BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2023
Docket No. ACR2023

PUBLIC REPRESENTATIVE COMMENTS ON THE
FY 2023 PERFORMANCE REPORT AND FY 2024 PERFORMANCE PLAN

(March 15, 2024)

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I. INTRODUCTION

In response to Order No. 6932, the Public Representative hereby provides comments concerning the Postal Service’s FY 2023 Annual Performance Report and FY 2024 Annual Performance Plan. The Postal Service prepared and filed the FY 2023/24 Report and Plan pursuant to 39 U.S.C. §§ 2803 and 2804.

In its Notice, the Commission asks commenters to consider:

- If the Postal Service met the established performance goals in FY 2023;
- If the FY 2023/24 Report and Plan meet applicable statutory requirements, including 39 U.S.C. §§ 2803 and 2804;
- Any recommendations the Commission should provide to the Postal Service to protect or promote public policy objectives in Title 39;
- For the Excellent Customer Experience performance goal, whether the Postal Service should add any customer experience (CX) metrics;
- Any recommendations or observations the Commission should make concerning the Postal Service’s strategic initiatives;

II. APPLICABLE LEGAL REQUIREMENTS

Pursuant to 39 U.S.C. § 3652(g), the Postal Service filed the FY 2023/24 Report and Plan with the Commission along with its FY 2023 Annual Compliance Report. The Commission is required to evaluate “whether the Postal Service has met the goals established under sections 2803 and 2804, and may provide recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in [title 39].” 39 U.S.C. § 3653(d).

1 Notice Requesting Comments on the Postal Service FY 2023 Annual Performance Report and FY 2024 Annual Performance Plan, January 10, 2023 (Order No. 6932).
3 Order No. 6932 at 3.
As set forth in 39 U.S.C. § 2803 governing the Postal Service’s performance plans, each annual performance plan shall:

- Establish performance goals to define the level of performance to be achieved by a program activity (see 39 U.S.C. § 2803(a)(1));

- Express the goals in an objective, quantifiable, and measurable form (see 39 U.S.C. § 2803(a)(2));

- Briefly describe the operational processes and resources required to meet the performance goals (see 39 U.S.C. § 2803(a)(3));

- Establish performance indicators for measuring or assessing the relevant outputs, service levels, and outcomes of each project activity (see 39 U.S.C. § 2803(a)(4));

- Provide a basis for comparing actual program results with the performance goals (see 39 U.S.C. § 2803(a)(5)); and

- Describe the means of verification and validation of measured values (see 39 U.S.C. § 2803(a)(6)).

As set forth in 39 U.S.C. § 2804 governing program performance reports, each report shall:

- Set forth the performance indicators established in the performance plan, along with the actual program performance achieved compared with the performance goals for that fiscal year (see 39 U.S.C. § 2804(b)(1))

- Include actual results for three preceding fiscal years (see 39 U.S.C. § 2804(c));

- Review the success of achieving the performance goal (see 39 U.S.C. § 2804(d)(1));

- Evaluate the current performance plan relative to performance achieved in that fiscal year covered by the report (see 39 U.S.C. § 2804(d)(2));

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4 If the Postal Service determines it is not feasible to do so, the Postal Service may use an alternative descriptive form. See 39 U.S.C. § 2803(b). This provision is not applicable here, however, because the Postal Service has expressed its FY 2024 performance goals in objective, quantifiable, and measurable terms.

5 If the performance goals are specified by descriptive statements of a minimally effective program activity and a successful program activity, the results of such program shall be described in relation to those categories and whether the performance failed to meet the criteria of either category. See 39 U.S.C. § 2804(b)(2)).
• Explain, where applicable, why the goal was not met, and describe the plans and schedules for achieving the established performance goal, or why it may not be achievable, and what action would be recommended (see 39 U.S.C. § 2804(d)(3)); and

• Include the summary findings of the program evaluations for the fiscal year covered in the report (see 39 U.S.C. § 2804(d)(4)).

III. COMMENTS

The following comments discuss the Postal Service’s compliance with the statutory requirements of 39 U.S.C. §§ 2803 and 2804. The comments also address whether the Postal Service met the established performance goals for FY 2023, and its reasons why it did or did not meet those goals. In addition, the comments assess the Postal Service’s plans or initiatives, either planned or already underway, to meet its targets in FY 2024.

In FY 2023, the Postal Service failed to meet many of its targets, but still demonstrated improved performance over FY 2022 in several areas. First, with respect to High-Quality Service, the Postal Service missed all but two of its on-time targets for Market Dominant Mail (the Marketing Mail and Periodicals and Market Dominant Composite scores). Single-Piece First-Class 3-5 Day Mail demonstrated particularly poor on-time performance of 83.52 percent, which missed the target by nearly seven points. Nevertheless, with the exceptions of Single-Piece First-Class Mail and Presort First-Class Mail Overnight, each mail category improved its performance from last year. The Public Representative cautions, however, that the national metrics used by the Postal Service do not tell the whole story, as many areas of the country have reported severe localized service disruptions over the past year. With the 2024 general election upcoming, it is critical for the Postal Service to address the root causes of these disruptions as quickly and efficiently as possible well in advance of the expected influx of election mail. Based on the service performance results for the first quarter of FY 2024, the Public Representative is concerned that the Postal Service will face significant headwinds in achieving its service performance targets and risks going in the wrong direction and undermining public confidence in its ability to provide reliable mail delivery.
The Public Representative is encouraged by the Postal Service’s results for its Excellent Customer Experience goal. Of the seven surveys that comprise the Customer Experience (CX) Composite Index, the Postal Service’s overall customer satisfaction scores improved for six of them in FY 2023. The Public Representative is confident that the Postal Service’s customer service initiatives will allow it to maintain the upward trajectory of its customer satisfaction metrics.

The Postal Service failed to meet its FY 2023 targets for its Safe Workplace and Engaged Workforce goal. After showing significant improvement in FY 2022, the Postal Service’s FY 2023 Total Accident Rate regressed to its FY 2021 level. Moreover, the Postal Service experienced major problems with the administration of the Postal Pulse survey, which it uses to measure workforce engagement. The survey response rate was only 17 percent, and the Grand Mean Engagement Score missed the target and dropped by 0.02 year-over-year. As discussed in greater detail below, the Public Representative hopes that the Postal Service will prioritize improving the response rate and the substantive survey results in FY 2024.

Finally, the Public Representative is concerned by the Postal Service’s failure to meet its Financial Health goal. The Postal Service’s FY 2023 target was $0.5 billion of controllable income, but the actual result was a controllable loss of $2.26 billion. Furthermore, the Postal Service’s FY 2024 target is a controllable loss of $0.75 billion, which, though better than FY 2023, is a loss nonetheless. Although the Postal Service appears to be realizing some transportation cost savings related to its network modernization changes, the projected revenue increases still do not outweigh the increases in expenses by enough to turn controllable loss into controllable income.

A. Compliance

The Public Representative has reviewed the Postal Service’s FY 2024 Annual Performance Plan and concludes that it complies with the requirements of 39 U.S.C. § 2803. With respect to the FY 2023 Annual Performance Report, the Public Representative observes that the High Quality Service, Safe Workplace and Engaged Workforce, and Financial Health sections appear to comply with the requirements of 39 U.S.C. § 2804.
However, the Excellent Customer Experience section does not appear to comply with the requirement to “include actual results for three preceding fiscal years.” 39 U.S.C. § 2804(c). The Commission requires “actual results” under section 2804(c) to be comparable across the three preceding fiscal years.6 In the Commission’s Analysis of the FY 2022/23 Report and Plan, the Commission identified two potential compliance issues for the FY 2023/24 Report and Plan: (1) the overall score for the FY 2020 Customer Care Center (CCC) Survey was calculated by weighting the satisfaction score for Interactive Voice Response (IVR) system customers at 75 percent and weighting the satisfaction score for customers who spoke to a Live Agent (LA) at 25 percent, whereas the overall score from FY 2021 on has been unweighted; and (2) in FY 2023, the Postal Service changed the weights for two of the surveys that comprise the CX Composite Index. Analysis of FY 2022/23 Report and Plan at 19-20. The Commission directed the Postal Service to identify and address any lack of comparability in the FY 2023 Report. Id. at 20.

Based on the Public Representative’s review, the Postal Service does not appear to have complied with the Commission’s directives. First, the FY 2020 overall score for the CCC survey listed on page 39 appears to be based on the 75 percent IVR/25 percent LA weighting methodology used in that fiscal year, which has since been discontinued.7 Second, the Postal Service does not appear to have recalculated the CX Composite scores using consistent methodology. For the sake of expediency, the Public Representative has done so in the analysis presented below. The Postal Service will not need to include the FY 2020 CCC score in next year’s report, but it should be mindful of including comparable CX Composite scores.

B. FY 2023 Results and FY 2024 Plan

The FY 2023 Report and FY 2024 Plan focuses on the following four performance goals:


• Deliver High Quality Service;
• Provide Excellent Customer Experiences;
• Ensure a Safe Workplace and Engaged Workforce; and
• Financial Health.

For each of these goals, the Public Representative discusses the Postal Service’s performance in FY 2023, as well as its plans for meeting its goals in FY 2024.

1. High Quality Service

Service Performance Measurement (SPM) is an internal measurement system that measures and reports service performance from the time mail is deposited in a Postal Service facility to when a Postal Service employee delivers it to a home, business, or PO Box. FY 2024 Annual Report to Congress at 40.

The annual service performance indicators are reported as a cumulative score throughout the year and are volume weighted. *Id.* Service performance during the first half of the fiscal year, when mail volume is the highest, sets the pace for the remainder of the year. *Id.* It should also be remembered that adverse weather conditions are more likely to have an effect on service performance during the first half of the fiscal year as well.

a. FY 2023 Product-Level Performance Results

Table III-1 below shows the Postal Service’s Performance Targets for FY 2020 through FY 2024.\(^8\) While service performance targets have generally increased over the period shown, only First-Class Presort has reached the Delivering For America Plan (DFA) target of 95 percent.

\(^8\) The Postal Service provides non-public service performance data for certain competitive products as part of the nonpublic annex to its Annual Compliance Report.
Table III-1

<table>
<thead>
<tr>
<th>Measure</th>
<th>FY 2024 Target</th>
<th>FY 2023 Target</th>
<th>FY 2022 Target</th>
<th>FY 2021 Target</th>
<th>FY 2020 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Piece First-Class Mail Two Day</td>
<td>93.00</td>
<td>93.00</td>
<td>90.25</td>
<td>87.81</td>
<td>90.80</td>
</tr>
<tr>
<td>Single-Piece First-Class Mail Three-to-Five-Day</td>
<td>90.28</td>
<td>90.28</td>
<td>90.00</td>
<td>68.64</td>
<td>73.80</td>
</tr>
<tr>
<td>Presort First-Class Mail Overnight</td>
<td>95.00</td>
<td>95.00</td>
<td>94.75</td>
<td>93.99</td>
<td>95.20</td>
</tr>
<tr>
<td>Presort First-Class Mail Two-Day</td>
<td>95.00</td>
<td>95.00</td>
<td>93.00</td>
<td>89.20</td>
<td>92.20</td>
</tr>
<tr>
<td>Presort First-Class Mail Three-To-Five Day</td>
<td>93.00</td>
<td>92.20</td>
<td>90.50</td>
<td>84.11</td>
<td>85.90</td>
</tr>
<tr>
<td>First-Class Letter and Flat Composite (FCLF)</td>
<td>92.50</td>
<td>92.50</td>
<td>91.00</td>
<td>84.88</td>
<td>87.60</td>
</tr>
<tr>
<td>Marketing Mail and Periodicals Composite</td>
<td>94.36</td>
<td>93.37</td>
<td>91.50</td>
<td>86.62</td>
<td>90.50</td>
</tr>
<tr>
<td>Market Dominant Composite&lt;sup&gt;a&lt;/sup&gt;</td>
<td>93.08</td>
<td>93.00</td>
<td>91.25</td>
<td>85.86</td>
<td>89.30</td>
</tr>
</tbody>
</table>

Sources: FY 2020 – FY 2023 Annual Reports to Congress.

The cells highlighted in green show where the service performance scores met or exceeded their targets. The yellow highlighted cells for FY 2023 indicate where, while

Table III-2 below shows the actual service performance scores attained over the FY 2020 – FY 2023 period.

