



Highlights of [GAO-05-453T](#), a testimony before the Senate Committee on Homeland Security and Governmental Affairs

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 comprehensive postal reform legislation is needed to minimize the risk of a significant taxpayer bailout or dramatic postal rate increases. In April 2001, GAO added the Postal Service's (the Service) transformation efforts and long-term outlook to its High-Risk List. GAO has testified that comprehensive postal reform legislation is needed to clarify the Service's mission and role; enhance governance, transparency, and accountability; improve regulation of postal rates and oversight; help to ensure the rationalization of the Service's infrastructure and workforce; and make certain human capital reforms.

The Service has made significant progress on some of its key challenges but postal reform legislation continues to be needed in order to facilitate a broader transformation effort. To help Congress and other stakeholders understand Service progress and the need for postal reform, GAO will focus on (1) Service progress since GAO put Service transformation efforts and long-term outlook on GAO's High-Risk List, (2) why comprehensive postal reform legislation is needed, and (3) key areas for comprehensive postal reform. This testimony is based on an update of GAO's statement to the Committee last year.

www.gao.gov/cgi-bin/getrpt?GAO-05-453T.

To view the full product click on the link above. For more information, contact Katherine Siggerud at (202) 512-2834 or siggerudk@gao.gov.

U.S. POSTAL SERVICE

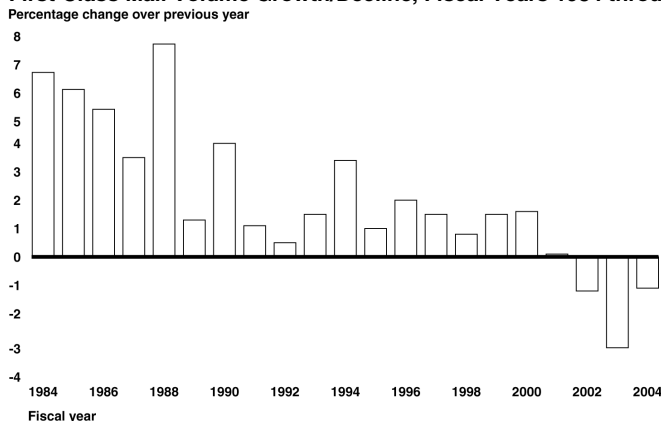
Despite Recent Progress, Postal Reform Legislation Is Still Needed

What GAO Found

The Postal Service has made significant progress since its transformation efforts and long-term outlook were added to GAO's High-Risk List in 2001, including achieving record net income, repaying most debt, increasing productivity, and downsizing the postal workforce. However, the Service's financial progress was largely due to a transitory boost provided by 2003 pension reform legislation that reduced the Service's pension costs in fiscal years 2003 through 2005, but also benefited from increased Standard Mail volume and revenues, and certain cost-cutting and efficiency initiatives.

Despite this progress, comprehensive postal reform legislation is needed to address the continuing financial, operational, governance, and human capital challenges that threaten the Service's long-term ability to provide high-quality, universal postal service at affordable rates. The Service's core business of First-Class Mail is declining, squeezing revenues available to help fund universal service costs. Meanwhile, compensation and benefits costs are rising despite workforce downsizing. The Service's financial liabilities and obligations of roughly \$70 billion to \$80 billion include about \$50 billion to \$60 billion in unfunded retiree health benefits. Progress is needed to move toward prefunding these benefits, and to increase productivity to offset rising costs, rationalize the Service's infrastructure and workforce, and implement more market-based and performance-oriented compensation systems for all employees. However, progress is hindered by limited flexibility and incentives for success under current law.

First-Class Mail Volume Growth/Decline, Fiscal Years 1984 through 2004



Source: U.S. Postal Service.

Key elements for postal reform include clarifying the Service's mission and role so that the Service remains focused on universal postal service and competes appropriately; enhancing the Service's flexibility to operate in a businesslike manner with a governance structure suitable for a \$70-billion entity, balanced by enhanced transparency, accountability, and oversight; making needed human capital reforms; and moving toward prefunding retiree health benefits.