

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

ANNUAL COMPLIANCE REVIEW, 2023

Docket No. ACR2023

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
(March 29, 2024)

The United States Postal Service (Postal Service) hereby replies to the comments received on its FY 2023 Performance Report and FY 2024 Performance Plan. The Public Representative (PR)¹ and the Association for Postal Commerce (PostCom)² filed comments.

Herein the Postal Service replies to select comments addressing four key indicators: High-Quality Service, Excellent Customer Experience, Safe Workplace and Engaged Workforce, and Financial Health. The PR discusses, and the Postal Service agrees, that the Performance Report complied with 39 U.S.C. §§ 2803 and 2804 as to High Quality Service, Safe Workplace and Engaged Workforce, and Financial Health.³ The PR takes issue with the statutory compliance of the Excellent Customer Experience section.⁴ The Postal Service addresses that concern in the relevant section below. The

¹ Public Representative Comments on the FY 2023 Performance Report and FY 2024 Performance Plan, Docket No. ACR, 2023, Mar. 15, 2024 (PR Comments).

² Comments of the Association for Postal Commerce on FY 2023 Annual Performance Report and FY 2024 Annual Performance Plan, Docket No. ACR2023, Mar. 15, 2024 (PostCom Comments).

³ PR Comments at 4.

⁴ *Id.* at 5.

Postal Service also briefly responds to PostCom’s comments, which are generally outside the scope of this docket.

I. THE POSTAL SERVICE IS ADDRESSING LOCAL PERFORMANCE ISSUES AND IS PREPARED FOR THE 2024 ELECTION

As the Postal Service noted in its FY 2023 Annual Compliance Report (FY 2023 ACR), the service performance results from FY 2023 demonstrate both that the Postal Service is making progress in on-time performance and that the Postal Service must continue to move forward with its network improvement initiatives to achieve the Delivering for America Plan’s (DFA Plan) ultimate goals for service excellence.⁵ Many market-dominant products exceeded their FY 2023 targets and, although not every FY 2023 performance goal was achieved, service performance continued to improve year-over-year, with FY 2023 performance eclipsing FY 2022 results in nearly all products and categories.⁶

Across the organization and across the country, the Postal Service has worked hard to achieve these broad improvements. 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, the Postal Service is still facing 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. The Postal Service will, therefore, continue to implement the operational, technological, and employee training initiatives set forth in the DFA Plan to improve the

⁵ See USPS FY 2023 Annual Compliance Report (ACR), Dec. 29, 2023, at 50-51.

⁶ See *id.* at 50-54.

mail and package delivery process. Moreover, while continued implementation of the DFA Plan is necessary for the Postal Service to deploy the logically sequenced network and precise operational practices that are needed to ultimately achieve the goal of service excellence while maximizing operational efficiency, it should also be recognized that transformational change to achieve these goals is never easy. Service performance results may not always be achieved uniformly in time or location due to numerous factors—many of which are beyond the Postal Service’s control. Results may not always show consistent or linear improvement for all locations and categories.

Due to the nature of these changes, service performance may be temporarily impacted in regions where significant modernization efforts are undertaken. Transition efforts involve fundamental changes in how the Postal Service operates, with millions of dollars being invested to modernize facilities, reorganize operating plans and schedules, add more sortation equipment, implement new or modified transportation routings and contracts, and improve operating tactics. While we are pursuing our initiatives in a deliberate, structured, and systematic manner, any transition of this magnitude is going to encounter challenges, and the present changes are no exception. The Postal Service is committed to minimizing the disruptions, correcting issues in an effective manner, and learning from experience to improve the execution process moving forward.

Undertaking these efforts is critical if the Postal Service is going to be able to provide reliable, cost-effective service in a financially sustainable manner over the long-term. By investing in the network and making necessary changes to correct for years of underinvestment and misaligned operating practices, the Postal Service will create a modern, precise, and efficient network capable of reaching its ambitious service

performance goals in an efficient and sustainable manner. This improvement will be achieved through a modernized network of new and renovated facilities supporting improved material flow, automated sortation equipment, rationalized transportation routes, and a modern fleet of delivery vehicles. These improvements will naturally extend to peak season performance as well as performance throughout the rest of the year.

