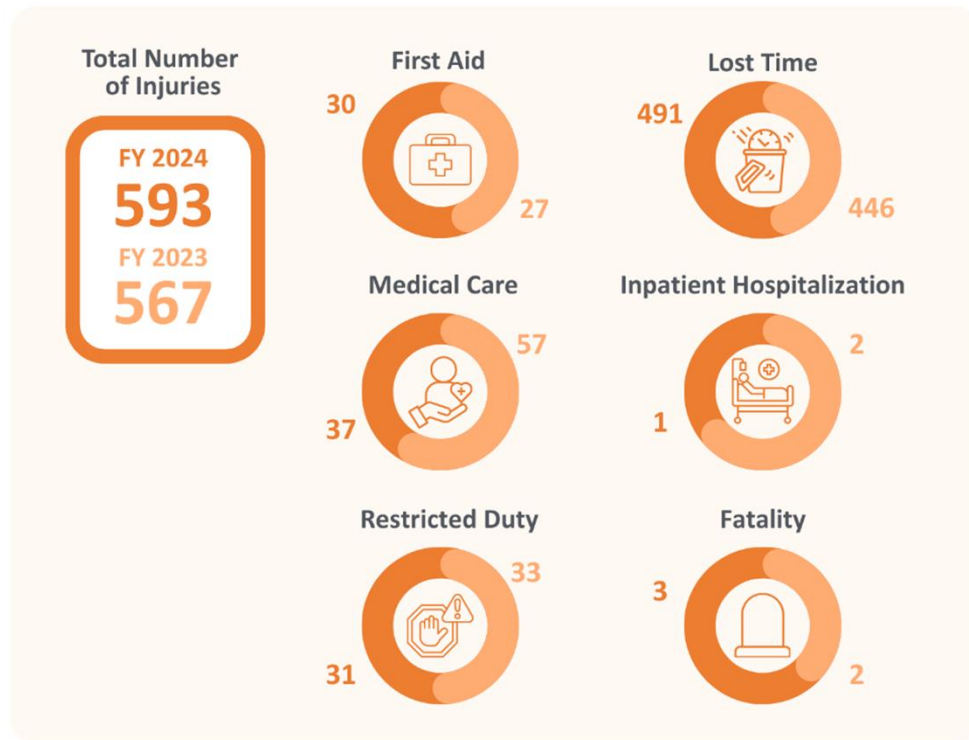
To reduce injuries caused by crimes against its employees in FY 2025, the Postal Service plans to continue Project Safe Delivery and conduct the following activities: continue surge operations; deploy internal messaging to employees about the dangers of mail theft; use social media to educate the public and identify perpetrators of postal-related crimes; prioritize check fraud cases with violent offenders; and issue a public service announcement, press release, and infographics to educate customers and businesses on check fraud. April 1 Response to CHIR No. 18, question 8.

The Public Representative comments that the Postal Service appears to be focusing on disincentivizing criminal actors from targeting Postal Service employees. PR Comments at 45. He encourages the Postal Service to update its infrastructure to deter criminal acts and protect its employees while on duty and recommends that the Commission continue to monitor the Postal Service's progress in doing so. *Id.* at 46. In its reply comments, the Postal Service responds that to combat crimes against its employees it will continue law enforcement efforts and invest to secure the postal network. Postal Service Reply Comments at 6.

Figure III-16 compares the number of injuries caused by crimes committed against Postal Service employees in FY 2023 and FY 2024.

⁶¹ *Id.* question 6; United States Postal Service, *USPS, Inspection Service detail efforts to combat crime*, Link (February 6, 2025); available at <https://news.usps.com/2025/02/06/usps-inspection-service-detail-efforts-to-combat-crime/>.

Figure III-16
Injuries Caused by Crimes Against Postal Employees
FY 2023 and FY 2024



Source: April 1 Response to CHIR No. 18, question 7; Docket No. ACR2023, Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 27, April 30, 2024, question 1. These numbers do not include property damage or near miss events.

Figure III-16 shows that the total number of injuries caused by crimes against Postal Service employees increased slightly from 567 in FY 2023 to 593 in FY 2024. Despite this increase, it appears the Postal Service is addressing causes of injuries within its control. The Commission is encouraged by the Postal Service's efforts to prevent injuries caused by crimes against Postal Service employees, which yielded positive results in FY 2024. Letter carriers and other Postal Service employees perform an important public service by helping the Postal Service meet its universal service obligation. The Commission supports and appreciates continued efforts by the Postal Service, Postal Inspection Service, Postal Service OIG, and law enforcement officers to combat crime against letter carriers and mail theft.

The Commission will continue to monitor the Postal Service's progress in reducing injuries caused by crimes committed against Postal Service employees. It recommends that the FY 2025 Report or FY 2025 ACR discuss actions taken and results achieved under Project Safe Delivery in FY 2025. The Commission also recommends that the FY 2025 ACR include FY 2025 data on the number and types of injuries caused by crimes committed against Postal Service employees.

(3) Heat-Related Injuries

In the FY 2023 Analysis, the Commission discussed illness and injuries resulting from extreme heat. FY 2023 Analysis at 100-01. The Postal Service established the Heat Illness Prevention Program (Heat Program) "to help provide awareness, highlight potential symptoms, and address issues that could occur from heat-related illnesses and heat exposure."⁶² The Heat Program is implemented from April 1 through October 31 and is triggered when National Weather Service reports for a particular work location indicate that the outdoor heat index temperature is expected to exceed 80 degrees Fahrenheit during a workday or work shift.⁶³ Employees must complete the Heat Program training by March 15 of each fiscal year. *Id.*

Beyond training, key elements of the Heat Program include conspicuous facility-level postings of visual aids, distributing badge cards, placing stickers in vehicles, planning for emergencies and responses, and engineering and administrative controls.⁶⁴ These controls include routine inspections and availability of water, checking vehicle fans, escalating requests for HVAC repairs, and focusing on newly-hired employees and those returning from extended absences. Docket No. ACR2023, Response to CHIR No. 23, question 16.

Between FY 2023 and FY 2024, the number of heat-related illnesses and injuries declined, and there were fewer heat-related incidents resulting in the need for medical care, days away from work, and hospitalization. April 1 Response to CHIR No. 18, questions 9.a.ii., 10.a. In FY 2025, the Postal Service plans to promote heat safety by continuing to implement the Heat Program and supplement training with an information packet outlining the signs and symptoms of heat-related illness. *Id.* question 11.

The Postal Service appeared to take appropriate actions in FY 2024 to help employees stay safe during extreme heat. If the number of heat-related illnesses and injuries increases in FY 2025, the Commission recommends that the FY 2025 Report explain why, identify specific factors causing the increase, and describe plans to promote heat safety in FY 2026.

⁶² United States Postal Service, *Be Prepared to Beat the Heat*, Postal Bulletin 22674 (April 17, 2025), at 3, available at <https://about.usps.com/postal-bulletin/2025/pb22674/pb22674.pdf> (Postal Bulletin 22674).

⁶³ See United States Postal Service, *Postal Service employees must complete this year's heat safety training*, Link (January 31, 2024), available at <https://news.usps.com/2024/01/31/postal-service-employees-must-complete-this-years-heat-safety-training/>.

⁶⁴ Docket No. ACR2023, Responses of the United States Postal Service to Questions 1-16 of Chairman's Information Request No. 23, April 12, 2024, question 16 (Docket No. ACR2023, Response to CHIR No. 23); see United States Postal Service, Office of Inspector General, Report No. 24-064-R24, *Postal Service's Adverse Weather Condition Procedures*, August 14, 2024, at 3-7, available at <https://www.uspsaig.gov/sites/default/files/reports/2024-08/24-064-r24.pdf>.

(4) Contractor-Operated Motor Vehicle Accidents

Accidents involving motor vehicles driven by contractors transporting mail increase costs to the Postal Service, harm service performance, and threaten safety.⁶⁵ In the FY 2023 Analysis, the Commission discussed safety issues involving motor vehicles contracted to transport mail for the Postal Service. *See* FY 2023 Analysis at 102-03. In FY 2024, the Postal Service continued to use several third-party software systems to monitor and measure contractor accident rates. March 26 Response to CHIR No. 17, question 10.a. These software systems helped the Postal Service assess contractors' continued eligibility to transport mail for the Postal Service and to evaluate potential new contractors. *Id.* In FY 2024, there were 138 contractor-operated MVAs with injuries or fatalities reportable to the Department of Transportation. April 14 Response to CHIR No. 17, question 8.b.

Starting in FY 2025, the Postal Service's contracts now require all contractors to report any accident or incident within 24 hours after it occurs. *Id.* question 11. This information is logged into the Postal Service's system to enable the Postal Service to identify trends or patterns that might lead to removing a contractor via termination or non-renewal of the contract. *Id.* The Postal Service notes that its third-party software systems provide monthly updates of contractors' safety performance. *Id.*

The Commission recommends that the Postal Service amplify monitoring and transparency of MVAs involving contractors transporting mail to better inform the Postal Service's contracting decisions that affect safety, service performance, and costs.

b. Engaged Workforce

In FY 2024, the Postal Service tracked progress toward an engaged workforce using the Grand Mean Engagement Score and Engagement Survey Response Rate. Each of these metrics is explored below.

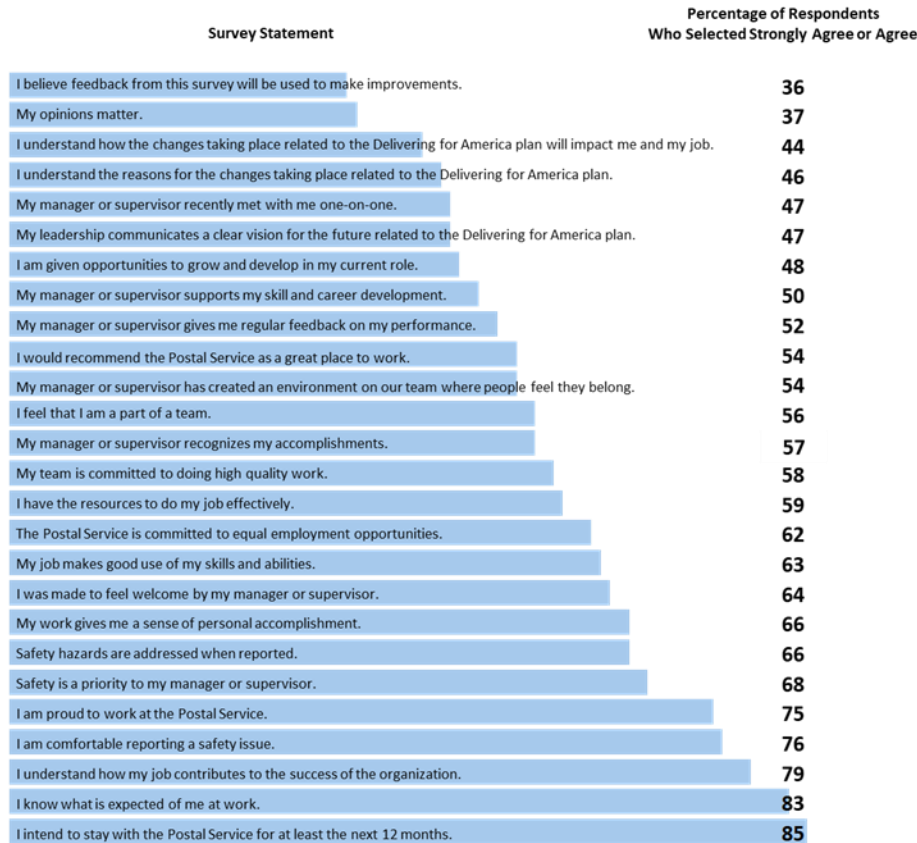
(1) Grand Mean Engagement Score

The Postal Service calculated FY 2021 through FY 2024 Grand Mean Engagement Score results based on six questions that overlap between the FY 2023 and FY 2024 Postal Pulse surveys. FY 2024 Annual Report at 50. The FY 2024 Grand Mean Engagement Score was 3.50, which was slightly better than the FY 2024 target (3.49). *Id.*

For the FY 2024 Postal Pulse survey, results are calculated based on the percentage of customers who Strongly Agreed or Agreed with a statement. Figure III-17 shows FY 2024 Postal Pulse survey results.

