

January 3, 2001

*To the President of the United States, the United States Congress, the Members of the Postal Community, and the American People:*

In the enclosed transmittal letter that accompanied the *2001 Annual Performance Plan*, I noted that the Postal Service's financial projections and performance targets for 2001 would be under review by the Board of Governors through its fall 2000 meetings. This review process was anticipated because of the financial significance of the pending rate action by the Postal Rate Commission (PRC).

The review has now been completed following the PRC recommended decision. The Board has adopted several changes to the 2001 performance targets (listed on pages 10 and 11 of the *2001 Annual Performance Plan*) in its December 2000 meeting.

First, the Board has adopted the following updates to the targets:

- Due to the availability of more recent financial information, the target for Total Factor Productivity (TFP) improvement has been changed to 0.7 percent, and the target for labor productivity improvement has been changed to 2.0 percent.
- The Priority End-to-End (PETE) system will continue to be used for measuring on-time performance for Priority Mail during 2001.

In addition to these changes to the set of performance targets, the Board also adopted the following changes to the smaller set of "compensable" or "high-priority" goals. These high-priority goals are used as tools to achieve significant improvements in performance in particular areas, and they normally change from year to year in response to changes in management priorities and in the business environment.

- Under the Voice of the Business, TFP improvement was adopted as a threshold target in place of net income. The TFP improvement was adopted because management has relatively more control, and it tends to lead to longer-term improvements in Postal Service efficiency. (Threshold targets for each Voice are of particular importance in our performance incentive system because they must be met to qualify for any performance-related compensation in that Voice area.)
- Under the Voice of the Customer, overnight First-Class Mail on-time performance continues to be the threshold goal because of its importance as a management tool. Also, on-time performance for two/three-day First-Class continues to be on the list of performance improvement targets, but it has been removed from the list of "compensable" targets under this Voice in the interest of maintaining managerial focus on on-time service improvement for Priority Mail.

Please let me know if you have any questions about our performance targets or our performance management system. We will be publishing our 2002 *Preliminary Annual Performance Plan* and our 2000 *Annual Performance Report* in the forthcoming *Comprehensive Statement on Postal Operations*. Further discussion of 2001 performance will be included to set a framework for discussing plans for 2002.



William J. Henderson

WILLIAM J. HENDERSON  
POSTMASTER GENERAL, CEO



*To the President of the United States, the United States Congress, the Members of the Postal Community, and the American People:*

The United States Postal Service has committed itself to a transformational journey. Our goal is to create a responsive and innovative organization with the flexibility to meet the growing challenges shaped by technology, competition, and changing customer requirements.

In this Annual Performance Plan for 2001—the third annual plan that we have published under the mandate of the Government Performance and Results Act of 1993—we describe how we intend to continue to progress toward our goal. Affordability, revenue growth, and our role as the “Gateway” to America’s households and businesses are the principles upon which we have developed the goals and strategies in this plan. Achieving our objectives, however, will not be easy. Global economic and technological forces, over which we have little control, are reshaping the postal environment. As I have stated before, the basic Postal Service model will need to be redesigned in order to successfully address our changing circumstances.

The publication of this annual plan coincides with the release of the Postal Service’s new *Five-Year Strategic Plan* for FY2001-2005. The two plans give us a well-crafted framework for success. As noted in this report, the financial projections and targets for 2001 are based on our proposed 2001 operating plan and are subject to further review and approval by the Board of Governors at its November 2000 meeting. Any revisions to the *Annual Performance Plan* resulting from this review will be provided as soon as they are adopted.

A handwritten signature in black ink, appearing to read "William J. Henderson".

William J. Henderson

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# **2001 PERFORMANCE PLAN**

# I. INTRODUCTION

Three years ago, the United States Postal Service published its first Five-Year Strategic Plan in compliance with the 1993 Government Performance and Results Act (GPRA). That plan, which covered the period 1998-2002,<sup>1</sup> described the Postal Service's corporate and performance goals, strategies, targets and indicators that the organization has used to achieve its mission and to remain viable into the 21st century by effectively managing its costs, by responding to customer needs and demands in ways that deliver unique value and by enhancing organizational effectiveness.

Since the publication of the first Strategic Plan, Preliminary Annual Performance Plans for 1999, 2000, and 2001 and final Annual Performance Plans for 1999 and 2000 have been published in accordance with the GPRA statute.<sup>2</sup> In addition, the Postal Service's first Annual Performance Report was published in February 2000. The next steps in the GPRA planning process are publication in September 2000 of the final Annual Performance Plan for 2001 as well as an updated Five-Year Strategic Plan for 2001-2005.

The basis of the Performance Plan and its goals, strategies, targets and indicators is the mission of the Postal Service, as stated in the opening paragraph of the 1970 Postal Reorganization Act: "The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities."

As it has been in the past, the nation's Postal Service is still perceived by the American public and its representatives as a core government function. The goals, strategies, targets and indicators in this plan enhance the speed, reliability and efficiency of mail's delivery. In so doing, they support the Postal Service's mission and role as a government service providing universal postal service to the country.

A reexamination of the Postal Service's historic mission led, several years ago, to the drafting of an updated Statement of Purpose, which was published as part of its first Five-Year Strategic Plan, submitted to the Congress and the President on September 30, 1997. That Statement of Purpose reads: "To provide every household and business across the United States with the ability to communicate and conduct business with each other and the world through prompt, reliable, secure and economical services for the collection, transmission and delivery of messages and merchandise." Today, the role of the Postal Service in providing access to all Americans and uniform rates that connect all delivery points is more important than ever, even as new electronic services fragment the communications marketplace.

Reexamination of the evolving role of the Postal Service has continued. During the fall of 1998, as part of an effort to define a future vision and strategic direction for the Postal Service, senior management undertook a comprehensive review of the current statutory responsibilities and regulatory environment of the Postal Service and the impacts of developments in the

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1 Unless otherwise noted, all references to years in this document will denote fiscal rather than calendar years.

2 The Postal Service's Preliminary Annual Performance Plans are published in February of each year in the Comprehensive Statement on Postal Operations. Final Annual Performance Plans are published as stand-alone documents in September of each year.

competitive environment. As a result of this review, the following vision statement for the Postal Service in the 21st century was drafted:

Within the decade ahead, the Postal Service must be transformed into a high-performing enterprise, able to compete with agile competitors, to be responsive to more sophisticated customer demands, and to establish goals aligned with the vision of becoming the service customers choose to use, rather than have to use. All employees must have appropriate incentives and tools, not only to service their customers, but to meet or exceed competitors' offerings. We must, in short, develop an operationally excellent, financially sound, performance-based culture and mindset.

Given our expectations and beliefs about the future marketplace, it is imperative that the Postal Service achieve a state of operational excellence and competitive performance so high that a partial loss of the letter and mailbox monopolies would not make a difference to our ability to serve customers and to our success.

Further examination of the historic mission took place in 1999 and early 2000, leading postal management to the conclusion that the Postal Service must become more flexible, innovative and responsive over the next five years. Achieving this vision will allow the Postal Service to improve performance, to search for ways to grow both its revenues and those of the mailing industry, and to find solutions to the challenges raised by technology and major shifts in the global postal business environment. The framework for implementing the objectives and strategies to achieve the vision will be an understanding of the Postal Service as the "gateway" to the nation's households and businesses.

The new statement of future vision and strategic direction led in turn to amendments of the Postal Service's three corporate goal statements, which were incorporated in the Annual Performance Plan for 2000. These amendments reflected the organization's decision to strengthen its goal statements relative to its increasingly challenging postal marketplace, its need to improve its workplace environment and how it receives employee input, and its overall business requirements for success.<sup>3</sup>

Since the publication of the 2000 Annual Performance Plan in September 1999, ongoing management reviews led to provisional amendments and improvements in the subgoal statements for the Voice of the Customer and the Voice of the Business, which were reflected in the Preliminary 2001 Annual Performance Plan. Since that time, additional amendments to the 2000 subgoals and indicators have been adopted for 2001. The final goals, subgoals, indicators and performance targets for 2001 are presented in the next chapter, along with an explanation of the changes that have been introduced since the publication of the 2000 Annual Performance Plan.

Based on a number of comments from reviewers of earlier Annual Performance Plans, the format of this final 2001 Annual Performance Plan has been revised to improve its clarity. Generally, the main part of the document presents summary information on the current performance goals, strategies, and the status of the various Postal Service programs and capital investment projects, while more detailed information on these topics is provided in appendices. Also, the information on high-priority goals and changes to the goals has been incorporated in the discussion of the 2001 goals presented in the next chapter. Finally, the linkages between the goals and the associated strategies have been improved by including separate sections on goal achievement strategies under each Voice goal.

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<sup>3</sup> The revised and previous goals and subgoals adopted as of September 1999, and the reasons for their changes, are listed in Appendix A of the 2000 Annual Performance Plan.

## LINKAGE BETWEEN ANNUAL PERFORMANCE PLAN AND STRATEGIC PLAN

As stated in the new Five-Year Strategic Plan, the Postal Service's five-year organization-wide goals are to earn customers' business by providing quality products and services at competitive prices; to build an inclusive and welcoming workplace that fosters success; and to perform financially so as to ensure viability, competitive pricing and generation of cash flow to finance high-yield investments. These goals undergo further review in each annual management cycle dictated by the Postal Service's *CustomerPerfect!* performance management system.<sup>4</sup>

The updated Five-Year Strategic Plan, published on September 30, 2000, describes the five strategies that the Postal Service will use during the 2001-2005 period to respond to the changing business environment. These strategies seek a balance among multiple objectives: achieving affordability, being responsive to employee requirements, ensuring financial viability, responding to customer needs, and investing in the future. As required by the GPRA, the Five-Year Plan for 2001-2005 discusses the current Postal Service business environment and describes the process used to obtain comments on the Postal Service's proposed strategic direction from its stakeholders.

The updated Strategic Plan also describes the performance measures that have been adopted by management for the 2001-2005 planning horizon. The performance targets and strategies described in this 2001 Annual Performance Plan are consistent with those expressed in the updated Strategic Plan.

## RESULTS ACT REQUIREMENTS

The GPRA legislation sets forth content requirements for Postal Service Annual Performance Plans:

The Postal Service shall prepare an annual performance plan covering each program activity set forth in the Postal Service budget statement... Such plan shall:

- (1) establish performance goals to define the level of performance to be achieved by a program activity;
  - (2) express such goals in an objective, quantifiable, and measurable form unless an alternative form is used...;
  - (3) briefly describe the operational processes, skills, and technology, and the human, capital, information, or other resources required to meet the performance goals;
  - (4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;
  - (5) provide a basis for comparing actual program results with the established performance goals; and
  - (6) describe the means to be used to verify and validate measured values.
- [Title 39, U.S. Code, Sec. 2803(a)]

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4 See Appendix A of the 1999 Annual Performance Plan for a more complete description of the *CustomerPerfect!* system.

In addition to the noted statutory content requirements for Annual Performance Plans, expanded information on the following topics has been included<sup>5</sup> as recommended by Postal Service Subcommittee Chairman McHugh in his April 24, 2000 letter to Board of Governors Chairman Dyrhkopp:

- A more detailed explanation on why several of the VOB goals included in the 2000 Annual Performance Plan were dropped from the Preliminary 2001 Plan.
- Description of specific strategies to accomplish goals in key areas such as:
  - Improving on-time delivery performance for 2/3-day First-Class Mail to 92 percent.
  - Planned new products and services to respond to changing customer requirements.
  - E-Commerce.
- Additional status information on major programs, including:
  - Why the reported level of resources changed significantly from the 2000 Plan to the Preliminary 2001 Plan for the Point of Service, Corporate Advertising, and Expedited Supplies programs.
  - Why the Tray Management System was reported in the 2001 Preliminary Plan to be in its implementation phase after being suspended in 1999.
- Additional baseline data on the performance measures identified in the Preliminary 2001 Plan.

Additional comments and recommendations on the Preliminary 2001 Annual Performance Plan were received from GAO in an August 14, 2000 draft report entitled “Enhancements Needed in Performance Planning and Reporting.” Their concerns were similar to those expressed by Chairman McHugh, and their recommendations were that future performance plans should include the following information:

- Detailed explanations when subgoals, indicators and targets contained in the prior year’s plan are not carried forward into the current year plan.
- Clear criteria, including baseline data where possible, for measuring the Service’s success toward achieving stated goals.
- Complete descriptions of strategies to accomplish stated goals.
- Updated information to reflect known or anticipated changes when discussing the linkage between performance goals and major programs.
- Where applicable, explanations as to why baseline data are not being provided.

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<sup>5</sup> As in earlier Performance Plans, expanded discussions of the Postal Service’s mission, strategies, challenges and external factors; baseline performance data; linkages among goals, strategies and resources; and high-priority goals are also included based on earlier recommendations by GAO and Postal Service Subcommittee Chairman McHugh.

The table below lists the specific sections in this plan where each requirement or recommendation is discussed:

REQUIREMENT/RECOMMENDATION	CHAPTER: SECTIONS
Establish performance goals	II: VOC, VOE, VOB
Express goals in a quantifiable form	II: VOC, VOE, VOB
Describe required resources	II: Resources and Programs, App. B
Establish performance indicators	II: VOC, VOE, VOB
Provide basis for comparing results with goals, including clear criteria for measuring success	II: VOC, VOE, VOB, <i>CustomerPerfect!</i>
Describe how measured values are verified and validated	II: Verification and Validation, App. D
Include all baseline performance data or reasons why not available	App. A
Provide reasons for changed goals, subgoals, indicators, and targets	II: VOC, VOE, VOB
Include updated status information for major programs	II: Resources and Programs, App. B
Describe specific strategies to accomplish goals	II: VOC, VOE, VOB; App. B, App. C

## POSTAL SERVICE PROGRAM ACTIVITIES

Funded by the revenue generated by its products and services, the United States Postal Service’s program activities support the organization’s unique statutory mission to provide universal service and be self-sustaining. In this Annual Performance Plan for 2001, those activities—and the goals, indicators and targets that support them—are aligned with the updated Five-Year Strategic Plan for 2001-2005 prepared under the Government Performance and Results Act. For the Postal Service, the GPRA legislation’s Senate Report (p. 39) states that a program activity should be considered to be “a specific activity related to the mission of the Postal Service, and does not relate to programs or activities listed in the Federal budget.” The program activities discussed in this Performance Plan relate to the goals, indicators and targets for management improvement, to which the Postal Service’s management process has given priority attention in fulfilling the Postal Service mission.

### 2001 OPERATING PROJECTIONS

The Postal Service’s current financial projection for 2001 indicates a net loss of \$480 million, with total revenues of \$67.925 billion and total expenses of \$68.405 billion<sup>6</sup>. Compared with the figures presented in the Preliminary 2001 Annual Performance Plan, these more recent 2001 projections reflect lower First-Class Mail and Priority Mail volumes as well as higher resource costs.

The Postal Service is unlike other government agencies in that it receives no federal appropriations to subsidize its operations. Postal Service costs are funded exclusively by the revenues derived from services provided. Table 1-1 reflects the projected 2001 revenues to be received, by major product and service.