While the PR acknowledges that “the product-level service performance numbers, in the aggregate, appear to show improvement in FY2023,” the PR also notes that such improvement was not uniform across the nation.⁷ The PR extensively addresses reduced service performance experienced by customers located in Colorado mountain-resort communities, then goes further to assert that those experiences are “illustrative of many issues with mail delivery that have arisen throughout the nation” such as mail delivery problems in St. Louis, Houston, and Richmond.⁸

As noted above, the Postal Service understands and agrees that service performance improvements will vary in time and by location and product. The Postal Service takes issue, however, with the PR’s implication that the various identified service performance issues are somehow indicative of a wide-ranging service performance problem. They are not. Rather, the issues identified by the PR are localized and distinct. Thus, the service performance issues experienced in the

⁷ PR Comments at 10-14.

⁸ *Id.* at 11-14. The PR also includes Jacksonville in a list of cities with mail delivery problems, citing an article in the *Tallahassee Democrat* that relates the author’s anecdotal tale of late-received greeting cards, which the author suggests is linked to the unspecified “elimination of local sorting, a supposed cost-saving measure instituted a few years ago.”

Colorado mountain-resort communities are unique to those communities and principally concern the high cost-of-living in those communities that makes it difficult to hire and retain staff.⁹ The service experiences in St. Louis, Houston, and Richmond – which have been discussed by the Postal Service in response to various information requests in this docket -- are different from the issues faced in the Colorado mountain-resort communities and, as described below, also different from one another.

The service performance issues in St. Louis resulted from a potentially hazardous mercury leak from an illegally shipped package that closed the Network Distribution Center (NDC) for 12 days, which was further complicated by the bankruptcy of a supplier. Packages from the NDC facility were isolated and tested for safe levels of contamination, while over 500 employees were relocated to alternate locations to continue operations. Volumes were rerouted to other processing facilities. Cleanup work was completed by a qualified contractor before the facility was reopened for regular operations.¹⁰

By contrast, the Houston delays resulted from a confluence of disruptive events. Certain sorting equipment at the North Houston plant was scheduled for removal in order to make space for newer, more efficient sorters. As part of this process, some package volumes, along with employees to work those volumes, were to be relocated to

⁹ See PR Comments at 11; Office of Inspector General (OIG), United States Postal Service, Delivery and Customer Service in Colorado Mountain Towns, Audit Report, Report Number 23-130-R24, Dec. 5, 2023, at 4-6.

¹⁰ In this docket, the Postal Service has also addressed these issues concerning St. Louis in response to Question 9 in Responses of the USPS to Questions 7-10 of ChIR No. 16, Docket No. ACR2023, Mar. 8, 2024.

the new South Houston Local Processing Center (LPC) in early January, after peak season. The LPC had been opened before peak season to assist in the processing of peak season package volume. Employee availability issues immediately impacted operations after the move, worsening with severe weather impacts in mid-January. Due to the large disassembly area required in the North Houston facility, mail and package staging areas and the docks became overcrowded, resulting in gridlock in parts of the plant. The combination of machine removal, space constraints, lack of employee availability, and weather disruptions caused delays. To restore service, management took several measures. Management brought in additional personnel, including supervisors, from nearby facilities. Management accelerated package sorting machine deployment timelines. Daily briefings were conducted between the project manager and local management to address contractor areas and machine moves. Managers likewise conducted daily briefings with officials from the Processing and Logistics teams to discuss mail moves and transportation plans. Finally, management held multiple daily touchpoints to assess operating conditions and address them if needed.¹¹

The Richmond delays were the result of difficulties experienced during the conversion of the Sandston Processing & Distribution Center (P&DC) into the nation's first RPDC. In response to these delays, the Postal Service dispatched a team of over 20 personnel from Headquarters to identify and correct the issues that can lead to problems. Such issues were found to include pre-existing weaknesses with the existing

¹¹ In this docket, the Postal Service has also addressed these issues concerning Houston in response to Question 10 in Responses of the USPS to Questions 7-10 of ChIR No. 16, Docket No. ACR2023, Mar. 8, 2024.

