



U.S. POSTAL SERVICE

Key Reasons for Postal Reform

Highlights of [GAO-04-565T](#), a statement for the record for the Senate Committee on Governmental Affairs and the House Committee on Government Reform

Why GAO Did This Study

Both the Presidential Commission on the U.S. Postal Service and GAO's past work have reported that universal postal service is at risk and that reform is needed to minimize the risk of a significant taxpayer bailout or dramatic postal rate increases. The administration has also supported comprehensive postal reform.

Recent congressional hearings have highlighted broad consensus on the need for postal reform among diverse stakeholders that include the Postal Service, postal employee organizations, the mailing industry, and Postal Service competitors. GAO has also testified in detail about the need for postal reform.

In light of these developments, GAO was asked to briefly summarize the need for postal reform and elements that should be addressed by postal reform legislation. This statement for the record is based on prior GAO reports and testimonies.

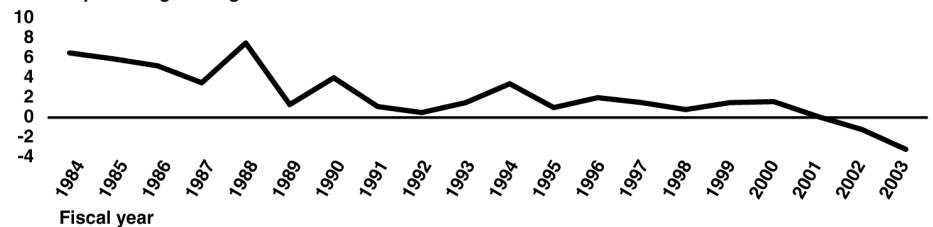
www.gao.gov/cgi-bin/getrpt?GAO-04-565T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Mark Goldstein at (202) 512-2834 or goldsteinm@gao.gov.

What GAO Found

Comprehensive postal reform is urgently needed. The Postal Service's financial viability is at risk because its business model—which relies on mail volume growth to cover the costs of its expanding delivery network—is not aligned with 21st century realities. Financial, operational, governance, and human capital challenges threaten the Service's ability to remain self-supporting while providing affordable, high-quality, and universal postal service. Key trends that demonstrate the need for reform include declining mail volume, particularly for First-Class Mail; changes in the mail mix from high-margin to lower-margin products; increased competition from private delivery companies; and subpar revenue growth. Moreover, the Service continues to have significant financial liabilities and obligations (e.g., retiree health obligations), uncertain funding for emergency preparedness, challenges to achieving sufficient cost-cutting, renewed difficulties in substantially improving postal productivity, and uncertainties regarding the adequacy of capital investment. Thus, the Service's transformation efforts and financial outlook continue to be on GAO's High-Risk List.

First-Class Mail Volume Growth, Fiscal Years 1984 through 2003
Annual percentage change



Source: Postal Service.

The Postal Service is taking actions within its existing authority to make incremental progress toward transformation, but these steps cannot resolve the fundamental issues associated with the Service's current business model. To avoid the risk of a significant taxpayer bailout or dramatic increases in postal rates, Congress should enact comprehensive postal reform legislation that addresses the Service's key structural and systemic deficiencies, including its unfunded obligation for retiree health benefits and the escrow requirement. It is important that Congress act before the Service faces a crisis that could limit congressional options, particularly because it will take time for the Service to implement major changes.

In GAO's view, specific elements of comprehensive postal reform legislation should address the following: clarify the Service's mission and role; enhance the Service's governance, transparency, and accountability; improve flexibilities and oversight; and make needed human capital reforms.