<sup>6</sup> These figures represent the proposed 2001 operating plan, subject to further review and approval by the Board of Governors at its November 2000 meeting.

**TABLE 1-1. 2001 REVENUE PROJECTIONS (\$ MILLIONS)**

REVENUE CATEGORY	REVENUE
First-Class Mail	\$36,503
Priority Mail	5,421
Express Mail	1,039
Periodicals	2,397
Standard A	15,934
Standard B	1,978
International	1,746
Special Services	2,162
Other	745
Total Revenue	\$67,925

The products and services in Table 1-1 are the means by which the Postal Service achieves its mission of providing universal service. Table 1-2 summarizes expenses that the Postal Service is projected to incur in delivering these products and services.

**TABLE 1-2. 2001 EXPENSE PROJECTIONS (\$ MILLIONS)**

EXPENSE CATEGORY	EXPENSE
Personnel Expenses:	
Compensation	\$39,559
Benefits	12,492
Subtotal: Personnel Expenses	52,051
Non-Personnel Expenses:	
Transportation	4,827
Supplies and Services	4,406
Building Occupancy	1,790
Vehicle Services	883
Depreciation/Write-offs	2,139
Interest Expense:	
Deferred Retirement Liability	1,617
Borrowing	400
Other Miscellaneous	292
Subtotal: Non-Personnel Expenses	16,354
Grand Total Expenses	\$68,405

Resource allocation information for 2001, including major programs, cost reduction programs, capital commitments and linkages to the corporate goals, are provided in the Resources and Programs section in the next chapter.



# GOALS FOR 2001

## II. POSTAL SERVICE GOALS FOR 2001

The specific corporate goals, performance goals, indicators and targets for 2001 presented below were developed during a planning process that began in September 1999 and concluded in September 2000.

### CORPORATE GOAL CATEGORIES: THE THREE-VOICE STRUCTURE

The Voice of the Customer goal category addresses customer satisfaction, meeting customer requirements and the achievement of superior quality at competitive prices. The Voice of the Employee goal category focuses on creating a workplace environment that fosters success and embraces the values of fairness, opportunity, safety and security. The Voice of the Business goal category's objective is financial performance that assures commercial viability, bottom-line results and sufficient capital for future investments.

These three goal categories support three critical elements of the Postal Service: service to the customer, the employee on whom the quality of this service depends, and the financial base or the business that must match revenue and cost. The goals are summarized in Table 2-1.

**TABLE 2-1. 2001 POSTAL SERVICE GOAL CATEGORIES**

GOAL CATEGORY	GOAL STATEMENT
Voice of the Customer	Earn customers' business in a marketplace where they have choices by providing them with world-class quality at competitive prices.
Voice of the Employee	Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety and security: where everyone is given the knowledge, tools, training and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success.
Voice of the Business	Generate financial performance that assures the commercial viability of the Postal Service as a service provider in a changing, competitive marketplace, and generate cash flow to finance high-yield investments for the future while providing competitively-priced products and services.

**TABLE 2-2. 2001 GOALS, SUBGOALS, INDICATORS AND TARGETS (AS OF 9/4/00)**

GOAL	SUBGOAL
<p><b>VOC:</b> Earn customers' business in a marketplace where they have choices by providing them with world-class quality at competitive prices.</p>	Provide timely delivery
	Provide reliable service to consumers
	Improve customer satisfaction
<p><b>VOE:</b> Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety, and security; where everyone is given the knowledge, tools, training, and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success.</p>	Improve workplace relations by building leadership skills and behaviors
	Ensure an inclusive and fair environment with opportunities for all employees
	Ensure that each and every employee is given the knowledge, tools, training, and encouragement to successfully meet the expectations for their positions
	Improve employees' safety, security and well being
<p><b>VOB:</b> Generate financial performance that assures the commercial viability of the Postal Service as a service provider in a changing, competitive marketplace and generate cash flow to finance high-yield investments for the future while providing competitively priced products and services.</p>	Improve overall business performance
	Generate net income / minimize net loss
	Control costs by achieving productivity gains

\* See Footnote 6 on page 5.

INDICATOR	TARGET
First-Class Mail on-time	
EXFC overnight	93%
EXFC 2/3-day	88.7%
Delivery within standard + 1 day (overnight & 2/3-day)	Develop performance baseline
Priority Mail on-time	Proprietary information
Advertising Mail on-time (delivered within a sales window)	98%
Parcel Select (ground parcels) on-time	Proprietary information
Express Mail on-time (AM & PM)	Proprietary information
Accuracy of delivery index	Develop performance baseline
Overall satisfaction - residential (CSM survey results)	1% improvement over 2000
Overall satisfaction - business (CSM survey results)	1% improvement over 2000
REDRESS availability	100% available, 70% participation
Inclusive/fair environment indicators are part of merit process	Included in PCES merits
Representation of all groups in details & special assignments	Quarterly reviews of affirmative employment plan (Areas with COO, PCs with AVPs, and HQ with Management Committee)
Representation of all groups in succession plans	
Activities supporting the affirmative employment plan	
Training in prescribed curriculum (including 4 hours mandatory workplace environment interpersonal skills training)	97% of EAS 15 & over employees: 20 hours 97% of EAS 14 & below employees: 8 hours 100% of craft employee work units: 8 hours
Safety Program Evaluation	10% improvement over 2000
OSHA Injury/illness rate	3% improvement over 2000
Motor vehicle accidents per million miles driven	5% improvement over 2000
VOE Survey Index	Continuous improvement over 2000
Productivity improvement - Areas	Improve over hurdle
Productivity improvement - Performance Clusters	Improve over threshold
Capital commitments	\$3.6 billion
Net income/loss	– \$480 million*
Total Factor Productivity	1.1%
Labor Productivity	2.4%

Achieving these broad goals will allow the Postal Service to continuously improve service, ensure an effective and stimulating workplace environment and achieve superior financial performance. The service goals will be expanded to include all major product lines while sustaining the core mission of universal service. The human assets of the company will be the focus of investment by providing employees with the knowledge, tools, training and encouragement that will allow them to contribute to the success of the Postal Service and its customers. The costs of service enhancements and investments in employees will be managed to assure successful financial performance.

These three goals, worded approximately in this form, have been the broad goals of the Postal Service since its inception. Concern for serving the customer, concern for the employee and concern for bottom-line business performance are the essential building blocks of the postal business. In an earlier day, when the forces of competition were not so apparent, the business goal might have been stated in terms of cost management alone. Today, the Postal Service must be successful by offering customers high-quality products and services that are chosen over competitive alternatives, and which generate revenues that cover costs.

The three Voice goal categories are supported by identifying performance goals or objectives that are aligned with performance measurement. These performance goals are the “subgoals” of the *CustomerPerfect!* management system and frame the critical actions needed to achieve the goals.

Specific performance measures — defined as indicators and targets — are linked to each performance goal and subgoal. The Postal Service’s *CustomerPerfect!* management system dictates an annual cycle of setting performance goals, deploying resources against those goals, measuring and rewarding performance, and evaluating and reviewing targets and performance. Each operating year is preceded by a planning year in which goals are set and resources are allocated. The cycle’s objective is continuous organizational improvement. The specific performance targets for 2001 are summarized in Table 2-2 on the previous pages.

## VOICE OF THE CUSTOMER: CUSTOMER SATISFACTION

### PERFORMANCE GOALS, INDICATORS AND TARGETS

The performance goals of the Voice of the Customer are shown in Table 2-3:

**TABLE 2-3. VOICE OF THE CUSTOMER PERFORMANCE GOALS**

<b>THE GOAL: Earn customers' business in a marketplace where they have choices by providing them with world-class quality at competitive prices.</b>
PERFORMANCE GOAL 1: Provide timely delivery.
PERFORMANCE GOAL 2: Provide reliable service to consumers.
PERFORMANCE GOAL 3: Improve customer satisfaction.

For each of the performance goals for the Voice of the Customer, the following section defines one or more performance indicators and targets. Where data are available, a three-year history of performance baselines for the VOC indicators is provided in Appendix A.

**PERFORMANCE GOAL 1: Provide timely delivery.** For 2001, the Postal Service will:

- Achieve overnight First-Class Mail on-time performance of at least 93 percent.
- Achieve two- and three-day First-Class Mail on-time performance of at least 88.7 percent.
- Develop performance baselines for overnight and two- and three-day First-Class Mail service delivered within the respective standard plus one day.
- Achieve targeted Priority Mail on-time performance, as measured by the Delivery Confirmation System. The Priority Mail End-to-End system (PETE) will be used to validate Delivery Confirmation.
- Achieve on-time performance for Ad Mail delivered within a requested sales window of at least 98 percent, using the ADVANCE measurement system.<sup>7</sup> The Advanced Quality Check System will be used to validate ADVANCE.
- Develop a performance baseline for on-time performance of destination-entered ground parcels (Parcel Select), as measured by the Delivery Confirmation system.
- Achieve targeted on-time performance for AM and PM Express Mail.

**PERFORMANCE GOAL 2: Provide reliable service to consumers.** For 2001, the Postal Service will:

- Develop a performance baseline for accuracy of delivery as measured by the Accuracy of Delivery Index.

<sup>7</sup> With the ADVANCE system, business customers use the Internet to give local postal managers timely notice of mailings scheduled for delivery. An electronic image of the scheduled mail piece aids recognition. Detailed compliance and performance reports are accessible to both postal supervisors and mailing customers.

**PERFORMANCE GOAL 3: Improve customer satisfaction.** For 2001, the Postal Service will:

- Improve the overall residential customer satisfaction score by one percentage point over 2000 performance (based on responses to CSM survey questions).
- Improve the overall business customer satisfaction score by one percentage point over 2000 performance (based on responses to CSM survey questions).

### **HIGH-PRIORITY VOC GOALS**

For 2001, the high-priority VOC performance goals are:

- On-time performance for overnight First-Class Mail, as measured by the External First-Class (EXFC) measurement system.<sup>8</sup>
- On-time performance for 2/3-day First-Class Mail, as measured by EXFC.
- On-time performance for Priority Mail, as measured by the Delivery Confirmation System.

These high-priority goals will be included in the Postal Service's Economic Value Added (EVA) performance incentive program for 2001. The first goal will be considered a "threshold" target, in which a fixed incentive is provided only if the threshold value is achieved or exceeded. Incentives for the second and third goals are "variable," in that the amount of the incentive depends on the actual indicator value achieved.

### **CHANGES TO VOC GOALS**

Under the Postal Service's annual management cycle process, the various performance goals, indicators, and targets are frequently reviewed and are sometimes revised in response to significant changes in the external and internal environments. Compared with the VOC performance goals presented in the final Annual Performance Plan for 2000, the goals for 2001 reflect several changes.

The 2000 VOC performance goals were: provide timely delivery, consistency, accurate service, ease of use, explore customer needs segmentation, develop "best value" criteria, and explore the concept of customer loyalty. For 2001, the following changes to the performance goals have been made:

- The performance goals for consistency and accurate service were combined into a more general performance goal, "provide reliable service to consumers." It was felt that the revised goal statement better reflected the set of measures that were most important to the consumer (including consistency and accurate service).
- The performance goal for "ease of use" was not included because it is being re-evaluated during 2001 using customer feedback. The plan is to extend its scope so that all customer contact points are included. In the meantime, this measure will remain as an option for the field to use to evaluate specific field programs.
- The performance goal for "develop best value criteria" was not included because the Postal Service has determined that the customer perception of value is actually part of the overall perception of performance. A variety of performance goals are already reflected on the list of VOC measures and targets.

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<sup>8</sup> Compensation will be based on performance for quarters 3 and 4 only.

- The “explore customer needs” performance goal was dropped because the exploration of alternative segmentation schemes was completed during 2000. As a result, Postal Service sales efforts are now structured around industry segments rather than traditional postal territories.
- The “explore concept of customer loyalty” performance goal was changed to “improve customer satisfaction.” It was felt that the revised goal statement provided a sharper focus on the measures that best build customer loyalty.

In addition to these changes to the 2000 performance goals, the following changes were made in the set of 2001 indicators for the Provide Timely Delivery performance goal:

- The indicator for on-time performance of First-Class remittance mail was replaced by a more inclusive indicator, delivery of First-Class overnight and two/three day mail within the respective delivery standards plus one day. It was felt that this latter measure better reflected the service needs of remittance mailers.
- The indicator for on-time performance of Periodicals was not included on the 2001 list of national-level *CustomerPerfect!* measures. During 2000, operational and process indicators were developed for Periodicals performance jointly with publication mailers. Publishers requested that specific feedback about individual mailings be the Postal Service’s primary focus. As a result, methods for uploading computer-generated point and time of entry data were developed that allowed mailers to track and verify individual mailings through Business Mail Entry Units. These mailer-specific indicators are intended to identify opportunities for process improvement, and are not suitable for measuring aggregate national or local performance. Additional enhancements to these indicators are planned for 2001.
- The indicator for on-time performance of International Mail was also not included on the 2001 list of national-level *CustomerPerfect!* measures, although the Postal Service is continuing to explore ways to measure international network performance at a reasonable cost. For example, two pilot tests involving the use of Postal Service “Planet” codes were recently conducted. In another effort, limited performance data between major U.S., Canadian and European cities is being developed for diagnostic purposes.

## **GOAL ACHIEVEMENT STRATEGIES**

The Five-Year Strategic Plan for 2001-2005 presents the organizational strategies for achieving the longer-term goals of the Postal Service under its “Blueprint for Progress” initiative. Specific strategies for managing the organization, supporting the people, improving pricing, increasing revenue generation, and ensuring the effectiveness of capital investment are described in Chapter 4 of the Strategic Plan.

Achievement of the near-term VOC goals for 2001 is supported by a number of expense and capital programs, as described in the Resources and Programs section and in Appendix B. In addition, the VOC strategies related to achievement of the service goals and PC Postage initiatives are described below.

**Service Goals.** Based on the results of the 2001 Deploy process, the Postal Service expects to meet its 2001 service goals without additional resources beyond those originally budgeted. Steps taken to help meet these goals include use of the advanced technology programs listed below, which are described in the 2001 Capital Plan section of Appendix B.

- Deployment of additional automation equipment to reduce errors for both letters (Delivery Barcode Sorter Input/Output Subsystem) and flats (Automated Flat Sorting Machine 100).
- Deployment of additional Robotics systems and other advanced material handling equipment to allow better mail flow.
- Provide more consistent scheduling of air transportation through use of the Automatic Airline Assignment system.

**PC Postage.** The Postage Technology Management program supports the VOC goals through the administration of postage-evidencing systems used by customers. These systems include 1.6 million traditional postage meters and 300,000 PC Postage systems which employ the Postal Service's information-based indicia postage (IBIP) technology. PC Postage is a service offered by private companies, with regulatory oversight by the Postal Service. By the close of 2000, the Postal Service will have approved six PC Postage systems, with 10 systems still in development.

By enabling new products and services such as PC Postage, information-based indicia technologies also help increase customer convenience and create new business potential. Concurrently, the Postal Service has greatly increased system security across the customer meter population with new technologies that dramatically limit the potential for fraud and misuse.