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, which has led to performance improvement.¹²

Contrary to the PR's suggestion, these events do not indicate a broad nationwide service performance problem. Quite the opposite, these localized problems highlight the Postal Service's ability to address and remediate inevitable adversities and build towards overall improved performance. Richmond is illustrative. Yes, the Postal Service's conversion of the Sandston P&DC into the nation's first RPDC led to service performance problems. The Postal Service addressed those issues, and its work has been showing success: Although FY 2024 Q2 results are incomplete and preliminary results are not ready for filing or release, rough data since January 1, 2024, indicate that Virginia service performance is rebounding dramatically from last quarter's unusually large drop—though more improvement is still needed. Moreover, having undertaken that first conversion and having learned from that experience, the Postal Service is better poised to minimize and mitigate local issues that may arise as it opens new RPDCs across the country.¹³

¹² In this docket, the Postal Service has also addressed these issues concerning Richmond in response to Question 1.a in Response of the USPS to Question 1 of CIR No. 1, Docket No. ACR2023, Feb. 20, 2024.

¹³ See *id.*

The PR expresses a concern that recent declines in service performance for First-Class Single Piece 2-Day and 3-5-Day mail in the first Quarter (Q1) of FY 2024 may impact “the public’s trust in vote-by-mail” in advance of the November 2024 general election during Q1 of FY 2025.¹⁴ This concern is unfounded. The Postal Service is committed to and prepared for the secure, timely delivery of the nation’s Election Mail. In 2024, just as it has in previous elections, the Postal Service will fulfill its role in the electoral process when policymakers choose to utilize the mail as a part of an election system and when voters choose to utilize the mail to participate. The Postal Service will employ its robust and proven processes to ensure proper handling and delivery of all Election Mail, including ballots.

The PR’s concern about Election Mail performance based on generalized on-time performance results during peak season¹⁵ paints with far too wide a brush. For example, the PR relies on performance results for the entire Q1—October 1 through December 31—but that period includes the significantly greater mail volumes associated with traditional peak mailing season between Thanksgiving and year’s-end, whereas the much smaller volumes associated with Election Mail (e.g., mail-in ballots) will be mailed well before Thanksgiving. Election Day is on November 5, 2024.

Moreover, as in previous elections, the Postal Service will deploy extraordinary measures around Election Day to connect blank ballots to voters and to ensure completed ballots reach their intended destinations. These measures depart from

¹⁴ PR Comments at 16, 28-30.

¹⁵ See PR Comments at 3, 16.

normal operating procedures and applicable service standards to expedite ballot delivery and are targeted to ballots that were entered into the mailstream at a point where, under normal Postal Service business practices, they would not make it by the state's return deadline. These measures also include diverting ballots from the processing network or otherwise handling ballots outside of normal processes to accelerate delivery. The ballots which benefit from these extraordinary measures are not captured for service performance measurement purposes.

Notwithstanding the PR's concern about public perception, the PR expresses confidence in the Postal Service's ability to successfully prioritize the timely processing and delivery of Election Mail as it has done in the two most recent general election cycles.¹⁶ And, in that regard, the PR also recognizes the Postal Service's commitment to deploying extraordinary measures for Election Mail, such as expedited handling, extra deliveries, and special pickups.¹⁷

To be sure, the Postal Service's commitment extends beyond the measures the PR acknowledges. Besides the extraordinary measures implemented very close to Election Day, the Postal Service applies other helpful measures as well, such as the daily "all clear" process and efforts to ensure that every return ballot mailed by voters receives a postmark. The Postal Service is conducting regular employee training sessions to ensure operational preparedness for the election season and is reinforcing key messages and policies with front-line employees throughout the year. For example,

¹⁶ See PR Comments at 26-28.