⁶⁵ *See generally* United States Postal Service, Office of Inspector General, Report No. 23-088-R24, Contract Trucking Safety and Compliance, February 27, 2024, available at <https://www.uspsaig.gov/sites/default/files/reports/2024-02/23-088-r24.pdf>.

Figure III-17
FY 2024 Postal Pulse Survey Results



Source: Library Reference USPS-FY24-38, Excel file "FY2024_Postal_Pulse_Survey_Data_Summary.xlsx," tab "Mean Scores."

Figure III-17 shows that the highest scores (more than 80 percent) relate to work expectations and intent to stay at the Postal Service. Statements related to managers and the work unit ranged from 47 percent to 56 percent. Statements about employee feedback and opinions received the lowest scores: 36 and 37 percent, respectively. The Commission observes that regular meetings between employees and managers could improve results for statements about regular feedback and one-on-one meetings. The Commission also observes that communicating concrete changes made based on survey feedback could improve results for statements about employee opinions and survey feedback, which had the lowest scores in FY 2024.

In FY 2025, the Postal Service will measure employee engagement using the Engagement Score, which is the average percentage agreement for the four statements shown in Figure III-12, above. The FY 2025 target is 72 percent, which is 2 percentage points more than the FY 2024 result (70 percent). FY 2024 Annual Report at 51. The Postal Service asserts that the Engagement Score "has been found to predict work performance, retention, and other key organizational outcomes." *Id.* at 50-51. It filed supporting research in a CHIR response.

April 14 Response to CHIR No. 20, question 7. The Public Representative comments that the results of the four statements used to calculate the Engagement Score were better than results for the Postal Pulse survey as a whole. PR Comments at 49. The Commission has reviewed the supporting research and finds that it supports calculating the Engagement Score based on the four statements selected. Nonetheless, it encourages the Postal Service to evaluate results of all statements to ensure that it improves all aspects of the employee experience.

To meet the FY 2025 target, the Postal Service plans to standardize the onboarding process and educate management on how to interpret survey scores and leverage insights to improve the work environment. FY 2024 Annual Report at 51. It also plans to implement a new dashboard showing managers engagement drivers, which are actions most likely to encourage employee engagement within the work unit. *Id.* It states that this dashboard will help managers "develop more effective actions plans to maximize employee engagement for their unit." *Id.*

The Commission finds that employee engagement levels as measured by the Grand Mean Engagement Score improved slightly between FY 2023 and FY 2024. To improve FY 2025 Postal Pulse survey results, the Commission recommends that the Postal Service consider implementing regular employee-manager meetings and incorporating survey feedback to improve the workplace. The Postal Service's plans to create a new dashboard appear designed to help managers take appropriate steps to improve employee engagement within the work unit. The Commission recommends that the FY 2025 Report identify engagement drivers from the dashboard, describe any actions plans implemented, and explain how these action plans affected employee engagement in FY 2025.

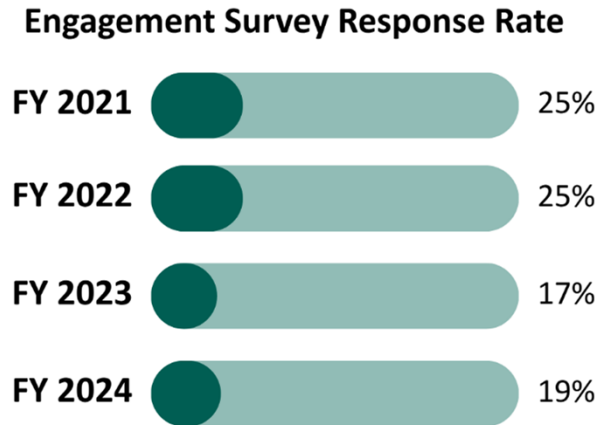
To facilitate the Commission's and commenters' review of employee engagement, the Commission recommends that the Postal Service continue to file the Postal Pulse survey and data on the number of respondents, mean scores, and disaggregated survey responses for the past three fiscal years in the ACR. The Postal Service should file the following FY 2025 data with Docket No. ACR2025, Library Reference USPS-FY25-38: (1) a copy of the Postal Pulse survey administered in FY 2025; (2) the number of bargaining unit and non-bargaining unit employees who received the survey; (3) the number of bargaining unit and non-bargaining unit employees that responded to at least one question on the survey; (4) the mean score for each question on the survey; and (5) the number of responses received for each question, disaggregated by each of the possible responses.

(2) Engagement Survey Response Rate

The Engagement Survey Response Rate measures the Postal Pulse survey level of participation among the entire employee population. FY 2024 Annual Report at 50. The result is calculated by dividing the total number of employees who responded to at least one question by the total number of employees who received the survey. Response to CHIR No. 6, question 6. The FY 2024 Engagement Survey Response Rate was 19 percent. FY 2024 Annual Report at 39.

Figure III-18 compares the Engagement Survey Response Rates from FY 2021 through FY 2024.

Figure III-18
Postal Pulse Engagement Survey Response Rates
FY 2021–FY 2024



Source: FY 2024 Annual Report at 39.

Figure III-18 shows that the Engagement Survey Response Rate improved slightly from 17 percent in FY 2023 to 19 percent in FY 2024. The Public Representative states that the Engagement Survey Response Rate makes it difficult to determine whether FY 2024 survey results accurately reflect Postal Service employee engagement, especially for bargaining-unit employees. PR Comments at 48-49. The Postal Service responds that survey results accurately portray sentiments of those employees who responded, and employees who did not respond to the survey will still benefit from improvements made because of the survey. Postal Service Reply Comments at 7.

The Commission is concerned about the low Engagement Survey Response Rate, but is encouraged by the improvement between FY 2023 and FY 2024. It acknowledges that factors outside of the Postal Service control could have affected the response rate.⁶⁶ The Commission finds that the Postal Service took appropriate steps during FY 2024 to encourage survey participation. See April 14 Response to CHIR No. 20, questions 13-14.

To improve the Engagement Survey Response Rate in FY 2025, the Postal Service states it will communicate directly and indirectly with employees and managers to provide survey information and encourage employees to respond. *Id.* question 14. It also plans to provide administrative support via an internal website and weekly meetings with Human Resources. *Id.*

⁶⁶ See American Postal Workers Union, “Don’t Let Management Take Your Pulse,” July 8, 2024, available at <https://apwu.org/news/dont-let-management-take-your-pulse>.

To obtain an accurate picture of employee engagement, the Commission recommends that the Postal Service continue its efforts to improve the Engagement Survey Response Rate. If the result does not improve in FY 2025, the Commission recommends that the FY 2025 Report explain why and describe plans for improvement in FY 2026.

D. Financial Health

1. Key Observations and Recommendations

The Commission finds the Postal Service did not meet its Financial Health performance goal in FY 2024.

The Commission recommends the Postal Service continue reporting Controllable Income (Loss) and non-controllable expenses in all future performance plans and reports, regardless of goal achievement. The Commission expects the Postal Service to report on the effects of the DFA Plan on Financial Health and labor productivity in all Annual Reports through the first year after the DFA Plan's completion.

The Commission reiterates its recommendation to adopt Net Income (Loss) as a supplemental or alternative performance indicator. If changes are made, the Postal Service must provide comparable data from FY 2022 to FY 2025 to comply with 39 U.S.C. § 2804(c).

Finally, the Commission recommends continued monitoring and explanation of Total Factor Productivity (TFP), labor productivity, and related trends in future reports.

2. Background

In FY 2024, the Postal Service used one performance indicator to measure progress toward the Financial Health performance goal: Controllable Income (Loss).⁶⁷ The results for the Controllable Income (Loss) performance indicator are calculated as the Postal Service's total revenue less controllable expenses. *Id.*

Revenue includes funds received from the sale of postage, mailing, and shipping services; Post Office Box rentals; the sale and lease of property; and interest and investment income. *See id.* at 54. Controllable expenses consist of salaries and benefits; the Federal Employees Retirement System (FERS) normal costs; transportation; depreciation; supplies and services; and rent, utilities, and other controllable expenses. *See id.* at 54-55. Controllable expenses exclude non-controllable expenses, which are expenses that the Postal Service asserts do not reflect short-term operational decisions and are subject to large fluctuations that are outside of the Postal Service's control. *See id.* at 52. Non-controllable expenses include amortization of the Postal Service's unfunded liabilities for its participation in FERS and the Civil Service Retirement System (CSRS) and non-cash expenses related to changes in liability for participating in the federal workers' compensation program. *See id.*

⁶⁷ FY 2024 Annual Report at 52. The Commission notes that controllable losses are shown in parentheses.

Consistent with historical practice, the Commission published a separate financial analysis of the Postal Service's FY 2024 financial results and 10-K statement.⁶⁸ That analysis provides a detailed evaluation of the Postal Service's financial status by examining volume, revenue, and cost trends, as well as the Postal Service's sustainability, liquidity, activity, and financial solvency.