## **UNIVERSAL SERVICE**

In the GAO review of the Five-Year Strategic Plan for 1998-2002 and in subsequent discussions concerning legislative reform, there has been interest in developing measures related to the Postal Service's responsibility to provide universal service, as specified in the Postal Reorganization Act of 1970 and in subsequent actions of Congress, the courts and regulators. Several of the Voice of the Customer measures discussed here – reliability to consumers, for example, or performance of the basic First-Class Mail product – are related to the fulfillment of the Postal Service mission to provide universal service to all communities at a uniform price and to bind the nation together through the efficient delivery of postal services.

To guide the development of measures in future annual management cycles and to ensure that the specific measures developed under the three Voices are aligned with Postal Service efforts to achieve its statutory mission, the Postal Service has been involved in an ongoing research effort to understand how universal service has been defined in other enterprises and to assess service requirements based on these definitions. The experience of industries such as telecommunications and of other postal administrations that have sought to define universal service has relevance to this effort. A review of universal service in other postal administrations was presented in the 2000 Annual Performance Plan, and a review of universal service in other industries was included in the Preliminary 2001 Annual Performance Plan.

During 2000, the Postal Service conducted a major stakeholder outreach effort as part of preparations for the 2001-2005 Five-Year Strategic Plan. Input on a variety of postal policy issues, including how best to define universal service, was obtained through a number of channels, including a Federal Register notice in April 2000 and a stakeholder review of the draft Five-Year Strategic Plan in August 2000. The results of this outreach effort are summarized in Chapter 5 of the Postal Service's Five-Year Strategic Plan for 2001-2005.

## VOICE OF THE EMPLOYEE: ORGANIZATIONAL EFFECTIVENESS

### PERFORMANCE GOALS, INDICATORS AND TARGETS

The performance goals for the Voice of the Employee are presented in Table 2-4.

**TABLE 2-4. VOICE OF THE EMPLOYEE PERFORMANCE GOALS**

<b>GOAL: Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety and security; where everyone is given the knowledge, tools, training and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success.</b>
PERFORMANCE GOAL 1: Improve workplace relations by building leadership skills and behaviors.
PERFORMANCE GOAL 2: Ensure an inclusive and fair environment with opportunities for all employees.
PERFORMANCE GOAL 3: Ensure that each and every employee is given the knowledge, tools, training and encouragement to successfully meet the expectations for their positions.
PERFORMANCE GOAL 4: Improve employees' safety, security and well-being.
PERFORMANCE GOAL 5: Improve understanding of employee issues and concerns.

For each of the performance goals for the Voice of the Employee, the following section defines one or more performance indicators and targets.<sup>9</sup> Where data are available, a three-year history of performance baselines for the VOE indicators is provided in Appendix A.

**PERFORMANCE GOAL 1: Improve workplace relations by building leadership skills and behaviors.** For 2001, the Postal Service will:

- Achieve 100 percent availability and a 70 percent participation rate for the REDRESS process in all Performance Clusters.<sup>10</sup>

**PERFORMANCE GOAL 2: Ensure an inclusive and fair environment with opportunities for all employees.** For 2001, the Postal Service will:

- Include performance indicators for an inclusive and fair environment in the Postal Career Executive Service (PCES) merit evaluation process.
- Include performance indicators for the following in quarterly management reviews at the Performance Cluster, Area, and Headquarters Officer levels:<sup>11</sup>

9 The indicators and performance targets that are "in development" are assigned to a specific Postal Service officer, who then creates cross-functional teams to develop, pilot test, and implement these measures.

10 A "Performance Cluster" is one of 85 geographically-based, mid-level organizational units.

11 Performance Cluster reviews are held with the appropriate Area Vice President; Area reviews are held with the Chief Operating Officer; and Headquarters officer reviews are held with the appropriate Management Committee member.

- Representation of all groups in details and special assignments.
- Representation of all groups in succession plans.
- Activities supporting the affirmative employment plan.

**PERFORMANCE GOAL 3: Ensure that each and every employee is given the knowledge, tools, training and encouragement to successfully meet the expectations for their positions.** For 2001, the Postal Service will:

- Provide training in a prescribed curriculum, which includes four hours of interpersonal skills training, in the following amounts:
  - 20 hours for 97 percent of employees in grades EAS 15 and above.
  - 8 hours for 97 percent of employees in grades EAS 14 and below.
  - 8 hours for craft employees in all work units nationwide.

**PERFORMANCE GOAL 4: Improve employees' safety, security and well-being.**

For 2001, the Postal Service will:

- Achieve a 10 percent improvement in the Safety Program Evaluation score compared with end-of-year 2000 performance.
- Achieve a 3 percent improvement in the OSHA injury/illness rate compared with 2000 performance.
- Achieve a 5 percent improvement in motor vehicle accidents per million miles driven compared with end-of-year 2000 performance.

**PERFORMANCE GOAL 5: Improve understanding of employee issues and concerns.**

For 2001, the Postal Service will:

- Achieve continuous improvement of the VOE Survey Index score over 2000 performance (target varies by Performance Cluster).

### **HIGH-PRIORITY VOE GOALS**

To drive desired behaviors, two of the VOE performance targets will be considered high-priority goals for purposes of the EVA variable pay program in 2001. The first initiative is the VOE Survey Index, which has been introduced to improve understanding of and response to employee issues and concerns. This index incorporates six components of the VOE Survey relating to recognition/rewards and treatment by supervisors. Improvement targets are set for each Performance Cluster. The second initiative is the OSHA injury/illness rate indicator, which will be implemented in 2001.

For EVA compensation purposes, the VOE Survey Index will be a quarterly Performance Cluster objective, i.e., EVA credit will be earned for each quarter in which the index exceeds the average of 2000 performance. The threshold for EVA compensation is a 3 percent improvement over 2000 performance in the OSHA injury/illness rate.

## **CHANGES TO VOE GOALS**

The VOE performance goals for 2001 are the same as those presented in the 2000 Annual Performance Plan. However, as discussed below, several changes to the 2000 performance indicators have been introduced in this 2001 plan.

- The total accidents per 200,000 workhours indicator and associated target were not included on the list of 2001 *CustomerPerfect!* goals as a means of ensuring complete focus on the newly implemented OSHA injury/illness indicator.
- The bulk mail proficiency indicator and target were not included in the list of 2001 goals, although they are still being used to track Bulk Mail Entry Unit performance at the Performance Cluster level. Goal achievement will be tied to individual employee incentive awards to encourage ongoing and successful program participation.
- The separate indicators and targets for interpersonal skills training and sexual harassment training have been combined into a new “training in prescribed curriculum” indicator for 2001. The targets are the same as for 2000.
- The fair and inclusive environment indicator will be one of the elements used to determine the 2001 merit awards for individual Postal Career Executive Service executives. This approach will drive Postal Service-wide environment improvements, while recognizing differences in individual circumstances. National-level progress in improving the workplace environment will be tracked through the VOE survey.
- The 2000 plan stated that indicators were to be developed for labor relations performance, EEO program performance, and an environment where opportunities are provided for all employee groups. For 2001, this set of indicators has been refined as follows to be more specific: representation of all groups in details and special assignments, representation of all groups in succession plans, and activities supporting the affirmative employment plan. Quarterly reviews of progress in these indicators at the Area, Performance Cluster and Headquarters Officer level will be used to drive continuous improvement. National-level indicators of progress in these areas include the VOE survey and a variety of information systems described in the Appendix C summary of Labor Relations and Diversity programs.

## **GOAL ACHIEVEMENT STRATEGIES**

Longer-term VOE strategies are described in Chapter 4 of the Five-Year Strategic Plan for 2001-2005. Plans included under the “Supporting the People” strategy include compensation, employee suggestions, succession planning, and workplace relations.

The Postal Service’s 2001 goal of building an inclusive and welcoming workplace that

fosters success will be driven by strategies and program plans in the six areas listed below. A more detailed description of these VOE initiatives is provided in Appendix C.

- **REDRESS** (Resolve Employee Disputes, Reach Equitable Solutions Swiftly) – This mediation program was deployed in 1999 to resolve and expedite employee complaints at the lowest possible level, and has already contributed to a substantial reduction in the number of formal complaints filed. For 2001, the emphasis will be on achieving at least a 70 percent participation rate in the program.
- **Labor Relations** – During 2001, a variety of initiatives will be pursued that are designed to contribute to a reduction in grievance activity and improvements in the work environment, employee attitudes and, ultimately, overall performance and productivity.
- **Training** – An ongoing improvement effort to excel in the development of leaders is reflected by the investment in the training of new managers and supervisors in communication conflict management and leadership skills. In 2001, the Postal Service will continue development and deployment of national training courses such as the Associate Supervisor Program and the Advanced Leadership Program, which actively develop desired leadership and management skills.
- **Safety and Health** – Low accident and injury frequency statistics are aligned with Postal Service corporate goals to reinforce employee commitment, customer satisfaction and revenue generation. In 2001, the key supporting programs will create line management accountability for safety and health performance.
- **Workplace Environment Improvement** – In 2001, program activities will include the Employee Assistance Program, violence prevention and crisis management activities, and identification and propagation of indicators, measures, and tools for workplace environment improvement.
- **Diversity** – To achieve maximum corporate success in 2001, the Postal Service will continue to develop and implement strategies and objectives to promote an inclusive environment at all levels of the organization.

## VOICE OF THE BUSINESS: FINANCIAL PERFORMANCE

### PERFORMANCE GOALS, INDICATORS AND TARGETS

The financial performance goals for the Voice of the Business are presented in Table 2-5.

**TABLE 2-5. VOICE OF THE BUSINESS PERFORMANCE GOALS**

<b>GOAL: Generate financial performance that assures the commercial viability of the Postal Service as a service provider in a changing, competitive market place and generate cash flow to finance high-yield investments for the future while providing competitively-priced products and services.</b>
PERFORMANCE GOAL 1: Improve overall business performance.
PERFORMANCE GOAL 2: Generate net income/minimize net loss.
PERFORMANCE GOAL 3: Control costs by achieving productivity gains.

For each of the performance goals for the Voice of the Business, the following section defines one or more performance indicators and targets. Where data are available, a three-year history of performance baselines for the VOB indicators is provided in Appendix A.

**PERFORMANCE GOAL 1: Improve overall business performance.** For 2001, the Postal Service will:

- Achieve capital commitments of \$3.6 billion.
- Improve Performance Cluster productivity over a “threshold” value unique to each Performance Cluster. The threshold value is the percentage improvement over prior year performance that a Performance Cluster must achieve to qualify for the VOB portion of the Economic Value Added program.
- Improve Area productivity over a “hurdle” rate. The hurdle rate is the percentage productivity improvement over the threshold that is necessary to meet the national net income target. It is recalculated each accounting period, and is the same for each Area.<sup>12</sup>

**PERFORMANCE GOAL 2: Generate net income/minimize net loss.** For 2001, the Postal Service will:

- Incur a net loss of \$480 million.

**PERFORMANCE GOAL 3: Control costs by achieving productivity gains.** For 2001, the Postal Service will:

- Achieve a 1.1 percent gain in Total Factor Productivity.
- Achieve a 2.4 percent gain in labor productivity.

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<sup>12</sup> The specific numerical Area productivity targets for 2001 are not yet available. They will not be finalized until the baseline data are final and all technical adjustments for cost and pay rate changes are completed. Additional information on Area productivity targets and achievement will be provided in the 2000 Annual Performance Report.

## **HIGH-PRIORITY VOB GOALS**

For 2001, the high-priority performance goals are:

- Generate net income/minimize net loss.
- Improve overall business performance, as measured by achievement of Area and Performance Cluster productivity improvement targets.

Both goals are included in the EVA variable pay incentive system.

## **CHANGES TO VOB GOALS**

The VOB performance goals presented in the 2000 Annual Performance Plan were: improve overall VOB performance (as measured by indexed Economic Value Added and the capital commitment), generate net income, control costs by achieving productivity gains (as measured by TFP and labor productivity), keep price changes below inflation, and restore original equity. For 2001, the following changes to the performance goals and indicators have been made:<sup>13</sup>

- The “keep price changes below inflation” and “restore original equity” performance goals were dropped because it was decided that simplification of the VOB goals and an increased focus on bottom-line net income performance would lead to a more businesslike and accountable business framework. Also, the “restore original equity” goal was felt to be somewhat redundant, since achieving positive net income in any year would contribute to restoration of equity.
- “Indexed EVA” was dropped as an indicator for the “improve overall business performance” goal because it is primarily a technical measure used in the EVA incentive system. It has been replaced by the Area and Performance Cluster productivity improvement indicators.

## **GOAL ACHIEVEMENT STRATEGIES**

Longer-term VOB strategies are described in Chapter 4 of the Five-Year Strategic Plan for 2001-2005. These include the Postal Service’s breakthrough productivity initiative, improvements to product pricing strategies, and revenue generation opportunities.

Achievement of the near-term VOB goals for 2001 is supported by a number of expense and capital investment programs, as described in the Resources and Programs section and in Appendix B. In addition, the VOC strategies include the breakthrough productivity and eCommerce initiatives described below.

**Breakthrough Productivity Initiative (BPI).** The Breakthrough Productivity Initiative (BPI) is a comprehensive and integrated method for accomplishing productivity improvement and cost reductions in the following areas over the next four years:

- Administration
- Purchasing
- Transportation
- Mail Processing and Post Office Operations

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<sup>13</sup> The Total Factor Productivity (TFP) and labor productivity indicators were provisionally removed in the Preliminary 2001 Annual Performance Plan, but have been included in this final plan.

The overall objective of BPI is to provide a systematic corporate focus on driving costs out of the organization by improving productivity. The BPI approach, which is common to all the initiatives, is as follows:

- Identify current common causes for poor productivity (poor practices).
- Provide a methodical approach to implementing standard improved practices and methods.
- Provide diagnostic and corrective tools.
- Define new metrics to identify cost reduction opportunities based on internal and external benchmarks.
- Adjust budgets based on identified opportunity.

The specific tactics for each of the BPI initiatives are listed below:

- Administration
  - Reduce paper transactions through use of electronic technology.
  - Eliminate unnecessary transactions and combine redundant transactions.
  - Centralize administration by creating Shared Services organizations.
- Purchasing
  - Supply chain management.
  - Strategic sourcing.
  - Leveraging size for better prices.
  - Revising purchasing methods utilizing 21st Century technology.
  - Motivating suppliers to compete.
  - Web-based purchasing through electronic catalogs.
- Transportation
  - Improve utilization of existing surface transportation.
  - Revise modal decision process.
  - Leverage size for transportation purchasing.
  - Revise purchasing method using new technology for both services and equipment.
- Mail Processing and Post Office Operations
  - Implement standard complement planning and tracking processes.
  - Provide standard scheduling tools to optimize workforce utilization.
  - Implement a national Operations performance measurement and management system.
  - Identify and implement standard proven methods and practices.
  - Identify critical knowledge shortages and correct through aggressive supervisor and management training.

