United States Postal Service

FY2019 Annual Report to Congress

FY2019 Annual Report

FY2019 Comprehensive Statement of Postal Operations

FY2019 Performance Report

FY2020 Performance Plan

UNITED STATES POSTAL SERVICE ®

An Automated Guided Vehicle (AGV), one of the Postal Service's latest technological mail processing inventions, moves mail in a Processing and Distribution Center.

Contents

A postal worker places parcels on the Small Delivery Unit Sorter (SDUS) machine for processing at the Centreville, VA, Post Office.

Report Structure and Purpose

This document consists of the following four reports:

- The Fiscal Year (FY)[1] 2019 Annual Report, including a statement from the USPS Postmaster General and USPS Board of Governors Chairman on our[2] operations.
- The FY2019 Comprehensive Statement of Postal Operations.
- The FY2019 Annual Performance Report.
- The FY2020 Annual Performance Plan.

This document's purpose is to provide information to stakeholders. The document fulfills the requirements of the following articles in United States Code Title 39:

- 414(f), on the reporting of financial information related to special postage stamps (p. 8).
- 416(f), on the reporting of information related to semipostal stamps (p. 8).
- 2401(e), on the submission of a Comprehensive Statement (pp. 7–17).
- 2402, on the submission of an Annual Report (pp. 1–6).
- 2803, on the submission of an Annual Performance Plan (pp. 18–35).
- 2804, on the submission of an Annual Performance Report (pp. 18–35).
- 3652(g), on the submission of the Comprehensive Statement, Annual Performance Report and Annual Performance Plan (pp. 7–35).
- 3686(d), on the reporting of executive compensation in excess of Federal Level Executive 1 (p. 17).

1 *All references to a specific year or "the year" refer to the Postal Service fiscal year ending Sept. 30, 2019. However, specific month and year references pertain to the calendar dates.*

2 *The terms "we," "us" and "our" refer to the United States Postal Service.*

FY2019 Annual Report

Financial and Operational Highlights

	Totals at Sept. 30, 2019			Percent change	
	FY2019	FY2018	FY2017	FY2019	FY2018
(in millions, except percentages)					
Mail volume	142,570	146,402	149,590	(2.6)%	(2.1)%
Total revenue with investment and interest income	$ 71,306	$ 70,783	$ 69,694	0.7%	1.6%
Total expenses[1]	$ 80,119	$ 74,696	$ 72,436	7.3%	3.1%
Net loss	$ (8,813)	$ (3,913)	$ (2,742)	125.2%	42.7%
Purchases of capital property and equipment	$ 1,419	$ 1,409	$ 1,344	0.7%	4.8%
Debt	$ 11,000	$ 13,200	$ 15,000	(16.7)%	(12.0)%
Capital contributions of U.S. Government	$ 3,132	$ 3,132	$ 3,132	0.0%	0.0%
Deficit since 1971 reorganization	$ (74,664)	$ (65,769)	$ (61,856)	(13.5)%	(6.3)%
Total net deficiency	$ (71,532)	$ (62,637)	$ (58,724)	(14.2)%	(6.7)%
(in actual units indicated, unaudited)					
Number of career employees	496,934	497,157	503,103	(0.04)%	(1.2)%
Number of non-career employees	136,174	137,290	141,021	(0.8)%	(2.6)%
Total delivery points	159,901,312	158,558,256	157,328,676	0.8%	0.8%
New delivery points served	1,343,056	1,229,580	1,234,496	9.2%	(0.4)%

1 *Includes interest expense*

Letter from the Postmaster General and USPS Board of Governors Chairman

The United States Postal Service delivers for the American public. With every business, mailbox, and doorstep we visit, we bind the nation together by providing prompt, reliable, and efficient mailing and shipping services.

As you review this report, you will see that the Postal Service is a $71 billion business structured by Congress. We compete for every customer across each of our product lines. We pay for our operations entirely through the sale of postal products and services and do not receive tax revenues to support our business. If we were a private sector company, the Postal Service would rank 44th in the 2019 Fortune 500.

- We live, work, and serve in every community in America. We operate more than 31,000 Post Offices; 204,274 delivery vehicles, and more than 8,500 pieces of automated processing equipment; and we work with approximately 58,000 retail partners and other access points. On a typical day, our 633,000 employees physically process and deliver 471 million mailpieces to nearly 160 million delivery points. For much of rural America, we are often the only delivery option. We deliver 48 percent of the world's mail volume and more packages to the home than any other business. According to a 2019 survey by the Pew Charitable Trusts, the Postal Service with its 90 percent favorability rating is the best-liked federal government agency.
- We deliver for the American economy. The Postal Service maintains and continually strengthens mail as a powerful marketing and communications channel. By delivering bills, statements, correspondence, catalogs, and a wide range of marketing materials, we connect businesses with American consumers. To companies in nearly every economic sector — including retail, health care, real estate, and financial services — we are a strategic and closely aligned business partner. We are a major part of the nation's financial infrastructure, facilitating millions of transactions daily for virtually every commercial entity in America.
- We are a driver of America's rapidly expanding e-commerce sector. The Postal Service enables retailers and e-tailers — no matter their size or geographical location — to grow their businesses and meet rising consumer delivery expectations. Our unparalleled last-mile resources ensure universal access to online goods and services. Continual product and service innovation and new business solutions for America's shippers have propelled growth in our package revenues and in the broader package shipping sector.
- We are leveraging information and technology to transform the delivery experience. Our new digital offerings — such as Informed Delivery — are powered by an amazing digital infrastructure that processes approximately 3 billion scan records daily and 700,000 images hourly to deliver digital mail content to more than 20 million subscribers while also providing a wealth of real-time information to our customers and employees about the movement of mail through our network.

However, while the Postal Service is a fundamentally strong organization — in terms of the value we deliver to our customers and the role we play in the economy — we are not financially strong. In fiscal year 2019, the Postal Service recorded a net loss of $8.8 billion.

Revenues continue to be pressured by the ongoing erosion of mail volumes. Because mail services account for nearly 63 percent of our revenues, this ongoing decline puts significant financial strain on the organization. To meet universal service obligations, our network infrastructure costs are largely fixed or are growing as we add approximately 1 million delivery points each year. We are also subject to inflationary pressures and legislative mandates, particularly with regard to employee and retiree benefits.

While aggressive management actions have generated new revenue — principally in an expanding package business — and generated cost savings and productivity gains, the Postal Service's business model is broken and will only produce widening losses in the coming years, absent dramatic changes.

Our problems are serious but solvable. Through legislation, regulatory reforms, and other measures, we can stabilize our financial condition and return the organization to a sustainable business model. Our recent success in supporting negotiations to reform international terminal dues rates within the Universal Postal Union demonstrates that solutions to difficult policy problems can be achieved.

Ahead lies the hard work of reshaping the organization to meet the future needs of the nation. In the coming year, we will work with our stakeholders including Congress, the Administration, the Postal Regulatory Commission, customers, unions, and others to determine the policies and business strategies necessary to put the Postal Service on a financially sustainable path.

As we do so, we know we must also build upon the strengths of today's Postal Service to ensure that it continues to bind the nation together and serve as an engine of economic growth.

On behalf of the men and women of the Postal Service — who take great pride in serving the nation and our customers reliably, securely, affordably, and universally — we hope you find this report informative and useful.

Thank you for your interest in the United States Postal Service.

Megan J. Brennan

Postmaster General and Chief Executive Officer

Robert M. Duncan

Chairman, Board of Governors

United States Postal Service Board of Governors

The Board of Governors of the United States Postal Service is comparable to a board of directors of a publicly held corporation. The Board normally consists of up to nine Governors appointed by the President of the United States with the advice and consent of the Senate.

The nine Governors select the Postmaster General, who becomes a member of the Board, and those 10 select the Deputy Postmaster General, who also serves on the Board. The Postmaster General serves at the pleasure of the Governors for an indefinite term, and the Deputy Postmaster General serves at the pleasure of the Governors and the Postmaster General.

As of Sept. 30, 2019, the Board consisted of five appointed Governors, the Postmaster General, and the Deputy Postmaster General.

Robert M. Duncan, USPS Board of Governors Chairman

Robert M. Duncan's appointment to the Postal Service Board of Governors by President Donald Trump was confirmed by the Senate in August 2018. Duncan, of Kentucky, served the remainder of a seven-year term that expired on Dec. 8, 2018, and is currently in his hold-over year that expires Dec. 8, 2019. Duncan is nominated to serve another seven-year term expiring Dec. 8, 2025, and awaits Senate confirmation. Duncan was elected chairman of the Board of Governors on Sept. 13, 2018. Duncan served as chairman of the Compensation and Governance Committee and chairman of the Audit and Finance Committee from September 2018 to September 2019.

Duncan is also chairman of the board of trustees at Alice Lloyd College, a private four-year liberal arts college in Pippa Passes, Kentucky, and chairman and CEO of the Inez Deposit Bank in Inez, Kentucky. In 2017, Duncan was named the 17th chairman of the President's Commission on White House Fellowships.

Duncan is a former chairman of the board of directors of the Tennessee Valley Authority and former chairman of the Republican National Committee.

David C. Williams, USPS Board of Governors Vice Chairman

David C. Williams' appointment to the Postal Service Board of Governors by President Donald Trump was confirmed by the Senate in August 2018. Williams, a native of Illinois, is serving the remainder of a seven-year term expiring Dec. 8, 2019. He was elected vice chairman of the Board of Governors on Sept. 13, 2018. Williams was a member of the Audit and Finance Committee from September 2018 to September 2019.

Williams is also a distinguished professor at the Schar School of Government and Policy at George Mason University in Arlington, Virginia and a fellow with the National Academy for Public Administration.

Williams is a former Inspector General of the United States Postal Service and former vice chair of the Government Accountability and Transparency Board.

John M. Barger, Governor

John M. Barger was appointed to the Postal Service Board of Governors by President Donald Trump and was confirmed by the Senate on Aug. 1, 2019. Barger will serve for the remainder of a term that expires Dec. 8, 2021. Barger is chairman of the Compensation and Governance Committee and a member of the Strategy and Innovation Committee since September 2019.

Barger is also managing director of NorthernCross Partners, an investment and advisory firm, and serves as a director on a number of company boards, including those involved in e-commerce, logistics and supply chain, data analytics, digital visualization, and electronic displays.

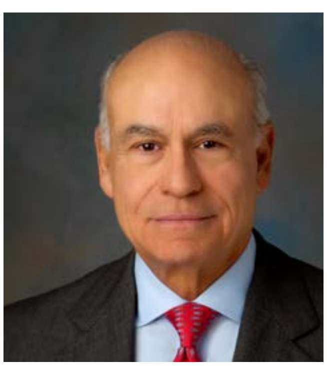
Barger served as a board member of the Los Angeles County Employees Retirement Association (LACERA) for seven years, including as chairman of the board of retirement and board of investments.

Ron A. Bloom, Governor

Ron A. Bloom was nominated to serve on the Postal Service Board of Governors by President Donald Trump and was confirmed by the Senate on Aug. 1, 2019. Bloom will serve the remainder of a seven-year term that expires Dec. 8, 2020. Bloom is chairman of the Strategy and Innovation Committee and a member of the Audit and Finance Committee since September 2019.

Bloom is also with Brookfield Asset Management, where he serves as vice chairman and managing partner. As part of his work at Brookfield, he serves on the board of directors of Westinghouse Electric Company and Clarios.

Bloom is a former vice chairman, U.S. Investment Banking, Lazard.



Roman Martinez IV, Governor

Roman Martinez IV was appointed to the Postal Service Board of Governors by President Donald Trump and was confirmed by the Senate on Aug. 1, 2019. Martinez will serve for the remainder of a seven-year term that expires Dec. 8, 2024. Martinez is chairman of the Audit and Finance Committee and member of the Compensation and Governance Committee since September 2019.

Martinez also serves on the board of directors of Cigna Corporation; on the board of trustees of New York-Presbyterian Hospital; and on the board of overseers of the International Rescue Committee.

Martinez is a former vice chairman of the Investment Advisory Council of the State Board of Administration of Florida and former managing director, Lehman Brothers.

Megan J. Brennan, USPS Postmaster General and Chief Executive Officer

Megan J. Brennan is the 74th and the first female Postmaster General of the United States and the Chief Executive Officer of the world's largest postal organization.

Appointed by the Governors of the Postal Service, Brennan began her tenure as Postmaster General in February 2015. In the prior four years, Brennan served as chief operating officer and executive vice president of the Postal Service, and held prior roles as vice president of both Eastern Area and Northeast Area operations. Brennan began her 33-year Postal Service career as a letter carrier in Lancaster, Pennsylvania.

Brennan earned a Master of Business Administration degree as a Sloan Fellow at the Massachusetts Institute of Technology. She is also an alumna of Immaculata College in Pennsylvania.

Ronald A. Stroman, USPS Deputy Postmaster General and Chief Government Relations Officer

Ronald A. Stroman was named the 20th Deputy Postmaster General (DPMG) in March 2011. As the second-highest ranking Postal Service executive, he serves on the Postal Service Board of Governors and on Postmaster General Megan J. Brennan's Executive Leadership Team.

