

DELINQUENT SCHEDULED MAINTENANCE ON LONG-LIFE VEHICLES

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Abstract

In 2014, an audit by the Postal Service's Office of Inspector General found the current fleet of long-life vehicles can only meet the agency's delivery needs through fiscal year 2017. With the next generation of vehicles still in prototype, the Postal Service lacks assurance that its maintenance strategy to can assure continuity of operations in the interim. Given the urgent need to sustain the fleet in the short-term, this policy memorandum considers incentives as an option to address compliance with scheduled maintenance.

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To: David Williams, Chief Operating Officer and Executive Vice President
From: Kelly Danoy, Policy Consultant
Date: December 2016
Re: Delinquent Scheduled Maintenance on Long-Life Vehicles

Action Forcing Event

In fiscal year 2016, which ended on September 30, Postal Service delivery vehicles spontaneously caught fire while in operation on nearly 20 occasions, according to national news sources and social media entries.¹²³ The Postal Service declared one such delivery vehicle a total loss following a January 2016 fire in Texas, to include 90 percent of the mail onboard.⁴ In Wisconsin, the flames from a March delivery vehicle fire spread to a nearby field in a residential area, causing a grass fire.⁵

In fiscal year 2014, the Postal Service's Office of Inspector General (OIG) reported that the current delivery vehicle fleet can sustain delivery operations through fiscal year 2017, based on its analysis of the Postal Service's vehicle inventory and motorized routes. The OIG cautioned though that unexpected inventory drops in the Postal Service's delivery fleet could cause transportation shortfalls and limit "the amount of mail a [delivery] carrier can delivery in his or her 8-hour day."⁶

¹ "Mail truck catches fire near Cheyenne, Rancho," *KTNV*, February 20, 2016, accessed September 2016, <http://www.ktnv.com/news/mail-truck-catches-on-fire-near-cheyenne-rancho>.

² Joe Ripley, "Columbus Fire and EMS trying to figure out how postal truck caught fire," *WRBL*, July 30, 2016, accessed September 2016, <http://wrbl.com/2016/07/30/columbus-fire-and-ems-trying-to-figure-out-how-postal-truck-caught-fire/>.

³ "Mail truck damaged by fire in Upstate," *WYFF-4*, September 19, 2016, accessed September 2016, <http://www.wyff4.com/news/mail-truck-damaged-by-fire-in-upstate/41737418>.

⁴ Francesca Washington, "U.S. Postal vehicle catches fire in Tyler neighborhood, mail destroyed," *KLTV.com*, last modified January 6, 2016, accessed February 2016, <http://www.kltv.com/story/30892525/us-postal-vehicle-catches-fire-in-tyler-neighborhood-mail-destroyed>.

⁵ Joe Pruski, "Fire destroys postal truck, ignites field," *DeForest Times-Tribune*, March 7, 2016, accessed September 2016, http://www.hngnews.com/deforest_times/news/local/article_a84d471e-e4b0-11e5-b2cd-5767f6ded0be.html.

⁶ "Delivery Vehicle Fleet Replacement," *USPS Office of Inspector General*, DR-MA-14-005, June 10, 2014.

Statement of the Problem

During fiscal year 2015, the OIG “determined the Postal Service is not always performing scheduled preventive maintenance on its delivery vehicles.” In fact, during the first fiscal quarter that year, OIG analysis found that an average of over 20 percent of the Postal Service’s delivery vehicles were delinquent for scheduled maintenance.⁷ “This approach ignores modern best practices used by the [Postal Service’s] private sector rivals like FedEx [Corporation] and [United Parcel Service, Inc., (UPS)] and necessitates future postage hikes to pay for vehicle maintenance and fleet inefficiencies,” said Ken Blackwell, a senior advisor to Securing America’s Future Energy.⁸

The Postal Service faces serious budgetary pressures in maintaining a national network of mail processing and delivery operations. The Postal Service operates the world’s largest civilian fleet, with many of its long-life vehicles (LLVs) nearing or exceeding their expected service life. The delivery fleet is aging, and the US’s Government Accountability Office (GAO) notes that the Postal Service is “increasingly incurring costs for unscheduled maintenance due to vehicle breakdowns, which can disrupt operations and increase costs.” In fiscal year 2010, for example, at least 31 percent of the Postal Service’s vehicle maintenance costs were for unplanned, unscheduled maintenance.⁹ The target ratio for unscheduled maintenance is 20 percent. In fiscal year 2012, the OIG found that Capital Metro and Pacific areas “exceeded unscheduled maintenance by 10 and [seven] percent, respectively.” The reduction of

⁷ “Suspension or Delay of Scheduled Vehicle Maintenance,” *USPS Office of Inspector General*, DR-MA-15-001, February 10, 2015.

⁸ Ken Blackwell, “U.S. Postal Service Wasting Billions on New Mail Trucks, Sticking Its Customers with the Bill,” *CNS News*, December 4, 2015, accessed November 2016, <http://www.cnsnews.com/commentary/ken-blackwell/us-postal-service-wasting-billions-new-mail-trucks-sticking-its-customers>.

⁹ “United States Postal Service: Strategy Needed to Address Aging Delivery Fleet,” *US Government Accountability Office*, GAO-11-386, May 5, 2011, publically released May 11, 2011.

unscheduled maintenance in the latter example would have saved the Postal Service over \$17 million, based on findings by the OIG.¹⁰¹¹ In fiscal year 2014, Postal Service vehicle maintenance expenses totaled \$1.1 billion.¹² In fiscal year 2015, the Postal Service spent more than \$428 million on repair parts alone in order to maintain the LLVs.¹³

The Postal Service’s mandate is to provide universal postal services to the nation, and the LLV serves as the workhorse of the fleet to accomplish this mission. But the Postal Service “could experience vehicle shortfalls if there are unexpected decreases in vehicle inventory” due to unscheduled maintenance or vehicle breakdowns.¹⁴ Such conditions influence the Postal Service’s ability to meet its customer service requirements, including its timeliness of mail deliveries. The Postal Service “considers mail delayed when it is not processed in time to meet its established delivery day.” In fiscal year 2015, the OIG found delayed mail increased by 48 percent (about 494 million mailpieces), as compared to the same period in the previous year. In addition, Postal Service stakeholders express concerns that “delayed mail is increasing and service is declining” due to a number of factors, including Postal Service transportation operations.¹⁵

Moreover, the impact on Postal Service vehicle operators is significant, particularly with respect to employee safety. In July 2016, for example, a delivery carrier

¹⁰ “Vehicle Maintenance Facility Efficiency Nationwide – Capping Report,” *USPS Office of Inspector General*, DR-AR-15-006, April 28, 2015.

¹¹ “Vehicle Maintenance Facility Efficiency – Capital Metro and Pacific Areas,” *USPS Office of Inspector General*, DR-AR-13-007, September 30, 2013.

¹² “Vehicle Maintenance Facility Efficiency Nationwide – Capping Report,” *USPS Office of Inspector General*, DR-AR-15-006, April 28, 2015.

¹³ “Vehicle Parts Purchasing and Inventory Management Process,” *USPS Office of Inspector General*, DR-AR-17-001, October 7, 2016.

¹⁴ “Delivery Vehicle Fleet Replacement,” *USPS Office of Inspector General*, DR-MA-14-005, June 10, 2014.