**eCommerce Initiatives.** The following Internet-based eCommerce products for consumers, businesses and government entities will be pursued during 2001:

- **ePayments** – The Postal Service will expand its current ePayment services and offer one integrated solution for five types of transactions: consumers paying bills, customers paying the Postal Service, businesses sending bills, consumers paying each other and consumers receiving financial statements.
- **NetPost Mailing Online** – Mailing Online is a hybrid electronic/hard-copy service that will allow mailers to electronically transmit their documents and mailing lists to the Postal Service for forwarding to printing contractors, who will print, sort, and transport the hard-copy items to a postal facility for entry into the mailstream and delivery.
- **MoversNet** – This Internet-based change-of-address product is available at the Postal Service's home page.
- **NetPost Certified** – This product is the electronic equivalent of today's hard-copy certified mail. It provides confidential, assured delivery of electronic documents to government agencies.
- **PosteCS** – This Internet-based electronic courier service was developed jointly by the Postal Service, Canada Post and LaPoste of France, under the auspices of the International Postal Corporation. The service is designed to support global electronic communication and provide end-to-end security, confidentiality and integrity for electronic communications. It contains security features such as encryption, secure sockets layer, password protection and document expiration, as well as tracking and mail list management features. Current customers include law firms, government organizations, health care providers and financial organizations.
- **Stamps Online/Virtual Store** – The Postal Service's [www.stampsonline.com](http://www.stampsonline.com) site provides customers the convenience of purchasing stamps and philatelic products via the Internet. Customers may select from 140 stamp products. Orders are processed within 12 hours and shipped via Priority Mail.
- **Electronic Postmark (EPM)/Secure Electronic Delivery Services** – A suite of Internet-based services will be developed under the umbrella name "Secure Electronic Delivery Services." These services include the Postal Service's electronic postmark (EPM), which provides third-party validation of the date and time that an electronic document was transmitted and validates the integrity of the content by providing proof it was not altered during transmission. The time stamp indicates receipt by the Postal Service and the Postal Service's digital signature prevents undetected modification after postmarking. The EPM can also be embedded into commercially available secure electronic delivery services.

## ***CUSTOMERPERFECT!* MANAGING THE POSTAL SERVICE**

As described in its Five-Year Strategic Plan for 2001-2005, the Postal Service uses a management system based on the criteria of the Malcolm Baldrige National Quality Award — *CustomerPerfect!*. Consistent with the principle of excellence through continuous improvement, the performance of the management system itself and opportunities for improvement are subjects of ongoing review. Recent and planned improvements to the management system are described below.

### **MANAGEMENT SYSTEM ASSESSMENTS**

During 1998, the Postal Service undertook a full assessment of its management system, using as a benchmark the Malcolm Baldrige Quality Award criteria. The assessment documented the national approaches to addressing the core categories of the Baldrige Award. Following a series of site visits, a team of outside examiners facilitated a series of meetings in which the Postal Service's officers received feedback on the Baldrige assessment and then identified five key opportunities for process improvements: people, human resource strategy, process management, comparative data, and alignment of direction.

In 1999, 39 project teams were formed to respond to the findings of the 1998 Baldrige assessment, and project plans were developed for each outcome. Several of these projects were completed during 1999, and responsibility for monitoring the outcomes of the remaining projects was transferred to the senior vice presidents in 2000. During 2001, assessment of the management system will continue so that additional opportunities for improving overall Postal Service competitiveness can be identified.

### **PROGRAM MANAGEMENT**

To bring a focused discipline to program management, the Postal Service utilizes a formal management improvement process which includes concept, methodology and procedural guidance for managing Postal Service programs through five major development phases: concept, planning, design, implementation, and review and close-out. Following the five-phase process will ensure that programs support the strategic goals of the Postal Service, make the best use of its resources, provide for integration of activities and establish accountability.

Each program is formally reviewed and evaluated periodically as to its particular program plan, with emphasis on the following:

- Business management accomplishments and issues.
- Program cost performance, including both capital and expense funds and earned value.
- Technical status, including significant accomplishments, problems and corrective actions.
- Schedule status, including major milestones, critical path activities, and other key activities.

The initial focus of the program management activity was on selected major programs of the Postal Service, as documented in earlier Annual Performance Plans. During 2000, a web site devoted to the Postal Service's program management process was placed on the Postal Service's intranet for use by all program managers. This program management site provides access to the process and guidelines and includes downloadable samples and templates for program management documentation. The site is also designed to be an information source for training in other

aspects of program and project management. It includes links to non-postal sites associated with the best practices of project management. During 2001, further enhancements to improve the Postal Service's program management process will be made.

### **PROCESS MANAGEMENT**

During 1999, an ongoing effort to implement process management throughout the Postal Service was enhanced through the development of an enterprise map. The enterprise map categorized Postal Service activities into 22 major processes, encompassing both core and enabling processes. During 2000, the Postal Service identified separate high-level cross-functional processes that encompass all activities needed to carry out the Postal Service's mission. Many of the core processes needed to provide mail delivery services and enabling processes such as hiring, training, buying, maintaining equipment, budgeting, and payroll were identified and documented.

In the latter half of 2000, several process owners responsible for the end-to-end performance of these cross-functional processes were identified and given responsibility for designing processes with the proven capability required to support the Postal Service's strategic goals. This effort, currently underway, includes completing the documentation and measurement of the processes, establishing national performance standards for quality, cost and cycle time, deploying these processes to all process operators throughout the network, and verifying that performance achieves the design capability. The process owners will also be responsible for ongoing monitoring of their process and for continuous improvement of their process through the evaluation and deployment of improvements generated by process operators. During 2001, this approach will continue to be piloted with several process owners in both core and enabling process areas.

### **BUILDING THE STANDARDIZATION INFRASTRUCTURE**

The need to cut operating costs has led to a focus on improving process performance by reducing significant variations in quality, productivity, and cost across the system. Process standardization has become the means to achieve this objective. To support this management goal, the Postal Service's Quality Department developed a set of procedures and guidelines to be used by process owners to design, test, and deploy processes with the proven performance capabilities needed to help achieve 2001 service and cost reduction targets. A critical aspect of the standardization process is the designation of a national process owner who has the accountability for process capability and the responsibility to design, test, deploy, and monitor the use of the standard process throughout the Postal Service network.

Use of these guidelines began in 2000 with an effort to drive standardization in the Vehicle Maintenance Facility (VMF) scheduled maintenance process, and with a corporate initiative to install the processes needed to achieve the 2001 Priority Mail on-time performance goal. In the latter half of 2000, process owners were identified for these two standardization initiatives, and during 2001, standard process documentation will be developed.

Also during 2000, a standardization web site was developed and introduced to facilitate the use of national standard processes by process operators throughout the Postal Service network. Further enhancements to the web site will be made during 2001.

## **BUSINESS OPERATIONS PLANNING**

The Business Operations Planning process was launched in 1999 to develop an integrated Business Operations Plan to support the Postal Service's annual *CustomerPerfect!* management system. During business operations planning, a cross-functional committee of senior officers provides oversight on the development of functional strategic plans in marketing, operations, technology, human resources, labor relations, capital investment, and financial planning. The Business Operations Planning Committee also manages the preparation of an enterprise-wide Business Operations Plan that links the functional plans and sets an overall direction for strategic planning during the next year. A Coordinating Committee of senior managers responsible for strategic planning in all Postal Service functional areas supports the Business Operations Planning Committee throughout the year in developing the functional and overall business plans.

During 2000, both groups met regularly, completed their anticipated tasks, and provided input into the Establish 2001 portion of the management cycle. These inputs included sets of common and plan-specific assumptions for use in integrated planning efforts and a "Business Operations Planning Matrix" designed to ensure that the various functional plans align with each other and with corporate goals and strategies. For 2001, the Committee plans to update these outputs as appropriate and develop a more formal integrated planning document.

## **RESOURCES AND PROGRAMS: LINKAGE WITH GOALS**

Generally, resource allocation strategies are the means by which the Postal Service achieves the goals of the three Voices – Customer, Employee and Business. Each year, resources are allocated to specific programs and capital investments, many of which are multi-year projects. The linkages of the Voice goals with the Postal Service's major programs, capital plan and Information Platform initiatives are described below.

### **2001 HIGH-PRIORITY GOALS**

For 2001, Postal Service management has identified the five performance goals listed below as having a high priority. One or more high-priority indicators are also shown for each performance goal. The labels in parentheses are used as "shorthand" identifiers for the performance goals in the table that follows.

- Provide timely delivery (VOC1). Indicators: on-time performance for First-Class Mail overnight; on-time performance for First-Class Mail 2/3-day, and on-time performance for Priority Mail.
- Improve understanding of employee issues and concerns (VOE1). Indicator: VOE Survey Index.
- Improve employee safety, security and well-being (VOE2). Indicator: OSHA injury/illness rate.
- Generate net income/minimize net loss (VOB1). Indicator: net income/loss.
- Improve overall business performance (VOB2). Indicator: productivity improvement (Area and Performance Cluster target only).

## 2001 MAJOR PROGRAMS

Table 2-6 lists the major Postal Service programs that are planned to exceed \$50 million in expenses during 2001, along with their resource levels and associated high-priority performance goals. Additional reference information on the purpose and status of these programs is provided in Appendix B. Each of these projects has a major impact on the 2001 budget, and each explicitly links budget resources to the Postal Service's goals under the Voices of the Customer, the Employee and the Business. It should be noted that many of these programs are targeted at multiple performance goals; for purposes of constructing this table, only the one or two most relevant performance goals are listed for each program.

**TABLE 2-6. 2001 MAJOR PROGRAMS,  
RESOURCES AND ASSOCIATED HIGH-PRIORITY GOALS**

MAJOR PROGRAM	CAPITAL (\$ MILLIONS)	EXPENSE (\$ MILLIONS)	ASSOCIATED HIGH- PRIORITY GOALS
Priority Mail Network	0	480	VOC1
Mail Transport Equipment Service Center Network	0	325	VOC1
Corporate Advertising	0	160	VOB1
Recurring Mail Transport Equipment	0	155	VOE2, VOB2
Stamp Manufacturing	1	151	VOB1
Point of Service (POS) ONE	213	150	VOB1
eBusiness Initiatives	42	148	VOC1, VOB1
Expedited Supplies	0	108	VOC1, VOB1
Corporate Call Management	10	99	VOC1
Associate Office Infrastructure	16	82	VOC1, VOB1
Delivery Confirmation Program	0	66	VOC1, VOB1

**Comparison of 2000 and 2001 programs.** A comparison of resource levels for the major 2001 programs listed in Table 2-6 with the comparable 2000 programs (as listed in Appendix F of the 2000 Annual Performance Plan) is provided below:<sup>14</sup>

- Planned expenses changed by less than 15 percent for the following programs: Priority Mail Network, Mail Transport Equipment Service Center Network, Corporate Advertising, Recurring Mail Transport Equipment, Stamp Manufacturing, Associate Office Infrastructure, and Delivery Confirmation.
- The Year 2000 Project and International Service Centers do not appear on the 2001 list because their planned expenses were less than \$50 million. The Year 2000 project has been completed, and the International Service Centers program is nearly complete.

<sup>14</sup> The current status of the Tray Management System, Robotics, Mailer Enterprise Integration, and Automated Flat Machine 100 programs mentioned in the 2000 Annual Performance Plan are presented in the Capital Plan or Information Platform sections in Appendix B. Also, the Delivery Redesign project has completed its test phase; all test sites have been deactivated pending an evaluation of the resulting data.

- A new major program, eBusiness Initiatives, has been added to the 2001 list.
- Planned expenses for the Point of Service (POS) ONE program increased from \$85 million in 2000 to \$150 million in 2001. POS ONE is currently deployed to approximately 5,500 retail sites and by the end of 2001, POS ONE is scheduled to have over 40,000 terminals deployed to approximately 11,000 retail sites. The cost increase in 2001 relates to the additional sites being deployed and the additional training required.
- For Expedited Supplies, planned expenses increased from \$81 million in 2000 to \$108 million in 2001. Cost increases in 2001 are driven by growth in usage and significant increases in material costs.
- Planned expenses for Corporate Call Management decreased from \$144 million in 2000 to \$99 million in 2001. A business assessment of the program is currently being conducted to explore alternative ways of providing customers access to the same information at lower cost.

## 2001 COST REDUCTION PROGRAMS

The table below lists the major cost reduction programs planned for 2001. All of these programs are linked to the overall VOB performance goal. Additional information on these programs is provided in Appendix B.

**TABLE 2-7. 2001 COST REDUCTION PROGRAMS (\$ MILLIONS)**

PROGRAM	COST SAVINGS
Flat Mail Programs	143
Delivery Barcode Sorter Programs	137
Identification Code Sort Program	48
Remote Computer Read 2000 Program	38
Tray Management System	32
Remote Encoding Center Consolidation	25
Robotics	14
Automatic Airline Assignment Program	14
Mail Transport Equipment Service Centers	13
Small Parcel and Bundle Sorter Programs	9

## 2001 CAPITAL PLAN

As shown in Table 2-8, significant capital investments of \$3.2 billion in 2000 and \$3.6 billion in 2001 are scheduled that will influence future operating results. Additional details on the individual programs within each major capital category, including linkages with the Voice goals, are provided in Appendix B.

To be more aggressive in cost management, technology will be used for automation and modernization projects affecting distribution, processing, and delivery areas. The capital investment plan also includes programs that will improve the quality of customer services and provide

greater opportunity for revenue growth. Concurrently, infrastructure investments are necessary to support workload growth, repair or replace aging assets and provide the necessary information technology network. This investment strategy will achieve continuous, year-to-year performance improvements in all three of the Voice goal areas.

**TABLE 2-8. CAPITAL INVESTMENT PLAN PROJECTIONS: 2000-2001  
PROJECTED COMMITMENTS BY PROGRAM CATEGORIES (\$ MILLIONS)**

CATEGORY	2000	2001
Automation/Mechanization Equipment	1,165	1,421
Facilities	1,225	1,087
Vehicles	162	335
Retail Equipment	290	245
Postal Support Equipment	400	512
eBusiness	--	42
Total Capital Commitments	3,242	3,642

Several new financial indicators will continue to be used during 2001 to analyze the Postal Service's capital structure based on financial performance. The three broad categories for indicators are:

- Financial margins, because net income or loss is a key outcome of Postal Service activities.
- Capital structure indicators, which address the issues surrounding a company's capital strength and sources of funding.
- Efficiency indicators, which are designed to monitor labor and the management of non-core expenses.

To minimize borrowing, projects in the 2001 capital investment plan will be funded internally to the maximum extent possible.

#### **INFORMATION PLATFORM**

To further enhance VOB, VOC, and VOE performance, the Postal Service launched a new effort in 1999 to create an "Information Platform" (IP), which is intended to improve resource management and to provide a variety of value-added services to customers. Initial programs include the following:

- **Plant Operations Information System** – A pilot test of this program to better manage operations in processing plants is planned for early 2001. One of three planned pilot sites is currently in operation.
- **Surface-Air Management System** – A pilot test of improved management for transportation operations is under development, and is being tested during 2000. Nationwide deployment has been approved for 2001.
- **PostalOne!** – This development and testing program will allow business mailers to interact electronically with the Postal Service. It includes the Mailer Enterprise Integration

program, which is designed to integrate customer and Postal Service processes, including documentation, transportation management, acceptance and verification, payment, and information access using advanced information technology. In early 2001, the first phase of *PostalOne!* will pilot test information access and electronic documentation related to business mail acceptance.