Table III-2

<table>
<thead>
<tr>
<th>Measure</th>
<th>FY 2024 Target</th>
<th>FY 2023 Actual</th>
<th>FY 2023 Target</th>
<th>FY 2022 Actual</th>
<th>FY 2021 Actual</th>
<th>FY 2020 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Piece First-Class Mail Two Day</td>
<td>93.00</td>
<td>90.68</td>
<td>93.00</td>
<td>91.34</td>
<td>86.44</td>
<td>91.47</td>
</tr>
<tr>
<td>Single-Piece First-Class Mail Three-to-Five-Day</td>
<td>90.28</td>
<td>83.52</td>
<td>90.28</td>
<td>83.62</td>
<td>63.20</td>
<td>78.83</td>
</tr>
<tr>
<td>Presort First-Class Mail Overnight</td>
<td>95.00</td>
<td>94.75</td>
<td>95.00</td>
<td>94.92</td>
<td>93.38</td>
<td>94.72</td>
</tr>
<tr>
<td>Presort First-Class Mail Two-Day</td>
<td>95.00</td>
<td>93.68</td>
<td>95.00</td>
<td>93.36</td>
<td>88.29</td>
<td>92.77</td>
</tr>
<tr>
<td>Presort First-Class Mail Three-To-Five Day</td>
<td>93.00</td>
<td>92.10</td>
<td>92.20</td>
<td>91.49</td>
<td>80.87</td>
<td>89.89</td>
</tr>
<tr>
<td>First-Class Letter and Flat Composite (FCLF)</td>
<td>92.50</td>
<td>91.43</td>
<td>92.50</td>
<td>91.00</td>
<td>82.69</td>
<td>89.73</td>
</tr>
<tr>
<td>Marketing Mail and Periodicals Composite</td>
<td>94.36</td>
<td>94.20</td>
<td>93.37</td>
<td>92.86</td>
<td>87.12</td>
<td>88.38</td>
</tr>
<tr>
<td>Market Dominant Composite</td>
<td>93.08</td>
<td>93.18</td>
<td>93.00</td>
<td>92.14</td>
<td>85.30</td>
<td>89.00</td>
</tr>
</tbody>
</table>

Sources: FY 2020 – FY 2023 Annual Reports to Congress.

The cells highlighted in green show where the service performance scores met or exceeded their targets. The yellow highlighted cells for FY 2023 indicate where, while
not meeting FY 2023 targets, the scores did meet or exceed the FY 2022 targets. Only the Marketing Mail and Periodicals Composite and the Market Dominant Composite exceeded their respective targets in FY 2023. However, each of the other categories, except for Single-Piece First-Class Mail Three-to-Five Day, at least exceeded their FY 2022 targets. The Postal Service notes that its targets set for FY 2023 were aggressive and far exceeded the Postal Service's FY 2022 performance. FY 2023 Annual Report to Congress at 41.

The Postal Service states that it did not meet its aggressive targets for the Single-Piece First-Class Mail, Presort First-Class Mail, and the First-Class Letters and Flats Composite. The Postal Service attributes service impacts to the ongoing network transportation changes, including accelerated diversion of volume from air to surface transportation, Surface Transportation Center (STC) expansion complications, and unforeseen speedbumps in the rollout of postal processing, logistics and delivery network redesign. Id.

The Single Piece First-Class Mail Two-Day product missed its FY 2023 target. The Postal Service points out that this product incurs challenges by requiring additional handling and processing compared to the First-Class Mail Presort Two-Day product and, as such, maintains a slim recovery window. Any delays or impacts in any processing or transportation leg will often result in the piece missing its service standard. The Postal Service also maintains that this product was impacted by longer cycle times at the STCs. Single-Piece First-Class Mail Three-to-Five Day, which missed its FY 2023 target by nearly seven points, is even more susceptible to transportation delays due to longer distances hauled and additional touch points. Id.

Table III-3 below shows the percentage point differences between the FY 2023 actual performance scores and their associated targets to demonstrate the degree to which each product met or missed its FY 2023 target. When read vertically, column 2 of Table III-3 also shows differences in FY 2023 actual performance among products. Notably, the difference in actual scores between First-Class Single-Piece Two-Day and First-Class Single-Piece Three-to-Five Day is just over 7 percentage points, while the corresponding difference for Presort First-Class Mail is just over 1.5 percentage points. It should also be noted that the difference in the actual performance score between
Single-Piece First-Class Mail Three-to-Five Day and Presort Mail Three-to-Five Day is 8.5 percentage points.

Table III-3
FY 2023 Actual Performance Versus Target

<table>
<thead>
<tr>
<th>Measure</th>
<th>FY 2023 Actual</th>
<th>FY 2023 Target</th>
<th>Pct. Point Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Piece First-Class Mail Two Day</td>
<td>90.68</td>
<td>93.00</td>
<td>(2.32)</td>
</tr>
<tr>
<td>Single-Piece First-Class Mail Three-to-Five Day</td>
<td>83.52</td>
<td>90.28</td>
<td>(6.76)</td>
</tr>
<tr>
<td>Presort First-Class Mail Overnight</td>
<td>94.75</td>
<td>95.00</td>
<td>(0.25)</td>
</tr>
<tr>
<td>Presort First-Class Mail Two-Day</td>
<td>93.68</td>
<td>95.00</td>
<td>(1.32)</td>
</tr>
<tr>
<td>Presort First-Class Mail Three-to-Five Day</td>
<td>92.10</td>
<td>92.20</td>
<td>(0.10)</td>
</tr>
<tr>
<td>First-Class Mail Letter and Flat Composite (FCLF)</td>
<td>91.43</td>
<td>92.50</td>
<td>(1.07)</td>
</tr>
<tr>
<td>Marketing Mail and Periodicals Composite</td>
<td>94.20</td>
<td>93.37</td>
<td>0.83</td>
</tr>
<tr>
<td>Market Dominant Composite</td>
<td>93.18</td>
<td>93.00</td>
<td>0.18</td>
</tr>
</tbody>
</table>

Source: FY 2023 Annual Report to Congress at 41.

Table III-4 below shows the quarterly service performance scores for FY 2023. Service performance scores, which are volume-weighted, generally increase over the course of a fiscal year, since the first two quarters of a fiscal year feature higher holiday-related volumes and often face winter weather-related delays. Examining service performance scores over the last two quarters gives a practical glance at how high those scores could be with fewer extraordinary events outside the Postal Service’s control to influence the results.
Table III-4
FY 2023 Service Performance Scores by Quarter

<table>
<thead>
<tr>
<th>High-Quality Service Performance Indicators</th>
<th>FY 2023 Target</th>
<th>FY 2023 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Q1</td>
</tr>
<tr>
<td>Single-Piece First-Class Mail 2-Day</td>
<td>93.00</td>
<td>89.65</td>
</tr>
<tr>
<td>Single-Piece First-Class Mail 3-5 Day</td>
<td>90.28</td>
<td>81.43</td>
</tr>
<tr>
<td>Presorted First-Class Mail Overnight</td>
<td>95.00</td>
<td>94.17</td>
</tr>
<tr>
<td>Presorted First-Class Mail 2-Day</td>
<td>95.00</td>
<td>92.96</td>
</tr>
<tr>
<td>Presorted First-Class Mail 3-5 Day</td>
<td>92.20</td>
<td>91.74</td>
</tr>
<tr>
<td>First Class Mail Letter and Flat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composite</td>
<td>92.50</td>
<td>90.97</td>
</tr>
<tr>
<td>USPS Marketing Mail and Periodicals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composite</td>
<td>93.37</td>
<td>93.60</td>
</tr>
<tr>
<td>Market Dominant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composite</td>
<td>93.00</td>
<td>92.56</td>
</tr>
</tbody>
</table>

Source: Responses of the United States Postal Service to Chairman’s Information Request No. 13, February 26, 2024, question 1 (Response to CHIR No. 13).

b. General Issues Impacting FY 2023 Service Performance

Although the product-level service performance numbers, in the aggregate, appear to show improvement in FY 2023, the Public Representative is aware of numerous instances of severe disruptions to mail service in certain local areas. Last year in his comments, the Public Representative noted that although small in number compared to routes with few delivery problems, there were still pockets of areas where mail delivery seemed problematic. He indicated that there were routes which are either undelivered (where all customers on a route do not receive daily deliveries) or partially delivered (where only some customers do not receive daily deliveries). FY 2022/23 PR Comments at 6. In December 2022, the Postal Service Office of the Inspector General (OIG) performed an audit to assess the Postal Service’s management of undelivered mail.

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and partially delivered routes. More recently, the OIG performed an audit to assess the Postal Service’s Delivery and Customer Service in Colorado Mountain Towns.

Colorado community members and organizations within these remote locations contacted political leaders and the Postal Service to express concerns about significant delivery delays and poor customer service. Colorado OIG Audit Report at 1. The OIG’s audit focused on the root causes of poor service performance and customer service issues in Colorado mountain towns. The OIG selected 13 delivery units and one processing and distribution center (P&DC) to conduct observations. Id. at 3.

The OIG audit found that customers in Colorado mountain towns experienced lower on-time service performance, especially for packages, compared to the rest of the state and the nation overall. The OIG observed that on-time mail delivery was up to five percentage points lower than the nationwide average. Package deliveries were also slower than the national average by an undisclosed amount. Id. The Report notes that the biggest challenge was the facilities’ ability to hire and retain personnel, most likely because in FY 2022, starting pay for Colorado mountain resort and ski area employees caught up to and was nearly even with the Postal Service’s starting pay. Id. at 7.

The Report further states that to offset the hiring and retention challenges, the Postal Service deployed special teams, reestablished highway contracts in the area, and added additional management to help eliminate the delay of mail. In addition, the Postal Service temporarily transferred personnel from other facilities to help supplement delivery operations. However, all of this came at a cost. The Postal Service stated that it paid $178,000 for per diem, mileage, and hotel expenses between January 1 through July 31, 2023, to provide carriers to these facilities. Id.

At the delivery units visited, the OIG found a variety of other problems causing delays, incorrect returns, and inaccurate tracking. For example, at one delivery unit, the OIG discovered that contracted mail carriers placed 238 packages in the “undeliverable”

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area. The OIG examined 37 of those packages and found that all were incorrectly being returned to the sender due to improper handling. The carriers apparently stated that they placed the packages in the “undeliverable” area to return to sender because the addresses were not added to their contractual route. Further, Postal Service management and the contractor for the route are responsible for updating route information to ensure all addresses are documented for the route. The OIG Report concludes that all of these packages were set to be returned to sender rather than being delivered to customers serviced by the delivery unit. Only customers who came to the post office looking for their package were able to get them before they were returned to the sender. *Id.*

The OIG Audit Report also found that transportation schedules were not aligned to meet the needs of processing and delivery operations, which resulted in mail delays. The Report cites trucks departing from the delivery units with collection mail before all carriers returned with their collection mail, and trucks arriving at the delivery unit with mail to be delivered after the carriers had already departed. In accordance with standard work instructions, when issues like this arise, a meeting between delivery unit and P&DC personnel should occur to review trip times and volume profiles for accuracy and update them as needed. *Id.*

The Report points out that at seven post offices, there were less than eight hours between the scheduled time carriers depart for their routes and when collection mail is transported to the P&DC at the end of the day for processing. According to Postal Service policy, delivery routes should consist of about 8 hours of work. The transportation schedules in effect did not allow sufficient time for carriers to deliver their routes and return with collected mail before the last truck departed for the P&DC. When carriers cannot return to the delivery unit before the last truck of the day departs, the mail they collected must wait in the delivery unit until the next day. Five delivery units had less than seven hours between the time the mail is ready for the carriers and the truck departure to the P&DC, and one post office only had three hours. At the Aspen and Vail post offices, half of the carriers were still out on their route at 5:00 p.m., after the last truck departed for the P&DC. The Report noted that collection mail is generally sent to be processed the day it is received, though the Postal Service may authorize
exceptions. However, it did not appear that local management could provide documented exceptions to send collection mail a day later. *Id.* at 10.

Finally, the OIG Audit Report observes that most of the 13 delivery units visited were built prior to the package growth surge and may not be equipped to service the growing population of Colorado and the increase in e-commerce packages. It was determined that six facilities had minimal workroom floor space or vehicle parking to process mail and maneuver within the facility during non-peak season, causing delays. At one carrier annex, 18 cages of packages from an e-commerce company were staged outside due to space constraints. Many cages of packages were left outside unattended for over an hour until the carriers arrived at their scheduled time to load and deliver. Most of these facilities were built prior to 2000, with some being as old as the mid-1900s. The Report found that some facilities may not be prepared to handle the current package volume and meet mail delivery standards, especially during the Postal Service’s peak season from November to January. *Id.* at 12.

The Public Representative views the concerns discussed in the Colorado OIG Audit Report as illustrative of many issues with mail delivery that have arisen throughout the nation. Recently, news reports have surfaced describing significant mail delivery problems in cities such as St. Louis,12 Houston,13 Jacksonville,14 and Richmond.15 These reports indicate that major delivery problems are occurring even in more urbanized areas. According to various news reports, customers have reported delays in receiving bills, medical tests, and medications through the mail, with one customer in


the Houston area noting that it took 81 days for her to receive a package mailed from a cosmetics retailer.\textsuperscript{16} And in another Houston-area facility, the disruptions apparently arose from the Postal Service’s attempts to install a new sorting machine that was too large to fit in the building, while removing two functioning machines to accommodate the new larger machine, which shows that a single miscalculation can cause cascading effects downstream.\textsuperscript{17} While sporadic failures of the Postal Service to meet its service performance targets may represent a mere inconvenience for some individuals (if any such delays are even noticeable) a complete breakdown of service for prolonged periods of time could potentially harm customers’ finances or credit scores or hinder their access to important medications.\textsuperscript{18}

Overall, these problems of undelivered or partially delivered routes are clearly significant at the local level, but some may not even be on the radar screen in terms of being captured in nationwide service performance scores. Indeed, as the Postmaster General observed in his February 2024 remarks to the Board of Governors, “I do realize that individual communities do not view our performance at a national level, and we are focused on improving reliability in every neighborhood and we will continue to address all issues promptly.”\textsuperscript{19}

In terms of its peak-season, the Postal Service points out that in the FY 2023 peak season, its proactive planning and implementation resulted in its ability to control costs while continuing to provide high quality service to mailers and to the general public. The Postal Service indicates that conversions of non-career to career employees contributed to the stabilization of the workforce, reducing the need for over


\textsuperscript{18} Even the Public Representative team is not immune from significant mail delays. One member, who resides in the Richmond area, was twice charged with late fees after the local assessor did not receive his personal property tax payments until nearly a month after they were mailed. Though it pales in comparison with the difficulties experienced by other individuals, this anecdote illustrates why consumers often switch to online payments, thus driving more mail volume out of the system.

