

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

ANNUAL COMPLIANCE REVIEW, 2023

Docket No. ACR2023

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
QUESTION 1 OF COMMISSION INFORMATION REQUEST NO. 1**

The United States Postal Service hereby provides its responses to the above-listed questions of Commission Information Request No. 1, issued on February 8, 2024.

Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Chairman's Information Request No. 1 requested that the Postal Service describe any operational adjustments made in response to challenges encountered during the implementation of the Delivering for America (DFA) plan in FY 2023 and explain their impact on service performance.¹ The Postal Service responded that:

The DFA Plan is a living plan, and as the Postal Service plans and then executes the specific initiatives in the Plan, we engage in regular evaluation processes, and continually make adjustments as necessary and appropriate. For instance, the Postal Service may adjust the specific changes being made pursuant to an initiative, or the specific timeline in which an initiative is being implemented.²

Please explain whether the Postal Service has conducted regularly-scheduled "evaluation processes" concerning the impact of the DFA plan and its initiatives on the service performance for Market Dominant products at a nationwide-level in FY 2022 and FY 2023.

- a. If the Postal Service conducted such regularly-scheduled, nationwide evaluations concerning the impact of the DFA Plan and its initiatives on the service performance for Market Dominant products in FY 2022 and FY 2023, please describe these evaluations in detail, including:
 - i. the timeframe for these regularly-scheduled, nationwide evaluation processes concerning the impact of the DFA Plan and its initiatives on the service performance for Market Dominant products in FY 2022 and FY 2023;
 - ii. the key performance indicators (specify the metrics used and performance thresholds for success set (targets)) used for these regularly-scheduled, nationwide evaluation processes concerning the impact of the DFA Plan and its initiatives on the service performance for Market Dominant products in FY 2022 and FY 2023;
 - iii. any lessons learned from these regularly-scheduled, nationwide evaluation processes concerning the impact of the DFA plan and its initiatives on the service performance for Market Dominant products in FY 2022 and FY 2023 that the Postal Service intends to apply to

¹ Chairman's Information Request No. 1, January 5, 2024, question 17 (CHIR No. 1).

² 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).

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improve service performance for Market Dominant products in FY 2024.

- b. If the Postal Service did not conduct such regularly-scheduled, nationwide evaluations concerning the impact of the DFA Plan and its initiatives on the service performance for Market Dominant products in FY 2022 and FY 2023, please explain why not and provide a schedule of when such evaluations will be conducted.

RESPONSE:

(a)(i) The Postal Service in FY 2022 and FY 2023 regularly monitored market-dominant service performance at a nationwide level as part of its rigorous processes for evaluating the implementation of the DFA Plan. The highest levels of the Postal Service paid close attention to service performance on a day-to-day basis. Service performance results were updated and provided to senior management on a weekly basis. These results were included in the Get it Right (GIR) process, for meetings that were held on a weekly basis to monitor and discuss the execution of the DFA initiatives. In addition, periodic meetings were held weekly with senior management to discuss the nationwide service performance results.

(ii) The performance indicators used for this purpose were the Postal Service's service performance targets (as set in accordance with Section 3692), and the actual service performance results as measured by the service performance measurement system.

(iii) The monitoring of service performance results indicates to the Postal Service that the DFA Plan is having a positive impact on our nationwide service performance, but

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that much more work remains to be done in order to achieve the goals of the Plan. The Postal Service has been pursuing these initiatives in a methodical, deliberate, and structured fashion, which enables the Postal Service to monitor results and make adjustments as appropriate, and we also will continue to do so as we move forward with implementing the Plan in FY 2024.

The DFA Plan is intended to organize the Postal Service's operational methods for delivering the nation's mail and packages—to change our approach from one that had grown over many years to be disorganized, haphazard, complicated, and costly, and through which we persistently failed to meet our service performance targets, into one that deploys logically sequenced and precise operational processes and practices. It is only through these efforts that we can achieve cost-effective, efficient, and reliable service, to both ensure that we can meet our service performance targets, as well as be financially sustainable over the long-term.