In FY 2024, the Postal Service did not meet its target for Controllable Income (Loss).⁶⁹ The Postal Service's total Controllable Income (Loss) for FY 2024 of \$(1.8) billion was worse than its target Controllable Income (Loss) of \$(0.8) billion by \$1.0 billion. FY 2024 Annual Report at 53. The Postal Service explains that revenue was \$1.2 billion less than planned. *Id.* at 54. Controllable expenses, specifically salaries and benefits, were \$0.6 billion more than planned. *Id.* Reasons for the missed FY 2024 target and plans for meeting the FY 2025 Controllable Income (Loss) target of \$(1.09) billion are discussed in more detail below. *Id.* at 53. Generally Accepted Accounting Principle (GAAP) measures such as Net Income (Loss) also show bleak assessments of the Postal Service's financial health. *Id.* at 53. Net Income (Loss) was recorded at \$(9.5) billion in FY 2024 and predicted to be \$(6.9) billion in FY 2025. *Id.*

3. Comments

The Public Representative notes that he is encouraged by the fact that actual controllable loss in FY 2024 improved over FY 2023 and that an increase in salaries and benefits (of \$1.3 billion) was offset exactly by reduced transportation costs. PR Comments at 57. Nevertheless, he also states that, because salaries and benefits account for a far larger portion of controllable expenses by percentage, "it will take relatively large percentage decreases in transportation costs to balance out future increases in salaries and benefits[.]" and thus it will become more important to capture processing efficiencies in order to reduce costs in the future. *Id.* The Public Representative believes that the Postal Service can reduce controllable loss for a second consecutive year and make strides to generate positive controllable income; however, given the significant size of non-controllable costs faced by the Postal Service, the Public Representative recommends that the Postal Service and the Commission evaluate the Financial Health goal in relation to the Postal Service's "entire financial picture[.]" rather than just in the context of controllable income. *Id.* at 58-59.

The Public Representative notes that in FY 2023 the Postal Service experienced its lowest TFP value "of the PAEA era and the largest single-year decline in TFP since 1965" and that this decline leveled off in FY 2024. *Id.* at 61. He is therefore "cautiously optimistic" that the Postal Service's strategies are beginning to pay dividends and that a positive trend in TFP occur. *Id.* at 62.

⁶⁸ See *Financial Analysis of United States Postal Service Financial Results and 10-K Statement Fiscal Year 2024*, May 8, 2025.

⁶⁹ FY 2024 Annual Report at 53. Projections of Controllable Income (Loss) are based on planned revenues and expenditures for every program activity included in the Postal Service's IFP. The FY 2024 Controllable Income (Loss) target was aligned with the FY 2024 IFP, November 24, 2023, available at <https://about.usps.com/what/financials/integrated-financial-plans/fy2024.pdf> (FY 2024 IFP).

4. Commission Analysis

In FY 2024, the Postal Service fell short of its Financial Health performance goal, reporting a Controllable Income (Loss) of \$(1.8) billion compared to its target of \$(0.8) billion. *See* FY 2024 Annual Report at 53.

The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2024.

Below, the Commission provides observations and recommendations related to the Postal Service's explanations for its failure to meet the Financial Health performance goal in FY 2024. The Commission also provides discussion and recommendations concerning the Postal Service's plans to meet the Financial Health performance goal in FY 2025.

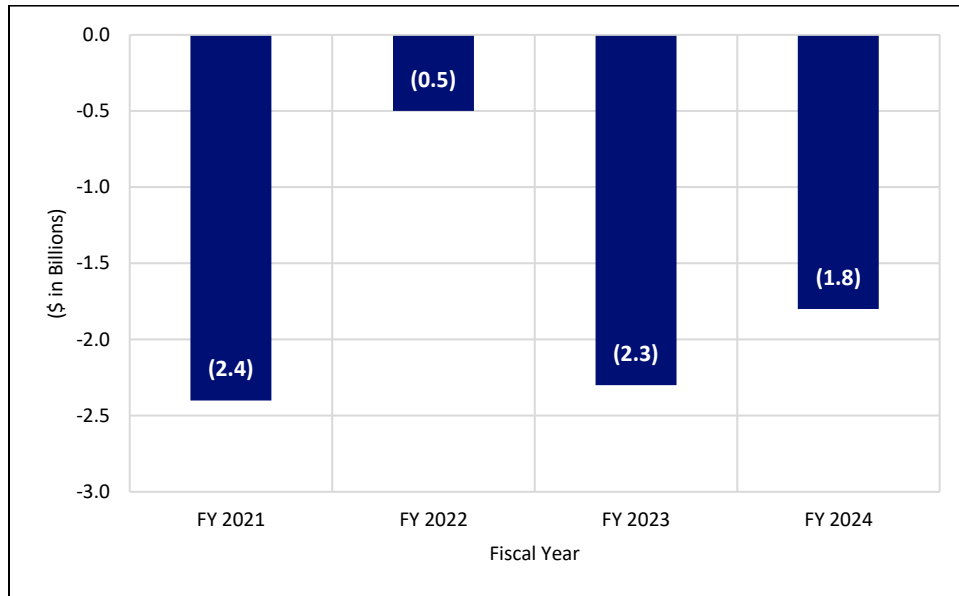
a. FY 2024 Performance Report

The FY 2024 Annual Report provides an explanation of the principal components used to calculate Controllable Income (Loss). *See* FY 2024 Annual Report at 52. The FY 2024 Annual Report includes a table showing revenue and expenses and describes certain categories of revenue and controllable expenses. *Id.* at 53. The Postal Service explains how and why the FY 2024 Controllable Income (Loss) target was not met and provides its rationale for the FY 2025 target. *Id.* at 54-55. Additionally, the FY 2024 Annual Report discusses non-controllable expenses. *See id.* at 52, 55. This information improves the transparency and usefulness of the FY 2024 Annual Report by assisting interested persons to better understand how the Postal Service calculates targets and results and its stated reason for missing the performance goal.

The Commission recommends that the Postal Service continue to include information on Controllable Income (Loss) and non-controllable expenses in future annual performance plans and annual performance reports regardless of whether the performance goal was met.

The Postal Service also provides the Controllable Income (Loss) results from FY 2021 through FY 2024, as well as a table listing the components of Controllable Income (Loss) and Net Income (Loss), which is adapted as Table III-9. *See* Figure III-19; FY 2024 Annual Report at 53.

Figure III-19
Controllable Income (Loss) Results
FY 2021–FY 2024



Source: FY 2024 Annual Report at 39. Results are rounded to the nearest tenth.

Table III-9
Integrated Financial Plan
Revenue and Expenses (\$ in Billions)
Results and Targets, FY 2021–FY 2025

	Results			FY 2024		FY 2025
	FY 2021	FY 2022	FY 2023	Target	Result	Target
Revenue						
First-Class Mail	23.3	24.0	24.5	25.0	25.4	25.8
USPS Marketing Mail	14.6	16.0	15.1	14.6	15.4	15.4
Shipping and Packages	32.0	31.3	31.6	33.7	32.3	34.6
International Mail	2.2	1.7	1.6	1.5	1.4	1.4
Periodicals	1.0	1.0	0.9	0.9	0.9	0.9
Other ^a	4.0	4.8	5.6	6.0	5.1	4.8
Total Revenue	77.1	78.8	79.3	81.7	80.5	82.9
Controllable Expenses						
Salaries and benefits ^b	51.4	52.8	54.4	55.1	55.7	57.1
FERS normal cost	4.1	4.5	4.8	5.0	4.9	5.1
RHB normal cost ^c	3.9	—	—	—	—	—
Transportation	9.7	10.3	10.1	9.6	8.8	8.2
Depreciation	1.7	1.7	1.8	2.0	2.0	2.2
Supplies and services	2.9	3.2	3.4	3.3	3.4	3.6
Rent, utilities and other ^d	5.8	6.8	7.1	7.5	7.5	7.8
Total Controllable Expenses	79.5	79.3	81.6	82.5	82.3	84.0
Controllable Income (Loss)	(2.4)	(0.5)	(2.3)	(0.8)	(1.8)	(1.09)
Non-Controllable Expenses						
Impact of Postal Service reform legislation ^e	—	57.0	—	—	—	—
RHB normal cost actuarial revaluation	(0.3)	—	—	—	—	—
RHB unfunded liability amortization	(0.9)	—	—	—	—	—
FERS unfunded liability amortization	(1.4)	(1.6)	(2.1)	(2.3)	(2.3)	(2.4)
CSRS unfunded liability amortization	(1.9)	(2.3)	(3.0)	(3.2)	(3.2)	(3.4)
Workers' compensation fair value and other non-cash adjustments	2.0	3.4	0.9	—	(2.2)	—
Total Non-Controllable Expenses	(2.5)	56.5	(4.2)	(5.5)	(7.7)	(5.8)
Net Income (Loss)	(4.9)	56.0	(6.5)	(6.3)	(9.5)	(6.9)

Note: Red text indicates target was not met. Green text indicates target was met.

Note: The sum of columns may not equal total due to rounding. FY 2024 Annual Report at 53 n.1.

^a Includes investment and interest income, gain or loss on sale, and income from the out-lease of property. *Id.* at 53 n.2.

^b Includes salaries, health benefits expenses for active employees, and workers' compensation cash outlays. *Id.* at 54.

^c Retiree health benefit (RHB) normal costs were eliminated by the Postal Service Reform Act.⁷⁰

^d Rent, utilities, and other includes interest expense. *Id.* at 53 n.4.

^e Represents the one-time non-cash benefit due to the reversal of \$57.0 billion for past due RHB obligations that were canceled by the enactment of the PSRA. With the PSRA, RHB normal cost and amortization payments will be 0 for FY 2022 and future years. RHB top-up payments, a new payment, are expected to begin in FY 2026. *Id.* at 53 n.5.

Source: FY 2024 Annual Report at 53.

⁷⁰ *Id.* at 53 n.5. Postal Service Reform Act of 2022 (PSRA), Pub. L. 117-108, 136 Stat. 1127.

The Postal Service states that it has “made great strides in creating a more efficient, customer-oriented, and operationally focused organization,” but that, nevertheless, the impacts of these changes take time to be fully realized. FY 2024 Annual Report at 52. It attributed its overall controllable loss in FY 2024 to several factors, including declines in mail volume, a “high liability to asset ratio,” legacy pension costs, and inflation. *See id.*

With respect to revenue, the Postal Service's \$80.5 billion in FY 2024 revenue was \$1.2 billion below the plan. *Id.* at 54. This shortfall was driven primarily by worse-than-anticipated revenue from ancillary services (such as Certified Mail, PO Box services, Return Receipt services, money and passport services) and interest income. *Id.* Shipping and Packages revenue grew modestly from FY 2023, but the growth was less than planned because of strong competition and a fall in demand for Priority Mail. *Id.*

At the same time, the Postal Service spent \$82.3 billion on Controllable Expenses, \$0.2 billion below the plan. *Id.* at 53. This was primarily due to transportation expenses that were \$0.8 billion less than plan, which the Postal Service attributes to its “efforts to realign and streamline [its] transportation system,” specifically by transitioning to a surface network. *Id.* at 54-55. On the other hand, compensation and benefits expenses were higher than expected (\$0.6 billion above plan), due in large part to an increase of 16.3 million in total work hours. *Id.* at 54.