¹⁵ “Substantial Increase in Delayed Mail,” *USPS Office of Inspector General*, NO-MA-15-004, August 13, 2015.

in Kansas narrowly escaped injury when her Postal Service delivery vehicle spontaneously caught fire while in operation.¹⁶ Nearly two years prior, in 2014, the National Association of Letter Carriers (NALC) highlighted delivery carriers concerns about vehicle fires in its monthly magazine, *The Postal Record*.¹⁷ Later, the Postal Service issued a memorandum that acknowledged “an increase of vehicle fires [had] been experienced in the [Postal Service] fleet over the last year and a half,” particularly in LLVs.¹⁸

The Postal Service delivers mail to nearly 155 million addresses nationwide—“more mail to more addresses in a larger geographical area than any other post in the world.”¹⁹ Yet, of its 214,933-vehicle total fleet, nearly 67 percent of Postal Service vehicles are LLVs that are nearing or exceeding their expected service life. The LLV remains in use to provide needed delivery service because the Postal Service’s financial condition has posed a significant barrier to funding a major overhaul of its delivery fleet.²⁰ Postal Service leadership now plans to replace the entire LLV fleet beginning in fiscal year 2018 with the acquisition of the Next Generation Delivery Vehicle (NGDV), but the strategy is “a multi-year, phased process of which [the Postal Service is] in the fairly early phases.”²¹

¹⁶ “Mail carrier narrowly escapes vehicle fire,” *Postal Times*, July 6, 2016, accessed November 2016, <http://www.postaltimes.com/postalnews/mail-carrier-narrowly-escapes-vehicle-fire/>.

¹⁷ Manuel L. Peralta Jr., “Preventing vehicle fires,” *The Postal Record*, May 2014.

¹⁸ Philip F. Knoll Jr., memorandum on vehicle fire prevention, *National Association of Letter Carriers*, August 5, 2014.

¹⁹ “Size and scope,” *USPS.com*, last modified 2016, accessed September 2016, <http://about.usps.com/who-we-are/postal-facts/size-scope.htm>.

²⁰ “United States Postal Service: Strategy Needed to Address Aging Delivery Fleet,” *US Government Accountability Office*, GAO-11-386, May 5, 2011, publically released May 11, 2011.

²¹ “USPS position on Next Generation Delivery Vehicles,” *USPS.com*, January 15, 2016, accessed October 2016, <http://about.usps.com/news/statements/011516.htm>.

In the interim, delinquent scheduled maintenance can lead to vehicle breakdowns and influence customer service and safety requirements. The Postal Service lacks a stopgap between the time when LLV service life is expected to expire and when the NGDV will begin service. If the Postal Service prolongs delayed scheduled vehicle maintenance, it risks its core “resources, network infrastructure and logistical capability to regularly deliver to every residential and business address in the nation.”²²²³

History

The Postal Service’s financial problems are widely reported. The 2006 Postal Accountability and Enhancement Act (PAEA) legislation, in particular, cause significant losses for the Postal Service. Since the Act was signed into law in December 2006, the Postal Service has incurred cumulative net losses of \$60.1 billion, primarily for congressionally mandated retiree health and pension benefit costs.²⁴ In fiscal year 2015, for example, the Postal Service’s total revenue of \$68.9 billion and total expenses of \$74 billion resulted in a net loss of \$5.1 billion.²⁵ The Postal Service closed out that fiscal year with \$125 billion in unfunded liabilities—an amount equal to 182 percent of its revenues.²⁶

Additionally, since 2006, a reduction in hardcopy mail volume has influenced the Postal Service’s operating results. As consumers and businesses shifted to electronic communications (e.g. email), the Postal Service noted “a drop in the average number of pieces delivered per delivery point per day from 5.5 pieces in 2007 to 3.8 pieces in 2015,

²² “Suspension or Delay of Scheduled Vehicle Maintenance,” *USPS Office of Inspector General*, DR-MA-15-001, February 10, 2015.

²³ “The Top 12 Things You Should Know About the U.S. Postal Service,” *USPS.com*, last modified 2016, accessed September 2016, <http://about.usps.com/who-we-are/postal-facts/top-12-things-to-know.htm>.

²⁴ “Quarter III, 2016 Report on Form 10-Q,” *United States Postal Service*, 2016.

²⁵ “2015 Annual Report to Congress,” *United States Postal Service*, 2016.

²⁶ “U.S. Postal Service: Financial Challenges Continue,” *US Government Accountability Office*, GAO-16-268T, January 21, 2016.

a decline of 31%.”²⁷ The Postal Service does not receive tax dollars for operating expenses and relies solely on the sale of postage, products and services to fund its operations.²⁸ It is required to provide efficient mail service and is expected to pay for its operations through the revenue it receives.²⁹

The Postal Service operates a large delivery vehicle fleet, which, as noted, mainly consists of LLVs—the workhorse of the fleet. The first of these boxy, right-hand drive vehicles, produced by Grumman and General Motors, began service in 1986. The Postal Service’s LLV “contract with Grumman totaled over \$1.1 billion and was the largest vehicle order ever placed by the Postal Service.”³⁰ These delivery vehicles were specially designed with features such as right-hand drive, aluminum body construction, automatic transmission, 100 cubic foot load capacity, and 24-year life expectancy.³¹ While LLVs are still moving delivery carriers and their mail across the US today, the vehicles now come with “very high maintenance costs and increasing risk of parts supply problems and structural fatigue.”³² In fiscal year 2016, the OIG reported that the “aging vehicle fleet has caused an uneconomic increase in maintenance costs” for the Postal Service.³³

The Postal Service first approved extended vehicle maintenance as a means to sustain delivery operations in fiscal year 2006, following a decision by Postal Service leadership “not to initiate a major replacement or refurbishment of the delivery fleet” due

²⁷ Ibid.

²⁸ “The Top 12 Things You Should Know About the U.S. Postal Service,” *USPS.com*, last modified 2016, accessed September 2016, <http://about.usps.com/who-we-are/postal-facts/top-12-things-to-know.htm>.

²⁹ “United States Postal Service: Strategy Needed to Address Aging Delivery Fleet,” *US Government Accountability Office*, GAO-11-386, May 5, 2011, publicly released May 17, 2011.

³⁰ Nancy A. Pope, “Long Life Vehicle,” *Smithsonian National Postal Museum*, last modified January 2009, accessed November 2016, <http://postalmuseum.si.edu/collections/object-spotlight/llv.html>.

³¹ “U.S. Postal Service Procurement of Long-Life Vehicles,” GAO/GGD-85-13, *US Government Accountability Office*, January 16, 1985.

³² Joseph Corbett’s statement before the Subcommittee on Government Operations, United States House of Representatives, *Committee on Oversight and Government Reform*, May 21, 2015.

³³ “Peeling the Onion: The Real Cost of Mail,” *USPS Office of Inspector General*, RARC-WP-16-009, April 18, 2016.

to financial constraints. Years later, continued negative impacts resulted in continued losses and liquidity challenges for the Postal Service, and, in fiscal year 2009, the GAO added the Postal Service's financials to its "high-risk list" because it sustained billion-dollar deficits and debt increased as revenues declined and costs grew.³⁴ In an effort to stay competitive and improve service, during fiscal year 2011, the Postal Service focused on "the need to shift... to less expensive and more reliable ground transportation."³⁵ That same year, the Postal Service created a vehicle replacement plan and presented it to the Capital Investment Committee on June 23, 2011. However, again, the plan was not approved because the Postal Service lacked monies to implement it.³⁶

In fiscal year 2013, then Postmaster General Patrick Donahoe announced that the Postal Service planned to end Saturday mail delivery as part of an "absolutely necessary" effort to stabilize finances. The operational plan for the new national delivery schedule was expected to achieve cost savings of approximately \$2 billion annually through a restructuring of the Postal Service's delivery operations.³⁷ The proposal was widely supported by the American public, according to numerous Postal Service polls, as well as by some members of Congress, including Representative Darrell Issa (R-CA) and then Senator Tom Coburn (R-OK).³⁸ In consequence, delivery carriers would have spent a lesser amount of time driving their LLVs per week. But restrictive language in a 2013 Continuing Resolution passed by Congress prohibited the implementation of the new

³⁴ "United States Postal Service: Strategy Needed to Address Aging Delivery Fleet," *US Government Accountability Office*, GAO-11-386, May 5, 2011, publically released May 11, 2011.