\textsuperscript{19} See USPS Report on PRC Inquiries February 2024, March 6, 2024.
40,000 seasonal delivery and plant personnel as in previous years to just over 23,000 seasonal hires in FY 2023. FY 2023 Annual Report to Congress at 41.

Table III-5 below illustrates trends in first-quarter volume over the last three fiscal years:

<table>
<thead>
<tr>
<th>Table III-5</th>
<th>Quarter 1 RPW Volumes FY 2022 – FY 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume:</strong></td>
<td>FY 2024</td>
</tr>
<tr>
<td><strong>Market Dominant</strong></td>
<td></td>
</tr>
<tr>
<td>First-Class Mail</td>
<td>11,982,935</td>
</tr>
<tr>
<td>Marketing Mail</td>
<td>15,527,289</td>
</tr>
<tr>
<td>Periodicals</td>
<td>731,261</td>
</tr>
<tr>
<td>Package Services</td>
<td>116,142</td>
</tr>
<tr>
<td>International</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>194,130</td>
</tr>
<tr>
<td><strong>Total Market Dominant</strong></td>
<td>28,551,757</td>
</tr>
<tr>
<td><strong>Competitive</strong></td>
<td></td>
</tr>
<tr>
<td>Priority Mail Express</td>
<td>5,574</td>
</tr>
<tr>
<td>FC Package Service</td>
<td>-</td>
</tr>
<tr>
<td>Retail Ground</td>
<td>-</td>
</tr>
<tr>
<td>Ground Advantage</td>
<td>613,742</td>
</tr>
<tr>
<td>Priority Mail</td>
<td>230,227</td>
</tr>
<tr>
<td>Parcel Select</td>
<td>1,063,560</td>
</tr>
<tr>
<td>Parcel Return</td>
<td>-</td>
</tr>
<tr>
<td>International</td>
<td>38,061</td>
</tr>
<tr>
<td><strong>Total Competitive</strong></td>
<td>1,951,164</td>
</tr>
<tr>
<td><strong>Total All Mail</strong></td>
<td>30,502,921</td>
</tr>
</tbody>
</table>

Sources: FY 2024 & FY 2023 - Revenue, Pieces and Weight by Classes of Mail and Special Services for Quarter 1, FY 2024 Compared with the Corresponding Period of FY 2023, February 8, 2024. FY 2022: Revenue, Pieces and Weight By Classes of Mail and Special Services For Quarter 1, FY 2023 Compared with the Corresponding Period of FY 2022, February 9, 2023.

The data shown on Table III-5 show peak season volume declines for many classes of mail between FY 2022 and FY 2024. However, Competitive Mail volume did exhibit a 5.3 percent increase in volume between FY 2023 and FY 2024. This was most likely due to the introduction of the USPS Ground Advantage product. Some of the increase in Ground Advantage may have come at the expense of Priority Mail, which showed an unusually large 24-percent volume decline over the same period. For Market Dominant and Competitive Products combined, volumes declined by 9 percent between FY 2023 and FY 2024 and 13 percent between FY 2022 and FY 2024.
Despite the fact that the Postal Service’s FY 2024 first quarter volumes declined year-over-year for Market Dominant mail, the Q1 FY 2024 service performance data for Single-Piece First-Class 2-day and 3-5-day mail shows marked, often stunning, declines for both in Q1 FY 2024. Indeed, for Virginia, on-time performance for 2-day mail declined by 25.53 percent, and 3-5-day mail showed a decline of 28.33 percent. In general, 3-5-day mail suffered double-digit declines in on-time performance from FY 2023 to FY 2024 across most districts. This is extremely concerning given that this year is the third year of the DFA implementation, and there will likely be significant First-Class mail volume in Q1 FY 2025 due to the November 2024 general election. It is important that the public’s trust in vote-by-mail not be shaken by perceptions (or misperceptions) about the Postal Service’s reliability.

Turning to mail transportation issues, the Postal Service reiterates that the Delivering for America Plan outlines a future state where the bulk of mail volumes will travel via surface transportation, remedying underutilization of trucks and realigning processing and transportation schedules across the network. FY 2023 Annual Report to Congress at 42.

The Postal Service indicates that it has already begun to address some of its key transportation shortcomings, including optimizing truck routes, eliminating superfluous trips, and improving tracking of each mailpiece as it travels through the network. The Postal Service admits that meeting its service standards via surface transportation relies heavily on precise execution. Disruptions such as traffic, weather, and mechanical breakdowns, have resulted in late arrivals, late departures, and missed connections. Those disruptions placed mail and packages at risk for service failures and, in the Postal Service’s view, contributed to missing service targets. Id.

The Postal Service further explains that it continued to expand STC operations in FY 2023 to add several hundred thousand square feet for improved workflow. The majority of these facilities were contractor-staffed, managed, and operated, resulting in a heavy reliance on contractor preparation for their successful launch. The Postal

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Service noted shortcomings with adequate staffing and unanticipated complications with readiness and that a number of these sites required intervention from Postal Service management which further impacted the ability to meet service performance targets.

Due in part to these challenges, the Postal Service has decided to insource some of these contract operations, which will ensure full postal control of processing and dispatch. The Public Representative observes, however, that at the time of justifying diminishing service standards for First-Class Mail and Periodicals, the Postal Service described the exact opposite – a plan to contract out all STC operations, as contracted STCs were capable to handling additional volumes above and beyond what they handled at the time.\(^\text{21}\) The insourcing of STCs began at the end of FY 2023 and will continue with additional sites and operations in FY 2024. \textit{Id.} In response to a Chairman’s Information Request, the Postal Service further explains that the majority of insourcing took place during early FY 2024, as shown in Table III-6, below. The Postal Service will continue to utilize contractor-run STC sites in Phillipsburg, NJ; Chicago, IL; Orlando, FL; and Dallas, TX. There are no firm insource dates for these sites.\(^\text{22}\)

<table>
<thead>
<tr>
<th>STC</th>
<th>Insourcing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salt Lake City, UT</td>
<td>9/18/2023</td>
</tr>
<tr>
<td>Memphis, TN</td>
<td>9/18/2023</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>10/14/2023</td>
</tr>
<tr>
<td>Atlanta, GA</td>
<td>10/14/2023</td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>10/16/2023</td>
</tr>
<tr>
<td>Indianapolis, IN</td>
<td>10/16/2023</td>
</tr>
<tr>
<td>Chicopee, MA</td>
<td>10/28/2023</td>
</tr>
<tr>
<td>Long Beach, CA</td>
<td>11/11/2023</td>
</tr>
<tr>
<td>Kansas City, KS</td>
<td>1/20/2024</td>
</tr>
</tbody>
</table>

Source: Response to CHIR No. 11, question 9, February 20, 2024.

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\(^\text{22}\) United States Postal Service Response to Chairman’s Information Request No. 11, February 20, 2024, Question 9 (Response to CHIR No. 11).
The Postal Service points out that these insourcing efforts were planned to take place gradually. However, these efforts were accelerated on an emergency basis due to contractor bankruptcy, as one major supplier began to cease operations. Project planning on these types of transitions, including reassignment of labor and facility reviews, usually requires months, and the Postal Service was suddenly faced with insourcing eight locations immediately, prior to and during peak, all within a matter of weeks. This involved adding approximately 1,000 new employees and modifying thousands of transportation schedules, all the while piecing together ad-hoc layouts and processes in the facilities receiving the rerouted volumes. Response to CHIR No. 11, question 9.c.

As a direct consequence of having limited time to coordinate equipment, capacity, transportation schedules, and people to achieve successful insourcing, service performance for First-Class Mail volumes was temporarily impacted. The Postal Service states that it has been working aggressively to improve operations by monitoring container cycle times in STCs, reviewing transportation routes against schedules, and making targeted improvements where possible. The Postal Service does not believe that STC insourcing will improve service performance scores for single-piece volumes in the short term, but it does expect that it will lead to better overall control over the network and minimize the chances of third-party failure impacting postal operations in the future. *Id.*

The Postal Service has admitted that roadblocks have been encountered with the concurrent transition to its future network. While the first Regional Processing and Distribution Center (RPDC) was implemented in July 2023, and was done so in isolation to collect lessons for future implementations, concurrently, Local Processing Centers (LPCs) associated with that RPDC were also activated, as was the necessary transportation to support these facilities and the first Sorting & Delivery Centers (S&DCs). The Postal Service notes that these multiple activations further resulted in service impacts in FY 2023. *FY 2023 Annual Report to Congress at 42.*
c. Achieving High-Quality Service in FY 2024

i. The Delivering for America (DFA) Plan

To achieve high-quality service in FY 2024, the Postal Service plans to follow the path laid out in the Delivering for America (DFA) Plan, which includes:

- Transforming its processing facilities and transportation networks.
- Preparing for the peak season.
- Investing in infrastructure
- Stabilizing and empowering its workforce.

FY 2023 Annual Report to Congress at 43. The Postal Service describes its planned initiatives as follows:

**Transforming processing facilities and transportation networks.** The Postal Service is planning to continue its rollout of a redesigned, well integrated, and logically sequenced network by activating more RPDCs, S&DCs and transfer hubs in FY 2024. This facility strategy, the Postal Service maintains, will optimize site locations to create larger delivery units, collapse carrier routes from smaller units, retain PO Boxes and Retail in current locations, provide S&DCs with volumes earlier and streamline trips to and from the processing facilities. Aggregating larger facilities in locations aligned with emerging market demand allows the Postal Service to enhance its affordable same-day and next-day USPS Connect Local and Regional offerings to businesses through improved access to the direct entry of their shipments. Concurrently, the Postal Service intends to continue redesigning its transportation and logistics operations to eliminate waste and efficiently integrate with network operations. The Postal Service also plans on developing and deploying standard work instructions that are designed to support operational excellence. *Id.*

**Preparing for the peak season.** The Postal Service believes that the work done over the previous two years has set the Postal Service up for peak season success. The Postal Service intends to continue to utilize the facilities and processing capabilities brought on in the last two years, which have positioned it to prepare for peak without the need for huge numbers of temporary facilities or employees. The
Postal Service will augment space and employees where necessary, but the number of temporary facilities and employees will be significantly reduced from prior years. The Postal Service maintains that this will be a result of the stabilization in workforce efforts made in FY 2023. *Id.*

**Infrastructure Investments.** The Postal Service indicates that in support of the network redesign, it will continue to make significant capital investments in FY 2024, including additional automated package sorting equipment to larger Delivery Units and continued expansion of the Postal Service Battery Electric Vehicle (BEV) fleet along with the accompanying necessary charging infrastructure. The Postal Service plans to replace nearly 200,000 of the current 236,000 vehicles, the majority of which are significantly past their intended life expectancy. As part of the Delivering for America Plan, the Postal Service plans to acquire and incorporate over 66,000 BEVs over the next five years including the 45,000 units that have already been ordered. *Id.*

**Stabilizing and empowering the workforce.** The Postal Service’s FY 2024 Service Performance Plan focuses heavily on improving collaboration within the workplace and strengthening the employee experience through the continuation of the following measures from FY 2023:

- Converting precareer employees to career status after two years of service.
- Empowering frontline supervisors with better tools, more resources and a training program tailored to their unique needs.
- Develop the workforce to help them advance into new roles through defined career paths, training tracks and hiring fairs to backfill vacancies.
- Creating a culture of organizational focus, transparency and accountability through engaged and collaborative leaders that inspire and engage their employees.
- Build a diverse pipeline of talented candidates through the Executive Diversity Council.

*Id.*

Of the components of the DFA Plan, it appears to the Public Representative that transforming the Postal Service’s processing facilities and transportation networks has caused the majority of the controversy surrounding the Plan. The Postal Service has
engaged in preparations for its peak season for several years, particularly since the advent of the COVID-19 pandemic. An important aspect of this investment is that the Postal Service has been purchasing machines capable of processing 40,000 to 60,000 packages per hour. The Postal Service states that although 41 million is the highest number of packages the Postal Service has ever received in one day, the network now can handle 70 million, nearly three times more than several years ago.\(^{23}\) Infrastructure investments, particularly the purchase of new vehicles, have been a necessity for years, but there have been insufficient funds available for this purpose. Stabilizing and empowering the Postal Service’s workforce has also been an ongoing process over the last several years.

The point here is that while these initiatives have been wrapped into the DFA Plan, they also have existed independently of the Plan. Thus, the Public Representative focuses primarily on the network changes proposed by the Postal Service as part of the Plan.