As shown by our service performance results, and as discussed elsewhere in this docket, FY 2022 and 2023 saw broad improvements in nationwide service performance due to the strategies being employed in the DFA. We have achieved these service performance improvements because of, and while engaging in, numerous transformational initiatives being pursued across the organization pursuant to the DFA. For instance, during this period, we have redesigned our service standards and product portfolio in order to better aggregate mail and package volume to move together over an

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improved nationwide ground transportation network, hence allowing us to reduce our use of expensive and less reliable air transportation; invested in new package processing equipment and begun the process of redesigning our existing processing network based on logically sequenced and standardized facilities and operating principles; opened numerous Sorting and Delivery Centers; and focused on increasing operational precision throughout all of our processes and operations.

However, much more work remains to be done, and while improving, the Postal Service currently does not have a network that satisfies our service and cost objectives. In this regard, we still face significant financial losses, and our service performance, while improved on a year-to-year basis, is not yet meeting our ultimate goals concerning service excellence for all categories. We therefore consider that it is critical to continue with our efforts to create a modern, precise, and efficient organization.

At the same time, the Postal Service recognizes that transformational change is never easy, even when it is for the better, particularly when considering an organization that is the size of the Postal Service, and whose current network and operating practices are so misaligned. Over the past several years, we have pursued our initiatives in a deliberate, structured, and systematic manner, and as noted above have carefully monitored service performance results, in order to ensure that we can strike the appropriate balance between making the necessary changes to our network and operational practices, while still continuing to serve our customer's needs. In striking

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this balance, we have pursuant to the DFA also taken steps to ensure organizational stability and put us in a better position to continue providing high-quality service as we reform our network, such as by converting over 165,000 pre-career employees into career employees over the past three years.

We will continue to pursue our initiatives in a rigorous and methodical manner, consistent with these principles, and will continually monitor service performance as we do so. We know that to make the necessary reforms to our infrastructure is an immense task, and that complications have arisen and will likely arise in the future as we execute and implement our plan. In this regard, we aim to minimize any service disruptions that may occur to the extent possible, and to recover as quickly as possible when they do arise. We also use any challenges that arise as an opportunity to learn and make adjustments to the initiatives we are pursuing.

The Richmond Regional Processing and Distribution Center (RPDC) illustrates both the complications that can arise in implementation, and how we have learned and made adjustments to our DFA initiatives to improve execution. The Richmond RDPC, which was a conversion and modernization of the Richmond Processing & Distribution Center, was the first RPDC to be activated. While extensive planning occurred prior to launch, we faced numerous challenges in execution during implementation that impacted service performance on a regional level, due to a variety of factors, all of which were avoidable.

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Through continuous monitoring of operational and service impacts in Richmond during implementation, we identified that there were problems in execution and took steps to rectify those problems, and to ensure that they are not repeated in future RPDC implementations. Among other things, leadership dispatched a team of over 20 personnel from Headquarters to identify and correct for errors. Overall, the issues that lead to problems included pre-existing weaknesses with the Richmond facility that were not adequately addressed prior to activation as an RPDC, issues with machine sort plans and adherence to the operating plan following activation, issues with the transportation schedule and its alignment with operations, and issues with staffing and scheduling.

The Postal Service has undertaken extensive efforts to address these issues in Richmond, which has led to continued performance improvement. In addition, the Postal Service has reviewed the weaknesses identified in the Richmond implementation and made appropriate adjustments to our planning and execution processes and timelines. While our overall RPDC rollout schedule was paced in a manner to avoid impact on national service performance (and therefore the above-described issues in Richmond did not materially impact national service), with the time in between implementation of each RPDC we have intensified our review of our baseline operating practices to assure their ability to accommodate the necessary changes at the pace required and will adjust that pace as necessary to meet our business objectives while

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also minimizing any disruption to service. This will enable us to address long-standing, systemic issues throughout the organization that could negatively impact execution.

We have also made changes to our implementation processes. For instance, prior to implementation at a site, we are instituting pre-implementation cross-functional “health checks” to ensure operational readiness before launching RPDCs. We are also creating a quality assurance group at Headquarters that will inspect operations, review performance at a detailed level, and ensure operations management accountability.

These steps should improve execution, mitigating against negative impacts on service and efficiency, as we work towards full implementation of the plan to achieve service excellence and financial sustainability.

b. N/A