Stroman had more than 30 years of professional experience in government, legislative affairs, and leadership before becoming DPMG. From 1978 to 1984, he was an attorney with the Department of Housing and Urban Development. He then moved to a position as counsel on the Judiciary Committee of the U.S. House of Representatives. He also worked for the Committee on Government Operations and became a minority staff director and counsel for the House Committee on Oversight and Government Reform.

In 1997, Stroman took a director's position with the U.S. Department of Transportation. In 2001, he joined the General Accounting Office as managing director for the Office of Opportunity and Inclusiveness. He returned to the House in 2009, where he served as staff director, Committee on Oversight and Government Reform, before joining the Postal Service.

Stroman earned his Juris Doctorate from Rutgers University Law Center.

A USPS customer drops off a pre-paid Click-N-Ship package at a Post Office.

FY2019 Comprehensive Statement of Postal Operations

Overview of Postal Service Operations

In accordance with the provisions of the Postal Reorganization Act (PRA), the United States Postal Service began operations July 1, 1971, succeeding the cabinet-level Post Office Department established in 1792. The PRA established us as an "independent establishment of the executive branch of the Government of the United States" with the mandate to offer a "fundamental service" to the nation "at fair and reasonable rates."

Mission

According to Title 39 of the United States Code, "The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by an Act of Congress, and supported by its people. 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."

Services

We fulfill our legal mandate to provide universal services at fair and reasonable prices by offering a variety of postal services to our many customers. Although the Postal Accountability and Enhancement Act (PAEA) classifies our services as Market-Dominant and Competitive "products," the term "services" is often used in this report for consistency with other descriptions of services we offer. Our services include the following:

- **First-Class Mail.** Services include the delivery of letters, postcards, correspondence, bills or statements of account, and payments.
- **Marketing Mail.** Services include: the delivery of advertisements and marketing packages weighing less than 16 ounces, that are not required to be sent using First-Class Mail.
- **Shipping and Packages.** Services include: First-Class Parcel Service Commercial for high-volume shippers of packages that weigh less than 16 ounces; First-Class Parcel Service Retail for shipment of boxes, thick envelopes or tubes of 13 ounces or less; Parcel Services for merchandise or printed matter, such as library and media mail; Parcel Select "last-mile" delivery services; Parcel Return; Priority Mail for 1-3 day specified (non-guaranteed) delivery; and Priority Mail Express for an overnight, money-back guaranteed service that includes tracking, proof of delivery, and basic insurance up to $100.
- **International Mail and Shipping.** Services include Priority Mail Express International and Priority Mail International, which compete in the e-commerce cross-border business with more than 180 countries, and Global Express Guaranteed, which offers reliable, date-certain delivery in 1-3 business days to major markets.
- **Periodicals.** Services include the delivery of newspapers, magazines, and newsletters.
- **Post Office Box, Money Orders, and Other Services.** These domestic and international services include: PO Boxes, which provide customers an additional method for mail delivery that is private and convenient; Money Orders, which offer customers a safe, convenient, and economical method for the remittance of payments; USPS Extra Services, which offer a variety of service enhancements that provide security, proof of delivery or loss recovery (e.g. Certified Mail, Registered Mail, Signature Confirmation, Adult Signature, and insurance up to $5,000) and are available online, at Post Offices or at Automated Postal Centers (self-service kiosks); and other retail services, including the sale of philatelic products, packaging materials, special occasion cards, and gift cards.

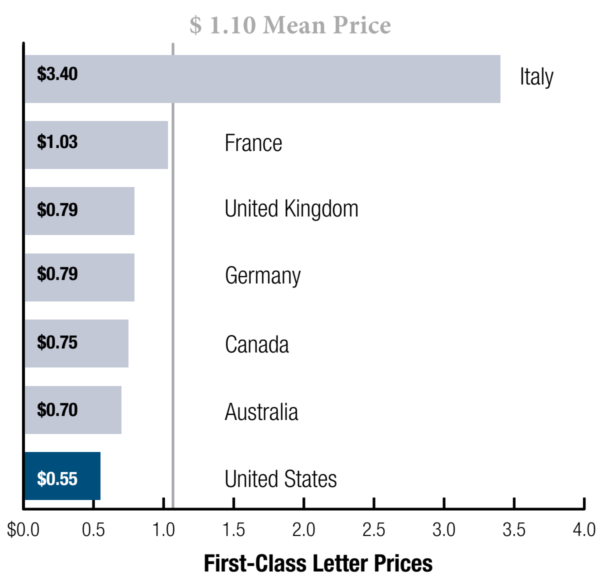
Services are sold at 31,322 Postal Service-managed Post Offices, stations, and branches, plus approximately 3,300 additional Contract Postal Units, Community Post Offices, Village Post Offices, and a large network of commercial outlets that sell stamps and services on our behalf and through our website *www.usps.com*. Mail deliveries are made to more than 160 million city, rural, PO Box, and highway delivery points. We aim to make our retail locations convenient, accessible, and cost-effective through planning and construction of new facilities and renovations of existing facilities.

In fulfilling our universal service obligation, we provide services to patrons in all areas and communities in the United States. We serve rural areas, communities, and small towns where Post Offices are not financially self-sustaining. We use a variety of transportation methods to move mail through this large network, including highway and air transportation.

Postal Rates

Postal rates are established to be fair, equitable and affordable. Prices and fees are reviewed and approved by our Governors and subject to a review process by the Postal Regulatory Commission (PRC). In FY2019, our retail price of $0.55 for a First-Class Mail 1-ounce stamp continued to be the most affordable postal rate among all posts in industrialized nations.

Global Bargain*



* *Postage prices for domestic standard letters are adjusted for Purchasing Power Parity (PPP). Exchange rates are as of May 10, 2019. PPP adjustment from International Monetary Fund is indexed to the U.S. Dollar.*

We offer two categories of services, which are classified for regulatory purposes as Market-Dominant services and Competitive services. Market-Dominant services account for approximately 66 percent of our annual operating revenues. Such services include, but are not limited to, First-Class Mail, Marketing Mail, Periodicals, and certain parcel services. Price increases for these services are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers (CPI-U). We implemented price increases on certain Market-Dominant services that averaged 2.5 percent in January 2019, 1.9 percent in January 2018, and 0.9 percent in January 2017.

Competitive services, such as Priority Mail, Priority Mail Express, First-Class Package Service, Parcel Select, Parcel Return Service and some types of International mail, are not limited by a price cap. By law, the price for each Competitive service must cover its "attributable costs" (meaning the Postal Service's costs attributed to such service through reliably identified causal relationships), and Competitive services collectively must contribute an appropriate share to the institutional costs of the Postal Service, currently 8.8 percent, as determined by the PRC. In general, we attempt to set our prices for Competitive services at rates that maximize revenue. Prices for Competitive services increased an average of 7.4 percent, 4.1 percent, and 3.9 percent in January 2019, January 2018, and January 2017, respectively.

Unlike some other shippers, the Postal Service does not add surcharges for fuel, residential delivery, or regular Saturday or holiday season delivery.

Semipostal Stamps

The U.S. Postal Service has statutory authority to issue and sell semipostal fundraising stamps. Semipostal stamps are postage stamps with a postage value equal to the First-Class Mail single-piece, 1-ounce stamp rate in effect at the time of purchase, plus an amount to fund a designated cause. By law, revenue from sales of semipostal stamps, less the postage paid and the reasonable costs incurred by the Postal Service, is distributed to designated agencies to support the particular cause.

Semipostal stamps may be either congressionally mandated or issued under the discretionary authority granted to the U.S. Postal Service through the Semipostal Authorization Act, Pub. L. 106-253. Under this act, the U.S. Postal Service may issue and sell semipostal fundraising stamps to advance such causes as it considers to be "in the national public interest and appropriate." The law specifies that the U.S. Postal

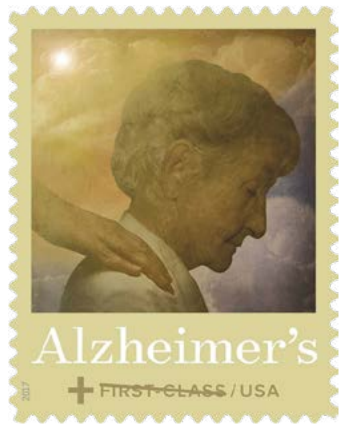
Service can issue up to five new semipostal fundraising stamps over a 10-year period, with each stamp to be sold for no more than two years. In November 2017, the *Alzheimer's* semipostal stamp was issued and will be followed by the *Healing PTSD* semipostal stamp to be issued in December 2019.

In FY2019, we sold three semipostal stamps, the congressionally mandated *Breast Cancer Research* semipostal stamp, the congressionally mandated *Save Vanishing Species* semipostal stamp (through Dec. 31, 2018), and the *Alzheimer's* semipostal stamp issued under the U.S. Postal Service's discretionary authority.

The *Breast Cancer Research* semipostal stamp generated approximately $2.07 million in funds in excess of the postage value in FY2019. We deducted approximately $5,000 for costs in connection with these stamps in FY2019.

The Postal Service distributed approximately $1.4 million (70 percent) to the National Institutes of Health within the Department of Health and Human Services and approximately $620,000 (30 percent) to the Breast Cancer Research Program within the Department of Defense.

The *Save Vanishing Species* semipostal stamp generated approximately $307,000 in funds in excess of the postage value in FY2019. This stamp was dedicated Sept. 20, 2011, and removed from sale Dec. 31, 2018, during which a total of $5.7 million in funds was raised. We did not deduct any costs in connection with these stamps in FY2019. All of the funds collected in excess of the postage value were given to the U.S. Fish and Wildlife Service to support its Multinational Species Conservation Fund.



The *Alzheimer's* semipostal stamp helps raise funds to fight Alzheimer's disease. In FY2019, the sale of the Alzheimer's stamp generated approximately $365,000 in funds in excess of the postage value. We did not deduct any costs in connection with these stamps in FY2019. Net proceeds were distributed to the National Institute on Aging within the U.S. Department of Health and Human Services.

Sustainability

The Postal Service is committed to making a positive impact in the communities and environments in which we serve. We are Putting our Stamp on a Greener Tomorrow by taking sustainable actions throughout our organization and focusing on integrating environmental business practices into our day-to-day operations.

Solar power. A big step in our continued use of solar power is the 10-megawatt solar power generation system at the Los Angeles mail processing facility consisting of nearly 35,000 solar panels. This unique system generates outlease revenue for the Postal Service and also saves future costs by locking in lower rates now. Four more revenue-generating solar installations are planned for 2020.

Hydrogen fuel cells. The Postal Service replaced standard lead acid batteries in powered industrial vehicles (PIVs) at the Washington, D.C., mail processing facility with hydrogen fuel cells. PIVs are used to move mail and equipment throughout USPS facilities. The hydrogen fuel cell technology improves safety and workplace productivity while reducing greenhouse gas emissions.

Recycled materials. Our Priority Mail and Priority Mail Express corrugated cardboard boxes are recyclable and meet Sustainable Forestry Initiative or Forest Stewardship Council Certification standards.

National Recycling Operation. Equipment and recycling operations are standardized to optimize efficiency. Recycling also reduces trash disposal costs by "right-sizing" trash services as volumes are diverted from landfills to recycling facilities. In addition to cost savings, the National Recycling Operation increases revenue by optimizing the value of recycled items such as mixed paper and corrugated cardboard through consolidation. The program uses our existing transportation network to backhaul recyclables, particularly mixed paper, from our Post Offices to central collection hubs for consolidation. This diverts waste from landfills without using extra fuel for transporting the materials.

Additional information on the Postal Service's sustainability efforts is included in the 2018 Annual Sustainability Report, available at *usps.com/green*.

Commitment to a Safe and Secure Network to Prevent Illicit Drug Distribution and Delivery

The Postal Service, in conjunction with the Postal Inspection Service, is firmly committed to eliminating the distribution of illicit drugs through the mail and has worked for decades to combat the use of its network to facilitate illicit drug distribution. Through the increased use of technology, sharing of data between USPS and foreign posts, improved interdiction processes and working closely with our partners including the Department of Homeland Security, U.S. Customs and Border Protection, and other federal law enforcement agencies, we will continue to investigate criminal activity and fight the trafficking of illicit drugs.

Public Opinion

Public interest and opinion of our organization remain strong. In a poll released in September 2019, the Pew Research Center found that 90 percent of Americans held a favorable opinion of the Postal Service, a higher rating than any other federal government agency[3].

Additionally, an April 2019 Gallup Poll found that three in four Americans (74 percent) rated the job performance of the organization as "excellent" or "good," placing the United States Postal Service as the highest rated governmental agency[4]. The Postal Service has achieved this top ranking every year Gallup has measured it (2014, 2017, and 2019).

Commitment to Diversity

The Postal Service was ranked the top federal agency for multicultural business opportunities for the eighth consecutive year by Omnikal, a social media and networking organization. The Postal Service received the 2019 Omni50 Award for its efforts to do business with companies led by women and minorities and for supporting opportunities for small businesses and entrepreneurs[5].