³⁵ "2011 Annual Report to Congress," *United States Postal Service*, 2011.

³⁶ "Delivery Vehicle Fleet Replacement," *USPS Office of Inspector General*, DR-MA-14-005, June 10, 2014.

³⁷ "Postal Service Announces New Delivery Schedule," *USPS.com*, February 6, 2013, accessed November 2016, https://about.usps.com/news/national-releases/2013/pr13_019.htm.

³⁸ Elvina Nawaguna, "Congress to force Postal Service to keep Saturday delivery," *Reuters*, March 21, 2013, accessed December 2016, <http://www.reuters.com/article/us-usa-postal-delivery-idUSBRE92K0OL20130321>.

national delivery schedule for mail and packages.³⁹ After that, in years through fiscal year 2015, the Postal Service reduced its capital expenditures by approximately 43 percent in an effort to conserve cash—even at the expense of much needed investment in aging infrastructure (e.g. delivery vehicles)—because of its financial condition.⁴⁰

Over the years, the Postal Service’s policy on scheduled maintenance gave way to a costly fix-as-fail strategy despite the objective of its vehicle maintenance program. Postal Service vehicle maintenance expenses totaled \$906 million in fiscal year 2012 and \$1.1 billion in fiscal year 2014. OIG audits on the Postal Service’s vehicle maintenance program found inaccurate data, “inefficiencies, mismanaged resources and inadequate controls” at VMFs, and untimely vehicle maintenance.^{41 42 43 44} Nonetheless, the Postal Service’s primary approach for sustained delivery operations continues through maintenance of its LLV fleet as its short-term vehicle fleet strategy due to its lack of capital or a more immediate long-term plan.

Background

Most of the Postal Service’s LLV fleet is at an average age of 25 years old, which is near or beyond the vehicles’ expected service life. The Postal Service intends to replace the LLV with a new generation of delivery vehicle—the NGDV—designed to feature innovative drive configurations and incorporate new technologies. The Postal Service publicly began its NGDV acquisition process in fiscal year 2015. By the next

³⁹ “Statement from the U.S. Postal Service Board of Governors,” *USPS.com*, April 10, 2013, accessed November 2016, http://about.usps.com/news/national-releases/2013/pr13_0410bogstatement.htm.

⁴⁰ “Quarter I, 2016 Report on Form 10-Q,” *United States Postal Service*, 2016.

⁴¹ “Delivery Fleet Strategies,” *USPS Office of Inspector General*, CI-AR-12-006, August 14, 2012.

⁴² “Solution for Enterprise Asset Management System –Vehicle Maintenance Facility Data,” *USPS Office of Inspector General*, DR-MA-15-004, September 18, 2015.

⁴³ “Delivery Vehicle Fleet Replacement,” *USPS Office of Inspector General*, DR-MA-14-005, June 10, 2014.

⁴⁴ “Vehicle Maintenance Facility Efficiency Nationwide – Capping Report,” *USPS Office of Inspector General*, DR-AR-15-006, April 28, 2015.

fiscal year end, the Postal Service awarded contracts valued at \$37.4 million to “six prime suppliers who together will produce 50 prototype vehicles as part of the next phase of the NGDV acquisition process.” The selected suppliers—AM General, Karsan, Mahindra, Oshkosh, Utilimaster, and VT Hackney—have approximately one year to develop and produce their prototypes. Then, the Postal Service will test the prototype vehicles throughout a period of approximately six months to “help demonstrate the ability of the proposed designs to meet [its] operational needs.”⁴⁵

The Postal Service “consulted with many stakeholders including members of Congress, federal agencies, the automotive industry, postal unions and employees” for the proposal for NGDV prototypes. The goal to obtain the next generation of vehicles is a noteworthy step to help the Postal Service “provide reliable and efficient delivery service for customers,” achieve environmental sustainability, and ensure employee safety. However, it is important to note that the procurement of NDGVs will be lengthy. With the prototype selection, the Postal Service entered a multi-year, phased process of which it is in the “fairly early phases.”⁴⁶⁴⁷ The OIG estimated that “replacing vehicles could take more than 10 years.” Accordingly, the OIG recommends the Postal Service “act quickly to implement a plan to meet operational needs, achieve sustainability goals, and reduce maintenance costs.”⁴⁸

⁴⁵ “USPS Statement on Next Generation Delivery Vehicles Prototype Selection and Request for Proposal for Commercial Off-the-Shelf Delivery Vehicles,” *USPS.com*, last modified 2016, accessed November 2016, <http://about.usps.com/news/statements/091616.htm>.

⁴⁶ *Ibid.*

⁴⁷ “USPS position on Next Generation Delivery Vehicles,” *USPS.com*, last modified 2016, accessed November 2016, <http://about.usps.com/news/statements/011516.htm>.

⁴⁸ “Delivery Vehicle Fleet Replacement,” *USPS Office of Inspector General*, DR-MA-14-005, June 10, 2014.

The “Postal Service has 311 Vehicle Maintenance Facilities (VMFs), or repair garages, nationwide, to maintain its fleet of over 214,000 vehicles.”⁴⁹ The Postal Service maintains its fleet using a vehicle maintenance program at its VMFs, as well as “contract commercial garages throughout the country for maintenance and repair.” The objective of its vehicle maintenance program is “to ensure safe, dependable, and economical performance of Postal Service vehicles.” Within this program, the Postal Service has a series of guidelines for the conduct of scheduled maintenance, “which must be used for contractors and in-house VMF services.” The “scheduled maintenance [also] ensures mechanics are used productively and vehicles are available for delivery services.”⁵⁰

Vehicle operability is a “vital element of the mailhandling activity.” The Postal Service establishes instructions and schedules for each type of mail-carrying vehicle in its fleet. In Handbook PO-701, *Fleet Management*, updated October 2008, the Postal Service provides guidelines that “cover the entire scope of vehicle services,” including vehicle maintenance. Of note, the handbook emphasizes the “paramount importance” of “a systematic schedule for the performance of scheduled maintenance” to prevent unnecessary interruption of Postal Service operations.⁵¹

The Postal Service further outlines preventative maintenance inspection (PMI) guidelines in a Vehicle Maintenance Bulletin (VMB), dated June 1998, with guidance on administrative vehicles, light delivery vehicles (i.e. LLVs), intermediate delivery vehicles, cargo vans, tractors and trailers. The VMB specifies every vehicle’s scheduled PMI frequency—six-, 13-, 17-, and 26-week cycles—based on each vehicle’s mileage

⁴⁹ “Vehicle Parts Purchasing and Inventory Management Process,” *USPS Office of Inspector General*, DR-AR-17-001, October 7, 2016.

⁵⁰ “Vehicle Maintenance Facility Efficiency Nationwide – Capping Report,” *USPS Office of Inspector General*, DR-AR-15-006, April 28, 2015.

⁵¹ Handbook PO-701, *Fleet Management*, updated with *Postal Bulletin* revisions through October 23, 2008.

and operating history. For example, a vehicle driven 6,500 or fewer miles per year is scheduled for PMI every 26 weeks. The PMI program further specifies that all vehicles “must have an oil and filter change at least every 5,000 miles” and “brakes must be inspected annually,” at a minimum. Of note, PS Form 4546-B, *Preventive Maintenance Inspection Guidelines, Light Delivery Vehicles*, dated March 1998, identifies the required elements of routine maintenance for LLVs. It is the responsibility of VMF managers to monitor and schedule fleet PMIs “to reflect a constant and balanced workload” while controlling maintenance costs.⁵²

In the course of fiscal years 2013 to 2015, the OIG reviewed the Postal Service’s established vehicle maintenance program performance indicators and found that VMFs “were not operating at peak efficiency.” The “inefficiencies, mismanaged resources, and inadequate controls” at VMFs increased the Postal Service’s annual costs by over \$21.8 million. These conditions occurred because of issues involving oversight of mechanics’ workhours and staffing vacancies for mechanics. In particular, management indicated that certain fleet characteristics have made it difficult to fill vacancies “due to new mechanics graduating from vocational schools [who] are not trained to repair older vehicles.”⁵³

The OIG audits sparked sharp criticism from Judicial Watch, Inc., a conservative, nonpartisan education foundation, calling the Postal Service’s vehicle maintenance program “egregious,” “inept,” and “wasteful.”⁵⁴ With jurisdiction over the Postal Service, the House’s Government Operations Subcommittee, chaired by Representative Mark

⁵² “Preventative Maintenance Inspection (PMI) Program,” *National Association of Letter Carriers, Vehicle Maintenance Bulletin V-07-98*, June 1, 1998.