- **24-Digit Bar Code Tray Label** – This label program will enable trays to be uniquely identified throughout all processes, which will enable tracking to ensure proper payment, plan workload, provide status to customers, and support future phases of other Information Platform projects. National implementation of equipment retrofits will occur during 2001 with mandatory label usage in 2002.
- **Universal Coding Strategy** – This initiative will define a standard way to identify and track mail from the piece level to the container level using various technologies. This project is scheduled for completion in 2003.
- **Structured Wiring** – This project replaces antiquated wiring that is presently in processing facilities to eliminate recurring wiring failures and increase data bandwidth. This supports future IP projects and is planned to be completely implemented in 2003.
- **Time and Attendance Collection System** – This system will replace a multitude of current time-keeping systems (except for rural delivery) with a web-based application that will standardize data collection and support the Information Platform. Pilot testing is underway, with national implementation expected to begin in 2001.
- **Activity-Based Costing** – An activity-based costing model was completed in Nashville in 1999. Other pilot sites are being added to allow comparison on activity costs across facilities and allow best practice identification. In 2001, a decision will be made on nationwide implementation.
- **WebEIS and Corporate Data Mart (CDM)** – The existing WebEIS system which provides business performance information through a web-based interface will be enhanced. The CDM will allow data to be extracted from multiple sources for cross-functional analysis. National implementation is expected in 2001.

These larger Information Platform programs, along with many smaller efforts, will create new information sources and connect existing systems to leverage the information available to customers and employees. The IP will create a window into the mail that will enable new services to be developed to track mail as it moves through the network. Customers will be served by having electronic information to better manage their business. The VOB goal will be served by providing the information necessary to plan and manage operations and to automate routine data collection tasks. As a result, employees will be able to devote more time to managing instead of tracking and recording. The added ability to forecast and control workload will contribute to the VOE goal.

## VERIFICATION AND VALIDATION: ENSURING ACCURACY

A vast array of data and resources is available to measure success in meeting the various performance goals of the Postal Service. Many of the data systems utilized, especially in the area of finance, have a series of internal controls imbedded within their procedures to safeguard the integrity of the results. A description of the specific systems and processes used for measuring, verifying, and validating data related to the 2001 *CustomerPerfect!* performance goals is provided in Appendix D.

The General Accounting Office, the Office of Inspector General, the Postal Inspection Service, and a certified public accounting firm appointed by the Postal Service Board of Governors conduct independent ongoing reviews and audits of Postal Service data and render periodic reports on their findings and recommendations. Additional information on the activities of these groups that relate to verification and validation of Postal Service performance measurement systems and data is also provided in Appendix D.

The final 2000 Annual Performance Plan listed a variety of 1998-99 studies and reports completed by the General Accounting Office, the Office of Inspector General, and the Inspection Service as part of ongoing efforts to verify and validate data related to the *CustomerPerfect!* performance goals.<sup>15</sup> Table 2-9 presents a list of selected studies and reports on the Postal Service that have been completed by these organizations and the certified public accounting firm since that time.

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<sup>15</sup> See Table 2-7 of the 2000 Annual Performance Plan, published on September 30, 1999.

**TABLE 2-9. SELECTED DATA VERIFICATION AND VALIDATION REPORTS  
FOR PERFORMANCE GOALS**

PERFORMANCE GOAL	VERIFICATION / VALIDATION OF DATA SOURCE/REPORT	
	SOURCE	REPORT TITLE
Provide timely delivery (VOC)	General Accounting Office	<ul style="list-style-type: none"> <li>• Deficiencies Continue while Antelope Valley Project Status Remains Uncertain (GAO/GGD-99-147 08/31/99)</li> </ul>
	Office of Inspector General	<ul style="list-style-type: none"> <li>• Priority Mail Processing Center Network (#DA-AR-99-001 09/24/99)</li> <li>• Year 2000 Initiative: Mail Processing Equipment, Critical Suppliers, Embedded Chips and Facilities (#IS-AR-00-001 11/30/99)</li> </ul>
	Inspection Service	<ul style="list-style-type: none"> <li>• Air Route Review (#071-1273763-SI(2) 04/01/99)</li> <li>• Priority Mail (#040-1278676-PA(2) 09/21/99)</li> </ul>
Accurate Service (VOC)	General Accounting Office	<ul style="list-style-type: none"> <li>• Status of Efforts to Protect Privacy of Address Changes (GAO/GGD-99-102 07/30/99)</li> </ul>
	Office of Inspector General	<ul style="list-style-type: none"> <li>• Tray Management System Software Management (#DA-MA-99-002 06/28/99)</li> <li>• USPS Equipment Preventive Maintenance Program (#AC-MA-99-001 09/20/99)</li> </ul>
Improve workplace relations by building leadership skills and behaviors (VOE)	Office of Inspector General	<ul style="list-style-type: none"> <li>• Fiscal Year 1998 Leadership Conference (#OV-MA-99-003 09/30/99)</li> </ul>
	Inspection Service	<ul style="list-style-type: none"> <li>• Workplace Climate (#044-1281484-PA(2) 09/17/99)</li> </ul>
Improve safety, security and well-being (VOE)	Office of Inspector General	<ul style="list-style-type: none"> <li>• Northern Virginia District's Process for Submitting, Controverting and Challenging Injury Claims (#HC-AR-99-001 09/29/99)</li> </ul>
	Inspection Service	<ul style="list-style-type: none"> <li>• Physical Security (#044-1272744-PA(2) 06/10/99)</li> </ul>
Improve understanding of employee issues and concerns (VOE)	Office of Inspector General	<ul style="list-style-type: none"> <li>• Complaint Resolution Process, Mankato Post Office (#DS-MA-99-006 09/10/99)</li> </ul>
Ensure an inclusive and fair environment with opportunities for all employees (VOE)	General Accounting Office	<ul style="list-style-type: none"> <li>• Equal Employment Opportunity: Complaint Caseloads Rising, with Effects of New Regulation on Future Trends Unclear (GAO/GGD-99-128 08/16/99)</li> <li>• Equal Employment Opportunity: The Postal Service Needs to Better Ensure the Quality of EEO Complaint Data (GAO/GGD-99-167 09/28/99)</li> <li>• U.S. Postal Service: Diversity in the Postal Career Executive Service (GAO/GGD-00-76 3/30/00)</li> </ul>
Improve overall business performance (VOB)	General Accounting Office	<ul style="list-style-type: none"> <li>• Challenges to Sustaining Performance Improvements Remain Formidable on the Brink of the 21st Century (GAO/T-GGD-00-2 3/21/99)</li> </ul>
	Office of Inspector General	<ul style="list-style-type: none"> <li>• Point of Service One (#DA-AR-99-002 09/20/99)</li> <li>• Plant Verified Drop Shipment System (#AC-AR-99-001 09/28/99)</li> </ul>
	Inspection Service	<ul style="list-style-type: none"> <li>• HASP Operations (#039-1279813-PA(2) 09/08/99)</li> </ul>
Controlling costs by achieving productivity gains (VOB)	Office of Inspector General	<ul style="list-style-type: none"> <li>• Opportunities for Savings in Rail Detention Costs (#TR-AR-99-001 09/23/99)</li> <li>• Opportunities to Increase Savings through the Use of Natural Gas Vehicles (#CA-AR-99-001 09/30/99)</li> </ul>
	Inspection Service	<ul style="list-style-type: none"> <li>• Processing and Distribution of First-Class and Overnight Mail (#312-1272877-PA(3) 05/25/99)</li> </ul>
Net Income (VOB)	Ernst & Young LLP	<ul style="list-style-type: none"> <li>• Unqualified Opinion on 1999 Financial Statements</li> </ul>

## **CHALLENGES AND EXTERNAL FACTORS: THE PERMANENCE OF UNCERTAINTY**

Changes in customer requirements, evolution of new technologies, emergence of foreign postal administrations as potential competitors, opportunities for growth in labor/management relationships and ongoing efforts to structure legislative reform continue to be challenges likely to affect the ability of the Postal Service to achieve its goals for 2001. These challenges and external factors are similar to those identified in the organization's updated Five-Year Strategic Plan for 2001-2005, which states that the basic Postal Service model eventually may need to be redesigned in order to successfully address the changing environment.

Customer expectations and requirements vary from customer segment to customer segment in their detail, but share the common characteristics of the need for improved cost management, greater speed and accuracy of delivery, and access to information relating to the whereabouts of letters and packages within the mailstream. The shaping of customer expectations and requirements is, to some extent, beyond the control of the Postal Service. In the coming year, the Postal Service will have to respond to customer pressures to accelerate its application of technology to enhance the processing and delivery of their mail, and to improve its ability to control organizational spending. Delivering the optimum value to each customer segment in 2001 will require a successful alignment of all Postal Service initiatives and programs with the organization's customer, workforce and business strategy objectives.

The emergence of new and improved technologies assures that change will be a constant. With the World Wide Web becoming a medium of wide acceptance, electronic messaging and commerce technology alternatives — from e-mail to applications yet to be made public — will continue to affect mail volumes. First-Class correspondence, advertising mail and remittances seem certain to be subject to diversion. Even as mail volume continues to grow, the mix of products in that stream will shift, forcing the Postal Service to adjust its operations accordingly. The timing and impact of such diversions, to a large extent, are beyond the control of the Postal Service, and are potentially a factor in the organization's ability to achieve its targets and objectives.

The deregulation of postal business environments in European Union countries and others creates the possibility of competitive challenges to Postal Service products, services and target markets from those countries' postal administrations. Such challenges would complicate a marketplace already populated by long-time traditional competitors such as UPS and FedEx and by the overshadowing threat of electronic-driven diversion from the First-Class mailstream. The timing of foreign posts' deregulation — and their consequent ability to enter other markets and invest in other business opportunities — are also outside the control of the Postal Service.

Finally, it appears that the prospects for postal legislation are uncertain for the remainder of this year and that reform efforts may continue into the 107th Congress in 2001 or beyond. In this regard, the experience gained in the 106th Congress will be a useful tool. Welding the diverse interests of postal stakeholders into common support for postal reform will continue to be a difficult process, requiring tradeoffs by the Postal Service and all other concerned parties.

Nevertheless, the need for productive postal reform legislation will not abate. The mission of the Postal Service — providing a fundamental, universal public service to the nation, at fair and affordable prices — remains the same. But changes in the environment in which the Postal Service performs its mission not only continue, but accelerate. Time, technology, and the worldwide evolution of the postal business will not wait, and the Postal Service must adapt itself to those changes in order to serve its customers. How, and perhaps whether, the Postal Service continues to accomplish its public mission may well depend upon the decisions made in the legislative arena over the next several years.



# APPENDICES

# APPENDIX A

## BASELINE PERFORMANCE DATA

The table on page A2 presents historical baseline performance data for the *CustomerPerfect!* subgoal indicators. Full-year data are provided for 1998 and 1999; for 2000, year-to-date data through Quarter 3 are provided (Quarter 3 is the latest quarter for which data are available).

Compared with Appendix D of the 2000 Annual Performance Plan, new baseline performance data are provided for the following indicators: Ad Mail on-time (within sales window), REDRESS participation rate, motor vehicle accidents per million miles driven, total accidents per 200,000 workhours, Safety Program Evaluation score, and the VOE Survey Index.

Baseline data are not reported until the indicators have been deployed and several quarters of actual results are available to allow detection and correction of any flaws in the process. Occasionally, these early results show that valid data cannot be obtained for a particular indicator, which requires more time to develop an improved indicator. Baseline data for the other indicators listed in Table 2-2 will be reported in future Annual Performance Plans as soon as accurate results are available.

SUBGOAL	INDICATOR	1998	1999	2000 (THRU QTR. 3)
Provide Timely Delivery (VOC)	First-Class Mail on-time:			
	EXFC overnight	93%	93%	94%
	EXFC 2/3-day	82%	86%	85%
	Ad Mail on time (within sales window)	NA	94%	98%
Ease of Use (VOC)	Composite Ease of Use Index	643	650	653
	Residential Ease of Use Index	667	662	683
	Premier Accounts Ease of Use Index	625	637	619
	Business Ease of Use Index	681	687	659
	National Accounts Ease of Use Index	599	615	650
Ensure that each and every employee is given the knowledge, tools, training, and encouragement to successfully meet the expectations for their positions (VOE)	REDRESS participation rate	NA	NA	73%
	Training in prescribed curriculum:			
	EAS 15 and over	97%	97%	NA
	EAS 14 and below	97%	97%	NA
	Craft units	100%	100%	NA
Improve employee safety, security, and well being (VOE)	Lost workday injuries/200,000 work hours	1.84	1.92	1.84
	Motor vehicle accidents/million miles driven	NA	NA	11.4
	Total accidents/200,000 work hours	NA	NA	12.2
	Safety Program Evaluation score	NA	NA	3.2 <sup>16</sup>
Improve understanding of employee issues and concerns (VOE)	VOE Survey Index	NA	57.3	57.2
Improve overall business performance (VOB)	Indexed EVA	\$512 million	\$552 million	\$1,970 million
	Capital commitments	\$3.9 billion	\$3.8 billion	\$1.1 billion
Generate net income (VOB)	Net income	\$550 million	\$363 million	\$907 million
Control costs by achieving productivity gains (VOB)	Total Factor Productivity	-1.1%	-0.3%	2.1%
	Labor Productivity	1.2%	0.7%	2.1%

16 Qtr 3 only

# APPENDIX B

## MAJOR PROGRAMS AND CAPITAL PLAN

**A**dditional details on the Postal Service's 2001 major programs and Capital Plan are provided in this appendix. These programs and activities are specifically designed to help achieve one or more of the 2001 performance goals.

### MAJOR PROGRAMS FOR 2001

Additional information on the purpose and status of the major programs listed in Table 2-6 are provided below:

- **Priority Mail Network** – The Postal Service has recently completed an evaluation of the impact of this program. Although service performance has been favorable, costs for the partnered Priority Mail Processing Centers have become a major concern. The Postal Service has determined not to expand this network at this time. Alternative methods for providing Priority Mail service to customers in these areas using internal resources are currently being explored.
- **Mail Transport Equipment Service Center (MTESCs)** – The purpose of this multi-year program is to prepare, repair, store, and distribute mail transport equipment (MTE). It consists of a national network of 22 facilities operated by five contractors with oversight by the Postal Service. The program is intended to reduce labor costs in mail processing operations (VOB net income goal) by making the correct MTE available when needed, and by eliminating container repair and processing requirements. At the same time, customers will consistently receive high-quality mail transport equipment, thus supporting the VOC Ease of Use and Customer Satisfaction goals. All 22 MTESC sites have reached full operational capacity.
- **Corporate Advertising** – This program of paid mass communication, directed to consumers, drives their awareness, consideration, and choice of postal products and services. It unifies messaging under a corporate umbrella, and focuses on the mission of growing revenue by providing both business-specific messaging as well as support across business lines. By increasing revenue and customers' preference for the Postal Service as a delivery provider of choice, it contributes to net income (VOB). The planned level of resources for 2001 is only slightly higher than in the 2000 Annual Performance Plan.
- **Recurring Mail Transport Equipment** – Recurring Mail Transport Equipment is a corporate-wide activity that provides standard rolling containers, sacks, trays, sleeves and pallets for processing, transporting, and delivering the mail. MTE increases operational efficiency, decreases incidence of damage to mail, and reduces injuries to employees. It contributes to the VOE Safety goal by reducing injuries and supports the VOB net income goal with centralized benefits from the economies realized by large purchases of MTE.