[3] *Public Expresses Favorable Views of a Number of Federal Agencies. (2019, October 1). Retrieved from people-press.org/2019/10/01/public-expresses-favorable-views-of-a-number-of-federal-agencies/*

[4] *Saad, L. (2019, September 4). Postal Service Still Americans' Favorite Federal Agency. Retrieved from news.gallup.com/poll/257510/postal-service-americans-favorite-federal-agency.aspx.*

[5] *Omni50 Top Government Agencies: USPS: SBA: Defense Dept. (2019, February 19). Retrieved from omnikal.com/2019/02/announcing-americas-top-25-government-agencies-for-multicultural-business-opportunities-2-2*

Key Financial and Operating Statistics

Financial History Summary

(in millions)

	FY2019	FY2018	FY2017
Operating results			
Total revenue[1]	$ 71,154	$ 70,660	$ 69,636
Operating expenses			
Compensation and benefits[2]	47,519	46,525	45,634
Retirement benefits[3]	6,197	5,877	6,132
Retiree health benefits	4,564	4,481	4,260
Workers' compensation	3,504	4	(797)
Transportation	8,184	7,861	7,238
All other operating expenses	9,911	9,697	9,743
Loss from operations	$ (8,725)	$ (3,785)	$ (2,574)
Investment and interest income (expense), net	(88)	(128)	(168)
Net loss	**$ (8,813)**	**$ (3,913)**	**$ (2,742)**
Financial position			
Cash and cash equivalents[4]	$ 8,795	$ 10,061	$ 10,513
Property and equipment, net	14,352	14,616	14,891
All other assets	2,486	2,011	1,990
Total assets	**$ 25,633**	**$ 26,688**	**$ 27,394**
Retiree health benefits	$ 47,205	$ 42,641	$ 38,160
Workers' compensation liability	18,529	16,409	17,910
Debt	11,000	13,200	15,000
Retirement benefits	8,385	5,707	3,306
All other liabilities	12,046	11,368	11,742
Total liabilities	**$ 97,165**	**$ 89,325**	**$ 86,118**
Total net deficiency	**$ (71,532)**	**$ (62,637)**	**$ (58,724)**

[1] *Includes other non-operating income such as sale of land and buildings, sale of miscellaneous equipment, and sale of motor vehicles.*

[2] *Excludes FERS normal costs, amortization of unfunded retirement benefits, retiree health benefits and workers' compensation.*

[3] *Includes FERS normal costs and amortization of unfunded retirement benefits.*

[4] *Cash and cash equivalents are unrestricted.*

Revenue, Pieces, and Weight Statistics

(in millions of units indicated; FY2019 revenue audited)

	FY2019	FY2018	FY2017
First-Class Mail[1]			
Revenue	$ 24,434	$ 24,948	$ 25,689
Number of pieces	54,943	56,712	58,834
Weight, pounds	2,780	2,869	2,867
Marketing Mail[2]			
Revenue	$ 16,359	$ 16,512	$ 16,626
Number of pieces	75,653	77,270	78,329
Weight, pounds	6,917	7,402	7,577
Shipping and Packages[3]			
Revenue	$ 22,787	$ 21,467	$ 19,529
Number of pieces	6,165	6,149	5,758
Weight, pounds	12,693	12,118	10,887
International Mail			
Revenue	$ 2,466	$ 2,630	$ 2,614
Number of pieces	855	941	1,001
Weight, pounds	476	504	501
Periodicals			
Revenue	$ 1,194	$ 1,277	$ 1,375
Number of pieces	4,635	4,994	5,301
Weight, pounds	1,572	1,744	1,922
U.S. Postal Service Mail[4]			
Number of pieces	285	293	322
Weight, pounds	102	114	106
Free Matter for the Blind[5]			
Number of pieces	34	43	45
Weight, pounds	12	15	20
Other services – revenue[5]	$ 3,896	$ 3,788	$ 3,760
Postal Service totals			
Operating revenue	**$ 71,136**	**$ 70,622**	**$ 69,593**
Number of pieces	**142,570**	**146,402**	**149,590**
Weight, pounds	**24,552**	**24,766**	**23,880**

Note: *We have reclassified the totals for certain mail categories in prior years to conform to classifications used in the current year.*

1 *Excludes First-Class Mail Parcels.*

2 *Excludes Marketing Mail Parcels.*

3 *See Shipping and Packages and Other Services Statistics table on the following page.*

4 *No revenue is received or recorded for this category of mail.*

5 *By law, the Postal Service is required to offer below-cost postage prices to certain categories of mailers including blind individuals. Congress reimbursed the Postal Service for revenue it had forgone by offering these below-cost postage prices.*

Shipping and Packages and Other Services Statistics

(in millions of units indicated; table unaudited)

	FY2019	FY2018	FY2017
Priority Mail Express			
Revenue	$ 716	$ 752	$ 766
Number of pieces	26	28	30
Weight, pounds	28	30	33
First-Class Packages[1]			
Revenue	$ 4,466	$ 3,878	$ 3,353
Number of pieces	1,398	1,279	1,157
Weight, pounds	532	497	455
Priority Mail[2]			
Revenue	$ 9,730	$ 9,342	$ 8,717
Number of pieces	1,097	1,085	1,045
Weight, pounds	2,938	2,837	2,542
Parcel Select Mail and Marketing Mail Parcels			
Revenue	$ 6,850	$ 6,451	$ 5,707
Number of pieces	2,947	3,026	2,837
Weight, pounds	7,716	7,182	6,347
Parcel Return Service Mail			
Revenue	$ 203	$ 220	$ 183
Number of pieces	75	89	69
Weight, pounds	199	229	195
Package Services			
Revenue	$ 822	$ 824	$ 803
Number of pieces	622	642	620
Weight, pounds	1,280	1,343	1,315
Total shipping and packages			
Revenue	**$ 22,787**	**$ 21,467**	**$ 19,529**
Number of pieces	**6,165**	**6,149**	**5,758**
Weight, pounds	**12,693**	**12,118**	**10,887**
Other services			
Certified Mail			
Revenue	$ 654	$ 678	$ 672
Number of articles	187	198	201
Return Receipts			
Revenue	$ 314	$ 327	$ 340
Number of articles	138	144	147
USPS Tracking			
Revenue	$ 1	$ 1	$ 1
Number of articles	5,422	5,338	4,951
PO Box Services revenue	$ 1,037	$ 999	$ 964
Money Orders			
Revenue	$ 148	$ 147	$ 147
Number of articles	81	83	87
Insurance			
Revenue	$ 78	$ 79	$ 74
Number of articles	14	15	15
Shipping and mailing supplies			
Revenue	$ 107	$ 109	$ 109
Number of articles	53	54	55
Miscellaneous other services revenue	$ 1,557	$ 1,448	$ 1,453
Total other services revenue	**$ 3,896**	**$ 3,788**	**$ 3,760**

Note: *We have reclassified the totals for certain mail categories in prior years to conform to classifications used in the current year.*

[1] *Includes First-Class Mail Parcels, First-Class Package Services - Retail, and First-Class Package Services - Commercial.*

[2] *USPS Retail Ground (formerly Standard Post) is a non-expedited, retail-only product and is classified as Competitive (as is our expedited Priority Mail service). Even though USPS Retail Ground is priced identically to Priority Mail for Zones 1-4, its service standards are not identical since it is not an expedited service.*

Post Offices and Delivery Points

(in actual units indicated, unaudited)

	FY2019	FY2018	FY2017
Post Offices, stations, and branches			
Postal Service-managed			
Post Offices	26,362	26,365	26,410
Classified stations, branches, and carrier annexes	4,960	4,959	4,967
Total Postal Service-managed	**31,322**	**31,324**	**31,377**
Contract Postal Units	2,175	2,240	2,331
Village Post Offices	667	743	821
Community Post Offices	449	465	476
Total offices, stations, and branches	**34,613**	**34,772**	**35,005**
Residential delivery points			
City	83,739,561	83,279,977	82,855,611
Rural	44,425,454	43,591,733	42,805,252
PO Box	15,985,189	15,960,945	15,954,141
Highway Contract	3,001,015	2,959,424	2,924,386
Total residential delivery	**147,151,219**	**145,792,079**	**144,539,390**
Business delivery points			
City	7,734,259	7,709,827	7,690,284
Rural	1,707,145	1,673,267	1,639,505
PO Box	3,226,893	3,301,930	3,379,418
Highway Contract	81,796	81,153	80,079
Total business delivery	**12,750,093**	**12,766,177**	**12,789,286**
Total delivery points	**159,901,312**	**158,558,256**	**157,328,676**
Change in delivery points	1,343,056	1,229,580	1,234,496

Number of Routes by Type of Delivery

(in actual units indicated, unaudited)

Route	FY2019	FY2018	FY2017
City	142,672	143,358	143,937
Rural	79,404	78,737	75,433
Highway Contract Route	9,731	9,748	9,810
Total	**231,807**	**231,843**	**229,180**

Postal Vehicle Inventory

(in actual units indicated, unaudited)

Vehicle type	FY2019	FY2018	FY2017
Delivery and collection (0.5–2.5 tons)	204,274	208,133	205,997
Mail transport (tractors and trailers)	5,481	5,566	5,379
Mail transport (5–11 tons)[1]	3,460	2,389	2,080
Administrative and other	6,925	7,196	7,507
Service (maintenance)	5,858	6,398	7,034
Inspection Service and law enforcement	2,942	2,920	2,942
Total	**228,940**	**232,602**	**230,939**

[1] *Previously referred to as Mail transport (3-9 tons)*

Real Estate Inventory

(in actual units indicated, unaudited)

Real estate inventory	FY2019	FY2018	FY2017
Owned properties	8,393	8,362	8,448
Owned interior square feet	193,355,127	192,842,955	191,745,056
Leased properties	23,118	23,147	23,184
Leased interior square feet	79,027,452	79,047,136	78,335,141
GSA[1]/other government properties	292	294	285
GSA/other government interior square feet	1,792,744	1,797,769	1,839,972

[1] *General Services Administration.*

Real Estate Inventory Actions

(in actual units indicated, unaudited)

Real estate inventory actions	FY2019	FY2018	FY2017
Lease actions (alternate quarters, new leases and renewals)	4,410	4,667	3,927
Property disposals[1]	8	14	18
New construction[2]	76	77	69
Repair and alteration projects	59,864	58,653	53,694
Repair and alteration expense project totals (in thousands, rounded)	$ 240,000	$ 215,000	$ 217,000
Repair and alteration capital projects	4,428	4,464	4,598
Repair and alteration capital project totals (in thousands, rounded)	$ 519,000	$ 483,400	$ 389,500

[1] *Total partial and complete property sales (does not include non-property sales such as right-of-ways/easements, sale of rights, defaults, installment payments, etc.).*

[2] *Includes the build-out of pre-existing spaces that the Postal Service did not previously own (alternate quarters), the new construction of leased or owned space, and the expansion of existing spaces.*

Employees

(actual numbers, unaudited)

	FY2019	FY2018	FY2017
Headquarters and HQ-related employees			
Headquarters	3,311	3,254	3,252
Headquarters – field support units	3,447	3,491	3,581
Inspection Service – field	2,441	2,389	2,439
Inspector General	1,031	1,029	1,067
Total HQ and HQ-related employees	**10,230**	**10,163**	**10,339**
Field employees			
Area offices	946	899	825
Postmasters/installation heads	13,729	13,742	13,641
Supervisors/managers	25,581	25,590	25,281
Professional administration and technical personnel	4,752	4,672	4,580
Clerks (including nurses)	121,573	121,622	128,256
Mail handlers	36,939	37,535	39,307
City delivery carriers	166,343	168,199	166,569
Motor vehicle operators	8,742	8,411	8,147
Rural delivery carriers – full-time	73,165	70,852	69,462
Building and equipment maintenance personnel	29,751	30,219	31,366
Vehicle maintenance employees	5,183	5,253	5,330
Total field employees	**486,704**	**486,994**	**492,764**
Total career employees	**496,934**	**497,157**	**503,103**
Non-career employees			
Casuals	849	879	922
Postal support employees	26,251	26,386	26,823
Non-bargaining temporary	339	285	304
Rural part-time	58,224	59,183	59,655
Postmaster relief and leave replacements	2,021	2,168	2,368
City carrier assistant	42,121	42,115	44,486
Mail handler assistant	6,369	6,274	6,463
Total non-career employees	**136,174**	**137,290**	**141,021**
Total employees	**633,108**	**634,447**	**644,124**

Executive Compensation

Federal law requires us to provide compensation and benefits to employees at a level comparable to the private sector. We continue to pursue this goal for all of our employees. In addition, we support, develop, and provide a wide range of tools and development resources that assist employees in reaching their full potential.

The Board establishes executive officer compensation and benefits, subject to the requirements and limitations of federal law. Although our governing law provides that executives should be compensated at a level comparable to the private sector, we do not have the resources to achieve this level of compensation. Compensation for our executive officers remains significantly below that of similarly-ranked senior executives in the private sector.

In most circumstances, we cannot compensate our executives more than the rate for Level 1 of the Executive Schedule ($210,700 in Calendar Year 2018). Under certain programs, we can award bonuses or other rewards, which raise the level of compensation beyond this limit; however, compensation is still limited by federal law.