⁵³ “Vehicle Maintenance Facility Efficiency Nationwide – Capping Report,” *USPS Office of Inspector General*, DR-AR-15-006, April 28, 2015.

⁵⁴ “USPS’s Inept Vehicle Maintenance System Wastes \$22 Mil,” *Judicial Watch, Inc.*, May 12, 2015, accessed November 2016, <http://www.judicialwatch.org/blog/2015/05/usps-inept-vehicle-maintenance-system-wastes-22-mil/>.

Meadows (R-NC), held a hearing in May 2015 on issues related to the Postal Service’s vehicle fleet to include the spending strategy for its vehicle maintenance program. At the hearing, Representative Earl “Buddy” Carter (R-GA) said the Postal Service must “be responsible stewards of the dollar and ensure the repairs on their fleet are done in the most cost-efficient way.”⁵⁵ Following the hearing, the Automotive Service Association alleged that Chief Financial Officer and Executive Vice President, Joseph Corbett, cited “limited numerical evidence” to support the Postal Service’s spending strategy for vehicle maintenance and repairs.⁵⁶

In response to the audits and hearing, during the third quarter of fiscal year 2015, the Postal Service established a “new Fleet Management Group” to improve the management and performance of the delivery fleet.⁵⁷ While Delivery Operations is responsible for managing the Postal Service’s fleet of nearly 215,000 vehicles, few details are currently available about the organizational structure, priorities, or requirements of the new Fleet Management Group. It is possible that the group includes aspects of several departments (e.g. Area Operations, Delivery Operations, Engineering Systems, and Supply Management) in an effort to effectively manage the Postal Service’s fleet management strategy.⁵⁸

One known change since the group’s establishment is that “the Postal Service realigned its fleet management structure to place VMF managers directly under the

⁵⁵ “Issues Facing Civilian and Postal Service Vehicle Fleet Procurement,” hearing before the Subcommittee on Government Operations of the Committee on Oversight and Government Reform, House of Representatives, *Committee on Oversight and Government Reform*, May 21, 2015.

⁵⁶ Robert L. Redding Jr., “Congress Reviews Federal Vehicle Fleet Procurement,” *AutoInc.*, last modified 2015, accessed October 2016, <http://www.autoinc.org/congress-reviews-federal-vehicle-fleet-procurement/>.

⁵⁷ “Vehicle Maintenance Facility Efficiency Nationwide – Capping Report,” *USPS Office of Inspector General*, DR-AR-15-006, April 28, 2015.

⁵⁸ “Suspension or Delay of Scheduled Vehicle Maintenance,” *USPS Office of Inspector General*, DR-MA-15-001, February 10, 2015.

control of field managers at Postal Service Headquarters as opposed to district managers. The Postal Service assigned each of its seven Areas to a Fleet Operations manager and the territories within each Area to a Vehicle Operations manager.”⁵⁹ In a Postal Record article, Manuel Peralta Jr. of the National Association of Letter Carriers (NALC) is hopeful that the newly structured Fleet Management Group will address and prioritize PMIs.⁶⁰

Since at least 2014, the NALC, a postal union that represents city delivery carriers, has met with the Postal Service to discuss safety concerns over increased reports of vehicle fires. In one instance, the Postal Service recounted at least 36 LLV fires “that they were aware of, and that 33 of those involved vehicles used by city [delivery] carriers.”⁶¹ In response, the Postal Service hired Trident Engineering Associates, Inc., a leading forensic engineering firm, to investigate the cause of fires in the LLV fleet. Trident’s investigation found that “fires occurred primarily due to electrical system issues or fuel [and] hydraulic system leaks.” In some cases, Trident found evidence that the issues and leaks previously existed but the problems were not addressed.⁶²⁶³ Indeed, in fiscal year 2013, the OIG even learned that “some officials... extended intervals between scheduled maintenance to help reduce delinquent maintenance.”⁶⁴

In addition to LLV fires, in August 2015, Director of Safety and Health Peralta cited in NALC’s monthly magazine, *The Postal Record*, “the fact that wheel rims [were]

⁵⁹ “Vehicle Parts Purchasing and Inventory Management Process,” *USPS Office of Inspector General*, DR-AR-17-001, October 7, 2016.

⁶⁰ Manuel L. Peralta Jr., “Vehicle fires (continued),” *The Postal Record*, June 2015.

⁶¹ Manuel L. Peralta Jr., “Vehicle fires revisited,” *The Postal Record*, May 2014.

⁶² Philip F. Knoll Jr.’s memorandum to Vehicle Maintenance and Vehicle Maintenance Facility management regarding vehicle fire prevention, *National Association of Letter Carriers*, April 3, 2015, 2016.

⁶³ Manuel L. Peralta Jr., “Vehicle fires (continued),” *The Postal Record*, June 2015.

⁶⁴ “Vehicle Maintenance Facility Efficiency – Capital Metro and Pacific Areas,” *USPS Office of Inspector General*, DR-AR-13-007, September 30, 2013.

rotting, rusting and splitting to the point of falling off the vehicles.” Postal Service mechanics shared with NALC that they “did not have an adequate supply of the proper equipment to comply with [preventative maintenance] instructions.” Peralta urges city delivery carriers to “be vigilant” and “challenge the employer’s failure to properly maintain and service vehicles, until a solution is identified and implemented.”⁶⁵⁶⁶

Changes mail volumes and delivery carrier workhours has contributed to the Postal Service “delaying scheduled preventive maintenance on the aging fleet of vehicles.” First, despite otherwise declining mail volume, since fiscal year 2010, package volume has increased as a result of customers’ increased use of online shopping.⁶⁷ For example, in fiscal year 2016, Postal Service “Shipping and Packages revenue grew by 15.8% on volume growth of 13.8%, compared to the prior year.” Similarly, for fiscal year 2015, “Shipping and Packages revenue grew by 10.3% on volume growth of 13.6%, compared to the prior year.”⁶⁸ While the package delivery business is highly competitive, the Postal Service also delivers many of its primary competitors’ packages through its “last mile” delivery. FedEx and UPS use the Postal Service as a cost-effective means to reach every US address, including P.O. boxes and military APO, FPO and DPO destinations.⁶⁹⁷⁰

Consequently, package volume increases lengthen existing delivery carrier routes, “as additional time [is] needed to deliver each package to a customer’s door.” During the

⁶⁵ Manuel L. Peralta Jr., “Rust is not a friend,” *The Postal Record*, August 2015.

⁶⁶ Manuel L. Peralta Jr., “Vehicle fires (continued),” *The Postal Record*, June 2015.

⁶⁷ “Readiness for Package Growth – Delivery Operations,” *USPS Office of Inspector General*, DR-MA-14-001, December 11, 2013.

⁶⁸ “2016 Report on Form 10-K,” *United States Postal Service*, 2016.

⁶⁹ “FedEx SmartPost,” *FedEx*, last modified 2016, accessed November 2016, <http://www.fedex.com/us/smart-post/outbound.html>.