In the face of continued Controllable and non-controllable income loss, as well as accompanying stakeholder concerns, the Commission initiated Docket No. RM2024-4 to review the ratemaking system for Market Dominant products to determine if the ratemaking system is achieving the objectives appearing in 39 U.S.C. § 3622(b), taking into account the factors in 39 U.S.C. § 3622(c).⁷¹ Determining that the ratemaking system is not achieving the statutory objectives, taking into account the statutory factors, the Commission established procedures for modifying the ratemaking system or adopting an alternative system, which remain pending before the Commission.⁷²

With respect to costs, the Postal Service continues to face a challenging operating environment. Its labor costs, which represent the majority of its cost base, are subject to binding collective bargaining agreements that limit near-term flexibility and are subject to inflation. *See, e.g.,* FY 2023 Annual Report at 54, 56. The Postal Service's universal service obligation also constrains its ability to rapidly adjust its network and service levels in response to volume declines. *See id.* at 56. While the DFA Plan initiatives aim to drive efficiency improvements over the long term, the Postal Service has faced implementation challenges and near-term cost pressures as it attempts to restructure its operations, and it has not been able to realize many benefits. *See id.* Therefore, the Commission expects that

⁷¹ *See* Docket No. RM2024-4, *et al.*, Order Presenting Findings on the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products (Phase 1 Completion), June 9, 2025, at 23-24, 31 (Order No. 8891).

⁷² *See generally* Docket No. RM2024-4, *et al.*, Procedural Order on Phased Rulemaking, June 9, 2025 (Order No. 8892); Docket No. RM2024-4, *et al.*, Notice of Proposed Rulemaking on the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products (Phase 2A Initiation), June 9, 2025 (Order No. 8893).

the Postal Service has and will continue to evaluate how the DFA Plan initiatives individually and together make positive contributions to financial health and productivity.

The Commission expects that in all future Annual Reports through the first year following completion of the DFA Plan, the Postal Service will report the effects of the DFA Plan on: (1) the Postal Service's Financial Health performance indicator results; and (2) labor productivity.

Many of the same challenges to financial health that the Postal Service reported in the last several years were at play again in FY 2024.⁷³ Because the Postal Service has had an additional year of using its new pricing authority and consolidating its network under the DFA Plan, the Commission expects that in FY 2025, the Postal Service will improve its ability to set targets that it can reasonably achieve while balancing the need for stretch goals and targets to remedy its dire financial situation.

For example, the Net Income (Loss) in FY 2024 was \$(9.5) billion, which was \$3.2 billion worse than the planned Net Income (Loss) of \$(6.3) billion. FY 2024 Annual Report at 53. The Commission in FY 2022 and FY 2023 suggested the Postal Service consider adding Net Income (Loss) as a performance indicator. See FY 2023 Analysis at 117; FY 2022 Analysis at 108. The Postal Service decided not to incorporate Net Income (Loss) as a performance indicator because Net Income (Loss) would include “pension amortization payments and non-cash adjustments to workers’ compensation, which are highly sensitive to changes in macroeconomic variables, such as the inflation rate and interest rate. Management has almost no control over these expenses in the short- or medium-term.”⁷⁴ Nevertheless, Net Income (Loss) includes significant non-controllable expenses related to legacy benefit obligations that have a material impact on the Postal Service’s overall financial position. These expenses affect the Postal Service’s liquidity and constrain its ability to make needed investments in its network and infrastructure, and they are therefore useful indicators to consider in gauging the Postal Service’s overall financial health.

The Commission again recommends that the Postal Service adopt Net Income (Loss) as a supplemental or replacement performance indicator for Controllable Income (Loss). If the Postal Service makes changes to, or supplements, the Controllable Income (Loss) performance indicator in its FY 2025 Report, the Postal Service should also provide comparable performance indicator results for FY 2022 through FY 2025 to help ensure compliance with 39 U.S.C. § 2804(c).

⁷³ See FY 2022 Annual Report at 48-49; FY 2023 Annual Report at 56; FY 2024 Annual Report at 54-55.

⁷⁴ See Response to CHIR No. 16, question 13; see also Docket No. ACR2023, Responses of the United States Postal Service to Questions 1–13 of Chairman’s Information Request No. 11, February 20, 2024, question 12.

b. FY 2025 Performance Plan

In FY 2025, the Postal Service anticipates a reduced but still substantial Controllable Income (Loss) of \$(1.09) billion. FY 2024 Annual Report at 55. The FY 2025 plan projects a \$2.4 billion revenue increase, driven primarily by an increase in Shipping and Packages revenue. *Id.* However, this revenue growth is expected to be offset by a \$1.7 billion increase in controllable expenses, mostly due to contractual wage increases for salaries and benefits. *Id.*

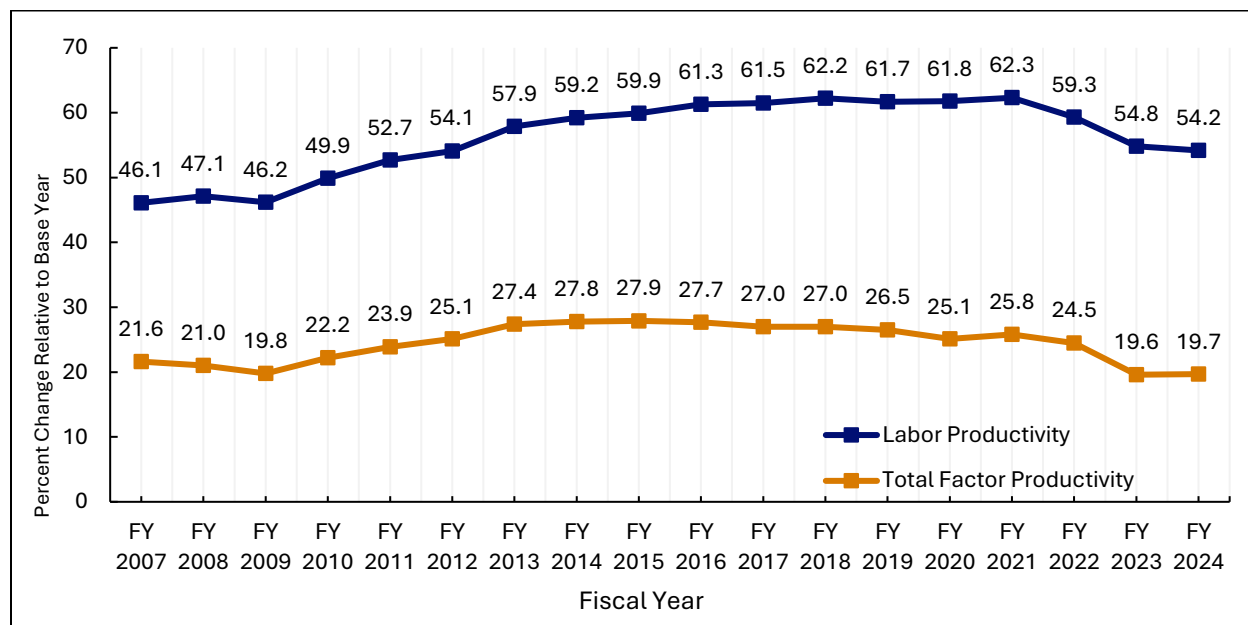
In its initial DFA Plan Proposal, the Postal Service stated that “we project that we will operate with a positive net income beginning in 2023 or 2024 and realize break-even operations over the next ten years.” DFA Plan at 7. Nevertheless, a future with positive Net Income (Loss) presently seems distant; Net Income (Loss) is expected to be \$(6.9) billion at the end of FY 2025. FY 2024 Annual Report at 53. To ensure the DFA Plan delivers on its promise of achieving positive net income, the Postal Service must aggressively pursue opportunities to grow profitable revenue streams, rationalize its cost structure, and improve efficiency.

In improving efficiency, the Postal Service needs to place renewed focus on productivity and efficiency improvements throughout processing, transportation, and delivery operations. As the Postal Service implements network redesign efforts, it must aggressively pursue opportunities to eliminate excess costs, better align capacity with shifting volumes, and fully capture economies of scale and density. The Postal Service should establish measurable efficiency targets and regularly monitor progress against them.

c. Operational Efficiency

In terms of operational efficiency, TFP is a comprehensive measure of the efficiency with which the Postal Service uses resources (inputs) to handle workload and create outputs. *Id.* at 56. An increase in TFP indicates the Postal Service is operating more efficiently. *Id.* The Postal Service also measures labor productivity, which “measures the efficiency of labor” such that an increase in labor productivity “indicates that more workload is being handled per unit of labor.” *Id.* at 57.

Figure III-20
Total Factor Productivity and Labor Productivity Results FY 2007–FY 2024



Source: FY 2024 Annual Report at 57. The base year is FY 1971.

In FY 2023, TFP declined by 4.0 percent compared to FY 2022, the worst 1-year decline since it was first measured in 1965, following a 1.0 percent decline the previous year.⁷⁵ At the time, the Postal Service attributed the decrease partially to lower labor productivity as it focused on stabilizing operations and improving precision as part of the DFA Plan. *Id.* Additionally, overall workload decreased by 4.7 percent in FY 2023, with an 8.1 percent decrease in weighted mail volume being a key driver. *Id.* In FY 2024, TFP decreased by 0.1 percent, and similarly, labor productivity decreased by 0.6 percent.⁷⁶ Nevertheless, the Postal Service states that this general decline masked “significant increases in labor productivity in the areas currently targeted by the [DFA Plan],” such as for the distribution and mail handling functions. FY 2024 Annual Report at 57.

The FY 2024 Annual Report does not provide a FY 2025 target for TFP growth or labor productivity improvement. However, the low results in both metrics relative to previous years are concerning, as they suggest the Postal Service is struggling to adjust its cost base and resource usage in line with declining mail volumes. Reversing these negative trends will be challenging but critical to achieving financial sustainability.

⁷⁵ FY 2023 Annual Report at 58; *Financial Analysis of United States Postal Service Financial Results and 10-K Statement Fiscal Year 2023*, June 17, 2024, at 108.

⁷⁶ Notice of the United States Postal Service of Filing its Responses to Questions 1-8 of Chairman’s Information Request No. 19 and Application for Non-Public Treatment (USPS-FY24-NP39), April 4, 2025, question 8, Excel file “CHIR19_Q8_FY2024 TFP Summary Tables (Public) linked revise.xlsx,” tab “Summary” (Response to CHIR No. 19).