¹⁷ See PR Comments at 29.

the Postal Service issued managers a memorandum dated January 31, 2024, which is titled “Preparing for the 2024 Election Season,” and which highlights the Postal Service’s commitment to support the electoral process and summarizes some of the steps it is taking to ensure the timely delivery of Election Mail and Political Mail during the 2024 election cycle.¹⁸ The Postal Service is also reaching out to election officials with information to prepare for the election. For example, in January 2024, the Postal Service published its official Election Mail program kit (Kit 600).¹⁹

II. THE POSTAL SERVICE MAINTAINS ITS COMMITMENT TO EXCELLENT CUSTOMER EXPERIENCE

The PR raises several questions and concerns about the Postal Service’s Customer Experience Surveys and related Customer Experience (CX) Composite Index. Of note, the PR asserts that the Excellent Customer Experience section was non-compliant with 39 U.S.C. § 2804, arguing that it did not follow the Commission’s “directives” to provide comparable data across the three preceding fiscal years.²⁰ The Postal Service disagrees, for two reasons.

First, the Postal Service does not share the PR’s reading of 39 U.S.C. § 2804. Section 2804 does not provide that the Commission serves as the arbiter of its meaning. Neither does Section 2804 provide that the Commission can issue “directives” for future performance reports based on its unique statutory interpretation as to data

¹⁸ A copy of that memorandum is available at <https://about.usps.com/what/government-services/election-mail/pdf/general-election-preparedness-memorandum-fy24.pdf>.

¹⁹ A copy of the kit is available at <https://about.usps.com/kits/kit600.pdf>.

²⁰ PR Comments at 5, 45-48.

comparability. The Commission's function under 39 U.S.C. § 3653(d) is twofold: it *evaluates* whether the Postal Service has met its goals under Sections 2803 and 2804, and it may provide "recommendations." The Postal Service's adherence to those recommendations is not solely determinative of legal compliance.

Second, the data within the Excellent Customer Experience section are, in fact, comparable across fiscal years. The ACR is clear that that the data collection methodology has not changed. The only change is to the Postal Service's interpretation of data, as reflected in the change in weighting, which makes the Composite Score better reflect customer experience. The Postal Service kept its key customer satisfaction metrics consistent between FY 2018 and FY 2023. The Postal Service did not make any changes to the survey questions or methodology for calculating Overall Satisfaction (OSAT) ("Top-Two Box," which uses the percentage of responses that fall into the two most positive categories) in FY 2023. Although the methodology did not change, in FY 2023 the Postal Service changed the composite weights for the CCC Survey from 20 percent to 15 percent, and the Point of Sale (POS) Survey from 15 percent to 20 percent.²¹ As the Postal Service described in detail in its ACR, these weight changes have less than a 1-point point impact on the CX Composite score, thereby making the score comparable to previous years.²² Regardless, a shift in post-hoc data analytics is not a change in methodology.

²¹ FY 2023 ACR at 57.

²² FY 2023 ACR at 60-61.

The PR inquires about the reason for the increase in the number of Business Service Network (BSN) Survey responses.²³ This increase is due to a combination of: (1) the Postal Service sending more surveys to customers in FY 2023 as compared to FY 2022, and (2) an increase in the response rate to these surveys. The PR also notes a concern with the drop in the number of responses to the Delivery Survey.²⁴ Generally, the response rates to the Postal Service's surveys, including the Delivery Survey, fluctuate year-to-year, and the Postal Service does not consider the decreases in the number of responses to the Delivery Survey in FY 2023 as compared to FY 2022 to be significant. The Postal Service is, however, committed to increasing participation in all of its surveys. For instance, in FY 2023, the Headquarters BSN team provided constant updates to the field about the total number of completed BSN Surveys. During the BSN team's quarterly meeting, it also held learning sessions to educate BSN representatives about ways to encourage customers to take the BSN Survey. As the PR recognizes, this led to an increase in the number of BSN Survey responses. Additionally, in FY 2024, the Postal Service is considering piloting the delivery of the Delivery Survey to customers by email. The purpose of this pilot would be to test the effectiveness of this new delivery method and determine whether this method, if implemented, may lead to an increase in the number of responses to the Delivery Survey.