⁷⁰ “Blue and Brown Make Green,” *USPS.com*, December 6, 2012, accessed November 2016, https://about.usps.com/news/national-releases/2012/pr12_149.htm.

first quarter of fiscal year 2015, the OIG found that “there were over 3 million instances nationwide of carriers returning after 5:00pm; including 3,430 instances of carriers on the street after 10:00pm.” The added delivery requirements left 21 percent of the Postal Service’s vehicles delinquent on scheduled maintenance in that instance. The lengthy delivery carrier routes also prompt complaints from Postal Service customers.⁷¹ Already in fiscal year 2017, in California, Berkley residents have filed numerous complaints regarding “either very late nighttime deliveries or none at all.”⁷² While the Postal Service receives no tax dollars for operating expenses, reports of its “inept” vehicle maintenance program and its failure to meet performance targets put into question the Postal Service’s strategies.⁷³⁷⁴

Policy Proposal

Under this proposal, the Postal Service shall offer on-the-spot rewards to delivery carriers who present their LLVs for maintenance. The goal of this proposal is to help reduce delinquent maintenance in order to maintain a safe LLV fleet and optimize the life of current Postal Service fleet assets. On-the-spot rewards shall be presented to the below defined employees who successfully meet the Postal Service’s goals and standards for scheduled vehicle maintenance.

⁷¹ “Suspension or Delay of Scheduled Vehicle Maintenance,” *USPS Office of Inspector General*, DR-MA-15-001, February 10, 2015.

⁷² Emilie Raguso, “Berkeley mail delivery prompts tidal wave of complaints,” *Berkeleyside*, October 28, 2016, accessed November 2016, <http://www.berkeleyside.com/2016/10/28/berkeley-mail-delivery-prompts-tidal-wave-of-complaints/>.

⁷³ “USPS’s Inept Vehicle Maintenance System Wastes \$22 Mil,” *Judicial Watch, Inc.*, May 12, 2015, accessed November 2016, <http://www.judicialwatch.org/blog/2015/05/usps-inept-vehicle-maintenance-system-wastes-22-mil/>.

⁷⁴ Eric Katz, “USPS Continues to Miss Delivery Goals, and It’s Getting Worse,” *Government Executive*, March 31, 2016, accessed November 2016, <http://www.govexec.com/oversight/2016/03/usps-continues-miss-delivery-goals-and-its-getting-worse/127152/>.

1. Not later than 180 days after the date of enactment, the Postal Service shall issue gift certificate awards to delivery carriers who take the initiative to offer their LLVs for maintenance.
 - a. The Postal Service shall carry out the promotion for delivery carriers for a period of not less than one year, Postal Service executives and officers assigned to the Postal Career Executive Service (PCES) excepted. The value of gift certificate rewards shall not exceed \$100 per reward.
 - b. Not later than 90 days after the date on which the Postal Service terminates the program, the Postal Service shall complete and submit to its Board of Governors a report on the results of the promotion, including an assessment of the feasibility of a lasting on-the-spot reward program to strengthen delivery carrier engagement on fleet maintenance and controls.
 - c. Not later than one year after the date of enactment, the OIG shall review and submit to the Postal Service a report on the feasibility and cost of a lasting on-the-spot reward program directed at delivery carriers.
 - d. Not later than one year after the date of enactment, the Postal Service shall submit to the Postal Regulatory Commission (PRC) a compliance report for transparency of its overall fleet maintenance and controls performance targets and results.
 - e. Not later than one year after the date of enactment, the Postal Service shall submit to Congress a report that includes a review of the efforts of the Postal Service relating to its compliance with fleet maintenance and controls.

During fiscal year 2015, the Postal Service established its new Fleet Management Group in order to improve the management and performance of its vehicles. In consequence, the Fleet Management Group would take lead on the promotion across the country.

The Postal Service's Recognition and Awards Program, outlined in its Employee and Labor Relations Manual, updated March 2016, establishes the conditions and procedures for the recognition of all Postal Service employees except the following: executives and officers assigned to PCES; employees of the OIG; and employees of the PRC. The Recognition and Rewards Program policy states that "the value of gift certificate awards may range from \$1 to \$3,000 depending on the reason for the award [(e.g. Spot Award)] and employee category (career, noncareer)." The Fleet Management Group should not require additional procedures beyond the Employee and Labor Relations Manual to issue rewards.⁷⁵

The existing conditions and procedures for recognition of Postal Service employees using gift certificates states that "all gift certificates, regardless of dollar value, are considered taxable income by the Internal Revenue Service and should be rewarded in eAwards in the pay period they are received under the appropriate noncash award category for the type of employee and reason for the award." The Postal Service's eAwards database allows management "flexibility in designing and operating employee recognition programs." The system is available across the country and allows recipients to redeem the gift certificate reward of their choice from a platform of over 30,000

⁷⁵ Employee and Labor Relations Manual, Issue 41, updated with *Postal Bulletin* revisions through July 21, 2016.

selections. By using eAwards, the Postal Service can easily send rewards all across the country to eligible employees without encountering complicated logistical issues.⁷⁶⁷⁷⁷⁸

Of course, on-the-spot rewards require Postal Service expenditures. The Fleet Management Group needs to estimate suitable funds needed from the Postal Service's operating budget to reasonably support the promotion. For example, Amazon.com, Inc., consultations show that many organizations, on average, have overall budgets of \$21.2 million for incentives, rewards and disbursement activities, with average gift card budgets of at least \$7 million.⁷⁹

The Fleet Management Group needs to refer to the Employee and Labor Relations Manual to ensure rewards related to the promotion remain reasonable and that "employees are treated fairly and equitably." Accordingly, the group can consult with human resources, including Employee Resource Management and Labor Relations, to maintain compatibility between rewards and other relevant factors. Lastly, the Fleet Management Group can expect to periodic audits by Postal Service leadership and other oversight authorities on the awards process. Per the Recognition and Awards Program policy, gift certificate rewards are documented in eAwards for seven years after processing.⁸⁰

⁷⁶ Ibid.

⁷⁷ "IncentOne Selected by the United States Postal Service to Supply Popular Gift Certificate Award to Employees Nationwide," *PRWeb*, February 24, 2006, accessed December 2016, <http://www.prweb.com/releases/2006/02/prweb350135.htm>.

⁷⁸ Steve Kam, "GiftCertificates.com(TM) Chosen by the United States Postal Service to Drive and Maximize Employee Performance Nationwide; Incentive Solutions Leader Selected as an Exclusive Vendor for the Service's eAwards Program," *Business Wire*, May 4, 2006, accessed December 2016, <http://www.businesswire.com/news/home/20060504005258/en/GiftCertificates.com-TM-Chosen-United-States-Postal-Service>.

⁷⁹ "Keys For Winning Employee Rewards Programs Can Be Measured," *Amazon.com*, last modified 2016, accessed December 2016.

⁸⁰ Employee and Labor Relations Manual, Issue 41, updated *Postal Bulletin* revisions through July 21, 2016.

Policy Analysis

The proposed policy aims to stimulate delivery carrier commitment to and compliance with LLV maintenance. Depending on the response to the promotion, the proposal can boost the Postal Service's completion rate of required scheduled maintenance and address any missing or past due maintenance. Conversely, the proposed policy points toward potential strains on VMF managers to handle additional work orders and schedule fleet PMIs.