With respect to inputs, FY 2024 resource usage decreased 1.1 percent compared to FY 2023. *Id.* Labor input, the largest component of resource usage, declined 0.5 percent, driven by decreases in pre-career and full-time clerk positions and pre-career city delivery carriers. *Id.* However, these decreases were partially offset by increases in supervisors and career city delivery carriers. *Id.*

The Postal Service states that TFP is best used to evaluate productivity over a multi-year period rather than in single years in isolation. *Id.* This perspective aligns with the Commission view that individual year TFP fluctuations may be noisy, but sustained TFP trends are informative regarding the Postal Service's overall efficiency. *See, e.g.,* FY 2022 Analysis at 110. If the Postal Service is correct regarding its inflexible cost structure, it should reconsider its strategy of quickly increasing prices that may be driving electronic diversion faster than the Postal Service can change its cost structure.

The Commission notes that it may be the case that the DFA Plan will lead to TFP improvements in the long term. However, as discussed above and in Docket No. N2024-1, it does not appear that the operational and financial benefits from the DFA Plan will be realized in the next few years. The Commission notes that since labor input does not decline in direct proportion with workload and, as volume declines the Postal Service loses some economy of scale by processing fewer total pieces, the Commission expects TFP to continue to decline. Declining TFP would require careful monitoring.

The Commission has previously recommended that the Postal Service consider using a rolling calculation of TFP to measure progress toward the Financial Health performance goal. *See* FY 2023 Analysis at 121; *see also* FY 2022 Analysis at 110-11. The Postal Service did not opt to use the operating ratio as suggested by the Commission, stating that "TFP and labor productivity are best evaluated holistically between multi-year comparison periods, such as given numbers of years before and after a pivotal event (e.g., the passage of major legislation, a significant recession, the initiation of a significant efficiency initiative) or in periods following multiple such events." Response to CHIR No. 16, question 14. Thus, according to the Postal Service, a rolling average of TFP results would be an inappropriate performance metric. *Id.*

The Commission recommends that the Postal Service continue monitoring and reporting TFP and labor productivity trends. The Commission recommends that future annual performance reports continue to include information on TFP, labor productivity, and other productivity measures. In addition, the Postal Service should explain the reason for any changes in TFP and/or labor productivity in FY 2025.

CHAPTER IV. STRATEGIC INITIATIVES

This chapter discusses the Postal Service's implementation of the Commission's recommendations aimed at enhancing transparency for the Postal Service's strategic initiatives presented in the FY 2024 Report and FY 2025 Plan as well as the Commission's recommendations regarding the FY 2025 Report and FY 2026 Plan.

A. Background

The Postal Service must prepare a strategic plan describing “general goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the Postal Service[.]” 39 U.S.C. § 2802(a)(2). On March 23, 2021, the Postal Service issued the DFA Plan, a strategic plan to achieve financial sustainability and service excellence during the next 10 years. The DFA Plan outlined twelve strategic areas of focus to achieve financial sustainability and service excellence, which the Postal Service referred to as “strategic initiatives.” Figure IV-1 displays the FY 2024 strategic initiatives. *See* FY 2024 Annual Report at 59; FY 2023 Analysis at 122-23.

B. FY 2024 Postal Service Strategic Initiatives

On September 30, 2024, the Postal Service issued *Delivering for America 2.0 - Fulfilling the Promise*, an updated strategic plan that describes progress made during the past 3 years and summarizes major strategies driving the Postal Service toward financial stability and sustained service excellence.⁷⁷ The DFA Plan 2.0 will change each strategic initiative in FY 2025 as shown in Figure IV-1.

⁷⁷ United States Postal Service, *Delivering for America 2.0 Fulfilling the Promise*, September 30, 2024, available at <https://about.usps.com/what/strategic-plans/delivering-for-america/assets/dfa-2-0-fulfilling-the-promise-2024.pdf> (DFA Plan 2.0).

Figure IV-1
Comparison of FY 2024 and FY 2025 Strategic Initiatives

FY-2024-Strategic-Initiatives	Changes	FY-2025-Strategic-Initiatives
Strengthen Value of Mail and Sustain Public Service Mission	Refined	Strengthened Public Service Mission Bold Approach to Growth, Innovation, and Continued Relevance
Implement Service Standards	Refined	Service Standards That Foster Excellence and Reliability
Innovate and Launch USPS Connect	Completed	None
Optimize Surface and Air Transportation Network	Refined	Fully Optimized Surface and Air Transportation Network
Modernize Delivery Vehicle Fleet	Refined	Environmental Stewardship
Implement Best-in-Class Processing Operations	Refined	Best-In-Class Mail and Package Processing
Implement Best-in-Class Delivery Operations	Refined	Best-In-Class Delivery Operations
Modernize Retail Post Offices	Refined	Modern and Transformed Network of Post Offices
Stabilize and Empower Workforce	Refined	Stable and Empowered Workforce
Align Organizational Structure	Refined	Organization Structured for Success
Implement a More Rational Pricing Approach	Refined	More Rational Approach to Pricing Financial Stability and Investment
Support Legislative and Administrative Actions	Refined	Sensible and Prudent Legislative and Administrative Support

Source: FY 2024 Annual Report at 59.

The Postal Service explains that “[e]ach strategic initiative has a specific set of measures to track performance against desired” outcomes in the DFA Plan. FY 2024 Annual Report at 58. For each strategic initiative, the Postal Service identified the related performance goal(s) and FY 2025 targets. March 18 Response to CHIR No. 14, question 8.a. As discussed in Chapter III, *supra*, the Postal Service did not meet any performance goals in FY 2024.

C. Transparency Regarding the Postal Service's Strategic Initiatives

No commenters discuss the strategic initiatives. In the FY 2023 Analysis, the Commission recommended that the FY 2024 Report and FY 2025 Plan:

- Identify and describe each strategic initiative the Postal Service used in FY 2024.
- Show how the strategic initiatives relate to the performance goals and performance indicators.
- Describe the Postal Service's progress toward completing each strategic initiative during FY 2024 or include cross-references to the DFA Plan progress reports, PSRA reports, or other documents containing this information.
- Describe each strategic initiative the Postal Service will use in FY 2025, and provide performance measures and targets, if applicable.
- Explain in detail how the strategic initiatives changed between FY 2024 and FY 2025.

FY 2023 Analysis at 131. The Postal Service provided the recommended information. The FY 2024 Report and FY 2025 Plan identify each strategic initiative used in FY 2024 and align each one with one or more performance goals. *See* FY 2024 Annual Report at 59. The Postal Service previously described each FY 2024 strategic initiative in Docket No. ACR2021.⁷⁸ The FY 2024 Report and FY 2025 Plan show that the Postal Service has completed or refined each strategic initiative and list the ones the Postal Service will use in FY 2025. FY 2024 Annual Report at 59. Descriptions of the FY 2025 strategic initiatives were published in the DFA Plan 2.0. March 11 Response to CHIR No. 14, question 7. For each FY 2025 strategic initiative, the Postal Service filed performance measures and targets in a CHIR response. March 18 Response to CHIR No. 14, question 8.

The Postal Service described progress toward completing each strategic initiative in the DFA Plan 2.0 and in progress reports required by the PSRA. Section 207 of the PSRA requires the Postal Service to submit semi-annual reports to the President, the Commission, the Senate Committee on Homeland Security and Governmental Affairs, and the House Committee on Oversight and Reform describing the Postal Service's operations and financial condition. PSRA § 207(a). The Postal Service must file PSRA reports with the Commission every 6 months in June and December of each fiscal year beginning December 2, 2022, and ending December 2, 2027. *Id.* § 207(a), (d). The PSRA report filed in June covers Quarters 1 and 2 of the applicable fiscal year, and the PSRA report filed in December covers Quarters 3 and 4 of the applicable fiscal year. *See id.* § 207(a). The PSRA Reports for

⁷⁸ Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 21, March 4, 2022, question 2.a. (Docket No. ACR2021, Response to CHIR No. 21).

FY 2024 cover Quarters 1 and 2 (FY 2024 PSRA Report, Quarters 1 and 2) and Quarters 3 and 4 (FY 2024 PSRA Report, Quarters 3 and 4).⁷⁹

In each PSRA report, the Postal Service must report its progress on 15 postal areas, such as actual mail and package volume growth and the effect of pricing changes on product volume for Market Dominant and Competitive products. PSRA § 207(b). Most of these areas align with the strategic initiatives. Figure IV-2 describes the Postal Service progress toward each strategic initiative and the path forward based on information in the DFA Plan 2.0 and the two PSRA reports filed by the Postal Service for FY 2024.

Figure IV-2
Progress on FY 2024 Strategic Initiatives
As Reported by the Postal Service

Strengthen Value of Mail and Sustain Public Service Mission	Implement Service Standards	Implement and Launch USPS Connect	Optimize Surface and Air Transportation Network
Key Accomplishments			
FYs 2021-2024	In FY 2024	In FY 2024	In FY 2024
Affirmed commitment to 6-day delivery ^a	Exceeded FY 2024 targets for Package Services	Continued to expand the USPS Connect suite of services to provide businesses of all sizes direct access to the Postal Service’s delivery network for affordable services such as same-day and next-day delivery, as well as returns in local, regional and national markets ^b	Eliminated 1.1 million underutilized transportation trips, significantly increased truck fill rates, and reduced costs ^c
Expanded partnerships with government agencies to provide essential services such as distributing COVID-19 test kits	Increased on-time service performance results observed in FY 2024, Quarters 3 and 4 compared to FY 2024, Quarters 1 and 2 for First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services		Piloted the Local Transportation Optimization program across 15 locations and 2,400 Post Offices to consolidate pick-up and drop-off activities at locations more than 50 miles from the servicing Local Processing Center (LPC) ^d
Path Forward			
Pursue new partnerships with government agencies to expand public trust services	Implement revised service standards for First-Class Mail, Periodicals, USPS Marketing Mail, Package Services, USPS Ground Advantage, Priority Mail, and Priority Mail Express	Not Applicable – initiative was completed	Relocate Surface Transfer Center and Terminal Handling Services operations into Regional Processing and Distribution Centers (RPDCs) ^d
Continue to deliver election mail on time			Insource transportation activities and expanded the Regional Transportation Optimization initiative to eliminate inefficient transportation runs

⁷⁹ United States Postal Service, Delivering for America, Responses of the United States Postal Service to the Reporting Requirements Specified in the Postal Service Reform Act of 2022, FY 2024 1st and 2nd Quarter, May 31, 2024, available at <https://prc.arkcase.com/portal/filings/129121> (FY 2024 PSRA Report, Quarters 1 and 2); United States Postal Service, Delivering for America, Responses of the United States Postal Service to the Reporting Requirements Specified in the Postal Service Reform Act of 2022, FY 2024 3rd and 4th Quarter, December 2, 2024, available at <https://prc.arkcase.com/portal/filings/133454> (FY 2024 PSRA Report, Quarters 3 and 4).