Moreover, the PR notes that "the Postal Service should focus on improving the experience of IVR customers, with the eventual goal of encouraging more customers to

²³ PR Comments at 33.

²⁴ *Id.* at 37.

interact with IVR.”²⁵ All customers who call the Customer Care Center (CCC) are first routed through the Interactive Voice Response (IVR) for self-service and are eligible to complete a satisfaction survey after the call. All callers are, therefore, given the opportunity to interact with IVR. In FY 2023, approximately 63 million customers called the CCC and were routed to the IVR. Of these customers, only approximately 2.4 million remained on the line for the start of the IVR survey, and less than 25 percent of these customers completed the survey.

Lastly, the PR notes that the number of responses to the usps.com Survey has decreased for the third consecutive year.²⁶ The Postal Service attributes this decline to restrictive sampling rules. The sampling rules (for FY 2021, FY 2022 and FY 2023) offered the usps.com Survey to less than 1 percent of website visitors who navigated to at least three pages. In FY 2024, the Postal Service adjusted the sampling rules to allow more customers to participate in the survey. The revised sampling rules offer the usps.com Survey to 2.5 percent of visitors who navigate to at least three pages. The Postal Service expects the revised sampling rules to increase the number of survey respondents in FY 2024.

III. THE POSTAL SERVICE REMAINS FOCUSED ON SAFETY AMID OPERATIONAL CHANGES AND AN EXPANDING WORKFORCE

The PR raises a concern about an increased total of motor vehicle accidents. The Postal Service’s network redesign involves insourcing some operations that were previously outsourced. For example, the Postal Service is insourcing contract

²⁵ *Id.* at 39.

²⁶ *Id.* at 43.

transportation in many facilities, thereby expanding its ground logistics footprint. The Postal Service has also insourced Terminal Handling Services and Surface Transportation Center operations at numerous work locations. These actions have added employees, which has meant a greater chance of accidents overall.

The PR expresses a concern that the Total Accident Rate rose to 13.48 in FY23. Network changes have caused changes to many employees' jobs. As the Postal Service resets facilities and changes layouts, employees are required to make changes to their routines. Carriers may be driving on different streets and navigating different travel patterns. Carriers who are learning new neighborhoods may encounter new hazards. With the learning curve comes a short-term increased likelihood of accidents. While the Postal Service expects these increases to be temporary, and stabilize over time, they cannot be eliminated immediately or completely.

The PR argues that the 13.25 target may not have been sufficiently aggressive based on historical data. However, during previous fiscal years, the Postal Service was not undergoing such significant changes to operations. The target-setting for FY 2023 was very aggressive in view of major anticipated changes.

The PR notes the Postal Service's accomplishments regarding crimes against its employees. These accomplishments demonstrate the Postal Service's commitment to addressing this issue through Project Safe Delivery, an ongoing, cross-functional initiative across multiple departments, including the U.S. Postal Inspection Service, the Office of the Chief Information Officer, and the Office of the Chief Retail and Delivery Officer, to protect postal employees and secure the nation's mail and packages. The Inspection Service is conducting targeted law enforcement surges across the country

including in Chicago, San Francisco, and cities across Ohio.²⁷ Arrests for robbery of letter carriers are up 73% year over year.²⁸ Additional surges are planned for 2024 in other cities across the United States.²⁹ The Postal Service will continue these law enforcement efforts, while also making major investments to secure the postal network, in order to combat crimes against employees.

IV. THE POSTAL SERVICE IS CONTINUOUSLY WORKING TOWARD AN ENGAGED WORKFORCE AND EFFECTIVE MEASUREMENT

The Postal Service appreciates the PR's acknowledgement of the positive aspects of its employee engagement initiatives, as reflected in the survey data. The Postal Service also appreciates the PR's observation that it has set a realistic goal for engagement in FY24.³⁰

The PR concludes, and the Postal Service agrees, that the vendor printing error had a suppressive effect on the FY23 workforce engagement survey response rate.³¹ The Postal Service took steps with the survey vendor to improve quality review processes. Enhanced quality review processes will also be required of future survey vendors to ensure that surveys are well-administered in future years.