Handbook M-41, *City Delivery Carriers Duties and Responsibilities*, update April 2001, identifies the responsibilities of Postal Service delivery carriers. The handbook includes guidance on efficient service, diligence and promptness, security, safety, courtesy to the public, and, of note, proper vehicle operation. Per Chapter 8, *Vehicle Operations*, delivery carriers “inspect [their] vehicle as described on Notice 76, *Expanded Vehicle Safety Check*, for deficiencies, body damage, or inoperable items.” The associated checklist, dated February 1975, includes tasks such as “look under body for oil and water leaks” and “check all rear tires for inflation and wear.” Aside from routine everyday vehicle safety checks, delivery carriers usually return their LLVs for PMIs or repairs “when so directed.”⁸¹

Following its latest audits, the OIG emphasizes that “maintaining scheduled maintenance is critical to avoid vehicle breakdowns and ensure safety, while meeting the Postal Service's customer service requirements.” The Postal Service stresses “the importance of not deferring PMIs to support added delivery requirements” to its fleet managers. The proposed policy takes the message a step further to emphasize this

⁸¹ Handbook M-41, *City Delivery Carriers Duties and Responsibilities*, updated with *Postal Bulletin* revisions through April 5, 2001.

importance at the vehicle operator level and, in turn, encourage active involvement by delivery carriers in fleet maintenance.⁸²

The proposed policy offers delivery carriers the option to present their LLV for maintenance without explicit direction from VMF managers. This process relies on delivery carriers to make the first move and begin coordination with their delivery operations managers. The coordination ensures minimal disruption to mail delivery operations while LLVs receive PMIs and repairs necessary to maintain them or meet safety and reliability standards. All intended LLV maintenance requests are reported to the VMF or maintenance contractor, as appropriate, for action.

Throughout the promotion, the Fleet Management assures that necessary vehicles remain available for the daily workloads of each delivery carrier route. This task may prove challenging due to a previously “limited number of reserve vehicles to accommodate routes served by vehicles that have mechanically broken down.” By adding intended work orders to the queue, the proposal risks an increase in delayed mail to prioritize the maintenance commitments. However, the Fleet Management Group under the new structure vowed to “ensure an appropriate quantity of maintenance reserve vehicles [be] available to support the maintenance operation as a whole.” For example, in the second quarter of fiscal year 2015, the Fleet Management Group designated 650 mixed delivery vehicles to “provide some relief in vehicle maintenance.” In fiscal year 2016, the group also received approval to purchase an additional 3,300 mixed delivery vehicles, as well as over 9,000 extended capacity delivery vehicles.⁸³

⁸² “Suspension or Delay of Scheduled Vehicle Maintenance,” *USPS Office of Inspector General*, DR-MA-15-001, February 10, 2015.

⁸³ *Ibid.*

Under this proposal, the completion of all maintenance and repair services remains the responsibility of Postal Service VMFs, as well as “contract commercial garages throughout the country.” Because of the potential influence on work orders, VMF managers need “to evaluate all workhours and staffing levels to determine the most efficient method of maintaining and staffing VMF personnel” to efficiently divide vehicles and equalize the maintenance workload.^{84 85} It is not possible for VMFs to manage additional PMI or service work orders if their operations are not efficient. Unfortunately, time and again, the OIG has “found inefficiencies, mismanaged resources, and inadequate controls” at Postal Service maintenance facilities that range from vacant positions to inaccurate vehicle maintenance data in its web-based application known as SEAM—the Solution for Enterprise Asset Management.⁸⁶ These shortcomings suggest a sizeable stumbling block of the fundamental aim of the proposal to reduce delinquent scheduled maintenance.

Whereas the proposed policy may lack in certain areas of its implementation, it offers a step toward a responsible work culture. Historically, the Postal Service tries to motivate employees by “using a ‘stick’ rather than a ‘carrot’ approach.” In other words, “employees [are] often enticed to perform well through threats and intimidation rather than reward and recognition.” In an examination of workforce sentiments, the GAO identified the ‘stick’ approach as less than helpful motivation prompt.⁸⁷ Amazon uses incentives to improve employee satisfaction, increase productivity, and achieve sales

⁸⁴ “Vehicle Maintenance Facility Efficiency Nationwide – Capping Report,” *USPS Office of Inspector General*, DR-AR-15-006, April 28, 2015.

⁸⁵ Handbook PO-701, *Fleet Management*, updated with *Postal Bulletin* revisions through October 23, 2008.

⁸⁶ “Solution for Enterprise Asset Management System –Vehicle Maintenance Facility Data,” *USPS Office of Inspector General*, DR-MA-15-004, September 18, 2015.

⁸⁷ “U.S. Postal Service: Labor-Management Problems Persist on the Workroom Floor,” *US Government Accountability Office*, GGD-94-201A, September 29, 1994, publicly released October 27, 1994.

objectives. Similarly, an article in the *Harvard Business Review* in 2000 reports that “of six leadership styles studied, the use of rewards was the single highest predictor of ‘organizational climate,’ which, in turn, has a direct correlation with financial results.”⁸⁸ By recognizing delivery carriers with gift certificate rewards, the Postal Service can promote targeted objectives while rewarding performance and service. At that, the proposal offers an easy way to reward employees who successfully meet the Postal Service’s goals and standards.⁸⁹

Amazon’s research on incentives programs highlight that “organizations with rewards programs see a 14 percent improvement in employee productivity and engagement.” Further, “organizations with strong recognition practices are 12 times more likely to have strong business outcomes.” Amazon’s research also found that employees desire the ability to use rewards in their normal, daily lives and to receive the incentives digitally and instantly.⁹⁰ UPS, one of the biggest shipping carriers in the world, rewards its employees with on-the-spot rewards using eBook Reward Cards. These digital rewards allow “recipients to download any eBook of their choice from a platform of over 300,000 selections.” In a case study, MediaTree—an industry leader in digital reward promotions, gifting and incentive programs—found that UPS’s rewards cards are “valuable to the consumer” and, therefore, are “very effective at increasing attention, strengthening interest and improving engagement.”⁹¹ The Postal Service’s eAwards

⁸⁸ Aubrey C. Daniels, Ph.D., “Choosing an Employee Incentive Program,” *Entrepreneur*, September 2, 2002, accessed December 2016, <https://www.entrepreneur.com/article/54952>.

⁸⁹ “Keys For Winning Employee Rewards Programs Can Be Measured,” *Amazon.com*, last modified 2016, accessed December 2016.

⁹⁰ *Ibid.*

⁹¹ “Ship Your Promotion All Across the Country,” *MediaTree*, last modified 2016, accessed December 2016, <http://www.mediatreerewards.com/ups>.

database facilitates simple distribution and implementation to make gift certificate rewards practical and cost-effective incentives.

But amid financial challenges, opinions matter. The Postal Service is part of the government and is, therefore, subject to scrutiny by Congress or significant comment in the media.⁹² One challenge to the proposed policy is whether it is acceptable for the Postal Service to spend money on rewards, as recognition and awards programs can total millions of dollars during any given fiscal year. A *Chief Marketer* article once reported that the Postal Service “earmarks \$200 million each year” to reward its employees.⁹³ In fiscal year 1999, for example, funds for the Inspection Service awards program amounted to over \$1.9 million. In fiscal year 2002, awards for the Breakthrough Productivity Initiative program “totaled approximately \$4.9 million, averaged \$868, and ranged from \$35 to \$7,500 each.”^{94,95}

With the potential for scrutiny in mind, the proposed policy does not provide for incentives beyond gift certificate rewards for the purposes of the promotion. While gift certificate rewards may range in value from \$1 to \$3,000, the proposal limits up to \$100 in value per reward. Of note, while not stipulated in the proposal, the Postal Service also offers noncash recognition in the form of certificates of appreciation and service award pins.⁹⁶

⁹² “To Award or Not to Award: What’s the Postal Service to Do?” *USPS Office of Inspector General* (blog), July 27, 2009, accessed November 2016, <https://www.uspsoig.gov/comment/1542>.

⁹³ “U.S. Postal Service Lets Employees Pick Rewards,” *Chief Marketer*, May 17, 2006, accessed November 2016, <http://www.chiefmarketer.com/u-s-postal-service-lets-employees-pick-rewards/>.

⁹⁴ “Audit of the Inspection Service Awards Program for Law Enforcement Employees,” *USPS Office of Inspector General*, OV-AR-00-003, September 29, 2000.

⁹⁵ “Postal Service’s Breakthrough Productivity Initiative Awards Program,” *USPS Office of Inspector General*, CQ-OT-02-001, April 26, 2002.