Modernize Delivery Vehicle Fleet	Implement Best-In-Class Processing Operations	Implement Best-In-Class Delivery Operations	Modernize Retail Post Offices
Key Accomplishments			
FYs 2021-2024	In FY 2024	In FY 2024	FYs 2021-2024
Accepted delivery of more left-hand drive commercial off-the-shelf Battery Electric Vehicles	Opened RPDCs in Virginia, Georgia, North Carolina, Oregon, and Idaho ^d	Activated 28 Sorting and Delivery Center (SDCs) during FY 2024, with 83 SDCs deployed at the end of CY 2024 ^e	Equipped more than 50 SDCs with modernized technology to expedite transactions
	Launched nine LPCs in Virginia, Oregon, Idaho, and Texas ^d	New SDCs, with their extensive network of 7,600 aggregated carrier routes, extended next-day delivery services to more than 1.1 million people	Developed a modern retail lobby prototype in Athens, Georgia to create larger, brighter, and more inviting environments
Path Forward			
Acquire Next Generation Delivery Vehicles and 66,000 electric vehicles	Continue plans to launch 60 RPDCs and approximately 190 LPCs	Deploy 12 more SDCs in FY 2025, Quarter 2	Redesign lobbies and integrate interactive self-service retail technologies to offer expedited access to key services during extended hours
Reduce emissions throughout operations, electrify the fleet of trucks, and deploy technology to optimize delivery route and improve asset utilization	Enhance operational efficiency through initiatives to improve productivity, reduce work hours, and reinforce standard work instructions	Expand and modernize SDC network to enhance both last-mile delivery operations and the last 150 miles of the delivery process	Align retail services with customer needs by developing new products and services and providing comprehensive shipping and mailing solutions for brand elevation
		Extend next-day delivery by optimizing carrier routes and developing products to meet customer needs	

Stabilize and Empower Workforce	Align Organizational Structure	Implement a More Rational Approach to Pricing	Support Legislative and Administrative Actions
Key Accomplishments			
In FY 2024	FYs 2021-2024	In FY 2024	FYs 2021-2024
Converted 47,836 pre-career employees to career status ^f	Restructured organization to create three core operating units: Logistics and Infrastructure, Processing and Distribution, and Retail and Delivery	Implemented semi-annual rate increases for Market Dominant products ^g	Enactment of the Postal Service Reform Act of 2022 to eliminate prefunding obligations and better integrate with Medicare
Reduced the supervisor vacancy rate from 15 percent in FY 2021 to 6.4 percent in FY 2024, Quarter 3	Created teams focused on facilities modernization, national account sales, and operational performance excellence	Implemented rate increases for most domestic and international Competitive products ^h	Secured \$10 billion to reimburse the costs of operating during the COVID-19 pandemic
Reduced total workhours by 7.1 million hours			Secured \$3 billion from the Inflation Reduction Act to help deploy electric vehicles and related infrastructure
Path Forward			
Enhance employee experience by improving orientation and better engaging employees during their first 90 days on the job	Refine structure by focusing on individual business units such as processing, delivery, retail, and sales to better align with strategy	Continue implementing semi-annual rate increases for Market Dominant products	Reduce retirement-related expenses by advocating for reforms that more fairly allocate responsibility for Civil Service Retirement System obligations
Provide front-line supervisors with better training, tools, and support	Transform the Sales and Marketing organizations to drive growth	Implement temporary rate increases for Priority Mail Express, Priority Mail, and USPS Ground Advantage ⁱ	Seek to increase debt limit of \$15 billion
			Advocate for Congress to lower retiree benefits costs, streamline oversight, revise pricing models, and secure statutorily-mandated appropriations

Source: DFA Plan 2.0 at 7-23; FY 2024 PSRA Report, Quarters 1 and 2 at 9-24; FY 2024 PSRA Report, Quarters 3 and 4 at 10-25.

^a Delivery must be made at least 6 days a week. 39 U.S.C. § 101(b).

^b Volume and revenue for USPS Connect Local and USPS Connect Regional were redacted in the PSRA reports.

^c Estimated savings from transitioning from air to surface transportation were redacted in the PSRA reports.

^d RPDCs are larger, new, or renovated processing facilities equipped to handle substantial truck traffic, aggregate large volumes of mail and packages, and perform a high volume of selected mail and package processing functions as well as cross-docking operations. LPCs are mail and package processing centers that send mail and packages to their final destination or delivery unit.

^e SDCs serve as centralized hubs to expand carrier and route originations by aggregating small delivery units into larger, fully renovated, and equipped delivery units.

^f The Postal Service uses the term “pre-career” to refer to part-time workers. Docket No. ACR2022, Responses of the United States Postal Service to Questions 1-30 of Chairman's Information Request No. 7, question 29.a.b. (Docket No. ACR2022, Response to CHIR No. 7). “Through the collective bargaining process, the Postal Service negotiated a provision that provides a path to career employment for all pre-career employees who remain in [the Postal Service’s] employ for 24 months. The current agreements allow pre-career employees, who stay employed with the Postal Service for two years, to be automatically converted to career status....” *Id.*

^g Docket No. R2024-1, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, November 22, 2023 (Order No. 6814); Docket No. R2024-2, Order on Price Adjustments for First-Class Mail, USPS Marketing Mail, Periodicals, Package Services, and Special Services Products and Related Mail Classification Changes, May 30, 2024 (Order No. 7155).

^h Docket No. CP2024-52, Order Concerning Changes in Rates of General Applicability and Classifications for Competitive Products, December 22, 2023 (Order No. 6895); Docket No. CP2024-295, Order Acknowledging Price Adjustments for Parcel Select, July 9, 2024 (Order No. 7260); Docket No. CP2024-72, Order Approving Price Adjustments and Classification Changes for Domestic Competitive Products, March 22, 2024 (Order No. 7016).

ⁱ Docket No. CP2024-631, Order Approving Price Adjustments for Domestic Competitive Products, October 3, 2024 (Order No. 7645).

In the FY 2025 Report and FY 2026 Plan, the Commission recommends that the Postal Service:

- *Continue to identify the strategic initiatives implemented in FY 2025 and show how each one relates to the performance goals and performance indicators.*
- *Describe the Postal Service's progress toward completing each strategic initiative during FY 2025 in the PSRA progress reports or other public documents containing this information.*
- *Identify and describe each strategic initiative the Postal Service will use in FY 2026, and provide performance measures and targets, if applicable.*
- *Explain in detail how the strategic initiatives were refined or changed between FY 2025 and FY 2026.*

Appendix A: Commission Findings and Recommendations

Chapter II – Compliance with 39 U.S.C. §§ 2803 and 2804:

- *The Commission finds that the FY 2025 Plan complies with each requirement of 39 U.S.C. § 2803(a). To comply with 39 U.S.C. § 2803(a), the FY 2026 Plan must identify all program activities in the FY 2026 IFP and link each program activity to at least one performance goal or indicator. To comply with other requirements of section 2803, the FY 2026 Plan must include the information described above for FY 2026.*
- *The Commission finds that the FY 2024 Report complies with 39 U.S.C. § 2804(b)(1) because the FY 2024 Report either includes the same performance indicators and targets set in the FY 2024 Plan or explains why the target changed. Also, FY 2024 targets and results for each performance indicator are comparable.*
- *To comply next year, the FY 2025 Report must set forth the same performance indicators and targets as the FY 2025 Plan. Also, the FY 2025 result for each performance indicator must be comparable to the corresponding FY 2025 target set in the FY 2025 Plan. If a comparable FY 2025 result is not provided, the FY 2025 Report must address the lack of comparability by explaining **either** of the following:*
 1. *How to compare results between the current and former methodologies; **or***
 2. *Why making this comparison is not feasible.*
- *The FY 2024 Report complies with 39 U.S.C. § 2804(c) for each performance goal. To comply with 39 U.S.C. § 2804(c) next year, the FY 2025 Report must include comparable results for each performance indicator for FYs 2022, 2023, 2024, and 2025. To be comparable, results for each fiscal year must be calculated and expressed using the same methodology.*
- *If comparable results from FY 2022 through FY 2025 are not provided for any performance indicator, the FY 2025 Report must:*
 1. *Identify each performance indicator with non-comparable results from FY 2022 through FY 2025; **and***
 2. *Address the lack of comparability by explaining **either** of the following:*
 - a. *How to compare results from FY 2022 through FY 2025 between the current and former methodologies; **or***
 - b. *Why making this comparison is not feasible.*
- *For the Safe Workplace and Engaged Workforce performance goal, the FY 2025 Report must provide comparable FY 2022 through FY 2025 Grand Mean Engagement Score*

results recalculated based on the six questions that overlap between the former and current Postal Pulse surveys. See FY 2024 Annual Report at 50.

- *The FY 2025 Report must include all information necessary to evaluate compliance with the requirements of 39 U.S.C. §§ 2803 and 2804, including section 2804(c). The Postal Service may satisfy this requirement by either: (1) including the information itself in the text of the FY 2025 Report or FY 2025 ACR; or (2) including cross-references identifying the documents containing this information in the text of the FY 2025 Report.*
- *The Commission finds that the FY 2024 Report complies with 39 U.S.C. § 2804(d)(3) because it explains why performance goals were not met and describes plans and timelines for meeting the goals in FY 2025. To comply next year, for each FY 2025 target that is not met, the FY 2025 Report must both explain why and describe plans and schedules for meeting the FY 2026 target.*
- *The Commission finds that the FY 2024 Report complies with 39 U.S.C. §§ 2804(d)(1), (2), and (4).*
- *Based on information and CHIR responses filed under seal, the Commission finds that with respect to the non-public performance indicator(s), the FY 2025 Plan and FY 2024 Report comply with 39 U.S.C. §§ 2803 and 2804, respectively.*
- *To comply with 39 U.S.C. §§ 2803 and 2804, for the Competitive products' non-public performance indicator(s), the Postal Service must file under seal with the FY 2025 ACR:*
 1. *Comparable FY 2025 targets and results*
 2. *Comparable results from FY 2022 through FY 2025 (or explanations addressing lack of comparability)*
 3. *Measurable FY 2026 targets for each non-public performance indicator the Postal Service plans to use in FY 2026*
- *The FY 2025 ACR should continue to identify the library reference that contains information about non-public performance indicators. If the Postal Service does not meet the FY 2025 target for any non-public performance indicator, the Postal Service must explain why and describe the plans and schedules for meeting the FY 2026 target.*
- *To ensure meaningful comparisons across fiscal years, the Commission recommends that the Postal Service continue to limit the number of changes to performance indicators and methodologies for calculating targets and results. If the Postal Service plans to add or change any performance indicators or methodologies, the Commission recommends that the Annual Report to Congress continue to describe these changes, provide the rationale for making them, and analyze the impact of these changes on results.*
- *The Commission recommends that the Postal Service not change performance indicators, methodologies, or targets once they are set for a given fiscal year. To help ensure compliance with 39 U.S.C. § 2804(c), if the Postal Service changes a*

performance indicator or the methodology for calculating targets or results, the Commission recommends that the Postal Service maintain the same performance indicator or methodology for at least 3 consecutive fiscal years unless the change is clearly not beneficial or effective.