- **Stamp Manufacturing** – This ongoing program will provide sufficient stamp and postal stationery volumes and formats to meet customer demand for both mail use and philatelic purposes. It supports the improvement of Net Income (VOB) by providing postage stamps and postal stationery for sale. Sale of stamps and postal stationery are tracked through the Postal Service Financial Reporting system. Stamp retention for philatelic purposes is tracked through independent quarterly surveys of approximately 60,000 households conducted by the Home Tracking Institute.
- **Point of Service (POS) ONE** – This program supports a variety of performance goals. Under VOC, it supports the Reliability to Consumers and Ease of Use performance goals by delivering an improved level of service to customers. POS ONE will also Enhance the Workplace Environment and enable employees to Demonstrate Required Proficiencies (VOE) in the performance of their duties. As a result, at full deployment, increases in Net Income (VOB) will be achieved as customers realize the benefits of the new system. POS ONE will have deployed over 40,000 terminals to approximately 11,000 retail sites. The cost increase in 2001 relates to the additional sites being deployed and the additional training required.
- **Expedited Supplies** – This program provides centralized printing of all the shipping supplies (boxes, envelopes, labels, tape, stickers and tags) used for domestic and international expedited services, Priority Mail and Express Mail. The program is comprised of four different packaging options: Standard, Specialized, Customized, and Personalized. It supports the Ease of Use and Provide Timely Delivery goals (VOC) as well as contributing to net income (VOB). Cost increases in 2001 are driven by growth in usage, the impact of new programs and significant increases in material costs.
- **Corporate Call Management** – This program supports the Ease of Use performance goal (VOC) by improving customer service through easy telephone access to Postal Service products and services. The National Service Centers provide a reliable, convenient way for customers to obtain information concerning their mailing needs. The Postal Service monitors a variety of indicators (number of calls, waiting time, average speed of answer, etc.) to ensure that customers received the highest levels of service. A business assessment of the program is currently being conducted to explore alternative ways of providing customers' access to the same information at lower cost.
- **Associate Office Infrastructure (AOI)** – This program provides Postal Service facilities with modern computer cabling and electrical systems. It includes local area network wiring, workstation outlets, a patch panel, a server, a printer, an uninterruptable power supply, and a Central Management Facility to support the new infrastructure and all connected applications. The AOI program enables critical business applications to be deployed to the field. The critical applications that are driving the schedule are Point of Service (POS) ONE, Delivery Confirmation and Identification Code Sort (ICS). The AOI program provides the necessary infrastructure to enable other applications and programs to deploy much faster at a significantly reduced expense, increase revenues, and improve the delivery of existing products. AOI had been deployed to 7,560 post offices by the end of July 2000.

- **eBusiness Initiatives** – eBusiness Initiatives will provide benefits through Internet technology to customers and the Postal Service in terms of increased customer satisfaction (VOC), cost reduction and revenue generation (VOB), and employee satisfaction (VOE). These initiatives are categorized as eCommerce, eService, ePeople, and eInfrastructure.
  - **eCommerce** initiatives, discussed in the VOB strategy section above, are new Internet based products and services for consumers, businesses and government entities.
  - **eService** initiatives will enhance features, access, and information about core products and services.
  - **ePeople** efforts will keep employees better informed, provide a full range of “self services,” reduce administrative tasks, and increase access to development opportunities.
  - A secure, reliable, cost-effective and adaptable **eInfrastructure** platform will be necessary for the Postal Service to be an effective player in the new electronic marketplace. This platform includes the hardware, operating and network environments, security, call center, and technical capabilities required to support the various eBusiness initiatives. It also includes specific enabling technologies, such as the Electronic Postmark and Secure Electronic Mailbox, which are leveraged across many eBusiness offerings.
- **Delivery Confirmation** – This program supports the Provide Timely Delivery performance goal (VOC) by providing diagnostic information to improve service for all Priority Mail and Standard B mail. Improved service will result in additional business, thereby supporting the VOB Net Income performance goal. The program also supports the Improve Customer Satisfaction goal (VOC) by offering a desired product feature.

## 2001 CAPITAL PLAN

Significant capital investments of \$3.6 billion in 2001 are scheduled that will influence future operating results. To be more aggressive in cost management, technology will be used for automation and modernization projects affecting distribution, processing, and delivery areas. The capital investment plan also includes programs that will improve the quality of customer services and provide greater opportunity for revenue growth. Concurrently, infrastructure investments are necessary to support workload growth, repair or replace aging assets and provide the necessary information technology network. This investment strategy will achieve continuous, year-to-year performance improvements in all three of the Voice goal areas.

### AUTOMATION/MECHANIZATION EQUIPMENT

Equipment technology will continue to be a key enabling element for the achievement of the Postal Service’s 2001 performance targets. In 2001, a total of \$1.421 billion, or 40 percent of the total plan, will be used for automation and mechanization investments to enhance previously deployed technologies and expand the technology base available to support postal operations. While most of these investments are directly targeted at the VOB goal of controlling costs, many will also contribute to improvements in the VOC service quality and ease of use goals.

**Letter distribution.** The optical character reading, barcode sorting, and remote encoding technology required to automate letter piece distribution is now deployed. By the end of 2001, several programs will be implemented to further enhance the capability of this equipment and expand the capacity of the system. The following letter distribution programs are included in the 2001 Capital Plan:

- **Delivery Barcode Sorter Input Output Subsystem (DIOSS)** – This system is a universal modification kit that will be added to some existing Delivery Barcode Sorters (DBCSs). The DIOSS kit adds Input Sub-system, Output Sub-system, and Optical Character Reader capabilities to an existing DBCS machine. One of the main advantages of a DIOSS machine is that it provides all three capabilities in a small footprint with up to 300 sorting bins, depending on the DBCS configuration.
- **Multi-Line Optical Character Reader (MLOCR) Replacement with Delivery Bar Code Sorter Input/Output Subsystem With Expanded Capability (DIOSS-EC)** – This program will replace outdated MLOCR machines with the latest in automated letter sorting technology. The MLOCRs will be replaced with DIOSS-EC modification kits that will be added to existing Delivery Bar Code Sorters (DBCSs). The DIOSS-EC kits are similar to the basic DIOSS kit and provide Input Sub-system, Output Sub-system, and Optical Character Reader capabilities. The DIOSS-EC kit also allows the DBCS to handle a significant percentage of mail that is currently processed in manual operations.
- **Delivery Bar Code Sorter with Expanded Capability (DBCS-EC)** – This program consists of a retrofit to the existing fleet of DBCS machines that will allow the machines to process a significant percentage of mail that is currently handled in manual operations. The DBCS-EC will expand the automated mail base to include mail that is thicker, heavier, and less flexible than today's equipment can handle. The modification will also allow the DBCS to improve processing of tabbed pieces and small booklets.
- **Information Based Indicia Postage (IBIP)** – This camera replacement program will replace over 10,000 wide area barcode reader cameras in use on all barcode sorting equipment. These cameras will permit reading and verification of PC Postage on full-height letter mail. This technology will give customers greater flexibility in buying stamps and the ability to include strategic information within the codes for their specific applications.
- **Mail Cartridge System (MCS)** – This system is a modification to the existing Delivery Bar Code Sorters (DBCSs). The modification consists of a mobile letter mail cartridge, customized support equipment, a semi-automatic feeder, and an Automated Storage and Retrieval System cartridge handling system. The MCS replaces feeding, sweeping, and handling of mail and mail trays which is currently performed by manual labor. The system also provides an automated and intelligent interface to the Tray Management System.
- **Optical Character Reader Recognition Improvement Program** – This initiative improves the machine-print address recognition technology used in existing and planned Optical Character Readers by an estimated 8 percent while still maintaining existing throughput and error rate requirements. This program will improve productivity and reduce manual keying workload at the Remote Encoding Centers.
- **Remote Computer Reader 2000** – This program is an incentive-based contract that increased machine print recognition over 13 percent. By the end of 2000, the handwritten recognition rate had also risen to 74 percent.

**Flats distribution.** Flats distribution technology will be improved and capacity will be expanded during 2001 and beyond. The major portion of the flats program involves automated flat sorting machines.

- **Automated Flat Sorting Machine 100** – The goal of this program is to deploy state-of-the-art flat sorting equipment to handle additional capacity needs and replace a portion of the older model 881 flat sorters now in use. The initial purchase of 175 new units in 1999 increased capacity to meet processing requirements at the major processing and distribution centers. A second purchase of 362 units made during 2000 allows replacement of existing model 881 flat sorting machines with the more efficient Automated Flat Sorting Machine 100. These replacements will allow migration of existing Model 881 machines to smaller sites that do not process enough volume to justify a new machine. Use in the smaller facilities will replace manual sorting operations with more efficient machine processing. The first buy of 175 machines is currently in the deployment phase. Deployment of the second buy of 362 units will follow.
- **Automated Flats Feeder and Optical Character Reader for the Model 1000 Flat Sorting Machine** – This program will add an automated flats feeder and an optical character reader to the Model 1000 flat sorter. This machine is currently manually fed and uses either manual keying or a barcode reader to direct the sortation. The addition of the feeder and optical character reader will eliminate the need for manual feeding and manual keying. This, in turn, will eliminate or reduce the number of operators required and increase the throughput, thereby increasing productivity. Deployment of these improvements is expected to begin in 2001.

**Parcel distribution.** Over the next two years, parcel sorting capacity will be expanded and investments made to improve the performance of the technology. The following programs are included in the 2001 Capital Plan:

- **Parcel Sorter Singulator Scan Induction System** – This system will be installed on all Bulk Mail Center parcel sorters and will singulate parcels, scan for barcodes, and sort parcels. These functions will be completed automatically for all barcoded parcels that are processed in the local secondary operation.
- **Upgrade/Replace Parcel Sorting Machine/Sack Sorting Machine** – This program's objective is to investigate and evaluate state-of-the-art parcel and sack sorting technologies in order to determine innovative approaches to improve sort capacity, efficiency, and reliability. New technology sorters will give greater sort accuracy and reliability. Sorting equipment in the 21 Bulk Mail Centers is based on 30-year-old technology and is becoming increasingly difficult to maintain.
- **Small Parcel and Bundle Sorter (SPBS) Re-architecture and Optical Character Reader** – This program is designed to install optical character reader and barcode reader capabilities on 191 of the 341 Small Parcel and Bundle Sorters and upgrade their software to increase productivity. An option to install the same modifications on the remaining 150 machines will be included. Presently, all barcoded parcels are handled by clerks for induction. This modification will eliminate the clerk's role for all barcoded parcels.

- **Next Generation Small Parcel Bundle Sorter (NGSPBS)** – This program provides a new SPBS that has barcode reader, optical character reader, and video coding system capabilities to automate address reading of parcels and mail bundles. The NGSPBS will also include automatic singulation of parcels and bundles to further reduce the dependence on manual labor in this operation. The combination of all of these features is expected to result in a significant increase in parcel and bundle sorting productivity. Competitive field testing of two supplier solutions is planned for the spring of 2001. The performance measured during the formal competitive test will be used as a major factor for selecting an NGSPBS production system shortly thereafter.

**Material handling.** The emphasis in this area will be on the robotics and automated tray-handling programs designed to offset growing material handling labor costs.

- **Robotics** – A number of programs are planned or underway to replace current labor-intensive tray-handling operations with robotic applications (VOB). Deployment of 100 pedestal-type robots that can load letter trays and flats tubs onto dispatch containers will be completed in early 2001. In addition, 100 robots with more advanced capabilities will be deployed during 2001. The pedestal-style and gantry-style robots will be used to support dispatch operations at Processing and Distribution Centers, Bulk Mail Centers and Air Mail Centers. The use of robots for supporting tray, tub, bundle, package, and non-machinable outside (NMO) parcel sorting will be investigated during 2001. Research and development efforts will continue for automated guided vehicles and for the Mail Cartridge System, which will automate feeding and sweeping on the Delivery Bar Code Sorter during two-pass operations with prototypes scheduled for deployment and field testing in 2001.
- **Tray Management System** – These material handling systems transport and stage the workload within mail sortation plants under computer control. This program is an engineering solution to improve productivity and efficiency (VOB), support on-time processing (VOC), and reduce injuries (VOE). After a suspension in 1997-98 to address several problems that appeared when the first of these systems was installed, this program again is in the implementation phase. The Postal Service deployed 12 of these systems in prior years, 9 in 2000, and has 9 more scheduled for 2001.
- **Field Material Handling Systems** – These systems are continuing field projects of less than \$5 million that support the Bulk Mail Center (BMC), Processing and Distribution Center (P&DC), and Air Mail Center (AMC) material handling systems. These projects also address the safety concerns of the Postal Service and will improve efficiency by increasing productivity while providing for more efficient operations and better service.
- **Automatic Tray Sleever (ATS)** – This program is for the purchase of 123 machines that will perform the task of sleeving a tray full of letter mail without any manual assistance. The ATS has the capability to automatically sleeve all sizes of cardboard and plastic trays used in postal operations. It inserts letter trays into cardboard sleeves that secure their contents and ensures that mail does not fall out during dispatch and transportation. These automated systems will replace current manual and mechanized sleeving operations resulting in a reduction in work hours and an increase in productivity. Deployment is expected to be completed during 2001.

- **Automatic Airline Assignment (AAA) System and Semi-Automatic Scan Where You Band (SASWYB)** – These programs will provide a comprehensive platform that will enable the field to reduce the amount of labor needed to apply Dispatch and Routing labels on mail being transported via commercial air carriers. Deployment of 222 AAA Systems that automatically read labels on letter trays and flat tubs and then print and apply airline assignment dispatch and routing labels for downstream sorting and dispatch is expected to be completed during 2001. Deployment of 166 SASWYB systems that allow an operator to scan labels and apply barcodes for the airline assignment of sacks and parcels is expected to be completed during 2001.
- **Automated Seamless Dispatch System** – This program will turn the dispatch system into one continuous, automated operation. The project includes interfacing the Automatic Tray Sleever with the Automatic Airline Assignment Systems now being deployed and the Robotics Containerization Loader System, of which 100 are currently under contract.

**Customer/other equipment.** This capital investment category includes customer service equipment programs designed to enhance Postal Service products and equipment that support multiple equipment categories and non-fixed automation and mechanization projects. It includes the Corporate Call Management program (described above), as well as the following program:

- **Intelligent Delivery Unit** – This system will automate storage and tracking of mail items for re-delivery by carriers or pick-up by postal customers. It will improve customer service and minimize labor intensive record keeping. It will also provide additional post office box capacity in locations that lack the space to meet customer demand and provide customer access for pick-up after normal business hours. An engineering effort in progress will provide four prototypes for field testing. The field test results are expected to provide the economic justification to purchase and deploy as many as 1,000 units.