⁹⁶ Employee and Labor Relations Manual, Issue 41, updated *Postal Bulletin* revisions through July 21, 2016.

The Postal Service’s vehicle fleet represents “a capital investment of nearly \$3.6 billion” and involves many positions with postal-owned, leased, or rural route vehicles (e.g. mechanics, vehicle operations analysts)—not simply delivery carriers.⁹⁷ Given the diverse responsibilities for fleet maintenance and controls, “there is an increased risk that [rewards] may be perceived as unfair or not appropriately utilized and implemented.” For example, in an audit of the Inspection Service awards program, the OIG found that “practices for giving awards varied” in that some employees were awarded for acts that were not awarded in other departments.⁹⁸ By offering on-the-spot rewards to delivery carriers who present their LLVs for maintenance, the proposal overlooks other employee eligibility or reward options.

As the Postal Service faces pressure by regulatory and oversight bodies to address the effectiveness and efficiency of its vehicle maintenance program, it is important for the Fleet Management Group to be cognizant of another potential limitation related to the proposal—outdated policies and procedures.

1. Handbook M-41, *City Delivery Carriers Duties and Responsibilities*, provides the guiding principles for Postal Service delivery carriers to effectively serve millions of households and businesses daily. The handbook was printed in June 1998 but has updates online with *Postal Bulletin* revisions through April 5, 2001. Chapter 8, *Vehicle Operations*, addresses vehicle maintenance, regulations and safety practices, and has updates through September 21, 2000.⁹⁹

⁹⁷ “Vehicle Maintenance Facility Efficiency Nationwide – Capping Report,” *USPS Office of Inspector General*, DR-AR-15-006, April 28, 2015.

⁹⁸ “Audit of the Inspection Service Awards Program for Law Enforcement Employees,” *USPS Office of Inspector General*, OV-AR-00-003, September 29, 2000.

⁹⁹ Handbook M-41, *City Delivery Carriers Duties and Responsibilities*, updated with *Postal Bulletin* revisions through April 5, 2001.

2. Handbook PO-701, *Fleet Management*, outlines “responsibility for fleet management and prescribes procedures to attain maximum efficiency.” The handbook was printed in March 1991 but has updates online with *Postal Bulletin* revisions through October 23, 2008. Of note, Chapter 3, *Fleet Maintenance and Control*, affects scheduled and unscheduled maintenance, maintenance periods, and vehicle repairs. But, to date, Chapter 3 has yet to be updated since 1991. The Postal Service documents that the chapter will be “updated in a future revision” but has yet to do so.

To date, the Postal Service has not updated its fleet maintenance and control guidelines in Chapter 3 of Handbook PO-701, *Fleet Management*. Given that, up to date guidelines “could improve future decision making and enhance accountability for the effective and efficient use of [Postal Service] resources.” While not stipulated in the proposal, the review of documented accountabilities and requirements for scheduled maintenance or vehicle safety checks, for example, can provide additional assurance that Postal Service fleet assets are managed effectively.¹⁰⁰ Generally, up to date guidelines would be considered an achievable first step toward reform.

The central goal of this proposal is to reduce delinquent scheduled maintenance, particularly with LLVs. The requirements in the proposed policy may not eliminate the delinquent service status of all LLVs in the Postal Service’s fleet, as the policy does not mandate a recall of assets for PMIs or repairs. However, on-the-spot rewards to delivery carriers who present their LLVs for maintenance may “energize and focus employees efforts” and lead to improvements in fleet maintenance and controls over time.

¹⁰⁰ “U.S. Postal Service: Improved Management Procedures Needed for Parcel Select Contracts,” *US Government Accountability Office*, GAO-15-408, April 23, 2015, publicly released May 26, 2015.

Political Analysis

The Postal Service provides “secure, reliable, affordable delivery of mail” to every address in America, its territories, and military installations worldwide. It “is the core of the more than \$1.4 trillion mailing industry, handling 47 percent of the world’s mail volume.”¹⁰¹¹⁰² But, at the same time, the Postal Service faces significant financial and operational challenges. For nearly three decades, the core of the Postal Service’s vehicle fleet has been the LLV. Today, these vehicles remain in service to accomplishing the Postal Service’s mission of delivering mail to nearly 155 million addresses, in most cases, six days a week. As the LLV approaches the end of its expected service life, Congress urges Postal Service leadership to consider “the effects of likely operational changes, legislative fleet requirements, and other factors.”¹⁰³ Consequently, since fiscal year 2015, Postal Service leadership has worked to “prioritize the spending” of around \$4.5 to \$6 billion to replace its aging LLV fleet with the next generation of delivery vehicle.¹⁰⁴

The Postal Service’s fleet amounts to a significant investment. Given this investment, there is continued focus on making sure Postal Service fleet assets are managed effectively. As for the LLV fleet, in his May 2015 statement before the Subcommittee on Government Operations, Corbett said the Postal Service “will get through it” by way of continued repairs “until such a time” it has a replacement vehicle

¹⁰¹ “A decade of facts and figures,” USPS.com, last modified 2016, accessed September 2016, <http://about.usps.com/who-we-are/postal-facts/decade-of-facts-and-figures.htm>.

¹⁰² “Size and scope,” USPS.com, last modified 2016, accessed September 2016, <http://about.usps.com/who-we-are/postal-facts/size-scope.htm>.

¹⁰³ “United States Postal Service: Strategy Needed to Address Aging Delivery Fleet,” *US Government Accountability Office*, GAO-11-386, May 5, 2011, publically released May 11, 2011.

¹⁰⁴ “USPS has funds sufficient for fleet renewal, CFO tells Congress,” *Post & Parcel*, May 22, 2015, accessed November 2016, <http://postandparcel.info/65256/news/companies/usps-has-funds-sufficient-for-fleet-renewal-cfo-tells-congress/>.

for the LLV. Given that comment, Postal Service leadership may dismiss the proposal's focus on the aging fleet of vehicles when their focus is on the next generation of delivery vehicles. In the interim, though, former subcommittee chairman, Representative Mark Meadows (R-NC) assessed that "even small changes in the fleet management practices can save significant amounts of money."¹⁰⁵

The Postal Service is constantly pressured by delivery standards. As these pressures intensify, the proposed policy offers delivery carriers a small shift to become part of the solution. Postmaster General and Chief Executive Officer Megan Brennan emphasizes the importance of investing in employees and developing strategies "to better engage and empower employees."¹⁰⁶ Since Brennan began her tenure as Postmaster General in February 2015, Postal Service leadership has supported her commitment to shifting the work culture in select areas in an effort to create "a cascading effect throughout the Postal Service."¹⁰⁷

Some time ago, the GAO assessed practices used by thriving organizations and found that rewards can change the culture of an organization "so that [employees] are more results oriented, customer focused, and collaborative in nature."¹⁰⁸ Based on responses of the 270,000 employees surveyed by Gallup, Inc.—an American research-based, global performance management consulting company—in 2015, the majority of delivery carriers are likely to appreciate on-the-spot rewards in recognition of influence

¹⁰⁵ "Issues Facing Civilian and Postal Service Vehicle Fleet Procurement," hearing before the Subcommittee on Government Operations of the Committee on Oversight and Government Reform, House of Representatives, *Committee on Oversight and Government Reform*, May 21, 2015.

¹⁰⁶ Megan Brennan, letter to the US Postal Service employees, *USPS.com*, February 2015, accessed November 2016, http://about.usps.com/news/national-releases/2015/pr15_009pmgltr.htm.

¹⁰⁷ "USPS: Ambassadors to train managers across nation," *21st Century Postal Worker*, April 25, 2016, accessed November 2016, <http://www.21cpw.com/usps-ambassadors-to-train-managers-across-nation>.