The Postal Service’s plans to transform its processing facilities appear to be premised on centralizing its facilities into fewer, but larger, facilities referred to as Regional Processing and Distribution Centers (RPDCs). An RPDC could serve multiple smaller scale Local Processing Centers (LPCs) which in turn would support multiple Sorting and Delivery Centers (S&DCs). Finally, each S&DC could absorb multiple smaller, and often older, Delivery Units (DUs).\(^{24}\)

The Postal Service states that the DFA Plan would revitalize its outdated DU network without employee layoffs.\(^{25}\) As the Postal Service describes it, in a typical location, S&DCs are being formed from an aggregation of roughly 10 nearby DUs, leaving local post offices and retail operations mostly in place. These larger facilities would have ample space, docks, conveyors, and mail handling equipment to operate more efficiently and provide a greater reach for current and future destination entry


\(^{24}\) “Purpose Built,” *The Eagle Magazine*, at 13.

products like USPS Connect. The S&DCs would also allow the Postal Service to build on the extensive reach of its delivery network, which they assert can now serve nearly 82 percent of the American public with one-day package delivery, and close to 100 percent within two days. *Id.*

The Postal Service explains that the Optimized Collections Plan is a new initiative that is planned for implementation in FY 2024 and in future years to further organize and optimize its transportation network.\(^{26}\) According to the Postal Service, local transportation is currently characterized by a large number of underutilized and unnecessary trips, due to the fact that the Postal Service currently operates separate trips to pick up and drop off mail and packages from delivery units. The Postal Service points out that this leads to underutilization and high costs, particularly on longer local transportation lanes that transport lower amounts of volume. Pursuant to this initiative, the Postal Service would for such lanes pick up originating volume entered the prior day on the same trip that is dropping off thedestinating mail for delivery. This should reduce the number of transportation trips and stops and improve utilization, while still allowing the Postal Service to perform successfully under existing service standards. *Id.* The Postal Service has stated that it anticipates preparing comprehensive cost savings estimates from its “refined” network transformation plan as part of the three-year update of the DFA Plan pursuant to 39 U.S.C. § 2803(b).\(^{27}\)

The redesigned processing network that the Postal Service is pursuing through the DFA Plan appears to put increased pressure on service performance and transportation. For example, if all originating mail will be routed to respective RPDCs to determine its destination, mail that destinates within the service area of its origin S&DC or LPC will likely spend more time in transit than it does currently. With the increase in touch points, the risk of delays and errors (such as misrouting) increases as well.

In addition, the Public Representative observes that the network redesign, together with the diminished service standards for First-Class Mail and ground

\(^{26}\) Docket No. PI2023-4, Responses of the United States Postal Service to Chairman’s Information Request No. 5, December 4, 2023, question 1 (PI2023-4 Response to CHIR No. 5).

\(^{27}\) Docket No. PI2023-4, Responses of the United States Postal Service to Chairman’s Information Request No. 2, August 22, 2023, question 5.d (PI2023-4 Response to CHIR No. 2).
packages, should reduce the Postal Service’s reliance on air transportation. The Postal Service’s use of highway transportation has increased as a result, which puts pressure on the Postal Service’s surface transportation operations. The Postal Service has confirmed that it bears the costs associated with poor on-time performance in surface transportation operations. Most recently, the OIG confirmed that Highway Contract Route (HCR) service providers charge expenses they incur for HCR surface transportation delays that are due to delays in mail processing or due to dock congestion at the Postal Service facilities. Moreover, the Postal Service faces the added pressures related to truck driver shortages and fuel cost inflation. The operational precision that the DFA Plan promises to deliver is critical for the diversion from air to surface transportation to deliver on transportation savings, because, as the Postal Service has confirmed in past proceedings, underutilized long-distance surface transportation is more costly than air transportation, where cost is determined on the basis of mail weight or cubic footage, and not on the basis of mileage.

The Public Representative commends the Postal Service for the extraordinary effort to undertake its network redesign while still attempting to maintain operations, and he understands why such effort requires the DFA Plan to include significant flexibility; i.e., a “living plan.” That being said, the Postal Service is now almost three years into implementation of the DFA Plan, and the Public Representative believes that concrete evidence of significant cost savings arising from the Plan needs to be demonstrated sooner rather than later. Encouragingly, the Postal Service reported to the Commission last September that Function 4 workhours (customer service) at the new Athens, Georgia S&DC have been reduced due to the increased automation and sorting

28 See, e.g., N2021-1 Advisory Opinion at 142.
31 See Responses of the United States Postal Service to Questions 8, 15(g), and 17 of Chairman’s Information Request No. 1, January 19, 2024, question 17.a (explaining that the DFA Plan is a “living plan” and the Postal Service evaluates and adjusts operations on a daily or regular basis at the local, district, division, and national level).
capabilities of the Athens S&DC.\textsuperscript{32} The S&DC facility enables more packages to be sorted on a machine rather than manually. However, in order for the DFA Plan to be effective, cost savings cannot come at the expense of satisfactory service performance. Reports are now appearing in the press of serious mail delivery delays emanating from the associated Atlanta RPDC. Tracked packages have reportedly been held up at that facility for weeks.\textsuperscript{33} In other words, if packages cannot reach the Athens S&DC in a timely manner, the S&DC’s expanded sorting capabilities may not have a significant impact on service performance. Although some hiccups are to be expected when opening new facilities and redesigning the network, the Postal Service, like a punter trying to kick out of his own end zone, can only take so many steps back before stepping out of bounds and incurring a safety.

The Postal Service’s ultimate goal of achieving high-quality service while also generating cost savings is admirable but requires transparency and cooperation among stakeholders to ensure success. The Public Representative notes that in addition to the Postal Service’s annual reports, the Commission has opened a Public Inquiry (PI) docket to explore issues related to the DFA Plan.\textsuperscript{34} In its Order, the Commission noted that stakeholders have expressed concerns regarding a lack of a forum to explore the impacts of these proposed network changes. Order No. 6488 at 3. The Postal Service has chafed at the Commission’s information requests, ultimately arguing that the Commission had exceeded its authority and requesting the Commission reconsider and withdraw Chairman’s Information Request No. 7, issued on December 20, 2023.\textsuperscript{35}

\begin{flushright}
\textsuperscript{32} Docket No. PI2023-4, Responses of the United States Postal Service to Chairman’s Information Request No. 3, September 12, 2023, question 2.b.
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\begin{flushright}
\textsuperscript{33} Molly Oak, “‘It Affects People’s Lives.’ Metro Atlanta Residents Frustrated Important Mail is Being Held at USPS Facility Due to Delays,” \textit{11Alive.com}, March 12, 2024, \textit{available at} https://www.11alive.com/article/news/local/usps-customers-metro-atlanta-frustrated-their-mail-still-being-held-distribution-facility/85-80ec44b5-77e2-4c4c-a539-208e0e915352.
\end{flushright}

\begin{flushright}
\textsuperscript{34} Docket No. PI2023-4, Notice and Order Initiating Public Inquiry Associated with the Postal Service’s Delivering for America Plan, April 20, 2023 (Order No. 6488).
\end{flushright}

\begin{flushright}
\textsuperscript{35} Docket No. PI2023-4, United States Postal Service’s Motion for Reconsideration of Chairman’s Information Request No. 7, January 2, 2024.
\end{flushright}
In Order No. 6986, the Commission denied the motion for reconsideration and stated its position as to its oversight activities on the Delivering for America Plan.\textsuperscript{36}

The Commission initiated this docket to seek information regarding certain initiatives under the DFA Plan. As the Commission previously stated, this docket is not intended as a comprehensive review of the entire plan. The Commission, to date, has neither sought information regarding every initiative related to the DFA Plan, nor required the Postal Service to modify or delay the implementation of any DFA Plan initiatives. The Commission has not issued any rules or regulations regarding the DFA Plan. The Commission has not imposed any requirements on the Postal Service other than requesting that it provide information about several of its planned initiatives. Despite its objections to this docket and this CHIR, the Postal Service has not provided any authority demonstrating that a regulator exceeds its authority when it merely seeks information about the activities of the regulated entity.

Order No. 6986 at 4 (internal citations omitted). Further, the Commission held:

It is well within the Commission’s authority to explore whether sweeping changes to the postal network will have an impact on cost or quality of service, particularly when there is little information about initiatives prior to implementation. Pre-implementation review, at least at a level that allows the Commission to determine if its jurisdiction is implicated, is necessary because there is little recourse should implementation of these initiatives conflict with the policies of title 39. For example, a post-hoc advisory opinion proceeding does not serve the public interest if substantial changes have already been made to nationwide postal services.

\textit{Id.} at 6.

The Public Representative agrees completely with the Commission’s stance cited above. The Commission’s attempts to obtain information about the Postal Service’s DFA initiatives have been reasonable and quite useful. Short of a full-blown Advisory Opinion Docket (an “N-case”), the Commission has made the Postal Service aware of areas of concern involving the Plan. The Postal Service’s responses to the Commission’s information requests have indicated that the Postal Service appreciates those concerns. These exchanges of information have been accomplished without the

\textsuperscript{36} Docket No. PI2023-4, Order on Motion for Reconsideration of Chairman’s Information Request No. 7, February 22, 2024, at 4 (Order No. 6986).
tedious procedures involved in an N-case and without materially delaying the Postal Service’s implementation of the Plan.

The Public Representative encourages the Commission to continue to seek information from the Postal Service regarding the DFA Plan. If, as part of the Third Anniversary Report on the Plan’s implementation, the Postal Service can provide cost savings estimates and estimates of the Plan’s effect on service performance, it would likely alleviate stakeholder anxieties about network changes associated with the Plan. Given the high stakes, there should be more communication, information, and knowledge sharing among the Postal Service, the Commission, and industry stakeholders, not less.

ii. Election Mail

In addition to its continued implementation of the DFA Plan, the Public Representative believes that the Postal Service’s achievement of high-quality service in FY 2024 will be defined by its performance during the 2024 general election season. For the most part, the Postal Service’s Election Mail procedures largely override the DFA Plan, so these comments treat Election Mail separate and apart from DFA. In his comments on last year’s Performance Report and Performance Plan, the Public Representative noted that the Postal Service pointed out that it had, in its view, a successful election season in 2022. It announced that it had delivered 54.4 million ballots during the 2022 midterm general election and the Georgia Senate runoff. On average, it took the Postal Service fewer than two days to deliver ballots from voters to election officials, and 99 percent of ballots made it to election officials within three days. Including the primary elections, the Postal Service reportedly delivered more than 105 million ballots in 2022. FY 2022/23 PR Comments at 10-11.

An audit report performed by the Postal Service OIG found that the Postal Service successfully prioritized the timely processing and delivery of Election Mail

37 United States Postal Service, “Preparing for the 2024 Election Season,” January 31, 2024, available at https://about.usps.com/what/government-services/election-mail/ (Election Mail Memo) (noting that Postal Service “will again rely on our longstanding policies and procedures, which have proven successful in facilitating the timely delivery of Election Mail.”).
during the 2022 election cycle and was able to deliver 97.3 percent of identifiable and measurable ballots sent to voters on-time. This was an increase from the 2018 and 2020 elections and nearly six percentage points higher than the target.  

A recently issued Memorandum from the Postal Service about preparing for the 2024 Election Season details some of the practices and procedures that will be employed to facilitate the timely and secure delivery of Election Mail. The Memorandum defines “Election Mail” as any item mailed to or from authorized election officials that enables citizens to participate in the voting process, including ballots, voter registration forms, ballot applications, polling place notifications and similar materials. This specific mail qualifies as Election Mail both when it is sent to voters from election officials at the state and local levels and when it is returned by voters to those officials. The Memorandum distinguishes Election Mail from “political mail,” as political mail is sent by political candidates, political action committees, and similar organizations to advocate for candidates or issues. Most Election Mail procedures and policies do not apply to political mail. Election Mail Memo at 1.

According to the Postal Service, in 2024, the Election and Government Mail Services (EGMS) team will continue to formalize and centralize all activities related to election and governmental mail. The EGMS Team and Managers of Customer Relations will continue to engage with local and state election officials to provide them with the necessary tools to use the mail as a secure, efficient, and effective way to facilitate the election process. Id.

Some of the key practices for the proper handling of Election Mail are described in the memorandum:

**All Clears and Daily Logs.** As of January 16, 2024, ‘all clears’ should be used to ensure that all Election Mail is accounted for in the system and that mail scheduled or “committed” to go out is processed accordingly.

**Advancing Election Mail.** Election mail – identified by the Official Election Mail logo or other Postal Service visibility tools – should continue to be prioritized, regardless

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of the paid class. Specifically, Election Mail entered as USPS Marketing Mail should be advanced ahead of all other USPS Marketing Mail and processed expeditiously to the extent feasible so that it is generally delivered in line with First-Class Mail delivery standards.

**Postmarking.** The Postal Service tries to ensure that every return ballot mailed by voters receives a Postmark, in recognition of the importance that election laws in some states place on postmarks for mail-in ballots. The Memorandum notes that another detailed memorandum on the Postal Service’s postmarking policy for return ballots will be issued before the General Election.

**Delivery/Collections.** Extra delivery and collection trips are authorized and instructed to be used if necessary to ensure that Election Mail stays current and moving through the Postal Service’s network.

**Overtime.** Consistent with past practice, the Postal Service will use justified and approved overtime hours where needed to deliver mail on time and overtime will continue to be utilized as necessary to support Election Mail policies and procedures.