## **FACILITIES**

Facility investments are necessary to satisfy capacity requirements dictated by the growth of population, mail volume and delivery points. There is also an aging inventory of facilities that require repair or replacement to sustain efficient service. Properly maintaining existing assets extends their useful lives, enhances working conditions for employees, and provides a business-friendly environment for customers. The facilities commitment plan for 2001 is \$1.087 billion, which accounts for 30 percent of the total Capital Plan, and includes funding for the following items:

- **Mail Processing Facilities Program** – This program funds the planning, site acquisition, and design and construction for larger processing facilities with network impact.
- **Developmental Real Estate Program** – The focus of this program is on maximizing benefits and generating revenues from Postal Service real property. Activities to accomplish this objective include the sale of excess real property, development of underutilized real property and the acquisition of leased facilities.
- **Bulk Mail Center Facility Expansion Program** – This program enables the BMC network to adjust to expected future growth in palletized volume and large parcels in an efficient and more timely manner. It is expected to increase customer satisfaction (VOC) by improving the network's ability to adapt to changing mail characteristics.

- **Customer Service Facilities** – This program funds the planning, site acquisition, and design and construction for retail and delivery facilities.
- **Facilities Repair and Alteration Program** – This project funds building repairs, alterations and capital improvements for all facilities within the Postal Service real property inventory.

## VEHICLES

The primary purpose of the vehicle capital program is to replace the mail transport and delivery fleet as it ages. Newer vehicles provide better driver safety, higher fuel efficiency, greater reliability, and lower maintenance costs. The 2001 capital funding plan for vehicles is \$335 million, which represents about nine percent of the plan. The vehicle category includes the following programs:

- **Mixed Delivery and Collection Vehicles** – This program covers the purchase of two-ton vehicles. A portion of the purchase will replace existing vehicles that have reached maximum service life and the balance will provide for new service requirements.
- **Alternative Fuels Program** – This program provides funds to comply with Environmental Protection Agency requirements for conversion of existing equipment to alternate or bi-fuel capabilities. This program will meet federal regulations implemented pursuant to environmental laws.
- **Cargo Vans** – This project covers procurement of 1,250 cargo vans, which support daily transportation of mail between processing centers, large mailers and delivery units. These new vehicles will allow the Postal Service to avoid higher operating costs due to the increased breakdowns of the older vehicles to be replaced. The reduction in vehicle breakdowns (and hence transportation delays) resulting from this new purchase will ultimately provide an increased quality of customer service, with more reliable service and timely deliveries.

In addition to the costs related directly to vehicle acquisition and alternative fuel are programs that provide enhanced maintenance management and improved capability. Capital funding plans include the following programs in support of the fleet:

- **Vehicle Operations Information System (VOIS)** – This system will replace the Vehicle Management Accounting System (VMAS). It will allow the Postal Service to improve the management of vehicle assets and maintenance and operations costs. VOIS is an off-the-shelf solution to provide actionable information through a centralized database or web based technology.
- **Light Delivery Vehicle Stowage and Retrieval System** – This program will provide Postal owned carrier vehicles with a mechanism to safely load and access mail of all types in the cargo area. Useable cargo space will be expanded to handle additional package volume growth. The system design will incorporate flexible configurations to ensure functional usage on all types of routes with all types of mail mix.

## RETAIL EQUIPMENT

Capital investments for retail and self-service equipment enhance customer service by improving the quality of information available to retail clerks and by expanding the locations and times when basic postal services are available to customers. Commitments of \$245 million are planned for 2001, which include the POS ONE program and self-service equipment. The self-service budget includes funding to respond to unmet customer demands for alternative access points to purchase stamps, and for the development of automated, networked machines that offer postal products and services.

## POSTAL SUPPORT EQUIPMENT

Postal support investments provide the day-to-day equipment necessary to:

- Help employees perform their work more efficiently.
- Support an information technology infrastructure that enhances management effectiveness.
- Transmit voice, data, and images across the nationwide telecommunications network.
- Maintain facility and equipment assets.

Postal support equipment investment of \$512 million represents 14 percent of the total 2001 Capital Plan. This plan includes funding for the programs described below:

- **Network Operation Telecommunications** – This telecommunications services program involves engineering, managing, and operating – in partnership with various contractors – the Postal Service national telecommunications voice, video, data, satellite, and wireless communications networks. This program also supports the Associate Office Infrastructure and POS ONE programs (VOC). Recent activities include system-wide improvements to national data network reliability and the implementation of a contract that provides reduced-cost standard cellular services for the Postal Service (VOB).
- **Delivery Operations Information System (DOIS)** – This program will replace the Decision Support Information System and the Route Examination System, which date back to the 1980s. A successful pilot of the DOIS application took place in six Customer Service Districts in calendar year 1999. The national deployment of DOIS will begin in late fall / early winter of 2000 and will be 30 months in duration. Under the VOE, DOIS supports the ease of use, due to its standardized Windows-based architecture. Under the VOC, DOIS provides the Delivery Supervisor with timely information to assist in ensuring customers receive consistent time of day delivery. Under the VOB, DOIS will provide the Delivery Unit Supervisor with timely data from which they can make solid business decisions on a daily basis regarding the efficient operation of their delivery unit.

- **Mail Evaluation, Readability, and Lookup Instrument (MERLIN)** – This program will automate the verification of bulk business mailings, allowing both letter and flat mailings to be verified and accepted efficiently and accurately. Without automated verification, there is an inability to ensure that proper revenue is collected from business mail customers, that all mailers are treated consistently, and that distribution operations are not saddled with large volumes of problematic mail (VOB). This system will assist mailers in ways that can reduce their costs and improve the delivery service they receive (VOC). It will also automate verification and acceptance procedures which clerks must now perform manually (VOE).
- **ADP Field Infrastructure (Computer Replacements)** – This program funds the corporate part of the day-to-day computer operations and support in the Areas, Districts, post offices and plants. The program centralizes the funding and management of field distributing computing infrastructure and corporate-wide software, standardizes Information Technology (IT) purchases, leverages IT buying power, reduces the total cost of ownership for technology investments, and helps ensure support for mission-critical business applications.

## **eBUSINESS**

Capital investments of \$42 million are planned for the eBusiness program during 2001. The components of the eBusiness initiative are described in the Major Programs section above.

# APPENDIX C

## VOICE OF THE EMPLOYEE PROGRAMS

### REDRESS PROGRAM

In order to resolve and expedite employee complaints at the lowest possible level, the REDRESS program (Resolve Employee Disputes, Reach Equitable Solutions Swiftly), developed as an alternative to the traditional Equal Employment Opportunity (EEO) process, was deployed and made available to all Performance Cluster employees during 1999. Under REDRESS, an employee who has alleged discrimination may elect to have his or her case mediated by an impartial mediator within two weeks of the initial request. Mediation has proven to be a fast and effective process to resolve complaints by eliminating the investigation and processing costs of formal complaints. If the case is not resolved, the employee may return to the EEO process to file a formal complaint.

During 2000, almost 10,000 cases were mediated and 80 percent of these were closed, leaving only 20 percent in which employees filed formal complaints after mediation. Since full implementation of REDRESS, the number of formal complaints filed annually has dropped by 20 percent. Studies conducted by Indiana University have shown a direct correlation between the reduction in complaints and participation in the program. This translates into a substantial cost avoidance as formal complaints tend to negatively impact the Postal Service both financially and in terms of productivity. In addition, satisfaction studies continue to indicate that participants (supervisors, employees, and employee representatives) are very satisfied with the mediation process, the mediation and the outcome.

The REDRESS goal for 2001 establishes a 70 percent target for participation in mediation, which is arrived at by calculating the percentage of EEO complainants who accept mediation when it is offered to them. This is an important goal, because once employees participate in mediation, their disputes are likely to be resolved and communication between employee and supervisor is likely to improve.

### LABOR RELATIONS PROGRAMS

In the fall of 1998, the American Postal Workers' Union (APWU) and the National Postal Mail Handlers Union ratified collective bargaining agreements. Under the terms of those agreements, the parties made significant strides toward improving the workplace environment by committing to a process to jointly clarify key terms of the agreement and its application through the development of Joint Contract Interpretation Manuals. This process will continue through 2001.

Joint guidance on contract interpretation will ultimately contribute to a reduction in unnecessarily disputed issues. Two unions, the APWU and the Mail Handlers, have also agreed to pilot revised and more streamlined dispute resolution procedures which have helped considerably in reducing workplace tensions by resolving conflict at a more expeditious rate and at the level of

the organization where the conflict occurs. A similar proposal is under consideration with the National Association of Letter Carriers (NALC). Also, the NALC has agreed to a national implementation of its piloted dispute resolution process and to update its successfully deployed contract administration manual.

The APWU and Mail Handlers unions have also committed to reduce the need for time-off suspensions as a standard disciplinary practice for bargaining unit employees. Letters of warning in lieu of suspensions have effectively reduced the level of non-bargaining disciplinary appeals since their introduction in 1997. A similar approach with the bargaining unit is expected to reduce workplace tensions by eliminating the stigma of discipline served without pay which impacts the employee, his or her family and standing in the workplace. A renewed focus will be placed on correcting behavior, rather than achieving short-term punitive results.

The following additional labor relations initiatives are planned for 2001:

- The national Grievance/Arbitration Tracking System (GATS 2.0) will be fully operational, providing reliable and quantifiable reports each accounting period on grievance activity by district and union.
- The arbitration “win” rate for field arbitrations will attain a target of 65 percent. Concomitantly, the number of cases proceeding to arbitration at this level will be reduced by 13 percent.
- The implementation of Alternative Dispute Resolution Processes (ADR) will be expanded to encompass EEO appeals, Employee and Labor Relations Manual Section 650 non-bargaining discipline cases, and Merit Systems Protection Board appeals.
- The counseling and investigative stages for all EEO complaints will be completed within the statutory timeframe.
- Cases pending resolution at Step 4 of the grievance process will be reduced by 25 percent and cases pending national arbitration will be reduced by 20 percent.

The establishment of an arbitration win rate of 65 percent will drive enhanced performance at various levels of the Postal Service. This goal will encourage managers to try to settle marginal cases at the early steps of the grievance procedure, and to prepare complete case files for those cases which should not be settled before the arbitration process. The national grievance tracking system (GATS 2.0) allows managers to assess activity throughout the grievance system and to identify potential problems that can be addressed before grievances are filed.

It is anticipated that these programs will contribute to a reduction in grievance activity as well as improvements in the work environment, employee attitudes and ultimately overall performance and productivity.

## TRAINING PROGRAMS

In 2001 the Postal Service will continue its focus on strengthening the linkage between education and training and the key performance goals. In order to achieve its vision, the Postal Service will have to excel in the development of leaders. That improvement effort is already underway and is reflected by the investment in the training of new managers and supervisors in communication, conflict management and leadership skills. This commitment will enhance executive effectiveness, advance the organizational commitment to value, leverage diversity and create a valuable resource of mid-level managers prepared to assume leadership roles.

Supervisors and managers will continue to have an opportunity to participate in courses specifically designed to enhance their skills and competencies both on a technical level and as leaders. A new course, the Career Management Program (CMP), is available to train supervisors and managers in the EAS level 15-22 range. In 2001, the Postal Service will update the curriculum for the Associate Supervisor Program for initial level supervisors, as well as for the Advanced Leadership Program, which targets individuals selected as high-potential future leaders. In addition, specific functional and administrative training for supervisors in delivery, retail and plant operations will be available.

Career development opportunities for supervisor and management employees in levels EAS-18 and above are the focus of the Career Development Tracks program, which prepares employees to meet the Postal Service's future need for postal managers. Critical requirements and requisite competencies for various management positions have been identified to assess the readiness levels of employees and to design assignments that will help them develop necessary competencies. Planned activities to narrow the gap between what the employee can already do and the skills and competencies needed for future work requirements will be outlined in individual learning plans.

Since leadership is a key ingredient in driving change, the Postal Service is developing a strong cadre of leaders at every level of the organization to fill critical vacancies. The Postal Service is tracking Advanced Leadership Program (ALP) graduates moving into executive positions to assure that the talent is in place to replenish the leadership pool. Tracking the movement of key individuals will allow an improved assessment of the return on investment of training dollars, and keep leadership development programs aligned with current needs. Measures for this initiative include:

- Percentage of positions filled by graduates.
- Success of participating employees (promotions, laterals, details, etc.).
- Feedback from process users.

## **SAFETY AND HEALTH PROGRAMS**

The Postal Service has taken a leadership role in protecting employee safety and health. Since the inception of the Postal Employees' Safety Enhancement Act (PESEA) in September of 1998, the Postal Service has been working closely with the Occupational Safety and Health Administration (OSHA) to assure a smooth transition of the private-sector provisions of OSHA. The OSHA enforcement activities and regulatory agenda can have significant operational, labor relations and economic impact. The ongoing implementation and maintenance of a comprehensive safety and health program will include training and education; workplace inspections; safety engineering; joint labor/management safety and health committee activities; and thorough accident investigation, reporting and analysis to identify trends and appropriate prevention and control measures. Low accident and injury frequency statistics are aligned with Postal Service corporate goals to reinforce employee commitment, customer satisfaction and revenue generation. The key supporting programs create line management accountability for safety and health performance.

The Postal Service has historically followed OSHA federal sector record-keeping requirements, which were based on Office of Workers' Compensation Programs claim submissions. During 2001, conversion to an OSHA private-sector total injury/illness case rate will be pursued for the purpose of developing VOE performance targets. OSHA private sector record-keeping procedures have already been adopted in accordance with the PESEA. Efforts to automate the record-keeping process are ongoing.

## **WORKPLACE ENVIRONMENT IMPROVEMENT PROGRAMS**

The office of Workplace Environment Improvement (WEI) was created in September 1998 to reflect management's commitment to improving the postal work environment and bringing focus to "people issues." WEI activities include the Employee Assistance Program (EAP), violence prevention and crisis management activities, and identification and propagation of indicators, measures, and tools for workplace environment improvement.

The Postal Service's Employee Assistance Program provides free, voluntary, confidential, in-person counseling services to employees and family members by master's-degree-level counselors housed in or near local Postal Service facilities. Counselors are available 24 hours a day, seven days a week, in convenient locations to assist employees and family members in coping with difficulties that affect their lives and their work, including emotional, financial, legal, chemical dependency, marital and family problems. In 2000, nearly 35,000 employees and their family members received counseling from the EAP. EAP counselors also provide immediate support in response to critical incidents (e.g., suicide, violence at work, armed robbery, and accidental death).

In a further effort to support employees in work/life balance, pursuant to a Memorandum of Understanding negotiated with the American Postal Workers' Union (APWU), AFL-CIO, for the 1998-2000 National Agreement, the Postal Service and the APWU have jointly selected a vendor to begin providing a dependent care resource and referral service to EAS and APWU employees. The service which is being provided to many large private and government employees as well, allows employees to obtain assistance in locating dependent care, elder care, and a variety of other work life resources via an 800 telephone number and an interactive web site. The resource has been available in nine sites during 2000, and the services will be provided to EAS and APWU employees nationally in 2001, at least through the end of the APWU contract term.