Chapter III – Evaluation of Performance Goals:

High-Quality Service:

- *The Commission finds that the Postal Service failed to meet its High-Quality Service performance goal for FY 2024, with none of the eight public performance indicators achieved. For FY 2025, the Postal Service should address the impact of any service standard changes on data comparability and to either explain the basis for comparability or propose a method to assess performance over time.*

The Commission urges the Postal Service to:

- *Develop more granular performance indicators to supplement overly aggregated composites.*
- *Investigate and correct service issues from network redesigns and facility activations—avoiding concurrent major changes, seasonal peaks, and weather-sensitive periods.*
- *Resume and report on the Unexpected Events Initiative to better diagnose service failures from external disruptions.*
- *Address operational failures in single-piece mail processing and transportation.*
- *Improve site-specific operational precision (SSOP), especially in areas like Truck Departures.*
- *Optimize and assess peak season service strategies.*
- *Monitor and mitigate impacts of low employee availability on service.*
- *Incorporate performance indicators reflecting service in rural and non-contiguous areas.*
- *Actively reduce controllable CLTs.*
- *The Commission further recommends transparency regarding the DFA Plan’s impact on service performance, urges a pause on certain DFA initiatives pending a full assessment, and emphasizes continued targeted improvements in low-performing regions to boost national scores.*
- *As such, the Commission finds that the High-Quality Service performance goal was not met in FY 2024.*

- *In the FY 2025 Annual Report, the Postal Service should address whether any service standard changes implemented in FY 2025 affected the comparability of performance indicator results. If comparability has been affected, the Postal Service should propose a way for the Commission to compare FY 2025 High-Quality Service performance indicator results to results from prior fiscal years. If the Postal Service asserts that comparability is unaffected, the Postal Service should fully explain the basis and supporting evidence for this assertion.*
- *The Commission continues to recommend that the Postal Service develop more granular composites based on significant class, shape, and product-level differences between mailpieces in terms of service standards and how they are processed and delivered. If the Postal Service intends to continue using highly aggregated composites as performance indicators, then the Commission recommends that the Postal Service develop more granular performance indicators, such as it currently uses for First-Class Mail, to supplement the highly aggregated composites.*
- *The Commission recommends that the Postal Service continue to investigate the issues experienced by its redesigned facilities and redesigned network, that negatively affected service performance; continue to apply lessons learned with each newly activated facility to subsequent facilities; avoid activating multiple facilities in a region simultaneously; avoid activating facilities while at the same time implementing other major changes under the DFA Plan such as LTO; avoid activating facilities during peak season; and avoid activating facilities in periods more likely to experience severe weather impacts. In addition, the Commission recommends that the Postal Service follow the advice provided by the Commission in Docket No. N2024-1.*
- *The Commission recommends that the Postal Service continue improving operations in the insourced STCs to minimize any remaining negative impacts on the service performance of Single-Piece First-Class Mail and Presorted First-Class Mail. The Commission also recommends that the Postal Service carefully evaluate the remaining contractor-run STCs to determine whether and how quickly they should be insourced to balance the chance of contractor failure impacting service performance and potential capacity concerns.*
- *The Commission recommends that the Postal Service resume development of the Unexpected Events Initiative as soon as possible, because this initiative could enable the Postal Service to more accurately quantify the effects of, and diagnose service failures caused by, outside factors, such as weather disruptions and the St. Louis shutdown. The Postal Service should report on its progress in developing, and any results from, the Unexpected Events Initiative in the FY 2025 Report, including any effect on reducing CLTs.*
- *The Commission continues to recommend that the Postal Service overcome the vulnerabilities caused by Single-Piece First-Class Mail's additional processing requirements, by, for example, reducing transportation delays, reducing human error, increasing on-time performance, and planning better to meet the additional processing needs. If the Postal Service experiences higher-than-expected failure in*

certain processes relating to the processing and transportation of single-piece volumes and fails to achieve any of its single-piece performance targets in FY 2025, it should diagnose the causes behind the failures in processing and transportation of single-piece volumes, identify the operational processes experiencing the failures, and fix them.

- *The Commission recommends that the Postal Service continue to track the correlation between OPP and SSOP on the one hand and service performance on the other hand and continue to improve the low scores achieved by SSOP measurement categories such as Truck Departures.*
- *The Commission recommends that the Postal Service continue to make proactive plans to provide High-Quality Service during peak seasons. The Commission recommends that the Postal Service measure and monitor its efforts to optimize peak season performance and evaluate their efficacy to better ascertain what efforts are the most impactful on peak season performance.*
- *Because employee availability may continue to pose issues for the Postal Service, particularly when low employee availability coincides with network changes and/or disruptive events, the Commission recommends that the Postal Service continue to monitor the impact of fluctuations in employee availability on service performance and consider how low employee availability could impact network changes and/or disruptive events.*
- *The Commission recommends the Postal Service incorporate one or more performance indicators that illustrate its service performance in rural areas and non-contiguous areas into its High-Quality Service goal. In doing so, the Postal Service would align its High-Quality Service goal with its mission to serve all areas and all communities.*
- *The Commission recommends that the Postal Service increase efforts to address CLTs whose causes are within its direct control.*
- *Given the connection identified by the Postal Service between implementation of the DFA Plan and increased High-Quality Service performance indicator results, the Commission recommends that the Postal Service continue to provide transparency regarding this connection. Specifically, in all future annual reports through the first year following completion of the DFA Plan, the Postal Service should report how the DFA Plan (as a whole and for applicable distinct initiatives) affected the High-Quality Service performance indicator result. Moreover, in Docket No. N2024-1, the Commission provided a series of recommendations to the Postal Service regarding several aspects of the DFA Plan. See, e.g., Docket No. N2024-1, Advisory Opinion at 5-10. The Commission advises the Postal Service to pursue these recommendations in order to align the DFA Plan with improved High-Quality Service performance. The Commission also recommends that the Postal Service consider pausing other DFA Plan initiatives in addition to the movement of processing operations associated with the mail processing facility reviews until it has conducted a comprehensive study of the DFA Plan's potential impacts on service performance.*

- *The Commission continues to recommend that the Postal Service explore ways to better balance service performance scores across the nation. It is likely that significant gains in national scores could be made by focusing efforts on low-performing Areas and/or Districts. Thus, the Commission recommends the Postal Service continue to study the reasons for service performance issues in the lowest performing Areas/Districts. Further, the Commission recommends the Postal Service incorporate one or more performance indicators to capture service performance in rural areas and non-contiguous areas as mentioned above.*

Excellent Customer Experience:

- *The Commission finds that the Postal Service failed to meet its Excellent Customer Experience goal in FY 2024, achieving only three of eight targets. Delivery performance was the largest shortfall, continuing a multi-year decline. The Commission supports the Postal Service's technology-driven improvement plans but stresses the importance of delivery accuracy and courtesy.*
- *For FY 2025, the Commission finds the performance targets reasonable and urges the Postal Service to ground future targets in past results. For any unmet targets in FY 2025, the Postal Service should explain the shortfall and outline corrective actions in its report.*
- *The Commission endorses continued use of the Net Promoter Score (NPS), expects reversal of recent NPS declines, and requires explanations and improvement plans for any further declines. It encourages continued use of social listening tools like heat maps and social media platforms to enhance responsiveness and decision-making. If dissatisfaction with the Facebook ChatBOT remains high, the Postal Service should explain why and address this in future reports.*
- *The Commission commends the Postal Service's effective use of artificial intelligence (AI) tools, such as the Artificial Intelligence Virtual Agent (AIVA), and recommends sustained efforts to enhance customer experience (CX) through technology and proactive customer support.*
- *The Commission finds that the Postal Service did not meet the Excellent Customer Experience performance goal in FY 2024 because it met three targets but missed five targets.*
- *The Commission will continue to monitor trends in Delivery performance indicator results, which represent the largest gap between results and target in FY 2024, missed their targets since FY 2021, and declined from FY 2023 to FY 2024. The Postal Service's plans to improve results appear designed to improve accuracy and delivery speed by leveraging technology. In addition, the Postal Service should ensure that personnel delivering items focus on delivery accuracy and courtesy. To promote transparency, for each target that is not met in FY 2025, the FY 2025 Report should identify specific reasons why and describe plans to meet FY 2026 targets.*

- *The Commission finds that based on FY 2024 results, FY 2025 targets for the Excellent Customer Experience performance indicators are reasonable. It recommends that the Postal Service continue to consider the prior year's result and past performance when setting the subsequent year's target. To improve transparency, the Commission recommends that the Postal Service provide the rationale for setting FY 2026 targets in the FY 2026 Plan or FY 2025 ACR.*
- *The Commission recommends that the Postal Service continue to use the NPS to measure and assess CX. The Commission will monitor the Postal Service's efforts to reverse the NPS declines observed from FY 2023 to FY 2024 and recommends the Postal Service continue its efforts to improve the NPS for each CX survey in FY 2025. For each NPS that declines in FY 2025, the FY 2025 Report should explain why and describe plans for improvement in FY 2026.*
- *Social listening continues to be an important tool for companies to improve CX by monitoring what customers are saying about the company on social media. In FY 2024, the Postal Service appears to have effectively used the heat map and other social listening tools to help improve CX. The Postal Service adopted the Commission's recommendation in the FY 2023 Analysis by making the heat map available to a wider audience, which promotes transparency and makes the heat map a more effective tool for improving CX. The Commission recommends that in FY 2025, the Postal Service continue encouraging employees to leverage the social media heat map to focus on key areas and support more data-driven decision-making throughout the Postal Service.*
- *In FY 2024, the Postal Service appears to have used social media tools effectively to respond to customer questions and issues. The Commission encourages the Postal Service to continue using X, Facebook ChatBOT, and other social media platforms to help customers and improve CX. If a disproportionate number of Facebook ChatBOT survey respondents continue to be Very Dissatisfied in FY 2025, the Commission recommends that the FY 2025 Report or FY 2025 ACR explain why and describe plans to improve Facebook ChatBOT customer satisfaction in FY 2026.*
- *The Commission finds that the Postal Service appeared to effectively leverage AI tools to help customers and improve CX. The Commission observes that despite the increase in calls handled by the AIVA, the Postal Service was able to maintain a high overall satisfaction score. The Commission encourages the Postal Service to continue using these and other AI tools to continue improving CX and its efforts to respond to customer inquiries.*

Safe Workplace and Engaged Workforce:

- *The Commission finds the Postal Service did not meet its Safe Workplace and Engaged Workforce goal in FY 2024, missing the Total Accident Rate target despite achieving the Grand Mean Engagement Score target. A rise in motor vehicle accidents (MVAs) was a key factor in the shortfall.*