¹⁰⁸ "U.S. Postal Service: Delivery Performance Standards, Measurement, and Reporting Need Improvement," *US Government Accountability Office*, GAO-06-733, July 27, 2006, publicly released July 27, 2006.

on the Postal Service's goals and standards. Though, a separate GAO employee opinion survey long-ago found that most Postal Service employees (74 percent) believe that performing well merely generates more work and that their acts are "not adequately recognized or rewarded."¹⁰⁹ Interestingly, the American Postal Workers Union (APWU)—representing clerks, maintenance employees, motor vehicle operators, and non-mail processing professional employees—"vehemently opposes" any employee opinion survey.¹¹⁰

On the subject of labor unions, the promotion is likely to draw mixed reviews from Postal Service labor unions. For Peralta, as director of safety and health at NALC, the proposed policy demonstrates the Postal Service's efforts to assure that delivery carriers are safe in LLVs while doing their jobs. Conversely, the proposal influences the frequency of PMI and repair work orders and pressures maintenance periods. These effects cause hardships for customers by delayed mail and lead to schedule changes for employees—impacts that trouble APWU, for example, which represents "more than 220,000 USPS employees and retirees, and nearly 2,000 private-sector mail workers."¹¹¹

Delayed mail is a significant factor for political constituents. Since the Postal Service amended service standards in fiscal year 2015, there has been a notable increase in delays to America's mail. Households and businesses alike find fault in the Postal Service's performance "as bill payments, medicine, newspapers and absentee ballots have been significantly delayed." Of note, "many in Congress have taken a stand against

¹⁰⁹ "U.S. Postal Service: Labor-Management Problems Persist on the Workroom Floor," U.S. Government Accountability Office, GGD-94-201A, September 29, 1994, publicly released October 27, 1994.

¹¹⁰ "Don't Let Them Take Your 'Postal Pulse'," *American Postal Workers Union*, March 2, 2015, accessed November 2016, <http://www.apwu.org/news/web-news-article/don't-let-them-take-your-'postal-pulse'>.

¹¹¹ "Stop Delaying America's Mail!" *American Postal Workers Union*, 2015, accessed December 2016, <http://www.apwu.org/issues/stop-delaying-americas-mail>.

delayed mail,” including Senator Bernie Sanders (I-VT) and a majority of House members—226 representatives—who call on the Postal Service to restore overnight mail standards. An example of this defense is when the House Appropriations Committee approved an amendment on June 17, 2015, to restore Postal Service mail standards, in a bipartisan vote of 26 to 23. Representative Nita Lowey (D- NY) and Representative Jose Serrano (D-NY) wrote: “Our constituents deserve a Postal Service that works, and delayed mail harms businesses, rural America, and our economy.” APWU notes that the GAO, the OIG, and the PRC all raise “serious concerns” over the negative impact of delayed mail on Postal Service customers.¹¹²¹¹³

Concurrently, Senator Cory Booker (D-NJ), Senator Brian Schatz (D-HI), and Senator Gary Peters (D-MI) of the Senate Committee on Commerce, Science, and Transportation applauded the Postal Service for its efforts to improve the safety of its fleet. The Senators urge Postmaster General Brennan to “find creative ways to make prudent investments that save taxpayers money.”¹¹⁴ Further, the subcommittee suggests that investments in safety should be a priority for the Postal Service. Through rewards, improvements in fleet maintenance and controls can steady Postal Service operations and “service for postal customers who have expressed concerns about an erosion of service quality in recent years.” This is an objective outlined in the Improving Postal Operations, Service and Transparency Act of 2015 (or iPOST), which was introduced in by Senator

¹¹² “Congress Approves Spending Bill; Fails to Address Epidemic of Delayed Mail,” *American Postal Workers Union*, 2015, accessed December 2016, <http://www.apwu.org/news/deptdiv-news-article/congress-approves-spending-bill-fails-address-epidemic-delayed-mail>.

¹¹³ “House Committee Approves Amendment To Restore Postal Service Standards,” *American Postal Workers Union*, June 17, 2015, accessed December 2016, <http://www.apwu.org/news/web-news-article/house-committee-approves-amendment-restore-postal-service-standards>.

¹¹⁴ “Senators urge USPS to invest in cutting-edge improvements for fleet of vehicles,” *Postal Reporter*, April 23, 2015, accessed November 2016, <http://www.postal-reporter.com/blog/senators-urge-usps-to-invest-in-cutting-edge-improvements-for-fleet-of-vehicles/>.

Tom Carper (D-DE).¹¹⁵ But as Carper’s legislation remains introduced in the Senate, the “Postal Service is [currently] down to only one appointed member of its Board of Governors to make important decisions about one of the nation’s most valuable infrastructures at one of its most critical times.”¹¹⁶

Recommendation

For nearly three decades, the LLV remains the core of the Postal Service’s vehicle fleet. While LLVs are still moving delivery carriers and their mail across the US today, the vehicles are unlikely to sustain delivery operations beyond the coming fiscal year. The Fleet Management Group has 650 mixed delivery vehicles available to “provide some relief in vehicle maintenance” and plans to purchase over 12,000 additional mixed delivery and extended capacity delivery vehicles to help “ensure an appropriate quantity of maintenance reserve vehicles” to support maintenance operations.¹¹⁷ In general, these measures lessen concerns about how the Postal Service can sustain its delivery operations among increased work order requirements. But strong bipartisan resistance to likely delays in mail delivery make it hard for me to promote the proposal as it stands without supplementary reactions on exactly how the additional work orders will impact delivery times and carrier schedules. You also lack the strategic guidance of strong, independent Board of Governors at the moment, as the last governor’s time on the Board expires in December 2016.

¹¹⁵ “iPOST Cosponsors React to Annual Compliance Determination of U.S. Postal Service,” official website of the U.S. Senator for Delaware, Democratic party, March 29, 2015, accessed December 2016, <http://www.carper.senate.gov/public/index.cfm/2016/3/ipost-cosponsors-react-to-annual-compliance-determination-of-u-s-postal-service>.

¹¹⁶ “Top 10 Postal Stories of 2015,” *USPS Office of Inspector General* (blog), January 4, 2016, accessed December 2016, <https://www.uspsoig.gov/blog/top-10-postal-stories-2015/>.

¹¹⁷ “Suspension or Delay of Scheduled Vehicle Maintenance,” *USPS Office of Inspector General*, DR-MA-15-001, February 10, 2015.

Additionally, I cannot ignore the likely negative influence of the proposal on our garages and maintenance facilities. Regardless of the response to the promotion from delivery carriers, the VMFs and contract garages remain responsible for the action on PMI and repair work orders. These facilities do not currently operate at peak efficiency. With these limitations, you necessitate an evaluation of necessary workhours and staffing levels to ensure that the Postal Service can equalize the maintenance workload.¹¹⁸¹¹⁹ With that task to consider, I am hesitant to recommend a policy that cannot seemingly more forward without consideration of another course of action first.

The process of providing gift certificate rewards is simple and requires minimal effort by Postal Service management. The proposal is designed using existing Postal Service guidelines and procedures, namely instruction on recognition and awards from the Employee and Labor Relations Manual. The on-the-spot rewards can demonstrate the your commitment to improving fleet maintenance and controls. Further, the Postal Service can avoid potentially unsafe conditions for both employees and customers through incentives “to resolve issues and make timely repairs before they escalate.”¹²⁰ In this respect, while I cannot recommend you support the proposal in total at this time, I encourage you to at least consider how recognition practices can drive strong business outcomes as you work to enhance safety, improve service, and produce operational savings.

¹¹⁸ “Vehicle Maintenance Facility Efficiency Nationwide – Capping Report,” *USPS Office of Inspector General*, DR-AR-15-006, April 28, 2015.

¹¹⁹ Handbook PO-701, *Fleet Management*, updated with *Postal Bulletin* revisions through October 23, 2008.

¹²⁰ “Facility Condition Reviews – Capital Metro Area,” *USPS Office of Inspector General*, SM-AR-16-009, July 18, 2016.

Curriculum Vitae

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