



Highlights of [GAO-05-820](#), a report to congressional requesters

U.S. POSTAL SERVICE

Improving Ratemaking Data Quality through Postal Service Actions and Postal Reform Legislation

Why GAO Did This Study

In 1999, the congressionally requested Data Quality Study (the Study) found opportunities to improve ratemaking data quality. The U.S. Postal Service (USPS) agreed to make improvements, but concerns remained that it is still unclear, from an overall perspective, what actions USPS has taken to improve data quality. Ratemaking data quality has also factored into congressional deliberations to reform postal laws. Thus, questions remain about USPS's actions to improve ratemaking data quality and how proposed legislation will address long-standing issues in this area. GAO was asked to (1) describe key USPS actions that were responsive to the Study to improve the quality of ratemaking data and (2) discuss possible implications of postal reform legislation for ratemaking data quality. GAO did not assess the extent to which USPS's actions affected data quality.

In its comments, USPS disagreed with GAO's finding on the need to reform the ratemaking structure. USPS also differed on GAO's finding that the legislation would likely lead to improving ratemaking data quality. It said "breakthrough improvements" would be unlikely without a significant increase in costs. GAO believes reform of the ratemaking structure is needed, but the outcome would depend on its implementation. Further, the legislative changes would likely lead to data quality improvements over time and at some cost.

www.gao.gov/cgi-bin/getrpt?GAO-05-820.

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

What GAO Found

USPS took several key actions that it reported were responsive to the Study's findings. USPS reported that these actions increased the accuracy and precision of ratemaking data. First, USPS changed the In-Office Cost System to improve the quality of data on mail handled by postal employees and the activities they are performing. Personnel costs represent more than three-quarters of USPS costs; therefore, information on postal employees' handling of mail is necessary for ratemaking purposes. USPS made similar changes to the Revenue, Pieces, and Weight System, which produces data on the revenue, volume, and weight of each type of mail. Second, replacing ratemaking data that had been collected in the 1980s, USPS conducted the City Carrier Street Time Study to gather more complete and consistent data on letter carrier activities. Third, to increase the precision of ratemaking data, USPS collected a larger quantity of data. Fourth, USPS revised documentation of the Transportation Cost System, which the Study had criticized as inadequate.

Proposed postal reform legislation (H.R. 22 and S. 662) would create new oversight mechanisms and enhanced regulatory authority over the quality of ratemaking data. The legislation would transform the Postal Rate Commission into a new postal regulator that would prescribe what ratemaking data USPS must report annually, review these data, and determine whether USPS had complied with ratemaking requirements. The regulator could initiate proceedings to improve the quality of ratemaking data. To carry out its expanded duties, the regulator would have enhanced authority, including the authority to subpoena; the authority to order USPS to take actions to comply with laws and regulations; and the authority to impose sanctions for noncompliance.

The legislation would address persistent problems under the existing ratemaking structure, which has enabled long-standing deficiencies in ratemaking data quality and unresolved methodological issues to persist. The legislation would eliminate key disincentives for ratemaking data quality, including the litigious ratemaking process, the break-even requirement that creates incentives to shift costs from one type of mail to another, and the lack of adequate oversight mechanisms to address data quality issues. Under the current structure, regulatory oversight is generally conducted during rate cases that only USPS can initiate. The legislation would provide mechanisms for regular oversight of ratemaking data and enhance the regulator's authority so that the necessary transparency, oversight, and accountability could take place. Thus, the legislation would likely lead to improvements in the quality of ratemaking data over time and at some cost. However, if the legislation is enacted, the outcome would likely depend on how the regulator would use its discretion to define and implement the new ratemaking structure. Key implementation questions would remain, including what regulatory criteria and requirements would apply to ratemaking data.