- *The Commission recommends the Postal Service intensify efforts to improve motor vehicle safety, monitor MVAs closely, and report detailed accident data—including contractor-related incidents—to support safer operations and informed contracting decisions. If the FY 2025 accident target is missed or MVAs increase, the Postal Service should provide detailed analysis and data in its FY 2025 filings.*
- *The Commission urges continued action and reporting under Project Safe Delivery to reduce employee injuries from crime. If heat-related illnesses and injuries rise in FY 2025, the Commission recommends the FY 2025 Report explain the causes and outline plans to improve heat safety in FY 2026.*
- *While employee engagement modestly improved, the Commission recommends regular employee-manager interactions, use of survey feedback, and detailed reporting on engagement drivers and response rates. If the Engagement Survey Response Rate does not improve in FY 2025, the Postal Service should explain and outline plans for FY 2026.*
- *The Commission finds that the Postal Service did not meet the Safe Workplace and Engaged Workforce performance goal in FY 2024 because it met the Grand Mean Engagement Score target but missed the Total Accident Rate target.*
- *Because the increase in MVAs was a "significant factor" in the Postal Service not meeting the FY 2024 Total Accident Rate target, the Commission recommends that the Postal Service closely monitor and focus on initiatives to improve motor vehicle safety. The driver training and on-the-job instruction are reasonable steps for reducing the number of MVAs and improving the Total Accident Rate, and the Commission is encouraged by the initial success of these initiatives in early FY 2025.*

The Commission recommends that:

- *If the Postal Service does not meet the FY 2025 Total Accident Rate target, the FY 2025 Report should provide a detailed explanation why and identify significant factor(s) contributing to missing the target.*
- *If the number of MVAs increases in FY 2025, the Postal Service should file data in the FY 2025 ACR showing the number of MVAs involving employees, the total number of miles traveled, and the ratio of accidents to miles traveled.*
- *The Commission will continue to monitor the Postal Service's progress in reducing injuries caused by crimes committed against Postal Service employees. It recommends that the FY 2025 Report or FY 2025 ACR discuss actions taken and results achieved under Project Safe Delivery in FY 2025. The Commission also recommends that the FY 2025 ACR include FY 2025 data on the number and types of injuries caused by crimes committed against Postal Service employees.*
- *The Postal Service appeared to take appropriate actions in FY 2024 to help employees stay safe during extreme heat. If the number of heat-related illnesses and injuries*

increases in FY 2025, the Commission recommends that the FY 2025 Report explain why, identify specific factors causing the increase, and describe plans to promote heat safety in FY 2026.

- The Commission recommends that the Postal Service amplify monitoring and transparency of MVAs involving contractors transporting mail to better inform the Postal Service's contracting decisions that affect safety, service performance, and costs.*
- The Commission finds that employee engagement levels as measured by the Grand Mean Engagement Score improved slightly between FY 2023 and FY 2024. To improve FY 2025 Postal Pulse survey results, the Commission recommends that the Postal Service consider implementing regular employee-manager meetings and incorporating survey feedback to improve the workplace. The Postal Service's plans to create a new dashboard appear designed to help managers take appropriate steps to improve employee engagement within the work unit. The Commission recommends that the FY 2025 Report identify engagement drivers from the dashboard, describe any action plans implemented, and explain how these action plans affected employee engagement in FY 2025.*
- To facilitate the Commission's and commenters' review of employee engagement, the Commission recommends that the Postal Service continue to file the Postal Pulse survey and data on the number of respondents, mean scores, and disaggregated survey responses for the past three fiscal years in the ACR. The Postal Service should file the following FY 2025 data with Docket No. ACR2025, Library Reference USPS-FY25-38: (1) a copy of the Postal Pulse survey administered in FY 2025; (2) the number of bargaining unit and non-bargaining unit employees who received the survey; (3) the number of bargaining unit and non-bargaining unit employees that responded to at least one question on the survey; (4) the mean score for each question on the survey; and (5) the number of responses received for each question, disaggregated by each of the possible responses.*
- To obtain an accurate picture of employee engagement, the Commission recommends that the Postal Service continue its efforts to improve the Engagement Survey Response Rate. If the result does not improve in FY 2025, the Commission recommends that the FY 2025 Report explain why and describe plans for improvement in FY 2026.*

Financial Health:

- The Commission finds that the Postal Service did not meet the Financial Health performance goal in FY 2024.*
- The Commission recommends the Postal Service continue reporting Controllable Income (Loss) and non-controllable expenses in all future performance plans and reports, regardless of goal achievement. The Commission expects the Postal Service to report on the effects of the DFA Plan on Financial Health and labor productivity in all Annual Reports through the first year after the DFA Plan's completion.*

- *The Commission reiterates its recommendation to adopt Net Income (Loss) as a supplemental or alternative performance indicator. If changes are made, the Postal Service must provide comparable data from FY 2022 to FY 2025 to comply with 39 U.S.C. § 2804(c).*
- *Finally, the Commission recommends continued monitoring and explanation of Total Factor Productivity (TFP), labor productivity, and related trends in future reports.*
- *The Commission recommends that the Postal Service continue to include information on Controllable Income (Loss) and non-controllable expenses in future annual performance plans and annual performance reports regardless of whether the performance goal was met.*
- *The Commission expects that in all future Annual Reports through the first year following completion of the DFA Plan, the Postal Service will report the effects of the DFA Plan on: (1) the Postal Service's Financial Health performance indicator results; and (2) labor productivity.*
- *The Commission again recommends that the Postal Service adopt Net Income (Loss) as a supplemental or replacement performance indicator for Controllable Income (Loss). If the Postal Service makes changes to, or supplements, the Controllable Income (Loss) performance indicator in its FY 2025 Report, the Postal Service should also provide comparable performance indicator results for FY 2022 through FY 2025 to help ensure compliance with 39 U.S.C. § 2804(c).*
- *The Commission recommends that the Postal Service continue monitoring and reporting TFP and labor productivity trends. The Commission recommends that future annual performance reports continue to include information on TFP, labor productivity, and other productivity measures. In addition, the Postal Service should explain the reason for any changes in TFP and/or labor productivity in FY 2025.*

Chapter IV – Strategic Initiatives:

In the FY 2025 Report and FY 2026 Plan, the Commission recommends that the Postal Service:

- *Continue to identify the strategic initiatives implemented in FY 2025 and show how each one relates to the performance goals and performance indicators.*
- *Describe the Postal Service's progress toward completing each strategic initiative during FY 2025 in the PSRA progress reports or other public documents containing this information.*
- *Identify and describe each strategic initiative the Postal Service will use in FY 2026, and provide performance measures and targets, if applicable.*
- *Explain in detail how the strategic initiatives were refined or changed between FY 2025 and FY 2026.*

Appendix B: Checklists for Compliance with Major Legal Requirements

Figure B-1
FY 2026 Plan Checklist for Compliance
with Major Requirements of 39 U.S.C. § 2803(a)

CHECKLIST ITEMS	
Does the FY 2026 Plan:	Title 39 Section 2803(a) <input type="checkbox"/> Identify all program activities in the FY 2026 IFP? <input type="checkbox"/> Link each program activity to at least one performance goal or performance indicator?
	Title 39 Section 2803(a)(1) <input type="checkbox"/> Set FY 2026 targets for each performance indicator that the Postal Service will use to evaluate performance during FY 2026? <input type="checkbox"/> If applicable, explain why a FY 2026 target was not set for a performance indicator?
Title 39 Section 2803(a)(2) Identify FY 2026 targets that are either of the following: <input type="checkbox"/> Objective, quantifiable, and measurable, OR <input type="checkbox"/> Use an "alternative form" under 39 U.S.C. § 2803(b)?	Title 39 Section 2803(a)(3) <input type="checkbox"/> Describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet each performance goal?
	Title 39 Section 2803(a)(4) <input type="checkbox"/> For each performance goal, establish at least one performance indicator to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity?
Title 39 Section 2803(a)(5) <input type="checkbox"/> Provide a basis for comparing actual program results with the established performance goals?	Title 39 Section 2803(a)(6) <input type="checkbox"/> Explain how the Postal Service verifies and validates targets and results for each performance indicator using objective measurement systems?

Note: The statutory requirements apply to both public and non-public performance indicators. The FY 2026 Plan and FY 2025 Report must include all information necessary to evaluate compliance with 39 U.S.C. §§ 2803 and 2804, which may be satisfied by either: (1) including the information itself in the text of the FY 2026 Plan or FY 2025 Report; or (2) including cross-references identifying the documents containing this information in the text of the FY 2026 Plan or FY 2025 Report. Further information appears in Chapter II, Sections C.1. and C.3., *supra*.

Figure B-2
FY 2025 Report Checklist for Compliance
with Major Requirements of 39 U.S.C. § 2804

CHECKLIST ITEMS

Does the
FY 2025
Report:

Title 39 Section 2804(b)(1)
☐ Set forth the FY 2025 result for each performance indicator that is comparable to the corresponding FY 2025 target set in the FY 2025 Plan?
If a comparable FY 2025 result is not provided, does the FY 2025 Report address the lack of comparability by explaining **either** of the following:

☐ How to compare results between the current and former methodologies **OR** ☐ Why making this comparison is not feasible?

Title 39 Section 2804(c)
☐ For each performance indicator, provide results across FYs 2022-2025 that are comparable (calculated and expressed using the same methodology for each fiscal year)?
If comparable results across FYs 2022-2025 are not provided, does the FY 2025 Report:
☐ Identify each performance indicator with non-comparable results across FYs 2022-2025?
☐ Address the lack of comparability by explaining **either** of the following:

☐ How to compare results across FYs 2022-2025 between the current and former methodologies **OR** ☐ Why making this comparison is not feasible?

Title 39 Section 2804(d)(3)
For each FY 2025 target that is not met, does the FY 2025 Report **both**:

☐ Explain why? **AND** ☐ Describe plans and schedules for meeting the FY 2026 target?

Note: The statutory requirements apply to both public and non-public performance indicators. The FY 2026 Plan and FY 2025 Report must include all information necessary to evaluate compliance with 39 U.S.C. §§ 2803 and 2804, which may be satisfied by either: (1) including the information itself in the text of the FY 2026 Plan or FY 2025 Report; or (2) including cross-references identifying the documents containing this information in the text of the FY 2026 Plan or FY 2025 Report. Further information appears in Chapter II, Sections C.2. and C.3., *supra*.

HELP US IMPROVE THIS REPORT

In connection with Section 2 of the Plain Writing Act of 2010, the Postal Regulatory Commission is committed to providing communications that are valuable to our readers.

We would like to hear your comments on what you find useful about our Analysis of the Postal Service's FY 2024 Annual Performance Report and FY 2025 Performance Plan and how we can improve its readability and value.

Please contact the Commission's Office of Public Affairs and Government Relations to provide your feedback.

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