Performance-based payments for FY2017 were paid in Calendar Year 2018. Performance-based payments were determined when there was only a single Governor appointed by the President and confirmed by the Senate.

In accordance with legal reporting requirements, the accompanying table reports Calendar Year 2018 compensation information, including our executives compensated in excess of Federal Executive Level 1 in Calendar Year 2018 and the amount of bonus or other payments that caused pay to exceed Level 1 of the Executive Schedule in Calendar Year 2018. The terms “bonus or other payment” in the second column of the table are statutory terms that represent various amounts which are part of an executive’s total compensation; these amounts are predicated on the Postal Service’s maintenance of a performance appraisal system that makes meaningful distinctions based on relative performance.

Executive Name	CY2018 Bonus or Other Payment	CY2018 Reportable Earnings in Excess of CAP I
Megan J. Brennan	$ 80,795	$ 80,795
Robert Cintron	757	645
Joshua D. Colin	9,983	9,871
Joseph Corbett	49,337	49,337
Guy J. Cottrell	9,589	9,477
Gregory G. Graves	9,609	9,497
Luke T. Grossmann	9,820	6,328
Jeffrey C. Johnson	10,995	10,766
Linda M. Malone	757	645
Thomas J. Marshall	57,566	57,566
Kevin L. McAdams	757	155
Shaun E. Mossman	9,381	9,269
Abelardo P. Munoz Jr.	10,123	7,750
Sharon D. Owens	9,883	7,829
Edward F. Phelan Jr.	8,009	7,897
Tom A. Samra	757	645
Kristin A. Seaver	60,190	60,189
Jacqueline K. Strako	34,382	34,382
Ronald A. Stroman	70,993	70,993
Douglas A. Tulino	9,069	8,957
David E. Williams Jr.	49,268	49,268
Jeffrey C. Williamson	47,277	47,277

Note: *Legislation requires reporting compensation in the last full calendar year. This timeframe does not align with our fiscal year, which is from October 1 to September 30.*

FY2019 Performance Report and FY2020 Performance Plan

Corporate-Wide Goals and Targets

The Postal Service is a self-supporting, independent federal agency and the only delivery service that reaches every address in the United States. Everyone living in the United States and its territories — regardless of their location — has access to postal products and services and pays the same price for a First-Class postage stamp.

The Postal Service puts information and technology at the center of its business strategies. We are speeding the pace of innovation, developing mobile and digital tools to play a larger role in the daily digital lives of customers, and using one of the world's most advanced tracking and information systems to speed the flow of mail and packages throughout our network. We leverage the information derived from our robust scanning and tracking systems to add value to the senders and receivers of mail and packages — and to create new products and services, spurring growth in the mailing industry.

We continue to play an indispensable role as a driver of commerce and as a provider of delivery services that connects Americans to one another — reliably, affordably, and securely — and to every residential and business address.

To provide reliable, efficient, trusted, and affordable universal delivery service, we established the following four strategic areas of focus:

- Deliver a World-Class Customer Experience
- Equip, Empower, and Engage Employees
- Innovate Faster to Deliver Value
- Invest in our Future Platforms

To assess our efforts in achieving these strategies, we measure our performance through progress against corporate performance outcomes as follows:

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

For each of these outcomes, the following subsections describe both the outcomes and measures used to assess our progress, provide a report of our performance in FY2019, and give our plan for FY2020, including indicator targets. The following table shows our performance from FY2016-FY2019 and our targets for FY2019-FY2020 for each outcome.

These targets are aligned with the FY2020 Integrated Financial Plan (IFP), which includes our planned revenue and expenses for FY2020[6]. Every fiscal year, we develop a budget and plan intended to be sufficient for our field offices to meet their non-financial performance outcomes. We design all of our corporate-wide targets to be achievable given the planned finances in the IFP.

We measure "Controllable Income (Loss)" as one of our indicators for the outcome "Financial Health." This measure is based on planned expenditures and revenues for every program activity (i.e., budget item contributing to controllable income [loss]) outlined in the IFP. Controllable income (loss) is a non-GAAP (United States generally accepted accounting principles) measure defined as total revenue less controllable expenses and one-time accounting adjustments. Controllable expenses consist of compensation and benefits; transportation; depreciation; supplies and services; and rent, utilities, and other controllable expenses. They do not include non-controllable expenses, discussed in detail later in this document. In the subsection "Controllable Income (Loss)," we provide the planned revenues and expenditures for FY2020. This plan yields a target controllable loss for FY2020, which is our target for the FY2020 IFP, for the reasons discussed in that subsection.

[6] *The FY2020 IFP information contained in this document will be revised if needed upon approval by the BOG.*

A USPS driver stands in front of a USPS truck.

In the day-to-day operation of our business, we focus on costs within our control, such as salaries and transportation. We calculate controllable income (loss) by excluding items we cannot control, such as Postal Service Retiree Health Benefits Fund (PSRHBF) actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluations and discount rate changes, retirement expenses caused by actuarial revaluations, and adjustments for non-recurring items, such as the 2016 change in accounting estimate for deferred revenue-prepaid postage. Controllable income (loss) should not be considered a substitute for net income (loss) and other GAAP reporting measures.

We developed the budget in the IFP to be consistent with our planned work hours, which are used in the calculation of the targets for the measure "Deliveries per Total Work Hours, Percent Change."

FY2016–FY2019 Results and FY2019–FY2020 Targets for Corporate-wide Performance Outcomes

Corporate Performance Outcome	Measure	FY2020 Target	FY2019 Actual	FY2019 Target	FY2018 Actual	FY2017 Actual	FY2016 Actual
High-Quality Service[1]	Single-Piece First-Class Mail						
	Two-day	96.50	92.05	96.50	93.78	94.72	94.66
	Three-to-five-day	95.25	80.88	95.25	82.48	85.57	83.66
	Presort First-Class Mail						
	Overnight	96.80	95.46	96.80	96.00	96.46	96.16
	Two-day	96.50	94.10	96.50	94.92	95.58	95.05
	Three-to-five-day	95.25	91.95	95.25	91.96	93.16	91.68
	First-Class Mail Letter and Flat Composite (FCLF)[2]	96.00	92.02	96.00	92.07	93.29	92.34
	Marketing Mail and Periodicals Composite[3]	91.80	89.25	91.80	89.26	91.44	90.01
Excellent Customer Experiences	Customer Experience Composite Index[4]	75.73	69.04	78.27	67.47	88.30	87.62
	Business Service Network (BSN)	96.73	96.68	96.73	95.90	96.25	95.13
	Point of Sale (POS)	90.42	87.77	90.42	87.98	88.53	86.38
	Delivery	86.33	80.40	86.33	80.47	83.22	76.26
	Customer Care Center (CCC)[5]	55.00	46.94	55.00	39.19	86.80	85.18
	Enterprise Customer Care (eCC)[6]	55.00	37.45	70.00	36.73	3.78	5.19
	Large Business Panel	NA	NA	NA	72.34	76.75	75.88
	USPS.com[7]	72.58	72.94	65.00	57.54	NA	NA
	Business Mail Entry Unit (BMEU)[7]	96.01	96.00	95.13	95.33	NA	NA
Safe Workplace and Engaged Workforce	Total Accident Rate	15.00	14.19	15.00	15.09	15.43	16.09
	Engagement Survey Response Rate[8]	51%	38%	51%	42%	46%	30%
Financial Health	Controllable Income (Loss) ($ in billions)	(4.00)[9]	(3.42)	(3.10)	(1.95)	(0.81)	0.61
	Deliveries per Total Work Hours, Percent Change	1.50[9]	(0.60)	1.40	(0.50)	(0.50)	0.10

Note: *NA indicates that either no data was collected or no target was set for the relevant indicator and year.*

1 *The Postal Service is providing nonpublic service performance data for certain competitive products as part of the Nonpublic Annex in the Annual Compliance Report proceeding conducted by the Postal Regulatory Commission.*

2 *For our FY2016-FY2019 actuals and FY2019-FY2020 targets, we report the First-Class Mail Letter and Flat (FCLF) Composite in lieu of the First-Class Composite, which we reported in previous Annual Reports to Congress. FCLF Composite does not include First-Class Mail parcels. FCLF Composite numbers are based on the externally-measured quarterly service performance data that we file with the PRC pursuant to Part 3055 of Title 39 of the Code of Federal Regulations; they do not include mitigating factors used internally for compensatory purposes. Additionally, service measurement adjustments altered one previously reported end-of-year actual (FY2017 First-Class Mail Letter and Flat Composite), which is accurately reflected in this table.*

3 *For our FY2016-FY2019 actuals and FY2019-FY2020 targets, we report the Marketing Mail and Periodicals Composite in lieu of Standard Composite, which we reported in previous Annual Reports to Congress.*

4 *In FY2019, the Customer Experience Composite Index was based on BSN, POS, Delivery, CCC, eCC, USPS.com, and BMEU. Reference the United States Postal Service FY2018 Annual Compliance Review response to question 6d in the Chairman's Information Request No. 2 for historical Customer Experience-related comparability information on the PRC's website: prc.gov/dockets/document/108111*

5 *The FY2019 actual score and FY2020 target are based on satisfaction with both live agents and our Interactive Voice Response telephone system, while the FY2016-FY2018 actuals are based on satisfaction with live agents only.*

6 *The FY2018-FY2019 actual scores and FY2020 target are based on overall customer satisfaction with the resolution quality received and year-to-date overall satisfaction improvement as compared to the same period last year, while the FY2016-FY2017 actuals were based on the percentage of cases that were reopened.*

7 *The USPS.com and BMEU performance indicators were added to the Customer Experience Composite Index in FY2018.*

8 *In FY2016-FY2019 and for the FY2020 target, we used the Postal Pulse survey. For further explanation see page 27.*

9 *The FY2020 IFP information contained in this document will be revised if needed upon approval by the BOG.*

High-Quality Service

The Postal Service is committed to "...bind the Nation together through the personal, educational, literary, and business correspondence of the people. [We] shall provide prompt, reliable and efficient services to patrons in all areas and shall render postal services to all communities" (Title 39 CFR). This forms the core of our operations.

To measure our performance relative to our mission, we evaluate our delivery service performance continuously using Service Performance Measurement (SPM). This internal measurement system provides data from the time mail is deposited in a Postal Service facility to when a USPS employee delivers it at a home, business or PO Box.

We operate a highly complex network of distribution and delivery facilities interconnected by multiple modes of transportation across the country. We measure service performance at the product level against specific service standards. The integrated nature of our network and the commingling of products during processing and delivery results in operational performance being reflected across multiple products at the same time and to varying degrees.

Our annual service performance measures are reported as a cumulative score throughout the year and are volume weighted. Service performance during the first half of the year — when mail volume is highest — sets the pace for the remainder of the year.

Below we describe the categories of mail standards that we use to gauge service performance.

Single-Piece First-Class Mail. The measures for Single-Piece First-Class Mail represent the performance of Single-Piece First-Class Mail letters, postcards, and flats throughout the fiscal year. The indicators show the estimated percent of total mail by service standard (two-day and three-to-five-day) that was delivered to customers on time.

Presort First-Class Mail. The measures for Presort First-Class Mail represent the performance of commercial presorted First-Class Mail letters, postcards, and flats delivered throughout the fiscal year. The indicators show the estimated percent of total mail by service standard (overnight, two-day and three-to-five-day) that was delivered on time.

First-Class Mail Letter and Flat Composite. The First-Class Mail Letter and Flat (FCLF) Composite category is the weighted average of the performance of Single-Piece First-Class Mail and Presort First-Class Mail across all service standards, weighted by volume.

Marketing Mail and Periodicals Composite. The Marketing Mail and Periodicals Composite category is a composite indicator of the percent of all Marketing Mail and Periodicals that were delivered within the service standard established during the year. This includes Marketing Mail letters, Marketing Mail flats, and Periodicals. Approximately two-thirds of mail volume in this composite is Marketing Mail letters, while the remainder is Marketing Mail flats and Periodicals.

FY2019 Performance Report

The following table includes both FY2019 Actual Scores and FY2019 Targets for our High Quality Service metrics.

Metric	FY2019 Actual Score	FY2019 Target	Delta (pp[1])	FY2019 Target (Met/ Not Met)
Single-Piece First-Class Mail Two-Day	92.05	96.50	(4.45)	Not Met
Single-Piece First-Class Mail Three-to-Five-Day	80.88	95.25	(14.37)	Not Met
Presort First-Class Mail Overnight	95.46	96.80	(1.34)	Not Met
Presort First-Class Mail Two-day	94.10	96.50	(2.40)	Not Met
Presort First-Class Mail Three-to-Five-Day	91.95	95.25	(3.30)	Not Met
First-Class Mail Letter and Flat Composite	92.02	96.00	(3.98)	Not Met
Marketing Mail and Periodicals Composite	89.25	91.80	(2.55)	Not Met

[1] *PP refers to the percentage point difference between FY2019 Actual Scores and FY2019 Targets.*

While we did not meet any of the service performance targets in FY2019, service performance scores improved in all mail classes during the third and fourth quarters of FY2019. Some mail classes — such as Marketing Mail — performed at best-ever performance levels for much of the fourth quarter.