**Transportation.** The Postal Service will continue to align its transportation and processing schedules to ensure timely, reliable mail delivery, and will take reasonably necessary steps to complete timely Election Mail delivery, including late or extra trips. Extra transportation resources will be used as necessary to promptly connect Election Mail to its intended destination or the next stage in Postal Service processing.

The Public Representative has been encouraged by the Postal Service’s performance in the two most recent general election cycles and believes that its performance during the 2024 general election will be similarly strong due to the special emphasis the Postal Service is placing on these procedures. Still, the Public Representative encourages the Postal Service to work diligently to ensure the timely delivery of Election Mail and to work with stakeholders to ensure public confidence in the Postal Service’s operations. The Public Representative believes that it would be helpful for the Postal Service to address and mitigate the effects of the highly-publicized service disruptions discussed above well in advance of the November 2024 general election. The Public Representative is concerned about a recent pronouncement from the Richmond, Virginia General Registrar discouraging mail-in-voting due to alleged
recent delivery failures by the Postal Service. In an urbanized area such as Richmond, a variety of voting options exist, including depositing ballots at three city-owned drop boxes and in-person voting at a local polling place. Indeed, the Registrar reminded the public that voting guides will be sent to every registered voter this summer with information such as voting dates, times, and locations. However, these alternatives to mail-in voting may not be as readily available for voters living in more rural or remote areas affected by service disruptions. And in any event, the Postal Service should be responsible not simply for delivering Election Mail in a timely manner, but also for providing consistent and reliable service that can dispel any public perception that a significant number of ballots may not be tabulated.

The Public Representative is reassured, however, by the Postal Service’s representations that the network changes related to the DFA Plan, specifically the Optimized Local Transit initiative, should not impact the timely processing or delivery of ballot mail. The Postal Service also represents that it will “deploy extraordinary measures around Election Day,” such as expedited handling, extra deliveries, and special pickups.” Id. The Postal Service further indicates that it will be closely monitoring the rollout of the initiative, including any potential impact on Election Mail. The Public Representative encourages the Postal Service and the Commission to take all necessary actions to ensure that any transportation changes have no significant effects on ballot processing and delivery, particularly in states in which ballots must be received by a certain date and time in order to be counted.

Overall, despite potential pitfalls, the Public Representative believes the fact that the Postal Service is distinctly marking election mail will be a significant factor in delivering election mail on time. The Public Representative recalls that during the


40 See Docket No. PI2023-4, Responses of the United States Postal Service to Chairman’s Information Request No. 6, December 21, 2023, question 6 (PI2023-4 Response to CHIR No. 6).

height of the COVID-19 pandemic, the Postal Service’s lack of ability to clearly
distinguish medical supplies hindered it from expediting delivery of those supplies.
Finally, a significant amount, if not most, election mail is local in nature. Prior to the
height of the upcoming election season, the Postal Service should gain important
knowledge of the impact of its network restructuring on service performance by
observing if there are delivery delays or other problems that occur in areas where
network consolidation has occurred versus areas where it has not.

2. Excellent Customer Experience

a. Background

To evaluate customer satisfaction with the services it provides, the Postal
Service conducts surveys at various “touchpoints,” which are its primary interaction
points with customers. FY 2023 Annual Report to Congress at 44. Survey respondents
include business and residential customers. Id. In FY 2023, as in previous years, the
Postal Service conducted the following surveys and combined the overall satisfaction
(OSAT) scores for each survey into a Customer Experience (CX) Composite Index:

- Business Service Network (BSN) survey,
- Point of Sale (POS) survey,
- Delivery survey,
- Customer Care Center (CCC) survey,
- Customer 360 (C360) survey,
- usps.com survey, and
- Business Mail Entry Unit (BMEU) survey.42

See id.

42 In addition, the Postal Service provides results for the Large Business Panel (LBP) survey,
which measures satisfaction of its large business customers (those with 500 or more employees). See
Library Reference USPS-FY23-38, December 29, 2023, PDF file “USPS-FY23-38 Preface.pdf” (Library
Reference USPS-FY23-38 Preface) at 1. The OSAT scores for the LBP survey are not included in the
CX Composite Index. Id. at 2, 5.
Each survey includes an overall satisfaction question, and respondents may choose from one of six satisfaction levels.\textsuperscript{43} The percentage of respondents who were \textit{Very Satisfied} and \textit{Mostly Satisfied} with their experiences constitute the OSAT scores for the respective surveys. The Postal Service reports that it has kept its overall satisfaction metrics consistent since FY 2018 in order to track trends in customer satisfaction over time and further improve customer experience.\textsuperscript{44} The Postal Service also confirms that there were no methodology changes in FY 2023 that affected the measurement of key metrics included in the CX Composite Index.\textsuperscript{45}

From the OSAT scores for the seven component surveys, the Postal Service calculates the CX Composite Index to provide “a holistic view of customer satisfaction.”\textsuperscript{46} The CX Composite Index is calculated as a weighted average of OSAT scores across the seven surveys listed above. \textit{Id.} While the methodologies or the metrics for the component surveys have not changed, the Postal Service reports that it changed the individual survey weights when it calculated the FY 2023 CX Composite Index from the weights it used in FY 2022. \textit{FY 2023 Annual Report to Congress at 44.} The Postal Service adds that the modified weights allow the CX Composite Index to reflect the interactions with its customers more accurately. \textit{Id.}

In the sections that follow, the Public Representative presents results for individual surveys for the last three fiscal years.

\textsuperscript{43} The following responses are available to the OSAT question respondents under each survey:
\begin{itemize}
\item Very Satisfied
\item Mostly Satisfied
\item Somewhat Satisfied
\item Somewhat Dissatisfied
\item Mostly Dissatisfied, and
\item Very Dissatisfied.
\end{itemize}

\textsuperscript{44} \textit{Library Reference USPS-FY23-38 Preface at 2.}

\textsuperscript{45} \textit{FY 2023 Annual Report to Congress at 44.}

\textsuperscript{46} \textit{Library Reference USPS-FY23-38 Preface at 2.}
b. Business Service Network (BSN) Survey

The BSN provides nationwide support to qualified business customers on service issues. Business customers who initiate a service request with the BSN are invited to participate in the BSN survey. The following figure shows the Postal Service’s targets and OSAT scores for the BSN customers, as well as the number of respondents to the BSN survey, for Fiscal Years 2021 to 2023.

![Figure III-1 The BSN Survey Targets, OSAT Scores, and Number of Respondents FY 2021 – FY 2023](image)

Sources: Library Reference USPS-FY23-38; Library Reference USPS-FY22-38; Library Reference USPS-FY21-38.

The data in the above figure show that the Postal Service has increased its targets for BSN customer satisfaction from the already high target of 97.2 percent in FY 2021 to 98.0 percent in FY 2023. The Public Representative notes that the Postal Service’s targets and OSAT scores for the BSN customers were the highest of the seven surveys’ targets and performance scores in each year during the FY 2021 to FY 2023.

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47 FY 2023 Annual Report to Congress at 44.
2023 period. The Postal Service does not explain whether the increase in the number of respondents was related to higher participation in the BSN survey, an increase in the number of service requests, or some combination of both. Even so, the Postal Service does explain that BSN representatives received quarterly training in FY 2023 and continued to seek and obtain BSN customers’ satisfaction with the resolution of their issues before their respective service requests were closed which, according to the Postal Service, “was critical to improving the customer experience.” FY 2023 Annual Report to Congress at 45.

The Postal Service’s target for the BSN customer satisfaction for FY 2024 is set at its FY 2023 level. Id. at 47. Given that the BSN customer satisfaction targets and OSAT scores are already extremely high, the Public Representative believes that maintaining this target is appropriate here.
c. Point of Sale (POS) Survey

The POS survey measures customers’ experiences at retail locations.\(^{48}\)

![Figure III-2](image)

**Figure III-2**

POS Survey Targets, OSAT Scores, and Number of Respondents
FY 2021 – FY 2023

Sources: Library Reference USPS-FY23-38; Library Reference USPS-FY22-38; Library Reference USPS-FY21-38.

The POS survey data in the above figure reflect yearly improvements in OSAT scores for retail customers. However, they also show that the Postal Service reduced its target for POS customer satisfaction by 3 percentage points between Fiscal Years 2021 and 2022 and did not raise it for FY 2023. Despite this, the FY 2023 OSAT score remained 0.36 percentage points below the target.

The Public Representative’s analysis of the POS survey data suggests that in each year between FY 2021 and FY 2023, about 30 percent of retail customers most valued being treated with courtesy, about 30 percent placed clerks’ knowledge of postal products and services as their top priority, followed by about a quarter of customers who

\(^{48}\) Library Reference USPS-FY23-38 Preface at 3.
most valued receiving a positive attitude from retail clerks, with the remaining customers placing the highest importance on clerks working efficiently.\(^{49}\)

The Postal Service describes its efforts in reducing customer wait time in lines by educating its employees on the use of Self-Service Kiosks (SSKs) so they could in turn encourage increased use of SSKs by retail customers, thus reducing wait times. *Id.*

The Public Representative’s analysis of the FY 2021 through FY 2023 data suggests that of the customers who participated in the POS surveys, the percentage that considered their wait time in line acceptable has increased from 86 percent in FY 2021 to 89 percent in FY 2023, which is a positive development even though the actual average wait in line increased by two seconds in FY 2023.\(^{50}\) The Postal Service adds that it recorded an increase of more than 2 million Prepaid Acceptance SSK transactions in FY 2023 as compared to FY 2022, though the overall number of SSK transactions declined.\(^{51}\) Additionally, the Postal Service explains that it focused on training its representatives in improving customer interactions, which it encouraged further by sharing motivational messages with its employees. FY 2023 Annual Report to Congress at 45.

Despite the improvements in OSAT scores, the Postal Service has not raised its target for retail customer experience for FY 2024. *Id.* at 47. Based on the current trends, the Public Representative is confident that the Postal Service will meet its FY 2024 target. If the Postal Service continues the trajectory of the past two years, it may well exceed the target. Should the Postal Service accomplish this objective, it should also consider raising the target in FY 2025 to strive for even stronger customer satisfaction scores at retail locations, which will help it build or expand its customer base.

\(^{49}\) Library Reference USPS-FY23-38; Library Reference USPS-FY22-38; Library Reference USPS-FY21-38.

\(^{50}\) Library Reference USPS-FY23-38; Library Reference USPS-FY22-38; Library Reference USPS-FY21-38; Responses of the United States Postal Service to Questions 20.b and 25 of Chairman's Information Request No. 7, February 6, 2024, question 25.a (Response to CHIR No. 7).

\(^{51}\) FY Annual Report to Congress at 45; Response of the United States Postal Service to Chairman’s Information Request No. 9, February 9, 2024, question 3.a (Response to CHIR No. 9).
d. Delivery Survey

The Delivery survey measures the overall satisfaction of residential and small/medium business (SMB) customers with the receipt of mail and packages delivered to both street addresses and PO Boxes.\textsuperscript{52} The following figure shows the Delivery survey data for the last three fiscal years.

**Figure III-3**

Delivery Survey Targets, OSAT Scores, and Number of Respondents

FY 2021 – FY 2023

![Delivery Survey Targets, OSAT Scores, and Number of Respondents FY 2021 – FY 2023](image)

Sources: Library Reference USPS-FY23-38; Library Reference USPS-FY22-38; Library Reference USPS-FY21-38.

Similar to the POS customer experience, the Postal Service reduced its target for customer satisfaction with delivery services between Fiscal Years 2021 and 2022 and did not raise it for FY 2023. The data demonstrate continued improvements in residential and SMB customer satisfaction in the last two fiscal years. However, the Postal Service missed even the lowered target. Moreover, SMB customers' satisfaction continued to lag behind that of residential customers by about five percentage points.

\textsuperscript{52} Library Reference USPS-FY23-38 Preface at 3; FY 2023 Annual Report to Congress at 44.
The Postal Service also does not explain the drop in responses to the Delivery surveys in the last two fiscal years, particularly among SMB customers.

Although the Postal Service missed its target score, its actual performance did improve in FY 2023. The Postal Service describes using technology to identify optimal lines of travel in the most efficient delivery sequence as a reason for increased delivery efficiency in FY 2023, particularly for rural customers. FY 2023 Annual Report to Congress at 45-46. Additionally, the Postal Service attributes improved OSAT scores to “the deployment of . . . new [delivery] vehicles” and the installation of . . . telematics devices which, it states, “improved operational reliability and vehicle availability for carriers.” Id. at 46.

The Public Representative considers customer satisfaction with delivery services to be of high strategic importance in the Postal Service’s pursuit of improved service performance and financial viability, and he encourages the Postal Service to continue its initiatives to increase satisfaction among residential and business customers with its Market Dominant products.\textsuperscript{53} The Public Representative also believes that efforts to increase the number of responses to the Delivery survey would be beneficial. This is because delivery concerns the Postal Service’s entire customer base; however, responses to the Delivery survey represent only about 2 percent of total responses to OSAT questions, which comprise the overall CX Composite Index. While the Postal Service does assign a 20 percent weight to the Delivery survey OSAT score, a higher number of responses would provide richer information on customer expectations, in particular customers’ responses to open-ended questions. An increased understanding of customers’ needs and desires would in turn allow the Postal Service to focus its resources in a more strategic manner and encourage the Postal Service to raise its future targets and satisfaction scores.

