

## UNITED STATES POSTAL SERVICE

## Strategy Needed to Address Aging Delivery Fleet



Highlights of [GAO-11-671T](#), a testimony before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

The United States Postal Service (USPS) is in financial crisis. It also has the world's largest civilian fleet, with many of its delivery vehicles reaching the end of their expected 24-year operational lives. USPS is subject to certain legislative requirements governing the federal fleet, including a requirement that 75 percent of USPS's vehicle acquisitions be capable of operating on an alternative fuel other than gasoline. This testimony addresses (1) USPS's financial condition; (2) USPS's delivery fleet profile, including how USPS has responded to alternative fuel vehicle requirements and its experiences with these vehicles; (3) trade-offs of USPS's approach for addressing its delivery fleet needs; and (4) options to fund a major acquisition of delivery vehicles.

This testimony is primarily based on [GAO-11-386](#), which is being released today. For that report, GAO analyzed USPS data, visited USPS facilities, and interviewed USPS and other officials. GAO recommended in that report that USPS should develop a strategy for addressing its delivery fleet needs that considers the effects of likely operational changes, legislative fleet requirements, and other factors. USPS agreed with the recommendation. For this testimony, GAO also drew upon past and ongoing work on USPS's financial condition and updated USPS financial information.

View [GAO-11-671T](#) or key components. For more information, contact Phillip Herr at (202) 512-2834 or [herrp@gao.gov](mailto:herrp@gao.gov).

## What GAO Found

USPS's financial condition continues to deteriorate. For the first 6 months of fiscal year 2011, USPS reported a net loss of \$2.6 billion—worse than it expected—and that, absent legislative change, it will have to default on payments to the government, including a \$5.5 billion payment for its retiree health benefits. GAO has reported that Congress and USPS need to reach agreement on a package of actions to move USPS toward financial viability.

USPS's delivery fleet is largely composed of custom-built, right-hand-drive vehicles designed to last for 24 years, including about 141,000 gasoline-powered vehicles (16 to 23 years old) and 21,000 flex-fuel vehicles capable of running on gasoline or 85-percent ethanol (E85) (about 10 years old). Its flex-fuel vehicles and many of its 22,000 left-hand-drive minivans, which are also capable of running on E85, were purchased to comply with the 75 percent acquisition requirement for alternative fuel vehicles. Delivery vehicles travel about 17 miles and use the equivalent of about 2 gallons of gasoline on average per day. USPS has a variety of limited experiences with other alternative fuel vehicles, such as compressed natural gas and plug-in electric vehicles, most of which have higher life-cycle costs than gasoline vehicles.

Delivery Vehicles at a USPS Maintenance Facility (left) and Post Office (right)



Source: GAO.

USPS's approach for addressing its delivery fleet needs is to maintain its current fleet until it determines how to address its longer term needs. USPS has incurred small increases in direct maintenance costs over the last 4 years, which were about \$2,600 per vehicle in fiscal year 2010. However, it is increasingly incurring costs for unscheduled maintenance because of breakdowns, which can disrupt operations and increase costs. In fiscal year 2010, at least 31 percent of USPS's vehicle maintenance costs were for unscheduled maintenance, 11 percentage points over USPS's 20 percent goal.

USPS's financial challenges limit options to fund a major delivery vehicle replacement or refurbishment, estimated to cost \$5.8 billion and (in 2005) \$3.5 billion, respectively. USPS and other federal and nonfederal officials see little potential to finance a fleet replacement through grants or partnerships. If Congress and USPS reach agreement on a package of actions to move USPS toward financial viability, such an agreement could potentially enhance USPS's ability to invest in new delivery vehicles.