During FY2019, natural disasters and industrial incidents negatively disrupted the network and contributed to a lower level of service performance. These disruptions included hurricanes, tropical storms, wildfires, an unusually large number of named winter storm events, toxic spills (e.g. mercury), and a malicious actor that inducted multiple improvised explosive devices into the network.

Aside from unforeseen weather events that impacted our network, our analysis on causes for service failures identified that transportation failures accounted for nearly half of all failures in FY2019. Transportation failures took many forms, including mail that was timely in departing initial processing but did not arrive at the final processing or delivery facility within our established service standards. In other instances, failures were caused by delays by the operator, traffic delays, or mechanical, mis-routing, or missed connections within the transportation network.

Our analysis also revealed that processing failures occurred when processing did not finalize within the service standard in areas such as staffing, operational window, and machine downtime. In other instances, process failures occurred when a product was processed out of first-in, first-out (FIFO) order.

To address processing failures, operational window and machine downtime were identified as areas of focus. We implemented Lean Mail Processing within our processing facilities and developed digital run plan generator systems for daily machine operational plan production cycles. This effort standardized machine scheduling and utilization and provided senior management with additional oversight.

Last-mile or delivery failure was another area that contributed to service failure. Delivery failure occurred when a mail piece was processed on time but delivered after the expected delivery date. To reduce delivery failure, headquarters subject matter experts conducted National Service Reviews of field operations to improve service performance at local levels. We identified deficiencies and communicated with unit, district, and area management with individualized remediation plans. The Delivery Operations team identified issues at the unit level and held district teleconferences with area management to highlight needed improvements at the unit level.

Reference the FY2016–FY2019 Results and FY2019–FY2020 Targets for Corporate-Wide Performance Outcomes table on page 20 for historical performance and FY2020 targets.

FY2020 Performance Plan

In FY2020, all service performance targets will remain the same as in the previous year. As such, each FY2020 metric will be comparable to FY2019 metrics.

We assessed and analyzed our operations in processing, transportation and delivery and developed plans to address service failures. To improve processing, we will continue to use efforts that were implemented in FY2019. We will continue to use digital run plan generator systems for production of daily machine operational plans. In addition, we will use the electronic Mail Condition Visualization tool to provide improved reporting and management of product on hand to drive cycle time improvement. We will continue to focus on Lean Mail Processing certification efforts within our processing facilities to improve product flow, signage, and layouts throughout facilities to drive efficiencies and ensure FIFO processes.

The new handheld Mobile Delivery Device (MDD), which will be rolled out nationally in FY2020, provides letter carriers additional operational information to better serve our delivery customers.

In September 2019, we created two new vice president positions to increase senior leadership's focus on transportation and mail processing operations. The new Vice President of Logistics position leads the effort to improve our air and surface transportation network. The new Vice President of Processing and Maintenance Operations will lead processing operations, operations integration and support, international processing operations, and maintenance operations. These duties previously were the responsibility of the Vice President of Network Operations.

In FY2019, transportation accounted for nearly half of all service failures. To address these failures in FY2020, we will redesign our Surface Transportation Center (STC) network, a critical transportation network for more than half of all First-Class Mail volume, to improve product flow within our ground network. The redesign will allow management to optimize network routing, improve ground reach, and eliminate many of our lowest performing trips for all services. These enhancements are expected to primarily improve our three-to-five day services, with more modest improvements for our two-day services. The first milestone in this redesign began with the opening of a new STC in Kansas City, Missouri, on Sept. 23, 2019. The next phases of the STC redesign will occur in the second and third quarters of FY2020 to minimize network disruptions during peak season.

In FY2020, we will continue to identify issues resulting in delivery failures at the unit level. We will achieve this by doing the following:

- Communicating visualizations of Standard Operating Procedures and Standard Work Orders.
- Retraining employees on using SPM to identify defects for remediation.
- Communicating data and root causes through a new analytics visualization tool. The tool enables data to be assembled by a select operational group to reduce cycle time from mail induction to delivery.
- Continue the national level process initiative to replicate best practices from Area and District Lean Six Sigma and Kaizen projects.

Building on our experiences in FY2019 managing weather-related and industrial incident disruptions, we will further refine contingency planning to mitigate and reduce negative impacts to our service. We will launch a new initiative in FY2020 called “Disruptive Events” to identify mail affected by unforeseen events outside of management’s control. This initiative will use data to identify and flag mail pieces impacted by unexpected events, such as weather, outside of the Postal Service’s control. The Disruptive Events program will enable us to more accurately quantify impacts from these events and diagnose service failures.

Reference the FY2016–FY2019 Results and FY2019–FY2020 Targets for Corporate-Wide Performance Outcomes table on page 20 for historical performance and FY2020 targets.

Excellent Customer Experiences

Excellent customer experience is foundational to the Postal Service’s success. To evaluate our customer’s satisfaction with the services we provide, customers are surveyed at every primary interaction point. We refer to these interactions as “touchpoints.” The Customer Experience composite measurement system provides a comprehensive view of the customer experience across the most frequently used postal customer contact channels and is measured as a composite index of component survey scores. The measure — Customer Experience (CX) Composite Index — is comprised of component surveys of each customer touchpoint and measures the aggregate variance of customer satisfaction scores across each touchpoint relative to its respective performance target.

To calculate the FY2019 CX Composite score, we multiply each customer touchpoint score by its respective weighting and sum the total. This total represents the CX Composite score for the year. In previous years, the weighted average of customer satisfaction raw scores was totaled to create the CX Composite Index. This change will enable us to better incent performance improvements appropriate for each touchpoint.

The components of the CX Composite Index are described below:

Business Service Network (BSN) survey. The BSN provides nationwide support to qualified business customers on service issues, information and requests. The BSN survey measures businesses’ overall satisfaction with their BSN account representatives in resolving issues. The national weighting of the BSN score used to calculate the CX Composite Index is 10 percent.

Point of Sale (POS) survey. The POS survey measures customers’ overall satisfaction with their experiences at retail locations. The national weighting of the POS score used to calculate the CX Composite Index is 15 percent.

Delivery survey. The Delivery survey measures the overall satisfaction of residential and small/medium business customers’ delivery experience, including both street addresses and PO Box deliveries. The national weighting of the Delivery score used to calculate the CX Composite Index is 20 percent.

Customer Care Center (CCC) survey. The CCC survey measures customer satisfaction with calls made to customer care centers. The national weighting of the CCC score used to calculate the CX Composite Index is 20 percent.

Enterprise Customer Care (eCC) survey. The eCC survey measures resolution satisfaction of customers who file complaints with the Postal Service. For eCC, we measure overall satisfaction as well as the overall satisfaction improvement rate over same-period-last-year (FY2018). The national weighting of the eCC score used to calculate the CX Composite Index is 20 percent [the overall eCC score is a composite score of the eCC overall satisfaction score (50 percent) and the eCC improvement rate (50 percent) as compared to the same period last year].

USPS.com survey. The USPS.com survey measures customer satisfaction with the USPS website and solicits customer opinion of website elements. The national weighting of the USPS.com score used to calculate the CX Composite Index is 5 percent.

Business Mail Entry Unit (BMEU) survey. The BMEU survey measures commercial mailers' experiences with their overall satisfaction and customer opinion of BMEU employees, the service they received, and suggestions for areas of improvement. The national weighting of the BMEU score used to calculate the CX Composite Index is 10 percent.

All FY2019 Customer Experience metrics will be comparable to FY2020. For historical FY2018-FY2016 Customer Experience-related comparability information, reference the United States Postal Service FY2018 Annual Compliance Review response to question 6d of Chairman's Information Request No. 2[7].

FY2019 Performance Report

The following table includes both FY2019 Actual Scores and FY2019 Targets for our Excellent Customer Experience metrics.

[7] prc.gov/dockets/document/108111

Metric	FY2019 Actual Score	FY2019 Target	Delta (pp)	FY2019 Target (Met/ Not Met)
CX Composite Index	69.04	78.27	(9.23)	Not Met
BSN	96.68	96.73	(0.05)	Not Met
POS	87.77	90.42	(2.65)	Not Met
Delivery	80.40	86.33	(5.93)	Not Met
CCC	46.94	55.00	(8.06)	Not Met
eCC	37.45	70.00	(32.55)	Not Met
USPS.com	72.94	65.00	7.94	Met
BMEU	96.00	95.13	0.87	Met

In FY2019, we noted an improvement in our overall CX Composite Score (69.04 percent) from FY2018 (67.47 percent) and improvements in five of our seven CX touchpoint scores, but still did not meet our composite score target of 78.27 percent.

We continued to evolve and improve our measurement, reporting and evaluation of our customers' experiences with our organization in FY2019. We identified additional opportunities to assess improvements in customer experience and modified our measures to better reflect customer satisfaction improvements made throughout the fiscal year (e.g. the addition of the eCC improvement rate). Additionally, we evaluated each existing survey for effectiveness in both delivery to the broadest surveyed representation and measurement of overall customer satisfaction.

USPS.com and BMEU met their FY2019 targets. BSN, POS, Delivery, CCC, and eCC did not achieve their respective FY2019 targets. Of these five components, the two primary contributors for missing the overall CX Composite score target were the eCC and CCC metrics because the composite score is a weighted average of all seven metrics. Of note, the CCC score achieved in FY2019 noted dramatic improvements over the previous fiscal year.

The following sections address FY2019 actual scores, FY2019 targets, accomplishments achieved throughout the year, and other related information for each CX touchpoint metric.

BSN survey. In FY2019, we achieved a score of 96.68 percent, slightly lower than our target of 96.73 percent. BSN customers identified issue resolution as their primary issue. In FY2019, we expanded the follow-up process for all Areas and Districts to ensure customers are satisfied with the issue resolution process. To drive employee

A USPS letter carrier stands in front of a ProMaster 2500 vehicle.

engagement, we recognized BSN representatives who regularly demonstrated behaviors that influence a positive customer experience.

POS survey. In FY2019, we achieved a score of 87.77 percent, lower than our target of 90.42 percent. We did not meet our fiscal year target largely due to longer than expected customer wait times in line.

Throughout the fiscal year, we deployed Sales and Services Associate (SSA) training to improve SSAs' knowledge of products and services and to understand and apply CX best practices.

Delivery survey. In FY2019, we achieved a score of 80.40 percent, lower than our target of 86.33 percent. Our underperformance relative to the FY2019 target was due to delivery accuracy and unclear package pickup locations. Additional service disruptions including weather, fire, and natural disasters throughout the year adversely impacted our ability to deliver high-quality service.

CCC survey. In FY2019, we achieved a score of 46.94 percent, lower than our target of 55.00 percent. The primary root causes identified by customers were wait times before speaking to a USPS representative and the inability to resolve their issues at first contact with the CCC.

While the CCC actual score did not meet its FY2019 target, performance increased by 20 percentage points in overall satisfaction from the first month of the year to the last month of the year. To achieve this improvement, the Postal Service focused on bettering operational performance, which reduced the need for customers to contact the CCC. Additionally, the CCC provided better self-service options and shortened wait times in line.

eCC survey. In FY2019, we achieved a score of 37.45 percent, considerably lower than our target of 70.00 percent. The primary reasons customers cited were that their issues were not adequately resolved and that they were not contacted quickly by case managers.

To help resolve these issues throughout the fiscal year, we trained more than 70,000 employees and rolled out a state-of-the-art customer relationship management system. The new system simplifies the case management process by providing field operations with a one-stop solution to resolve customer issues.

USPS.com survey. In FY2019, we achieved a score of 72.94 percent, exceeding our target of 65 percent. To address customer concerns and improve the customer digital experience, we implemented a series of redesigns for important USPS.com web pages including the Home, Help, FAQs, and Missing Mail web pages to provide users with new interfaces and improved functionality. Further, we implemented enhancements to the USPS.com search function to improve our customers' ability to find relevant information online.

BMEU survey. In FY2019, we achieved a score of 96.00 percent, exceeding our target of 95.13 percent. Customers cited issue resolution and positive employee attitudes as the two primary drivers of satisfaction. To drive improvement throughout the year, we identified opportunities for coaching, mentoring and training to ensure our employees had the appropriate resources to meet our customers' needs. As an example, we provided bi-weekly training on issue resolution that enabled our employees to deliver superior issue resolution performance. We improved our performance monitoring system and enhanced awareness of BMEU satisfaction with area management.

FY2020 Performance Plan

In FY2020, delivering excellent customer experiences across multiple channels will continue to be a priority for the United States Postal Service. This includes improving the way we engage with customers, making it easier for our employees to deliver excellent customer services, and enhancing how we measure customer experiences. Across all channels, we will strive to increasingly provide all customers with the experience they want.

In FY2020, we will include the same touchpoints as the FY2019 CX Composite Index and their weighted values in the Index.

We will continue to emphasize our commitment to improve our customers' experiences. Customer experience will remain a strategic initiative. We will emphasize leadership's commitment to improve customer experience and coordinate organizational efforts to improve both the customer experience itself and the organization's measurement of customer experience.