\textsuperscript{53} See Response to CHIR No. 7, question 26.
e. Customer Care Center (CCC) Survey

The CCC survey measures satisfaction with services provided by the Customer Care Center. Customers interact with the CCC via an Interactive Voice Response (IVR) system or by talking to a Live Agent (LA). The Postal Service measures satisfaction following customers’ interactions with IVR and LA separately. Id. Results for FY 2021 through FY 2023 are presented in the following figure.

**Figure III-4**
CCC Survey Targets, OSAT Scores, and Number of Respondents
FY 2021 – FY 2023

As is illustrated in the above figure, the number of respondents to the LA survey increased almost six-fold between FY 2021 and FY 2023, with most of the increase occurring between FY 2022 and FY 2023. At the same time, the number of responses to the IVR survey declined in each year of the last two fiscal years compared to the prior years. Moreover, the representation of respondents has changed significantly. In FY

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2021, there were twice as many IVR respondents compared to LA respondents; however, in FY 2023, there were about five times as many LA respondents as IVR respondents. The Postal Service states that the substantial increase in the LA survey responses is related to its training initiatives, which included encouraging agents to remind customers to participate in the survey following their interactions. FY 2023 Annual Report to Congress at 46. The Postal Service also notes that FY 2023 was the fifth consecutive year of the overall CCC OSAT score improvements and attributes this success to the initiatives targeted at improving experiences for customers interacting with both IVR and with LA. The overall CCC OSAT score increased 13.77 percentage points between FY 2022 and FY 2023, from 70.75 percent to 84.52 percent. Id.

The Public Representative commends the Postal Service on exceeding its FY 2023 CCC target by a wide margin. However, there do appear to be opportunities for improvement. The data shown in the above figure indicate that between FY 2022 and FY 2023, customer satisfaction with IVR increased by only 0.8 percentage points, while the OSAT score for LA increased by 12.3 percentage points. Consequently, it appears that the increase in the overall CCC OSAT score was driven by the substantial increase in response rate among LA customers, who reported significantly greater satisfaction with the services they received. By way of illustration, had IVR and LA respondents been equally represented, with their satisfaction levels unchanged, the overall CCC OSAT score would have been around 78 percent (over six points lower, but still above the FY 2023 target).

In the Public Representative’s view, in FY 2024, the Postal Service should focus on improving the experience of IVR customers, with the eventual goal of encouraging more customers to interact with IVR. Even if the mix of respondents changes and results in a lower overall OSAT score in FY 2024, an improvement in satisfaction among both IVR and LA customers would be considered a success.
f. Customer 360 (C360) Survey

The C360 survey measures customers’ satisfaction with the quality of service they receive in response to issues for which they contacted the Postal Service.\(^{55}\)

![Figure III-5](image-url)

**Figure III-5**

C360 Survey Targets, OSAT Scores, and Number of Respondents
FY 2021 – FY 2023

Sources: Library Reference USPS-FY23-38; Library Reference USPS-FY22-38; Library Reference USPS-FY21-38.

Unlike the responses to CCC survey invitations, which have increased significantly, responses received from customers who contacted the Postal Service with a service request via CCC LA, *usps.com*, or at a local Post Office, and whose cases have been closed, have declined 50 percent since FY 2021. The Public Representative notes that the Postal Service’s lowest-set performance targets and OSAT scores in the FY 2021 – FY 2023 period were for experiences of respondents to the C360 survey. Moreover, the already lowest-set target for FY 2021 (at 55.0 percent) was reduced by 15 points for FY 2022 (to 40.1 percent), and remained unchanged for FY 2023. Despite

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\(^{55}\) Library Reference USPS-FY23-38 Preface at 4.
the lowered threshold, the Postal Service still missed its FY 2022 target by 1.6 percentage points, but finally met the unchanged target in FY 2023 by 2.2 percentage points.

The Postal Service describes collaborative efforts between the Headquarters and all Areas to increase sharing, communication, and reporting of actionable data, which helped to identify specific employees in need of additional coaching in customer issue resolution. FY 2023 Annual Report to Congress at 46. The Postal Service also describes enhanced training opportunities for C360 users. Id.

The Postal Service has raised its C360 target for FY 2024 by almost 6 points. Id. at 47. Given the upward trajectory in OSAT scores shown in the figure above, this raised target seems achievable.
g. The *usps.com* Survey

The *usps.com* Survey measures customer satisfaction with the Postal Service’s website. *Id.* at 44. The customer experience data for fiscal years 2021 to 2023 are shown in the figure below.

**Figure III-6**

*usps.com* Survey Targets, OSAT Scores, and Number of Respondents
FY 2021 – FY 2023

As is illustrated in the above figure, the Postal Service has not changed its target OSAT score for users of *usps.com* since FY 2021. The data also indicate that after a 6.5 percentage point increase in the OSAT score between FY 2021 and FY 2022, and slightly exceeding the target in FY 2022, the OSAT score declined by 0.8 percentage points from FY 2022 to FY 2023 and missed the target by 0.6 percentage points. The Postal Service attributes this decline to server issues related to an “increase in *usps.com* user volume,” but also explains that it made use of various analytical tools to analyze customer experiences as they navigated its website, aiming to increase website traffic and improve website structure. FY 2023 Annual Report to Congress at 46. The
Postal Service does not comment on the third consecutive year of decline in *usps.com* survey responses.

For FY 2024, the Postal Service has raised its target for *usps.com* customer experience by more than 4 points. *Id.* at 47. The Public Representative is encouraged by the Postal Service’s confidence that it will provide greater customer satisfaction with *usps.com* and that the server issues encountered last year will be resolved.

h. Business Mail Entry Unit (BMEU) Survey

The BMEU survey measures business customers’ satisfaction with their experiences at the BMEUs. The following figure includes BMEU survey data for FY 2021 to FY 2023.

![Figure III-7: BMEU Survey Targets, OSAT Scores, and Number of Respondents FY 2021 – FY 2023](image)

Sources: Library Reference USPS-FY23-38; Library Reference USPS-FY22-38; Library Reference USPS-FY21-38.

The data shown in the above figure show a decline in the total number of responses to the BMEU survey OSAT questions of about 18 percent between Fiscal Years 2021 and 2022, followed by a two percent increase in response count in FY
The data also show that the Postal Service lowered its BMEU customer experience target in the last two fiscal years, though not dramatically, and surpassed its target performance for FY 2023 by about 0.6 percentage points. The Postal Service describes initiatives aimed at increased cross-functional collaboration and an increased employee attendance at regularly held meetings. *Id.* at 47.

The BMEU target score for FY 2024 remains unchanged. *Id.* Just as with the BSN survey discussed above, the target and actual OSAT scores for the BMEU survey are already extremely high, so the Public Representative believes this target score continues to be appropriate.

i. Customer Experience (CX) Composite Score

In the following figure, the Public Representative summarizes the Postal Service’s FY 2023 and FY 2024 targets for customer experience under the seven component surveys that comprise the CX Composite score.

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56 Library Reference USPS-FY23-38; Library Reference USPS-FY22-38; Library Reference USPS-FY21-38.
As noted above, the Postal Service modified the weights used to calculate the CX Composite Index for FY 2023, increasing the weight for the POS survey OSAT score from 15 to 20 percent, and decreasing the weight for the CCC survey score from 20 to 15 percent. FY 2023 Annual Report to Congress at 44. The following table presents the weights used to calculate CX Composite scores for Fiscal Years 2021 and 2022, and those used to calculate the FY 2023 CX Composite score.

### Table III-7
**CX Composite Index Weights**  
**FY 2021 – FY 2023**

<table>
<thead>
<tr>
<th>CX Composite Index Weight</th>
<th>FY 2021 – FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSN</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>POS</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Delivery</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>CCC</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>C360</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>usps.com</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>BMEU</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Sources: FY 2023 Annual Report to Congress at 44; FY 2022 Annual Report to Congress at 37-38; FY 2021 Annual Report to Congress at 38.
The following figure shows CX Composite scores and targets as the Postal Service published them for the FY 2021 to FY 2023 period.

**Figure III-9**

**Published CX Composite Targets and Scores**

**FY 2021 – FY 2023**

Sources: FY 2023 Annual Report to Congress at 45; FY 2022 Annual Report to Congress at 38; FY 2021 Annual Report to Congress at 38.

The CX Composite scores and targets shown above are calculated from the weights that the Postal Service used in respective years to produce them. Since the change in weighting, the targets and scores for the FY 2023 CX Composite are not comparable to FY 2021 and FY 2022 values. To render the Postal Service's FY 2023 performance comparable to its performance for the prior two fiscal years, the Public Representative re-calculated the targets and CX Composite scores that the Postal Service reported for FY 2021 and FY 2022 to express them using FY 2023 weights. These are presented in the next figure.
As is illustrated in the above figure, had FY 2023 weights been used to calculate the FY 2021 and FY 2022 targets for the CX Composite Index, those targets would have been higher than published. Specifically, the FY 2021 CX Composite target would have been 78.42 percent (1.52 points higher than originally set) and the FY 2022 target would have been 74.22 percent (1.23 points higher than originally set). The CX Composite scores would have been higher as well (by 1.13 points for FY 2021 and by 0.78 points for FY 2022).

If, on the other hand, the composite weights had not changed in FY 2023 from their FY 2021 – FY 2022 levels, the FY 2023 CX Composite Score would have decreased by 0.13 points. However, if the Postal Service had set the FY 2023 target using the FY 2021 – FY 2022 weights, that target would have been reduced by 0.88 points. Consequently, had the Postal Service maintained the previous survey weights in FY 2023, its CX Composite Score would have exceeded the recalculated target by 2.40 points rather than 1.65 points. This is illustrated in Figure III-11, below. Consequently, the Public Representative has no concerns that the revised CX Composite weighting introduced in FY 2023 made the Postal Service’s customer service performance appear better than it actually was.
In FY 2024, the Postal Service has set its target CX Composite Index score at 78.96, an increase of 2.03 over last year’s actual score. Given the Postal Service’s demonstrated improvement over the past several fiscal years, the Public Representative believes this target represents a reasonable goal.

3. Safe Workplace and Engaged Workforce

   a. Safe Workplace

   The Postal Service uses Total Accident Rate to measure safety performance. FY 2023 Annual Report to Congress at 48. To calculate the Total Accident Rate, the Postal Service multiplies the number of recorded accidents in a year by 200,000 (the average annual 2,000 work hours per employee multiplied by 100) and divides the resulting product by the annual number of exposure hours. *Id.* The Total Accident Rate is used by the Occupational Safety and Health Administration (OSHA) for its Illness and Injury (I&I) rates metric. *Id.* However, the Postal Service also includes in its calculations “non-recordable” accidents that do not result in medical expenses, days away from work, or job duty restrictions. *Id.*
In FY 2023, the Postal Service’s Total Accident Rate was 13.48, which was higher than its target of 13.25. *Id.* Notably, after the Total Accident Rate decreased from 13.48 in FY 2021 to 12.39 in FY 2022, the Total Accident Rate regressed to 13.48 in FY 2023. *Id.* at 39. Moreover, the number of OSHA I&I, non-recordable, and motor vehicle accidents all increased in FY 2023, and the total number of accidents increased by more than 3,000. *Id.*

The Postal Service asserts that its FY 2023 target was “aggressive” and 1.5 percent lower than the FY 2022 target, which “created challenges due to operational changes as part of network redesign efforts.” *Id.* However, the Postal Service asserts that it continued to enhance “the utilization of visualizations and data analytical tools” that “allowed each manager/supervisor insight into the accident trends in their facilities,” and also developed new standard accident reports that are sent out to leadership on a weekly basis. *Id.*

The Public Representative believes the Postal Service’s discussion of its FY 2023 results is a bit inaccurate. Although the Postal Service correctly states that its FY 2023 target (13.25) was 1.5 percent lower than the FY 2022 target (13.45), its actual Total Accident Rate in FY 2022 was 12.39. *Id.* at 39. In his comments last year, the Public Representative commended the Postal Service on exceeding its FY 2022 target by more than one point, but expressed reservations that the FY 2023 target was not sufficiently ambitious, as the Postal Service had demonstrated its ability to achieve lower rates. FY 2022/23 PR Comments at 16-17. Accordingly, to the extent the Postal Service suggests that it failed to meet its FY 2023 target because it was “aggressive,” the Public Representative observes that such a claim is not entirely supported by the historical data.

Moreover, the Postal Service’s explanation for why it failed to meet the target seems overly conclusory. The Postal Service broadly states that it experienced “challenges due to operational changes as part of network redesign efforts.” FY Annual Report to Congress at 48. In its reply comments filed last year, the Postal Service pointed to several reasons why it had set its FY 2023 target higher than the FY 2022 actual results. For example, the Postal Service asserted that network modernization, newly-hired employees, and insourcing work previously performed by contractors could
temporarily increase the potential for workplace accidents. The Postal Service’s observations may well have been accurate, but it is difficult to determine from the Postal Service’s submissions which factors contributed more significantly than others to the increased Total Accident Rate in FY 2023. The Public Representative has also reviewed a February 2023 Postal Service OIG Audit Report of 12 facilities which found, among other things, that many Postal Service employees did not receive consistent and relevant training regarding the most common causes of avoidable industrial accidents. The Public Representative encourages the Commission to explore further the primary drivers of the increase in Total Accident Rate and to request additional information regarding the Postal Service’s training initiatives as necessary.