²⁷ See Press Release, *USPS And USPIS Continue Nationwide Campaign to Combat Postal Crime and Protect Postal Employees* (Mar. 12, 2024), <https://about.usps.com/newsroom/national-releases/2024/0312-usps-uspis-continue-nationwide-campaign-to-combat-postal-crime-and-protect-employees.htm>.

²⁸ See *id.*

²⁹ See *id.*

³⁰ PR Comments at 55.

³¹ PR Comments at 53-54.

The PR suggests that the lower response rate and disproportionate impact of the printing error on bargaining employees may have affected survey scores.³² In previous years the Postal Service has observed a correlation between response rate and survey scores; higher engagement scores typically coincide with higher response rates. It is possible that the Postal Service would have seen higher engagement scores with a higher response rate.

Still, the 17 percent response rate represents 101,033 employees who wanted their voices heard. Management views the data as a valid portrayal of the sentiments of those employees who responded, to which it is accountable. Accordingly, the Postal Service conducts extensive analysis of the Postal Pulse survey results at all levels of the organization. Managers at every level have access to the survey results, which they can use to identify key drivers of engagement for their respective units. In addition to using the survey results to diagnose and identify opportunities for macro-level improvement, at a local level the Postal Service also uses it as a tool to initiate conversations between managers and employees regarding the work environment. Even if a particular employee did not respond to the survey, or does not feel the aggregated survey results are reflective of the employee's particular views, the employee still stands to benefit from conversations that spring from the survey process.

The PR states that "it is not clear from the Annual Report exactly why the Postal Service believes the Grand Mean Engagement Score went down in FY 2023."³³ As the

³² *Id.*

³³ PR Comments at 55.

Postal Service recently discussed in a response to an information request, the Postal Service has been undergoing significant change since 2021.³⁴ While even a small amount of change can be a challenge, the current changes are historic in scope. The Postal Service believes this is the primary reason why it has seen declining engagement scores for the past two years, after having relatively steadily increasing engagement scores 2015.

Despite significant change, the Grand Mean Engagement Score decreased only slightly, reflecting all the measures that the Postal Service is undertaking to enhance employee engagement. The Postal Service has recently implemented several initiatives that it believes will positively impact engagement. For example, one important element of engagement is managerial support. Initiatives to improve managerial support include focused recruitment efforts to fill supervisor vacancies, updated training for new supervisors, creation of a new Relief Supervisor position to help cover leave and vacancies, and creation of a Supervisor Apprentice Program to build a pipeline of capable candidates for future supervisor vacancies. Other elements of engagement include understanding expectations and having the necessary tools and materials. Initiatives targeting these elements include standardized onboarding of new hires in their first 90 days, updated new hire training, peer mentors, and revised schedules and workhour monitoring for new hires. In addition, the Postal Service is making significant capital investments to enhance working conditions. These include new vehicles with air

³⁴ See Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 20, Docket No. ACR2023, Mar. 22, 2024, Response to Question 7, at 15-16.

conditioning and advanced safety features, and material improvements, to include new lockers, carrier cases, and equipment at new delivery and processing facilities.

V. POSTCOM'S COMMENTS ARE MISPLACED IN BOTH VENUE AND SUBSTANCE

PostCom again advances well-worn arguments criticizing the Postal Service's pricing approach and falsely warning of impending misfortune brought on by volume declines in an effort to urge the Commission to open a separate proceeding where such themes could be appropriately discussed—which, according to PostCom, the Commission has committed to doing anyway.³⁵ Not only is the object of these arguments inappropriate and irrelevant to the Commission's review of and comment upon the FY 2023 Annual Performance Report and FY 2024 Annual Performance Plan, the arguments' essential substance has also been considered and rejected by the Commission on multiple occasions.³⁶ If PostCom has some new evidence that may revive its rejected arguments, the appropriate forum to raise these issues is in a

³⁵ PostCom Comments at 1, 3.