We believe that having the broadest representation possible of our customers is important. Consequently, we are expanding our survey respondent pool. Specifically, the Delivery experience survey will be fielded to a larger sample and, to improve response rate, customers will now be able to provide feedback both online and through physical channels. These changes will provide more actionable data, which will allow our employees to improve delivery service.

We plan to improve our ability to empower our workforce to prevent undesirable customer experiences in FY2020 by providing enhanced tools and data on customer data, and better training and support to our employees across the organization.

Reference the FY2016–FY2019 Results and FY2019–FY2020 Targets for Corporate-Wide Performance Outcomes table on page 20 for historical performance and FY2020 targets.

Safe Workplace and Engaged Workforce

Employee Safety

Employee safety is a top priority for the Postal Service. For the fifth consecutive year, we reduced total accidents. Prevention is the guiding principle for occupational safety and health legislation and the underlying philosophy of the USPS Safety Program. To avoid accidents and occupational diseases, we have adopted standard requirements for safety and health protection at the workplace and have established compliance protocols to ensure effective implementation.

Risk assessment and management are fundamental to preventing and controlling risks to safety and health in the workplace. This includes accounting for all relevant risks, checking the efficiency of the safety measures adopted, documenting the outcomes of the assessment, and reviewing and updating the assessment regularly.

Our safety performance is measured by using a total accident rate metric. The total accident rate is calculated by multiplying the total number of accidents for the year by the approximate number of annual work hours per employee (2,000), multiplied by 100. This number is then divided by the annual number of exposure hours. The total accident rate formula is:

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

This rate uses the same calculation developed by the Occupational Safety and Health Administration (OSHA) for OSHA Illness and Injury (I&I) rates but expands it to include accidents that do not result in medical expenses, days away from work, or restrictions from performing full duty. Using the total accident rate is an industry best practice that enables us to design targeted prevention strategies to eliminate accidents and reduce the severity of impact on both the employee and the organization.

FY2019 Performance Report

In FY2019, our total accident rate was 14.19, which was better than our target of 15.00. Total accidents for FY2019 decreased more than 7.2 percent compared with FY2018. The following table includes both FY2019 Actual Scores and FY2019 Targets for our corporate safety metric.

Metric	FY2019 Actual Score	FY2019 Target	Delta	FY2019 Target (Met/ Not Met)
Total Accident Rate	14.19	15.00	(0.81)	Met

We were able to meet our FY2019 target by launching a Safety Intervention and Recognition program that tracked district-level performance each month. Any district identified as having a high accident rate or showing a trend toward an increasing accident rate was targeted for intervention. The program required the district to create an action plan that identified root cause(s) and implement activities to mitigate the hazards associated with these accidents. Proactive leadership engagement resulted in a safer work environment.

In FY2019, the Postal Service implemented a new safety database, the Informed Mobility Safety Observation Tool, that automated data and response input from safety-related workplace observations. Previous observations were recorded on paper and led to unsafe behaviors being overlooked or unaddressed. The implementation of the automated quality safety observations helped prevent accidents in FY2019.

The table below shows accidents by type in FY2019 and FY2018[8].

Accident Count by Type

Accident Type	FY2019	FY2018	Percent Change
OSHA I&I	29,214	32,779	(10.88)%
Non-Recordable	53,464	56,392	(5.2)%
Motor Vehicle[1]	28,790	30,017	(4.09)%
Total	82,678	89,171	(7.28)%

[1] *Motor vehicle accidents are included in both the OSHA I&I and non-recordable accident counts.*

FY2020 Performance Plan

The FY2020 target for the total accident rate is 15.00. To achieve this, the Postal Service will continue to focus on prevention and a proactive approach to safety through efforts designed to address the most frequent hazards of the workplace such as dog bites, extreme weather, distracted driving, and slip, trip, and fall injuries.

We will also focus on the importance of leadership, tools, and awareness training in maintaining a culture of safety. Improved tools will be released for field leadership to analyze and forecast their accident trends to implement proactive efforts at the earliest time possible. Early intervention within our processing facilities and Post Offices will allow us to establish effective accident reduction action plans with the cooperation and support of our employees.

We will also leverage delivery management systems to get a better understanding of motor vehicle accident risks, such as unsafe behaviors and dangerous roads. In FY2020, we will roll out a national slip, trip, and fall campaign designed to increase awareness of these hazards and enlist the support of our customers in preventing these types of accidents.

Reference the FY2016–FY2019 Results and FY2019–FY2020 Targets for Corporate-Wide Performance Outcomes table on page 20 for historical performance and FY2020 targets.

Employee Engagement

The Postal Service aims to provide employees with an engaged workplace, one in which teams, individuals, and leaders thrive and perform at high levels. Research shows that higher levels of employee engagement correlate to healthier work environments, successful teams, and positive business outcomes for organizations.

To measure the level of engagement at the Postal Service, the organization administers the Postal Pulse survey. This 13-question instrument developed by Gallup, Inc., is administered annually to all employees. Postal Pulse results identify a grand mean score, along with the survey response rates, which serve as our corporate measure of progress.

The grand mean score assesses overall engagement levels of surveyed respondents. The survey response rate identifies the level of participation of all potential respondents during each survey administration.

FY2019 Performance Report

In FY2019, the Postal Pulse survey response rate was 38 percent, which was lower than our FY2019 target of 51 percent. The following table includes both FY2019 Actual Scores and FY2019 Targets for our corporate Employee Engagement metric.

[8] *FY2018 accident counts by type differ from the FY2018 Annual Report to Congress due to either coding changes or additional claims being submitted after Sept. 30, 2018 (the end of FY2018).*

Metric	FY2019 Actual Score	FY2019 Target	Delta (pp)	FY2019 Target (Met/ Not Met)
Engagement Survey Response Rate	38%	51%	(13)	Not Met

Our FY2019 response rate was directly related to employees' perception of local improvements made during the fiscal year based on feedback received during the previous Postal Pulse survey administration. To increase local improvements during the next administration period, coaching efforts have been provided to employees in leadership roles who influence the greatest number of employees. Mid-level management coaching was offered in FY2019 as a key way to develop leader and employee relationships.

In FY2019, the grand mean score (3.36) improved from FY2018 (3.34). Both the grand mean score and the percentage of engaged employees have increased each year since survey inception in 2015. Based on the increase in grand mean performance, USPS employees who respond continued to see overall improvements in the workplace environment.

The continued training of Postal Service leaders, through the instructor-led "Creating an Engaging Workplace at USPS" training, has resulted in more than 49,000 leaders completing the course over the past two years. Further outreach to bargaining unit leaders resulted in the creation of "Engagement Matters," a training course designed for bargaining unit employees who have the responsibility for leading other bargaining unit employees.

To continue offering employees additional avenues to share workplace comments, the FY2019 Postal Pulse survey administration included a direct response comment box which asked employees what one action they believe would improve their work environment. Almost 50 percent of employees who responded to the Postal Pulse survey included comments in their response. These comments were aggregated and shared with USPS leaders to directly influence workplace improvements starting at the highest level of the organization.

FY2020 Performance Plan

Although we did not meet our Postal Pulse Engagement Response target of 51 percent in FY2019, our aggressive response target in FY2020 will remain the same (51 percent). We believe that more responses will be received if employees understand the importance of providing feedback. In FY2020 we will continue to improve our communication efforts, highlighting the importance of employee participation. We will provide Postal Service employees with the training and tools necessary to best identify, assess, and address engagement strengths and areas of opportunity specific to their local work environments.

In addition, we will continue to showcase success stories by recognizing our Engagement Leaders of the Year (awarded to non-bargaining unit leaders), Engagement Most Valuable Players (awarded to bargaining unit employees), and newly created Engagement Cross-Functional Teams (awarded to teams that have employed engagement in completing team projects). We will build stronger environments by providing active one-on-one engagement coaching, publishing a weekly newsletter with tips and articles on workplace best practices, and striving to increase engagement awareness across the Postal Service.

Further, new efforts in FY2020 will utilize pilot programs to provide greater opportunities for open communication and feedback. We will partner with Operations to increase the number of engaged employees and thus positively affect our customers' experiences. We will re-institute the Engagement Champion Network, which will provide additional insight from 1,000 engagement partners, who will engage internally with local teams and all USPS employees.

Reference the FY2016–FY2019 Results and FY2019–FY2020 Targets for Corporate-Wide Performance Outcomes table on page 20 for historical performance and FY2020 targets.

Financial Health

Several factors affected the Postal Service's FY2019 financial results, including: overall customer demand; the changing mix of postal services and contributions associated with those services; fluctuating volumes of mail and packages processed through our network; our ability to manage our cost structure in line with declining volume; growth in legacy retirement and retiree health benefit costs; and an increase in the number of delivery points.

First-Class Mail and Marketing Mail continued to provide the majority of our operating revenue in FY2019. As a percentage of operating revenue, First-

Class Mail and Marketing Mail combined represented 57.3 percent, 58.7 percent, and 60.8 percent for the years ended Sept. 30, 2019, 2018, and 2017, respectively. Combined First-Class Mail and Marketing Mail volume represented 91.6 percent, 91.5 percent, and 91.7 percent in FY2019, FY2018, and FY2017, respectively.

While we continue to experience strong results in our Shipping and Packages business, it represented 32 percent of our operating revenue for the year ended Sept. 30, 2019, compared to First-Class Mail, which represented 34.3 percent. Further, our Shipping and Package business generated 4.3 percent of our volume for the year ended Sept. 30, 2019.

Although revenue and volume are closely linked to the strength of the U.S. economy and customer utilization of the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services, and pricing we may offer to our customers, and the speed with which we can bring new products to market.

We anticipate that the volume of First-Class Mail will continue to decline in future years with the ongoing migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our First-Class Mail revenue and volume, we have focused on providing new services and innovations with Marketing Mail. We have expanded service offerings, such as Informed Delivery, which enables customers to preview mail and packages scheduled to arrive as a means of merging digital and physical mail.

With our Shipping and Packages business, we have focused on growing e-commerce and implementing marketing campaigns to increase business. By offering day-specific delivery, improved tracking, text alerts, and up to $50 of free insurance on most Priority Mail packages, we have demonstrated our responsiveness to our customers.

In FY2019 and years prior, we implemented price increases on various Market-Dominant and Competitive services to remain competitive within the industry. However, these price increases have not fully offset our losses due to overall mail volume decline.

Controllable Income (Loss)

As noted in prior years, our financial results remain significantly affected by expenses that are not reflective of our operational decisions and are subject to large fluctuations outside our control. We use controllable income (loss), rather than net income (loss), to assess our financial performance as net income includes the effect of factors (such as interest rate changes) that cannot be controlled or influenced by management.

Non-Controllable Expenses

Non-controllable expenses include: revaluations of the Postal Service Retiree Health Benefits Fund (PSRHBF) normal cost by the Office of Personnel Management (OPM); the amortization of our unfunded PSRHBF liabilities; the amortization of our unfunded liabilities for our participation in the Federal Employees Retirement System (FERS) and Civil Service Retirement System (CSRS); the 2016 change in accounting estimate of deferred revenue — prepaid postage liability for Forever stamps; and non-cash expenses related to changes in our liability for participation in the federal workers' compensation program. We exclude these items from the calculation of controllable income (loss).

Fluctuations in these expenses are caused by changes in actuarial assumptions, such as interest and inflation rates, and employee and retiree demographics. We can only marginally influence these expenses over the long term by changing the number of employees or compensation rates, but this effect is very small and gradual compared to the effect of external factors. For example, a 1 percent increase in the discount rate would cause a decrease in the Sept. 30, 2019, workers' compensation liability and related expense by approximately $2.0 billion. Similarly, a 1 percent decrease in the discount rate would cause an increase in the Sept. 30, 2019, workers' compensation liability and related expense by approximately $2.5 billion.

The following table includes revenue, controllable income (loss), and net income (loss) and shows planned revenues and expenses by category for FY2019 and FY2020, as well as actual data for FY2016-FY2018.