The Public Representative further notes the 8.5 percent increase in motor vehicle accidents between FY 2022 and FY 2023. Last year, the Public Representative cited a report in the Wall Street Journal regarding trucking accidents and safety violations by contractors transporting mail for the Postal Service. The Public Representative is also concerned with the increase in the number of motor vehicle accidents involving Postal Service employees in FY 2023, which returned to levels not seen since before the COVID-19 pandemic. See Analysis of FY 2022/23 Report and Plan at 89. There may be reasonable explanations for this increase, including insourcing of contractor operations and the Postal Service’s efforts to shift mail volume from air to ground transportation, which results in more trips and thus more opportunities for accidents to occur. But without a more detailed explanation from the Postal Service, the Public Representative cannot pinpoint exactly why the number of motor vehicle accidents increased in FY 2023. The Commission may wish to inquire further about this issue.

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Finally, the Public Representative has reviewed many troubling reports regarding an increasing number of crimes committed against Postal Service employees. Although it is not clear whether criminal acts committed by third parties are included in the data used to calculate the Safe Workplace performance goal, these incidents are nevertheless relevant to evaluating whether the Postal Service is a safe place to work.\textsuperscript{60} According to a recent article published in \textit{The Eagle} magazine, letter carrier robberies grew from 64 cases in FY 2019 to 412 in FY 2022, an increase of more than 500 percent.\textsuperscript{61} The article reports that the Postal Service and the Postal Inspection Service have initiated a law enforcement campaign, “Project Safe Delivery,” which employs a “surge strategy” to target “high-risk metropolitan areas experiencing increased levels of postal crime.” \textit{Id.} This strategy has resulted in more than 600 arrests. \textit{Id.} In addition, the Postal Service has increased the rewards it pays for information that leads to the arrest and conviction of a perpetrator, has begun to replace arrow locks with electronic locks that are harder to break and can be remotely disabled, and is in the process of hardening blue collection boxes to prevent theft. The Public Representative appreciates the Postal Service and Postal Inspection Service’s efforts to deter crimes committed against Postal Service employees and to successfully pursue arrests and convictions of perpetrators, and he encourages them to continue these initiatives to reduce mail theft and violence against postal employees.

For FY 2024, the Postal Service’s target Total Accident Rate is 13.25, the same as its FY 2023 target and 0.23 lower than its FY 2023 performance. The Postal Service asserts that it “will continue to take a proactive approach to safety protocols and practices as the organization continues to implement its new facilities and processes,” and will also enhance its safety and health management tools “to provide increased visibility into accident and injury prevention opportunities.” FY 2023 Annual Report to Congress at 49. Although the Postal Service, to its credit, has demonstrated its ability

\textsuperscript{60} \textit{Cf.} Analysis of FY 2022/23 Report and Plan at 92 (“Although contractor-operated motor vehicle safety is not part of the Safe Workplace and Engaged Workforce performance goal, it is an important factor when evaluating the Postal Service as a safe place to work.”).

to achieve a lower rate, the FY 2024 target seems reasonable in light of the ongoing operational changes within the Postal Service network. The Public Representative encourages the Postal Service to continue utilizing and enhancing its data analysis tools and training programs in order to reduce further the number of workplace accidents.

b. Engaged Workforce

From FY 2018 through FY 2021, the Postal Service measured employee engagement using the Response Rate to the annual Postal Pulse survey. The survey asks respondents to rate their level of agreement with a series of statements concerning employee engagement on a scale of 1 (strongly disagree) to 5 (strongly agree). Id. The survey also asks respondents to rate their overall satisfaction with the Postal Service as a place to work on a scale of 1 (extremely dissatisfied) to 5 (extremely satisfied). Id.

Beginning in FY 2022, the Postal Service changed the performance indicator for workforce engagement from the Survey Response Rate to the Grand Mean Engagement Score. Id. at 84. The Postal Service calculates the average (mean) score for each question of the Postal Pulse survey concerning employee engagement, and then averages those scores to compute the Grand Mean Engagement Score, which is expressed as a number between 1 and 5. Id. The Commission has observed that the Grand Mean Engagement Score “appears to better reflect employee engagement compared to the Survey Response Rate because it is calculated based on scores from the Postal Pulse survey,” though it also noted that “the Survey Response Rate remains an important metric for measuring employee engagement.”

The Postal Service reports that its administration of the Postal Pulse survey in FY 2023 suffered from significant problems. The Postal Service originally intended to administer the survey from April 25, 2023, through May 28, 2023. FY 2023 Annual Report to Congress at 50. The Postal Service administered the survey to bargaining-unit employees via a paper survey distributed at the work unit, a paper survey mailed to

62 Analysis of FY 2022/23 Report and Plan at 83.
the employee’s home address, and via postal email. *Id.* Non-bargaining employees received the survey via email only. *Id.* Postal Service employees were encouraged to complete the survey through several channels of communication and were permitted to respond to the survey on-the-clock. *Id.*

However, the Postal Service asserts that approximately two weeks into the survey administration, it discovered a printing error by the survey vendor that required responses received via the paper survey to be discarded. *Id.* Employees “were encouraged not to complete the paper survey due to privacy concerns.” *Id.* The Postal Service reports that over 76,000 paper surveys were discarded as a result of this error.64 Consequently, the Postal Service re-administered the paper survey from June 27, 2023, through July 28, 2023. *Id.*

The Response Rate to the FY 2023 Postal Pulse survey was only 17 percent, which the Postal Service explains was “severely depressed by the vendor printing error.” *Id.* Specifically, the Postal Service cites “survey fatigue” arising from the multiple survey administrations, as well as a lack of employee trust in the confidentiality of the survey results. *Id.* The Postal Service states that it will take “additional steps to attempt to improve the response rate in FY 2024,” and that it “intends to recompete its employee survey contract,” which is up for renewal in FY 2024, in order to “make a fresh start with the survey, ensure the survey measures the elements that will help us gauge the effectiveness of our employee engagement initiatives, and identify opportunities for improvement.” *Id.* at 51.

The Public Representative acknowledges that the Survey Response Rate is not one of the Postal Service’s designated performance indicators. Nevertheless, the Public Representative is concerned that the circumstances surrounding the administration of the survey (and the corresponding decrease in the Response Rate) call into question the extent to which the substantive survey results accurately reflect current levels of workforce engagement and satisfaction. As an initial matter, the Response Rate has dropped from 33 percent in FY 2020 to 17 percent in FY 2023, so it

64 Response to CHIR No. 13, question 3.b.
difficult to determine how much stock the Postal Service or the Commission should put in a survey to which fewer than 1 in 5 employees actually responded.

Further, the Public Representative observes that the vendor printing error may have negatively impacted the representativeness of the respondent population. The Postal Service confirms that only bargaining-unit employees were impacted by the printing error. Response to CHIR No. 13, question 3.a. According to the data provided by the Postal Service, in both FY 2022 and FY 2023, approximately 91 percent of survey recipients were bargaining-unit employees, while approximately 9 percent were non-bargaining employees. *Id.*, question 3.c.ii. In FY 2022, the respondent population was comprised of approximately 84 percent bargaining-unit employees and 16 percent non-bargaining employees. *Id.* However, in FY 2023, only about 75 percent of respondents were bargaining-unit employees, while about 25 percent of respondents were non-bargaining employees. *Id.* While it would not be realistic to expect the respondent population to mirror the employee population perfectly, there appears to have been a substantial discrepancy between the composition of the postal employee population and the composition of the respondent population in FY 2023, at least when viewed by bargaining unit status. This seems to have been caused, at least in part, by the issues with paper survey administration. For all these reasons, therefore, it is unclear to the Public Representative whether, or to what extent, the survey scores may have been affected by the overrepresentation of non-bargaining employees or the underrepresentation of bargaining-unit employees.

Turning to the Grand Mean Engagement Score, the Postal Service fell short of its target score of 3.33, as the actual score was 3.29. FY 2023 Annual Report to Congress at 50. This Score also represents a decrease from the FY 2022 actual score of 3.31. *Id.* at 39.

The Annual Report discusses various initiatives to improve employee engagement, which primarily focused on front-line supervisors and newly-hired precareer employees. *Id.* at 50. For example, the Postal Service reports that it launched a Supervisor Apprentice Program to “create a pipeline of candidates to fill full-time supervisor positions,” and also authorized over 2,000 relief supervisor positions to enable supervisors to have more regular work hours and greater work-life balance. *Id.*
As for new employees, the Postal Service expanded pilot programs to “revise schedules, monitor workhours of new hires, and provide peer mentors.” *Id.*

Although the Public Representative commends the Postal Service on pursuing and implementing these initiatives, it is not clear from the Annual Report exactly why the Postal Service believes the Grand Mean Engagement Score went down in FY 2023. To be fair, the data provided by the Postal Service do not show any obvious culprits for the decrease in the Grand Mean Engagement Score. The two most notable declines in individual question scores were Question 1, “I know what is expected of me at work,” which decreased from 4.29 to 4.18 (0.11), and Question 3, “At work, I have the opportunity to do what I do best every day,” which decreased from 3.78 to 3.70 (0.08). Had the score for both of those questions merely remained the same as in FY 2022, the Postal Service would have matched its FY 2022 Grand Mean Score of 3.31.

On the positive side, the Public Representative notes an increase of 0.05 to the score for Question 11, “In the last 6 months, someone at work has talked to me about my progress,” and an increase of 0.02 to the score for Question 12, “This year, I have had the opportunity to learn and grow.” *Id.* And although Question CO1, “My immediate supervisor has recently spent one-on-one time with me to discuss my workplace needs,” does not factor in the calculation of the Grand Mean Engagement Score, the Public Representative observes that the score for that question increased by 0.07 in FY 2023. Together, the increases to those individual question scores suggest that the Postal Service’s focus on front-line supervisors and new hires may be paying dividends in the form of increased employee engagement.

In FY 2024, the Postal Service’s target Grand Mean Engagement Score is 3.31, an increase of 0.02 over the FY 2023 score. The Postal Service characterizes this target as “optimistic, yet realistic.” FY 2024 Annual Report at 51. This target score, which, if achieved, would represent a return to the FY 2022 actual score, appears to be appropriate in light of the discussion above.

The Public Representative also believes it would be helpful for the Commission to require the Postal Service to produce the data he requested in his motion for

65 Response to CHIR No. 13, question 3.c.v.
issuance of an information request as part of a Library Reference submitted along with the ACR, or, at the very least, request this information early enough to be used by commenters. The Commission has previously requested substantially similar data for use in preparing its 2803/04 Report. Moreover, although mean scores are undoubtedly helpful, they do not tell the whole story. Some questions with mean scores near 3.00 actually demonstrated an inverse, bimodal distribution of responses rather than a normal, bell curve distribution. In other words, many employees strongly disagreed (1) or strongly agreed (5) with the prompt, and fewer employees gave responses of 2, 3, or 4. For example, the mean score for Question 6, “There is someone at work who encourages my development,” was 3.07, but most respondents either strongly disagreed or strongly agreed with the statement, suggesting that the typical employee experience is closer to one of the two extremes. *Id.* It is also worth noting that the mean score for Question 0 (overall satisfaction), was the same in both FY 2022 and FY 2023 (3.45). *Id.* question 3.c.v. However, the disaggregated data reveals that the percentage of respondents who stated they were either Extremely Dissatisfied (1) or Extremely Satisfied (5) increased, while the percentages for 2, 3, and 4 decreased. *Id.*, question 3.c.vi. This suggests that satisfied employees are becoming even more satisfied, but dissatisfied employees are becoming even more dissatisfied, and thus the mean score is somewhat less relevant. For these reasons, the disaggregated scores for each survey question will likely assist the Public Representative and the Commission in identifying specific positive and negative trends in future years.

Finally, although the Response Rate is not a designated performance indicator, the Public Representative is not reassured by the Postal Service’s cursory assertion that it “will also take additional steps to attempt to improve the response rate in FY 2024.” FY 2023 Annual Report to Congress at 51. The Public Representative encourages the Postal Service to work closely with its vendors to minimize errors or

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66 Docket No. ACR2022, Chairman’s Information Request No. 26, April 17, 2023, question 8.b (ACR2022 CHIR No. 26).

67 See Response to CHIR No. 13, question 3.c.vi.
disruptions to the 2024 Postal Pulse Survey and to ensure that the confidentiality of its employees’ responses and personal information is carefully preserved.