³⁶ See, e.g., PRC Order No. 6526, Order on Price Adjustments [for Market-Dominant Products], Docket No. R2023-2, May 31, 2023, at 32 (“there is no evidence at this time as to whether [market-dominant volume] changes are being driven primarily by price increases or other economic circumstances..., nor is there evidence that the most recent declines are indicative of future trends”); PRC Order No. 6341, Order on Price Adjustments for [Market-Dominant Products], Docket No. R2023-1, Nov. 28, 2022, at 25-26 (“The assertions in this proceeding [of overwhelmingly price-driven volume declines] do not reflect different alleged harms than those considered in Docket No. RM2017-3, and the commenters do not provide evidence that effects outside the expected range have occurred or will imminently occur.”); PRC Order No. 5763, Order Adopting Final Rules for the System of Regulating Rates and Classes for Market Dominant Products, Docket No. RM2017-3, Nov. 30, 2020, at 82, 92 (“In the Commission's experience, demand for Market Dominant products has been relatively price inelastic in both the pre-PAEA period and the PAEA period. Accordingly, the decrease in volume induced by the density-based rate authority is expected to be less in proportional terms than the amount of density-based rate authority.”), *aff'd*, *NPPC v. Postal Reg. Comm'n*, 17 F.4th 1184, 1195 (D.C. Cir. 2021).

separate rulemaking, as PostCom itself acknowledges.³⁷ The Postal Service withholds further discussion of these topics for the proper forum and recommends that the Commission do the same.

VI. THE PUBLIC REPRESENTATIVE RECOGNIZES THAT SHIFTS IN PRODUCTIVITY SHOULD BE EVALUATED ONLY OVER THE LONG TERM.

In considering the Postal Service's financial health, the PR cites the Postal Service's two measures of declining productivity: Total Factor Productivity (TFP) and Labor Productivity,³⁸ and expresses that he is "alarmed by the precipitous drop in TFP over the last two fiscal years."³⁹ The PR posits inconclusively "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."⁴⁰ In the absence of any non-speculative basis to reach any such conclusion, the PR instead embraces an approach of allowing "further implementation of the DFA Plan" to see whether that is accompanied in the future by moderation of the downward trend in productivity.⁴¹

The PR's reticence to posit any causal connection between implementation of the DFA Plan and the decline over the past two years in TFP is entirely appropriate, and the Commission would be well-advised to follow suit. The DFA Plan was launched a mere three years ago. This time period coincided with a global pandemic, which had

³⁷ PostCom Comments at 3.

³⁸ PR Comments at 61-64.

³⁹ *Id.* at 64.

⁴⁰ *Id.*

⁴¹ *Id.*

dramatic effects on the Postal Service’s business, initially from the pandemic itself, and later as the world and the industry rebounded in various ways. Labor availability, mail mix, transportation options, and supply chain disruptions are just some of the variables which were affected and which, in turn, have affected the workload and inputs that are components of TFP.⁴²

Though dramatic, the pandemic and its effects represent only the latest examples of how productivity and its components are products of a multitude of factors. As a result, the Commission has long recognized that TFP may be meaningfully evaluated only over the long term.⁴³ Accordingly, one or even several years of low TFP cannot be taken as a sign of poor management; they can more readily—and, in the case of recent years, do—bespeak natural lags in responding to market trends, artificial lags caused by the Postal Service’s uniquely inflexible legal structure, market volatility, and other factors. Thus, consistent with the PR’s view to await “further implementation of the DFA Plan,” only over a longer period can TFP help to understand how management has responded to its challenges.

CONCLUSION

The Postal Service sets ambitious goals and is continuously working toward improvement and ultimate success in financial, employment, and service excellence. It appreciates the opportunity to reply to the issues raised by the commenters.

⁴² See *also* Reply Comments of the United States Postal Service, Docket No. ACR2023, Feb. 13, 2024, at 7-9.

⁴³ See, e.g., PRC Oder No. 4258, Notice of Proposed Rulemaking for the System for Regulating Rates and Classes for Market Dominant Products, Docket No. RM2017-3, Dec. 1, 2017, at 62 (acknowledging the possibility of “an isolated annual [productivity] result being unrepresentative”).

Respectfully submitted,

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