Revenue and Expenses

(in billions, unaudited[1])

	FY2020 Plan (IFP)[2]	FY2019 Actual	Actual vs Plan	FY2019 Plan (IFP)	FY2018 Actual	FY2017 Actual	FY2016 Actual
First-Class Mail	24.4	24.4	0.2	24.2	25.0	25.7	26.6
Marketing Mail	16.0	16.4	(0.4)	16.8	16.5	16.6	17.6
Shipping and Packages	23.6	22.8	(0.3)	23.1	21.5	19.5	17.3
International	2.4	2.5	(0.4)	2.9	2.6	2.6	2.7
Periodicals	1.2	1.2	0.0	1.2	1.3	1.4	1.5
Other[3]	4.2	4.0	0.1	3.9	3.9	3.9	3.7
Revenue	**71.8**	**71.3**	**(0.8)**	**72.1**	**70.8**	**69.7**	**69.4**
Temporary Exigent Surcharge	0.0	0.0	0.0	0.0	0.0	0.0	1.1
Total Revenue	**71.8**	**71.3**	**(0.8)**	**72.1**	**70.8**	**69.7**	**70.5**
Salaries and Benefits[4]	49.3	48.9	(0.1)	49.0	47.9	47.0	49.8
FERS Normal Cost	3.8	3.5	0.0	3.5	3.5	3.5	3.4
PSRHBF Normal Cost[5]	4.0	4.0	0.0	4.0	3.7	2.8	0.0
Transportation	8.5	8.2	(0.1)	8.3	7.9	7.2	7.0
Depreciation	1.7	1.7	0.0	1.7	1.7	1.7	1.7
Supplies and Services	2.8	2.8	(0.2)	3.0	3.0	3.0	2.8
Rent, Utilities, and Other[6]	5.7	5.6	(0.1)	5.7	5.3	5.3	5.2
Controllable Expenses	**75.8**	**74.7**	**(0.5)**	**75.2**	**72.8**	**70.5**	**69.9**
Controllable Income (Loss)	**(4.0)**	**(3.4)**	**(0.3)**	**(3.1)**	**(2.0)**	**(0.8)**	**0.6**
PSRHBF Pre-Funding	0.0	0.0	0.0	0.0	0.0	0.0	(5.8)
PSRHBF Normal Cost Actuarial Revaluation and Amortization[5]	0.0	0.2	0.2	0.0	(0.1)	(0.5)	0.0
PSRHBF Unfunded Liability Amortization	(0.9)	(0.8)	0.3	(1.1)	(0.8)	(1.0)	0.0
FERS Unfunded Liability Amortization	(1.1)	(1.1)	(0.1)	(1.0)	(1.0)	(0.9)	(0.2)
CSRS Unfunded Liability Amortization	(1.6)	(1.6)	(0.2)	(1.4)	(1.4)	(1.7)	0.0
Workers' Comp. Fair Value and Other Non-Cash Adjustments	0.0	(2.1)	(2.1)	0.0	1.4	2.2	(1.3)
Deferred Revenue - Prepaid Postage Change in Estimate[7]	0.0	0.0	0.0	0.0	0.0	0.0	1.1
Non-Controllable Items	**(3.6)**	**(5.4)**	**(1.9)**	**(3.5)**	**(1.9)**	**(1.9)**	**(6.2)**
Net Income (Loss)	**(7.6)**	**(8.8)**	**(2.2)**	**(6.6)**	**(3.9)**	**(2.7)**	**(5.6)**

1 *Due to rounding, numbers presented throughout this table may not add up precisely to totals provided elsewhere in this report and percentages may not precisely reflect the absolute figures.*

2 *The FY2020 IFP information contained in this document will be revised if needed upon approval by the BOG.*

3 *Includes investment and interest income, gain, or loss on sale and income from the outlease of property.*

4 *Previously labeled "Compensation and Benefits" in FY2018 Annual Report to Congress and included FERS Normal Cost. Excludes PSRHBF pre-funding, normal cost, amortization, and actuarial revaluation; non-cash adjustments to workers' compensation liabilities; and FERS and CSRS unfunded liabilities amortization, which are excluded from controllable expenses. Includes PSRHBF premiums (FY2016) and workers' compensation cash expenses.*

5 *Total PSRHBF expense in FY2019 was $3.8 billion which includes a $0.2 billion non-controllable benefit. PSRHBF normal cost in FY2018 was $3.7 billion, which includes a $0.1 billion non-controllable expense.*

6 *Includes interest expense.*

7 *During FY2016, we revised the methodology used to estimate our deferred revenue - prepaid postage liability for Forever stamps. As a result, deferred revenue - prepaid postage was decreased by nearly $1.1 billion. In accordance with accounting principles generally accepted in the United States (GAAP), the change was accounted for as a change in accounting estimate.*

FY2019 Performance Report

In FY2019, the Controllable Income (Loss) was $(3.42) billion, which was greater than our FY2019 target of $(3.10) billion. The following table includes both FY2019 Actual Score and FY2019 Target for our Controllable Income (Loss) metric.

Metric	FY2019 Actual Score	FY2019 Target	Delta	FY2019 Target (Met/ Not Met)
Controllable Income (Loss) ($ in billions)	$(3.42)	$(3.10)	$(0.32)	Not Met

The major factors that affected our controllable loss include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network, and our ability to manage our cost structure in line with declining volume levels, an increasing number of delivery points, and legacy costs for retirement and retiree health benefits. We operate as a single segment and report our performance as such.

In FY2019, our total revenue, including interest and investment income was $71.3 billion and total expenses, including interest expense, were $80.1 billion, resulting in a net loss of $8.8 billion. This was $2.2 billion more than the $6.6 billion net loss planned in the FY2019 IFP. The higher-than-anticipated net loss was primarily due to $2.1 billion of unfavorable non-cash adjustments to our workers' compensation liability, primarily arising from lower interest (discount) rates and lower-than-expected revenue, partially offset by non-personnel expense savings.

Revenue. Revenue includes: funds received from the sale of postage, mailing and shipping services; passports; PO Box rentals; gain or loss on sale and income from the outlease of property; and interest and investment income. Our FY2019 total revenue of $71.3 billion was $0.8 billion less than planned, largely due to lower-than-expected Marketing Mail, International Mail and package volumes.

First-Class Mail primarily consists of single-piece and presort letters and postcards. Revenue from First-Class Mail was $24.4 billion, $0.2 billion above plan, mainly due to higher-than-expected presort letters and postcards volume.

Marketing Mail consists of mail that we do not require customers to mail as First-Class or Periodicals and may include advertising, newsletters, catalogs, small marketing parcels, and other printed matter. Revenue from Marketing Mail was $16.4 billion, $0.4 billion below the planned amount, primarily due to lower-than-expected volume.

Shipping and Packages consist largely of Competitive services that can be priced to reflect current market conditions. These include Priority Mail and Priority Mail Express, business-oriented services such as Parcel Select and Parcel Return, First-Class Mail parcels, and certain other package delivery services detailed in the Overview of Postal Operations section. Revenue from Shipping and Packages was $22.8 billion, $0.3 billion below our planned amount, primarily due to lower-than-expected Parcel Select and Parcel Return volumes.

International Mail includes services that enable customers, both domestic and abroad, to send international mail and packages, with either standard or express delivery options. The majority of our International Mail revenue is generated from outbound services that allow customers in the U.S. to send mail and packages to other countries. Revenue from International Mail was $2.5 billion, $0.4 billion below our plan.

Periodicals mail is comprised primarily of newspapers, magazines, and other periodical publications whose primary purpose is transmitting information to an established list of subscribers or requesters. Revenue from Periodicals was $1.2 billion, in line with our plan. Continued decline in hard-copy reading and advertising shifts away from print have depressed this segment for several years.

Other revenue includes ancillary services, such as Certified Mail, PO Box services, Return Receipt services, and money order and passport services. Other revenue was $4.0 billion, $0.1 billion higher than our FY2019 plan.

Controllable Expenses. Our ability to affect the amount of controllable expenses is limited by various legal requirements, including our universal service obligation, our collective bargaining agreements, and our obligation to participate in federal benefits programs. This section describes the various categories of controllable expenses and their performance in FY2019.

Salaries and benefits expenses include salaries, employee health benefit expenses for our active employees, and workers' compensation cash outlays. These expenses were $48.9 billion, $0.1 billion less than our FY2019 plan.

FERS normal cost expense is the expense we incur to fund retirement benefits for our active employees. Our normal cost of $3.5 billion was in line with our planned amount.

PSRHBF normal cost expense is the expense we incur to fund retirement health benefits for our active employees. Our normal cost of $3.8 billion was $0.2 billion below our planned amount; however, this difference is considered a non-controllable benefit, as it is the result of differences between amounts forecast by OPM and its financial calculation, due to actuarial and experience differences. The controllable portion of PSRHBF normal costs, $4.0 billion, was in line with the plan.

Transportation expenses include the contractual costs we incur to transport mail and other products between our facilities, including highway, air and international transportation contracts, plus contract delivery services. Transportation expenses do not include the compensation and benefits of employees responsible for transporting mail and other products between our facilities or to delivery points. The non-personnel costs of transportation to delivery points, excluding contract delivery services, are included in rent, utilities, and other expenses. Total transportation expenses were $8.2 billion, $0.1 billion less than our FY2019 plan.

Depreciation expense allocates the cost of long-lived assets to the periods in which they are used. These assets include items such as buildings, equipment, vehicles, leasehold improvements, and capitalized software. Depreciation expense was $1.7 billion, in line with our IFP estimate.

Supplies and services expenses include minor equipment, spare parts, furniture, services, cost of sales, and office supplies. Supplies and services expenses in FY2019 were $2.8 billion, $0.2 billion below our plan, largely due to expense control measures.

Rent, utilities, and other expenses include the cost of leasing buildings, utilities, building repairs and alterations, vehicle fuel, information technology, interest expense, and all other miscellaneous items. These items collectively cost $5.6 billion, which was $0.1 billion below our plan, primarily due to lower-than-expected information technology expenses.

FY2020 Performance Plan[9]

In FY2020, we anticipate a $4.0 billion controllable loss, in which revenue growth of $0.5 billion is not enough to offset inflationary and contractual cost increases, an anticipated increase in the FERS normal cost, and modest inflationary growth in non-personnel expenses.

Revenue. Revenue is planned to increase by $0.5 billion compared to FY2019. This increase is expected to be driven primarily by increases in Shipping and Packages. First-Class Mail revenue is estimated to remain flat. Marketing Mail revenue is estimated to decrease by $0.4 billion, as we expect the CPI-U price increase to only partially offset a decrease in volume. Shipping and Packages revenue is estimated to increase by $0.8 billion, mainly because of price increases. International revenue is estimated to decrease $0.2 billion due to lower volumes. Periodicals revenue is estimated to remain flat as electronic content continues to grow in popularity. Other revenue is estimated to increase by about $0.2 billion.

Controllable Expenses. Salaries and benefits expenses are planned to increase by $0.4 billion in FY2020, due to wage increases resulting from anticipated contractual general increases and cost-of-living adjustments. FERS normal cost expense is planned to increase by $0.3 billion over the FY2019 controllable amount, in line with the increased employer compensation rate required by OPM. Transportation expenses are estimated to increase by $0.3 billion, largely due to inflationary pressures and expenditures to improve service to destinations outside of the continental United States. Depreciation expense is expected to remain flat. Supplies and services expenses are expected to remain flat. Rent, utilities, and other expenses are estimated to increase by $0.1 billion due to normal inflationary pressures, particularly those related to vehicle fuel, heating oil, and vehicle repairs. We also plan to reduce the number of work hours through increased efficiency.

[9] *The FY2020 IFP information contained in this document will be revised if needed upon approval by the BOG.*

Non-Controllable Expenses. Our FY2019 IFP included $4.0 billion for PSRHBF normal cost as part of controllable expenses, based on projections from OPM. The actual amount billed by OPM was $3.8 billion; the $0.2 billion difference was reflected as an offset to non-controllable expenses. In FY2018, OPM increased its normal cost calculation by $0.2 billion. As that increase in PSRHBF normal costs was due to changes in the actuarial assumptions by OPM, we also treated it as non-controllable. There is no plan for a normal cost revaluation expense in FY2020 as we cannot predict calculation changes by OPM.

OPM calculates the PSRHBF amortization expense to allow us to pay down our unfunded liability obligations in the PSRHBF program. The FY2019 IFP included $1.1 billion in expenses, based on the most recent OPM data available at the time we published the IFP. The actual billed amount in FY2019 was $0.8 billion. This lower amortization requirement primarily resulted from a higher-than-expected discount rate used by OPM in calculating the liability. Based on the latest available information, the FY2020 IFP includes a $0.9 billion expense for PSRHBF unfunded liability amortization.

OPM calculates both FERS and CSRS amortization payments to allow us to pay down our unfunded liability obligations in the FERS and CSRS programs. We consider these expenses non-controllable because the amount depends on actuarial assumptions, including interest and inflation rates, over which we have no control. FY2019 planned expenses for FERS and CSRS amortization were $1.0 billion and $1.4 billion, respectively, based on the most recent data available at the time we published the IFP. The actual charged amounts in FY2019 were $1.1 billion and $1.6 billion, respectively. Our FY2020 IFP includes CSRS and FERS amortization expenses equal to their actual FY2019 values.

GAAP requires us to record our Sept. 30, 2019, workers' compensation liability based on the prevailing interest rates on that date. The adjustment to the liability is non-controllable, as it is a function of events taking place in the general economy and well outside our control. We do not plan for this adjustment in our IFP, as we cannot predict future interest rates. In FY2019, we recorded a $2.1 billion non-controllable increase in workers' compensation expense, due primarily to the unfavorable impact that increasing interest rates has on our workers' compensation liability. This represents a $3.5 billion lower benefit compared to the prior year.

Return to Long-Term Stability. For the Postal Service to effectively leverage the best available technologies and solutions to enhance our operations and services, and best serve our customers by providing reliable postal services, we will continue to take aggressive management actions to control costs, increase efficiency and return to long-term financial stability. However, we need both Congress and the PRC to make necessary statutory and regulatory business model changes to assist our internal efforts. We are relying on Congress to enact effective postal reform legislation, the centerpiece of which must be a requirement that postal retirees enroll in Medicare. This is a near-universal practice for businesses that still provides retiree health benefits and would ensure that the Postal Service's retiree health benefits program aligns with private sector best practices.