4. Financial Health

a. Controllable Income (Loss)

As in the past, the Postal Service uses one performance indicator to measure progress toward its Financial Health goal: controllable income (loss). The results for the controllable income (loss) performance indicator are calculated as the Postal Service’s total revenue less controllable expenses. Revenue includes funds received from the sales of postage, mailing, and shipping services; Post Office Box rentals; the sale and lease of property; and interest and investment income.\(^{68}\)

Controllable expenses are divided into several categories: Salaries and Benefits; Federal Employees Retirement System (FERS) Normal Cost; Transportation; Depreciation; Supplies and Services; and Rent, Utilities, and Other. Projections of controllable income (loss) are based on planned revenues and expenditures for every program activity included in the Postal Service’s Integrated Financial Plan (IFP). \(\text{Id.}\)

Controllable income (loss) should not be considered a substitute for net income (loss) and other GAAP reporting measures. The Postal Service points out that it uses controllable income (loss), rather than net income (loss), as its principal indicator to assess its financial performance, because net income includes the effects of factors (such as interest rate changes) that cannot be controlled or influenced by management. Non-controllable expenses are excluded from controllable income (loss) since they are not reflective of short-term operational decisions and are subject to large fluctuations outside of management’s control. \(\text{Id.}\) Non-controllable expenses include the amortization of unfunded liabilities for the Postal Service’s participation in FERS and the Civil Service Retirement System (CSRS) and non-cash expenses related to changes in the liability for participation in the federal workers’ compensation program. These items are excluded from the calculation of controllable income (loss). \(\text{Id.}\)

\(^{68}\) FY 2023 Annual Report to Congress at 54.
The Postal Service explains that fluctuations in non-controllable expenses are caused by changes in inflation, interest rates, and actuarial assumptions. The Postal Service can only marginally influence these expenses over the long term by changing the number of employees or compensation rates, but according to the Postal Service, this effect is small, and gradual compared to the effect of external factors. For example, the Postal Service states that a one-percent increase in the discount rate would cause a decrease in the September 30, 2023, workers compensation liability and related expense by approximately $1.2 billion. Similarly, a one-percent decrease in the discount rate would cause an increase in the September 30, 2023, workers compensation liability and related expense by approximately $1.4 billion. Id.

Table III-8 below shows revenue, controllable income (loss), and net income (loss), and also shows planned revenues and expenses by category for FY 2024 and FY 2023, as well as actual data for FY 2020 through FY 2023.

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2023 Plan (IFP)</th>
<th>FY 2023 Actual</th>
<th>FY 2022 Actual</th>
<th>FY 2021 Actual</th>
<th>FY 2020 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-Class Mail</td>
<td>$25.0</td>
<td>$24.9</td>
<td>$24.5</td>
<td>$24.0</td>
<td>$23.3</td>
</tr>
<tr>
<td>Marketing Mail</td>
<td>14.6 (1.3)</td>
<td>16.4</td>
<td>15.1</td>
<td>16.0</td>
<td>14.6</td>
</tr>
<tr>
<td>Shipping and Packages</td>
<td>33.7 (0.3)</td>
<td>31.9</td>
<td>31.6</td>
<td>31.3</td>
<td>32.0</td>
</tr>
<tr>
<td>International</td>
<td>1.5 (0.2)</td>
<td>1.8</td>
<td>1.6</td>
<td>1.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Periodicals</td>
<td>0.9 (0.1)</td>
<td>1.0</td>
<td>0.9</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Other</td>
<td>6.0</td>
<td>5.2</td>
<td>5.6</td>
<td>4.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$81.7</td>
<td>$(1.9)</td>
<td>$81.2</td>
<td>$79.3</td>
<td>$78.8</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$55.1</td>
<td>$54.0</td>
<td>$54.4</td>
<td>$52.8</td>
<td>$51.4</td>
</tr>
<tr>
<td>FERS Normal Cost</td>
<td>5.0</td>
<td>4.6</td>
<td>4.8</td>
<td>4.5</td>
<td>4.1</td>
</tr>
<tr>
<td>PSRHBF Normal Cost (controllable)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.9</td>
</tr>
<tr>
<td>Transportation</td>
<td>9.6</td>
<td>10.0</td>
<td>10.1</td>
<td>10.3</td>
<td>9.7</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2.0</td>
<td>1.8</td>
<td>1.8</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Supplies and Services</td>
<td>3.3</td>
<td>3.4</td>
<td>3.4</td>
<td>3.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Rent, Utilities and Other</td>
<td>7.5</td>
<td>6.9</td>
<td>7.1</td>
<td>6.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Controllable Expenses</td>
<td>$82.5</td>
<td>$(0.2)</td>
<td>$80.7</td>
<td>$81.6</td>
<td>$79.3</td>
</tr>
<tr>
<td>Controllable Income (Loss)</td>
<td>$(0.8)</td>
<td>$(2.2)</td>
<td>$(0.5)</td>
<td>$(2.3)</td>
<td>$(0.5)</td>
</tr>
<tr>
<td>Impact of Postal Reform Legislation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>57.0</td>
</tr>
<tr>
<td>PSRHBF Normal Cost Actuarial Valuation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(0.3)</td>
</tr>
<tr>
<td>PSRHBF Unfunded Liability Amortization</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(0.9)</td>
</tr>
<tr>
<td>FERS Unfunded Liability Amortization</td>
<td>(2.3)</td>
<td>(1.9)</td>
<td>(2.1)</td>
<td>(1.6)</td>
<td>(1.4)</td>
</tr>
<tr>
<td>CSRS Unfunded Liability Amortization</td>
<td>(3.2)</td>
<td>(3.1)</td>
<td>(3.0)</td>
<td>(2.3)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Workers Comp. Fair Value and other Adj.</td>
<td>-</td>
<td>0.9</td>
<td>0.9</td>
<td>2.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Non-Controllable Items</td>
<td>$(3.5)</td>
<td>$(0.8)</td>
<td>$(5.0)</td>
<td>$(4.2)</td>
<td>$56.5</td>
</tr>
<tr>
<td>Net (Loss) Income</td>
<td>$(6.3)</td>
<td>$(2.0)</td>
<td>$(4.5)</td>
<td>$(6.5)</td>
<td>$56.0</td>
</tr>
</tbody>
</table>

Source: FY 2023 Annual Report to Congress at 47.
In FY 2023, the Postal Service’s controllable loss was ($2.3 billion), which was ($2.8 billion) worse than the FY 2023 target of $0.5 billion in controllable income. The Postal Service cites softer Market Dominant mail volume leading to less revenue, overall customer demand, the mix of postal services and contribution associated with those services, the Postal Service’s ability to manage its cost structure in line with the shifting volume mix, an increasing number of delivery points, legacy pension costs, and significant inflation in excess of its forecast as major factors that affected its controllable loss. *Id.* at 55.

Revenue includes funds received from the sale of postage, mailing, and shipping services, PO Box rentals, gain or loss on sale and income from the leasing of property, and interest and investment income. The Postal Service’s FY 2023 total revenue of $79.3 billion was $1.9 billion below the planned revenue. *Id.*

The Postal Service points out that its ability to affect its amount of controllable expenses is limited by various legal requirements, including the universal service obligation, collective bargaining agreements, and the obligation to participate in federal benefits programs. The Postal Service reports that inflation also had a significant impact on controllable expenses in FY 2023. *Id.* at 56.

In particular, the Postal Service’s controllable expenses were greatly affected by salaries and benefits expenses, which includes salaries, health benefit expenses for active employees, and workers compensation cash outlays. These expenses were $54.4 billion, $0.4 billion more than the FY 2023 plan. The Postal Service concludes that this was primarily due to the impact of high career conversions resulting in a higher pay rate. *Id.*

Transportation expenses include the contractual costs incurred to transport mail to and other products between Postal Service facilities, including highway, air, and international transportation contracts, plus contract delivery services. Transportation expenses do not include the compensation and benefits of employees responsible for transporting mail and other products between facilities or to delivery points. Total Transportation expenses in FY 2023 were $10.1 billion, which was $0.1 billion more than the plan. *Id.*
In FY 2024, the Postal Service anticipates a controllable loss of ($0.8 billion), resulting from a projected $2.4 billion increase in revenue, with an additional increase in expenses of ($0.9 billion) compared to FY 2023. Id.

Revenue from mail (as opposed to packages) is expected to be flat compared to FY 2023. The Postal Service points out that in July 2023, it implemented price increases of about 5.4 percent on these products, while underwater products received an additional 2 percent increase. These prices include the additional rate authority provided by Order 5763, issued in November 2020. The increased prices are expected to offset the loss of revenue due to continued electronic diversion. FY 2023 Annual Report to Congress at 56.

Encouragingly, Shipping and Packages revenue is expected to increase by $2.1 billion from FY 2023. In July 2023, the Postal Service announced the launch of its new shipping offering, USPS Ground Advantage, which it expects to compete for an increased share of the package market. Id.

Total controllable expenses in FY 2024 are projected to be $82.5 billion. According to the Postal Service, this target includes the projected impact of management initiatives to balance workhours and transportation costs, both of which are planned to be lower than in FY 2023. Id.

Transportation expenses are estimated to decrease by $0.5 billion in FY 2024, which the Postal Service attributes to optimizing transportation routes as newly planned network changes are implemented. This will result in lower air transportation costs resulting from shifts of assigned transportation from air to surface and increased usage of lower-cost commercial carriers. However, the Postal Service admits an increase in surface transportation rates is expected to limit this reduction. Id. at 57. As shown in Table III-8, transportation costs were the only controllable expenses to have decreased from FY 2022 to FY 2023. While the FY 2024 projected decrease in transportation costs from its FY 2023 actual result seems quite modest in and of itself, many of the other categories of controllable expenses are expected to increase from their FY 2023

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69 Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products, November 30, 2020 (Order No. 5763).
levels, so, just as in this past fiscal year, those increases will be at least partially offset. Even so, the Postal Service would probably like to see even greater decreases in transportation costs as the DFA Plan implementation continues.

b. Measures of Productivity

In addition to the Financial Health performance indicators discussed above, the Postal Service continues to include two measures of productivity in its Annual Performance Reports, on the Commission's recommendation: Total Factor Productivity (TFP) and Labor Productivity. The Postal Service presents TFP and Labor Productivity indexes for the FY 2007 to FY 2023 period, based to FY 1971, which are replicated in the figure below.

Figure III-12
Cumulative Percent Change in TFP and Labor Productivity Indexed to 1971 FY 2007 – FY 2023

Sources: Library Reference USPS-FY23-17; FY 2023 Annual Report to Congress at 58.

As noted by the Postal Service, TFP is a measure of the use of resources to create output. Put differently, TFP is a ratio of the quantity of Workload generated to the quantity of Inputs (Resource Usage) used in the process, expressed below.

\[
TFP = \frac{Workload}{Quantity \ of \ Resource \ Usage}
\]

The Postal Service also notes that an “increase in TFP indicates that the ratio of work completed to the resources used is increasing, and the organization is operating more efficiently.”

From the TFP formula it follows that year-over-year increase in TFP would occur under one of the following scenarios:

- A decrease in Inputs and an increase in Workload,

- A larger increase in Workload than increase in Inputs,

- A larger decrease in Inputs than decrease in Workload.

By the same token, TFP declines in a year when one of the following scenarios plays out:

- An increase in Inputs and a decrease in Workload,

- A larger increase in Inputs than increase in Workload,

- A larger decrease in Workload than decrease in Inputs.

In the figure below, the Public Representative shows how the latest TFP Index compares to the levels of productivity the Postal Service achieved in the last 24 fiscal years.

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71 FY 2023 Annual Report to Congress at 58.
73 Such as in Fiscal Years 2005, 2006, and 2015.
75 This scenario has occurred only once since FY 1963 – in FY 1982.
76 Such as in Fiscal Years 2016 and 2020.
As the data suggest, the Postal Service’s productivity level in FY 2023 fell to that achieved in FY 2005. The Postal Service describes that TFP had increased significantly between FY 2009 and FY 2015, began declining in FY 2016, and concluded the 17-year period with a 4.0 percent decline in FY 2023. The Postal Service attributes this 4.0 percent decline in TFP to a decrease in Labor Productivity and to the decline in Workload.

To explain the 2.9 percent decline in Labor Productivity between FY 2022 and FY 2023, the Postal Service reiterates its continued focus on stabilizing operations to drive operational precision as part of the DFA Plan. To explain the 4.7 percent decrease in Workload, the Postal Service describes an 8.1 percent decrease in Weighted Mail Volume, the Workload’s largest component, along with a 10.1 percent decline in Miscellaneous Output. When the decreases in the two measures of output were combined with the 1.2 percent increase in the number of delivery points, the result was

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78 All values in the figure and in subsequent analysis are based to FY 2000.
79 FY 2023 Annual Report to Congress at 58.
80 See id.; see also FY 2022 Annual Report to Congress at 50.
a less pronounced 4.7 percent decline in the overall measure of the Postal Service’s Workload.\textsuperscript{81}

Additionally, the Postal Service explains that Input Quantity decreased 0.7 percent, which resulted from decreases in both labor (1.9 percent) and capital (5.3 percent) quantities and an increase in the quantity of materials (4.1 percent) used to create output. \textit{Id.}

The Public Representative is alarmed by the precipitous drop in TFP over the last two fiscal years, particularly after TFP had remained steady for several years prior. It is not clear to the Public Representative whether the decline in TFP is due to the implementation of the DFA Plan, or is in fact the very problem that the DFA Plan is intended to solve. With the further implementation of the DFA Plan, the Public Representative hopes to see this downward trend moderate, and eventually reverse.

IV. CONCLUSION

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

Respectfully submitted,

Kenneth R. Moeller
Public Representative

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Jana Slovinská
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\textsuperscript{81} FY 2023 Annual Report to Congress at 58.