The Postal Service and the APWU are jointly monitoring and evaluating the effectiveness of the service.

In the area of workplace violence prevention, the WEI office has implemented, with the support of a national joint committee, a standardized protocol for the identification and resolution of troubled Postal Service work sites that result from systemic organizational problems. In addition, the WEI office is assisting the field in ensuring that local threat assessment and crisis management teams are operating effectively, using best practices, and that necessary training is provided and refreshed regularly. Finally, the U.S. Postal Service Commission on a Safe and Secure Workplace issued its independent report on August 31, 2000.<sup>17</sup> The report, commissioned by the Postal Service in October 1998, is a comprehensive review of violence in the postal workplace and includes recommendations for improvement. A major conclusion of the report is that postal workers are no more likely to commit or be victims of violence than those in the national workforce.

During 2000, the WEI office delivered a national video message for all employees on improving the workplace and a web-based toolkit to provide managers and Human Resources professionals a user-friendly resource of best practices and key information in the area of improving the work environment. In 2001, the web toolkit will be updated and the WEI office will focus on implementation of two key projects:

- Revitalization of Employee Workplace Intervention Analysts, transforming them into internal organizational effectiveness consultants whose key focus is to partner with management, to create sustainable improvements in people management.
- National focus on communication and performance management execution from the top of the organization to the line level, to be accomplished by setting national expectations and providing ready-to-implement best practices to Performance Clusters.

Both of these efforts support improved VOE Survey Index results, an indicator of improvement in the Postal Service's skills in delivering the full potential of its people.

## **DIVERSITY PROGRAMS**

To achieve maximum corporate success, the Postal Service will continue to develop and implement strategies and objectives to promote an inclusive environment at all levels of the organization. The Diversity Business Plan, published in 1999 and currently under revision, lists four principal objectives and supporting tactics that are being implemented over a five-year period – in partnership with other organizational functions – to attain Postal Service diversity goals. The underlying purpose of these objectives is to promote leadership development, improve the workplace environment, improve workforce management, and promote customer and community relations. The Postal Service will continue to communicate the diversity message of inclusion; to develop and promote recruitment, retention, and promotion practices to capture the unique contributions that everyone has to offer; to create a work environment free of discrimination and sexual harassment; and to establish and maintain a strong, competitive and diverse supplier base.

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<sup>17</sup> Additional information on this report is available through a link on the Postal Service's web site, [www.usps.com](http://www.usps.com).

Diversity action plans for 2001 include the following programs:

- **Affirmative Employment Program.** During 2000, this program continued its focus on VOE issues identified in the *CustomerPerfect!* goal-setting process and on diversity issues raised by the Aguirre study commissioned by the Postal Service's Board of Governors. Assistance was provided to managers in the areas of sexual harassment prevention, employee group representation, discrimination complaints, recruitment and hiring, employment development, promotions, separations/retention, program evaluation, veterans and people with disabilities. During 2001, in addition to reporting system changes, proactive steps will be taken with the EEOC and Congress to enhance the effectiveness of the reporting requirements through use of an improved process and streamlined paperwork.
- **The Diversity Reporting System (DVRS)** provides detailed statistical reports used to analyze postal work force data and identify employment trends. DVRS enhancements included the development of tracking reports for applicant flows, awards, and EEO complaints. This system is currently undergoing a major overhaul to produce more meaningful working documents that directly measure the effectiveness of diversity initiatives and provide for management accountability.
- **Quarterly Workforce Profile.** This applicant-flow tracking report and retention report is prepared and distributed quarterly. The quarterly workforce profile report is distributed to the Board of Governors, officers, and managers. New indicators for new hires, promotions, and career development activities will be developed for 2001.
- **Headquarters and Field Diversity Program.** This program provides a network of Senior Field Diversity Coordinators, Diversity Development and Hispanic Program Specialists who carry out, monitor, and report diversity initiatives at the area and district levels. This network of 125 trained specialists assists with facilitation of diversity briefings, mentoring and coaching programs, CMP, and the special events that promote inclusiveness through multicultural sponsorships and events. The Headquarters and Field Program also utilizes a network of executives who meet with their respective officers to ensure that Postal Service diversity objectives are achieved in their respective functions. Specifically, the liaison network addresses under-representation and succession planning of diverse groups, and implements tools and strategies to ensure access to all individuals in the higher level EAS and PCES management ranks.
- **Prevention of Sexual Harassment.** During 2000, one-hour mandatory training was given to all craft employees to increase awareness of sexual harassment issues. Two hours of training were provided to all non-bargaining employees on how to identify, investigate, prevent, and resolve sexual harassment situations in the workplace. During 2001, the focus will be on updating resource materials and on continuing the awareness, root cause identification and prevention efforts.
- **Noncompetitive Hiring Program.** The Postal Service sponsors a noncompetitive hiring program for people with disabilities. Applicants for designated-entry positions may have their qualification assessed by the Department of Veterans Affairs or by state departments of vocational rehabilitation. Applicants certified by these agencies are eligible for non-competitive hiring.

- **The National Hispanic Program** identifies high-potential employees, provides orientation to applicants for entry hiring exams, conducts recruitment and community outreach, and establishes and maintains contacts with Hispanic organizations.
- **The Women's Program** sponsors executive leadership training; analyzes issues concerning work and family life; initiates efforts regarding recruitment, retention, mentoring, and succession planning; and implements focus groups to identify and resolve women's issues.
- **The Special Emphasis Program** was created to ensure that all employees are fully utilized in the Postal Service workforce and that they have an equal opportunity to compete in every aspect of employment, including but not limited to recruitment, hiring, retention, training, career development, and promotions. The program focuses attention on the special needs, obstacles and concerns of those who are under-represented in Postal Service employment and those who are under-represented at higher levels of postal management.
- **The Supplier Diversity Program** will continue providing buyer training, monitoring contracting activity against the diversity plan, improving inclusion of minorities and women in subcontracting, and identifying and disseminating best practices in supplier diversity.
- **The 23 initiatives** that followed the 1997 study of diversity in the Postal Service were all completed by the end of 1999. The following eleven initiatives were extended beyond their original planned accomplishments:
  - Continuation of the Diversity Oversight Committee.
  - Creation of a quarterly diversity overview report with Workplace Environment Indicators.
  - Maintaining and expanding sexual harassment prevention training.
  - Evaluation of incorporation of diversity objectives into the PCES merit evaluation process.
  - Establishment of systems to track applicants at various phases of the recruitment process.
  - Evaluation of recruitment by performance cluster.
  - Determination of why employees leave the Postal Service.
  - Monitoring diversity in the Career Development Tracks program when implemented.
  - Ensuring that Promotion Review Committees are trained.
  - Improvement and expansion of supplier diversity quarterly reports.
  - Identification and dissemination of supplier diversity best practices.



# APPENDIX D

## PERFORMANCE MEASUREMENT SYSTEMS AND REVIEW PROCESSES

### PERFORMANCE MEASUREMENT SYSTEMS

The specific Postal Service systems and processes used for verification and validation of the various *CustomerPerfect!* 2000 and 2001 performance goals are listed below. Many of these performance measurement systems are based on surveys conducted by independent firms retained by the Postal Service to ensure the integrity of the results.

- **Provide timely delivery (VOC)** – Mail service performance results for overnight, 2-day and 3-day First-Class Mail and Priority Mail are measured by the Transit Time Measurement System (TTMS), which is independently administered by PricewaterhouseCoopers. Within TTMS, First-Class Mail results are measured by EXFC and Priority Mail service performance has been measured by the Priority End-To-End (PETE) system.<sup>18</sup> These systems track the mail piece from the time it enters the system until it is received in a home or small business and provide quarterly results of delivery performance. For Ad Mail, the ADVANCE System, administered by postal personnel, provides data on delivery timeliness and area coverage. The Advance Quality Check System (AWCS) will be used to monitor ADVANCE reporting accuracy.
- **Accurate service (VOC)** – In its existing transit time measurement survey processes, PricewaterhouseCoopers surveys a sample of its reporters on the number of mail pieces received that were for the wrong address or were damaged. The contractor utilizes a quality-checking process to assure the accuracy of the data.
- **Improve customer satisfaction (VOC)** – Customer Satisfaction Measurement (CSM) surveys provide direct feedback from customers on a variety of rating and diagnostic questions that are designed to assess actual customer experiences with postal products and services. The Gallup Organization, an independent research firm, is under contract with the Postal Service to administer the CSM survey process, which includes conducting surveys, tabulating data, performing quality checks and forwarding results to the Postal Service. Responses to selected questions are used at the Postal Service to measure residential household and business customer satisfaction. Survey results are also used to develop **Ease-of-Use** measures.

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<sup>18</sup> In 2001, on-time performance measurement for Priority Mail will be based on the new Delivery Confirmation System. The PETE system will be used to validate Delivery Confirmation.

- **Improve workplace relations by building leadership skills and behaviors (VOE):**
  - **REDRESS participation rate** – based on Meditation Activity Tracking reports, this indicator measures the percentage of employees within each Performance Cluster who elect mediation in lieu of traditional EEO counseling.
- **Improve understanding of employee issues and concerns (VOE)** – A survey is administered quarterly to a sample of employees to obtain information to enhance the workplace environment and improve relationships with employees. An independent contractor, Market Facts Inc., conducts these surveys, including distribution, scoring and compilation of the results.
- **Ensure that each and every employee is given the knowledge, tools, training and encouragement to successfully meet the expectations for their positions (VOE):**
  - **Training in prescribed curriculum** – Two systems, the Local Employee Training System and the National Training Database maintained by the Human Resources Technology Management office, are used to record training hours and compare the data with training targets for both EAS and craft employees.
- **Improve employees' safety, security, and well-being (VOE):**
  - In 2001, the Postal Service will use the **OSHA injury/illness** rate as a safety indicator instead of the earlier Lost Workday Injury frequency per 200,000 work hours indicator. Both indicators are based on data from the Postal Service's National Accident Reporting System.
  - **Safety Program Evaluation Guide** – evaluates Postal Service safety and health program in accordance with the Postal Employee's Safety Enhancement Act of 1998. Measurements are based on on-site safety reviews/evaluations conducted and submitted by A. D. Little, Inc.
  - **Total accidents per 200,000 work hours** – based on the National Accident Reporting System maintained by the Employee Resource Management Department.
  - **Motor vehicle accidents per million miles driven** – based on the National Accident Reporting System maintained by the Employee Resource Management Department.
- **Improve overall business unit financial performance (VOB):**
  - **Capital commitment achievement** – Financial records maintained by the Postal Service provide data relating to capital commitments. These records are subject to review by Ernst & Young LLP, an independent certified public accounting firm commissioned by the Board of Governors, as well as the Office of the Inspector General.
  - **Economic Value Added (EVA)** – An integral part of the EVA process is an incentive payment system that rewards employees for improved financial performance, customer service, and employee commitment. It encourages employees to control expenses, reduce waste, improve products, and improve employee effectiveness. Operating results that form the basis for determining EVA payouts are subject to the internal controls of the various data systems. The calculations are reviewed by the Office of the Inspector General and by Ernst & Young during its annual financial statement audit of the Postal Service. Also, the Board of Governors has retained its own independent consultant to review and advise on EVA issues.

- **Net income (VOB)** – Financial results are audited by Ernst & Young LLP, an independent certified public accounting firm hired by the Board of Governors. Also, during the year the Office of Inspector General and the Inspection Service (in 2000 only) conduct various financial audits and internal control reviews to assess the integrity of financial records.
- **Controlling costs by achieving productivity gains (VOB)** – The data sources used to calculate Total Factor Productivity (TFP) and Labor Productivity are the same as those used to prepare the financial statements. Accordingly, the data are subject to normal internal controls and accuracy checks by the General Accounting Office, the Office of the Inspector General, the Inspection Service, and the certified public accounting firm engaged to audit the financial statements. Actual operating results achieved within established budget parameters would indicate that these cost reductions have been achieved.

## PERFORMANCE REVIEW PROCESSES

Descriptions of the distinct roles of the General Accounting Office, the Office of Inspector General and the Postal Inspection Service in verifying and validating the Postal Service's performance data are provided below.

### GENERAL ACCOUNTING OFFICE

The United States General Accounting Office (GAO) is the investigative arm of the Congress and conducts studies and reviews of Postal Service operations and programs. Requests for studies are received typically from the House and Senate oversight committees and occasionally from individual Representatives and Senators. Studies may focus on activities unique to the Postal Service, such as an evaluation of mail processing automation, or they may involve government-wide issues, such as Year 2000 computer readiness. GAO conducts its studies of the Postal Service in conformance with its "Government Auditing Standards" which prescribes certain data verification and validation procedures to assure a high level of confidence in the data sources upon which GAO bases its findings and recommendations. GAO's studies provide the Congress and the public with information, evaluations, analyses and recommendations for improvement concerning Postal Service programs, activities and initiatives. At any one time GAO may have eight to ten studies in progress that involve the Postal Service.

### OFFICE OF INSPECTOR GENERAL

The Office of Inspector General (OIG) is an oversight entity within the Postal Service, headed by the Inspector General who reports directly to the Governors of the Postal Service. The OIG's mission is to perform audits and investigations that promote economy and efficiency in the programs and operations of the Postal Service. The OIG is also responsible for detecting and preventing fraud, waste, abuse, and mismanagement of Postal Service programs. Requests for audits and studies may be received from the Board of Governors, from the House and Senate oversight committees, from individual members of Congress, or from Postal Service senior management.

The OIG may, at its discretion, initiate audits or investigations based on information received from the public or from employees. The OIG conducts its audits of the Postal Service in conformance with GAO's "Government Auditing Standards." The OIG's audits, investigations and consulting services provide a means for keeping the Board of Governors, postal management and the Congress fully informed about problems and deficiencies relating to the administration of Postal Service programs and operations. At any one time the OIG may have 50-60 studies or investigations in progress.

#### **POSTAL INSPECTION SERVICE**

The Postal Inspection Service is the law enforcement and security branch of the Postal Service. The Chief Postal Inspector has a direct reporting relationship to the Postmaster General/Chief Executive Officer. The Inspection Service supports the Postal Service's *CustomerPerfect!* Management System. Their goals, indicators and targets are based on the three primary initiatives for the Postal Service, which are the Voice of the Customer, Voice of the Employee and Voice of the Business. Currently, the primary mission of the Inspection Service is to protect the U.S. Postal Service, its employees and customers from criminal attack and to protect the nation's mail system from criminal misuse. This will be accomplished by providing investigative, security and preventive services and by enforcing federal statutes that protect postal employees, the mail, customers and assets.

As a result of the Omnibus Reconciliation Act signed into law in 1996, the Inspection Service, by agreement, shared responsibility of the audit function with the Postal Service Office of Inspector General. 2000 was the last fiscal year in which audits were included as part of the Inspection Service's programs. During 2000, the Inspection Service worked with the Office of Inspector General (OIG) to transition the remaining audit programs to the OIG. The transition process included joint performance of selected audits and exchange of dialogue on audit procedures and selection processes. The Office of Inspector General will be responsible for all audits beginning in 2001.