Also critical to solving our long-term financial challenges is the 10-year statutory review of the system for regulating rates and classes for Market-Dominant services the PRC is conducting. Changes to the current pricing system are necessary because the current regulatory structure restricts our ability to adjust prices of Market-Dominant services. This current model is predicated on a price cap that does not take changes in Postal Service volumes and costs into account. As the past decade has illustrated, this system is not suitable for ensuring the Postal Service's continued ability to provide prompt and reliable universal services, and to meet our other statutory obligations in a self-sufficient manner. The Postal Service seeks a structure that gives us the ability to set prices at levels necessary to ensure our financial stability.

Reference the FY2016–FY2019 Results and FY2019–FY2020 Targets for Corporate-Wide Performance Outcomes table on page 20 for historical performance and FY2020 targets.

Deliveries per Total Work Hours, Percent Change[10]

Deliveries per total work hours (DPTWH) is a measure of our overall efficiency. It is calculated by multiplying the total possible deliveries by the number of delivery days and dividing that product by total work hours. We target our percent improvement in DPTWH from year to year.

We adjust work hours to reflect changes in workload compared to the prior year. This adjustment accounts for changes in the network size (the addition of delivery points), changes in the number of non-Sunday delivery days, and changes in the mix of mail types (for example, a package usually contributes much more to workload than a letter or flat). The adjustment ensures that DPTWH is comparable from year to year.

Finally, the percent change in DPTWH is calculated by comparing the current year DPTWH (based on adjusted work hours) with prior year DPTWH (based on unadjusted work hours).

FY2019 Performance Report

The following table includes both FY2019 Actual Scores and FY2019 Targets for our corporate DPTWH, Percent Change metric.

Metric	FY2019 Actual Score	FY2019 Target	Delta	FY2019 Target (Met/ Not Met)
DPTWH, Percent Change	(0.60)	1.40	(2.00)	Not Met

In FY2019, we recorded 1,187.3 work hours (adjusted for earned workload) and made 48,270 million deliveries. While delivery points grew in FY2019, package volume was unchanged and letter and periodical volumes decreased significantly. The number of deliveries made during the year grew by approximately 445 million, which is the net result of the addition of about 1.3 million new delivery points, as well as a small impact from increased Sunday deliveries. There would have been an additional delivery day in FY2019 (303) as compared to FY2018 (302), but delivery days were equal due to the national day of mourning to honor former President George H.W. Bush on Dec. 5, 2018.

The FY2019 DPTWH, Percent Change target was a 1.4 percent improvement in DPTWH; however, actual performance was a decrease of 0.60 percent due to overrunning our work hours relative to plan. Work hour overruns occurred mainly in the first half of the fiscal year due largely to increases in political and election mail as well as efforts to improve service during peak holiday season.

FY2020 Performance Plan

The FY2020 DPTWH, Percent Change target is 1.50 percent. The target assumes we will capture work hour reductions from declining mail volume and from operational initiatives to improve efficiencies in mail processing, delivery, and customer service.

Reference the FY2016–FY2019 Results and FY2019–FY2020 Targets for Corporate-Wide Performance Outcomes table on page 20 for historical performance and FY2020 targets.

Other Productivity Measures

Total Factor Productivity (TFP) measures how efficiently we use our resources[11]. An increase in TFP indicates that the ratio of work completed to the resources used is increasing, and we are operating more efficiently. Work completed depends on three primary components: the number of delivery points, mail volume weighted by product type, and miscellaneous output (such as other services we provide, including passport services). Labor productivity measures the efficiency of labor. An increase in the labor productivity index indicates that more workload is being handled per unit of labor. For both indices, resource usage is based on the constant-dollar amounts of labor, capital, and materials used. Because some productivity improvements take years for the effects to be realized, it is more informative to consider changes in TFP and labor productivity over a period of years, rather than year-to-year.

In FY2019, labor productivity decreased by 0.3 percent after nine consecutive years of increasing. This marks only the second year since 1997 that labor productivity did not increase. TFP has increased significantly since FY2009, though in recent years TFP has decreased each year with the exception of FY2018. Total Factor Productivity for FY2019 was -0.3 percent, with the decrease in TFP attributed to negative labor productivity, declining mail volumes, increased transportation expenses, and increased investments.

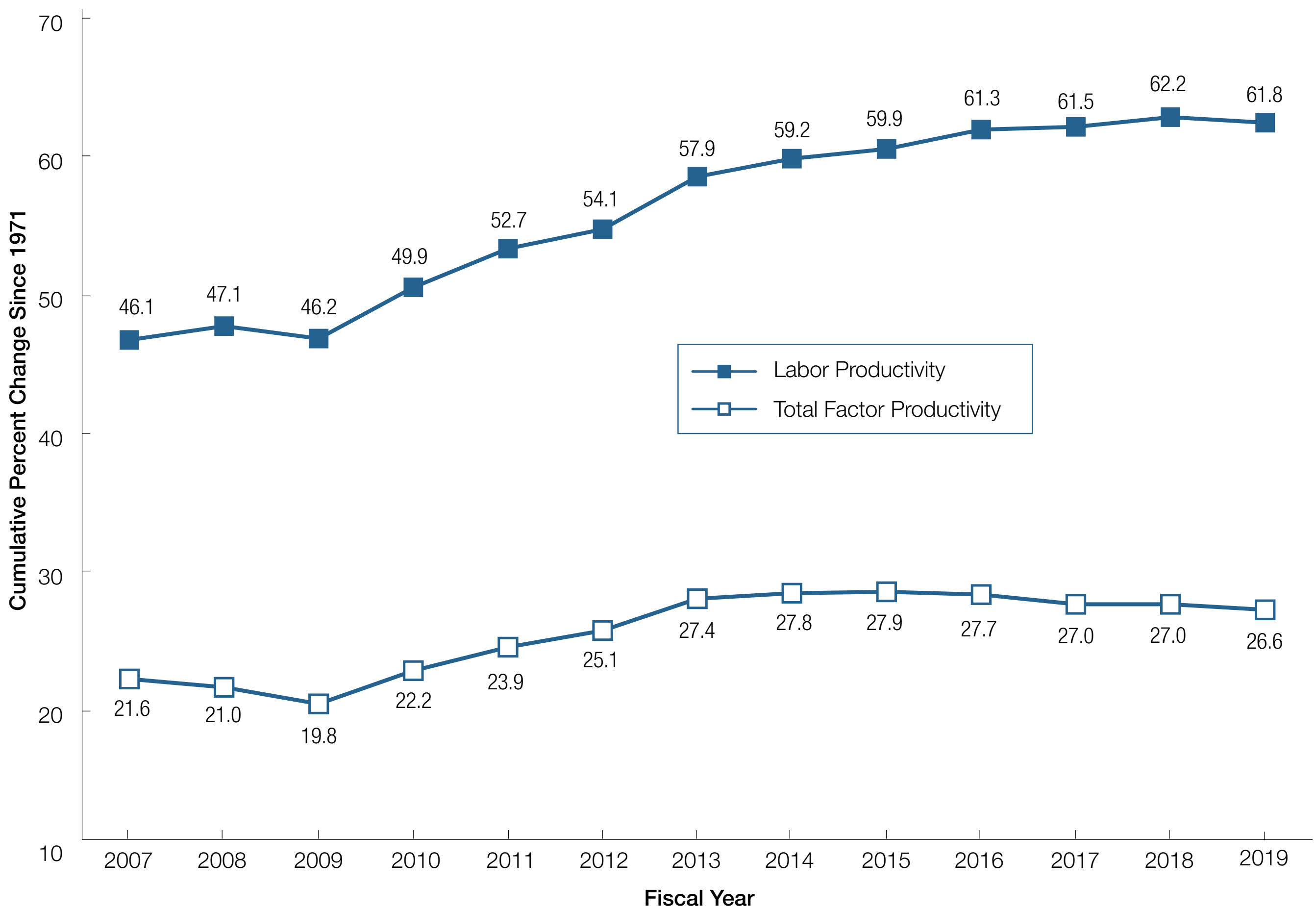
[10] *The FY2020 IFP information contained in this document will be revised if needed upon approval by the BOG.*

[11] *We use DPTWH rather than TFP as our primary efficiency measurement indicator for two reasons: 1) DPTWH is easier to understand with greater measurable depth to the Area and District level and; 2) DPTWH can be reported in a timelier manner allowing us to more quickly assess our performance compared to TFP.*

Labor productivity was negatively impacted by the National Rural mail count, the arbitration decision to convert Highway Contract Routes (HCR) to Postal Vehicle Services (PVS)[12], and increases in political and election mail. A number of factors, including the continuing decline in mail volume in recent years, has made it more challenging to generate additional productivity growth.

The following chart[13] starts with the cumulative TFP and labor productivity improvement from an index year of 1971 to 2007 and then shows the cumulative change each year since FY2007.

Total Factor Productivity and Labor Productivity, Cumulative Percent Change Since 1971



[12] *An arbitration decision signed Aug. 18, 2016, required USPS to insource specific routes from HCR to PVS.*

[13] *FY2018 TFP and Labor Productivity were recast after the final Cost and Revenue Analysis (CRA) was issued in January 2019. FY2019 TFP and Labor Productivity is preliminary until the CRA report is released in January 2020.*

Strategic Initiatives

The Postal Service has established strategic goals as described in our FY2020-FY2024 Five-Year Strategic Plan. To help achieve these goals, we have implemented a portfolio of strategic initiatives and a rigorous portfolio management process. This process is based on well-established methods to apply strategic and financial rigor to decision-making and to navigate significant organizational changes.

Each strategic initiative has a specific set of measures to track performance aligned to optimize short-term performance and build long-term capabilities. The portfolio of initiatives is dynamic and changes as priorities and resources change, and as programs are completed or adjusted based on external events.

The changes to our initiatives from FY2019 to FY2020 fall into the following categories:

- Continued: Initiative continued into FY2020 with minimal changes from FY2019.
- Refined: Initiative was modified to achieve greater alignment with organizational goals and the current business environment.

The table on the following page shows how the strategic initiatives implemented in FY2019 and planned for FY2020 align to the strategies from our Five-Year Strategic Plan and to the corporate-wide performance metrics. Note: The strategic initiatives identified in the USPS Five-Year Strategic Plan for FY2020-FY2024 are subject to change by the Board of Governors as changes in strategy become necessary or business conditions warrant.

One of the more than 12,400 ProMaster 2500 vehicles that the Postal Service uses to deliver mail and packages.

FY2019 and FY2020 Strategic Initiatives

FY2019 Corporate Outcomes Supported							FY2020 Corporate Outcomes Supported				
Strategies from the FY2020–2024 Five-Year Strategic Plan	**FY2019 Strategic Initiatives**	**High-Quality Service**	**Excellent Customer Experiences**	**Safe Workplace and Engaged Workforce**	**Financial Health**	**Change from FY2019 to FY2020**	**FY2020 Strategic Initiatives**	**High-Quality Service**	**Excellent Customer Experiences**	**Safe Workplace and Engaged Workforce**	**Financial Health**
Deliver World-Class Customer Experience	Build a World-Class Customer Experience	X	X	X		Continued	Build a World-Class Customer Experience	X	X	X	
Equip, Empower, Connect and Engage Employees	Improve Employee Experience			X	X	Refined	Form the Workforce of the Future			X	X
Innovate Faster to Deliver Value	Accelerate Innovation to Maximize Business Value	X	X	X	X	Continued	Accelerate Innovation to Maximize Business Value	X	X	X	X
	Accelerate Innovation to Create Customer Value and Increase Profitability	X	X		X	Refined	Accelerate Innovation to Enhance the Value of Mail	X	X		X
	Build Platform to Grow Profitable Packages Business	X	X		X	Refined	Accelerate Innovation to Grow a Profitable Package Platform	X	X		X
Invest in Our Future Platforms	Optimize Network Platform	X			X	Continued	Optimize Network Platform	X			X
	Delivery Structure Optimization	X	X		X	Refined	Optimize Delivery and Retail Platforms	X	X		X

Section 508 Version

A USPS retail clerk stands near Post Office Boxes at the Makiki, HI, Post Office.

Additional Information

For more information on our services, products, programs, and policies, visit *usps.com*.

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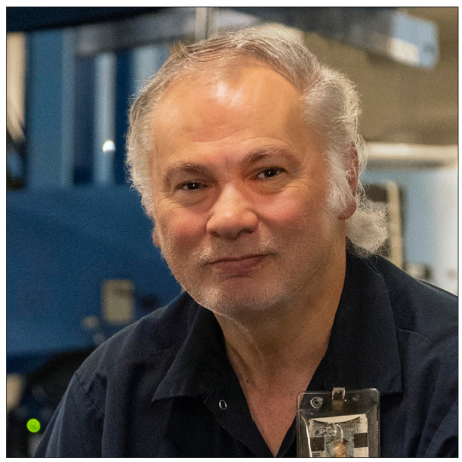
Year References

All references to a specific year or “the year” refer to the Postal Service fiscal year ending Sept. 30. However, specific month and year references pertain to the calendar dates.

A USPS customer uses a self-service kiosk to ship a package.









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