



Highlights of [GAO-04-397T](#), a testimony before the Special Panel on Postal Reform and Oversight, 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.

GAO has testified that Congress should enact comprehensive postal reform legislation that would clarify the Postal Service's (the Service) 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 needed human capital reforms.

The administration has also supported postal reform, outlining guiding principles intended to ensure that the Service: implements best practices with a governing body equipped to meet its responsibilities; enhances transparency of timely and accurate data on postal costs and performance; provides greater flexibility for the Service to meet its customer obligations; ensures accountability through appropriate independent oversight; and keeps the Service financially self-sufficient, covering all of its obligations. GAO was asked to discuss comprehensive postal reform in light of these principles.

This testimony is largely based on prior GAO reports and testimonies.

www.gao.gov/cgi-bin/gettrpt?GAO-04-397T.

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.

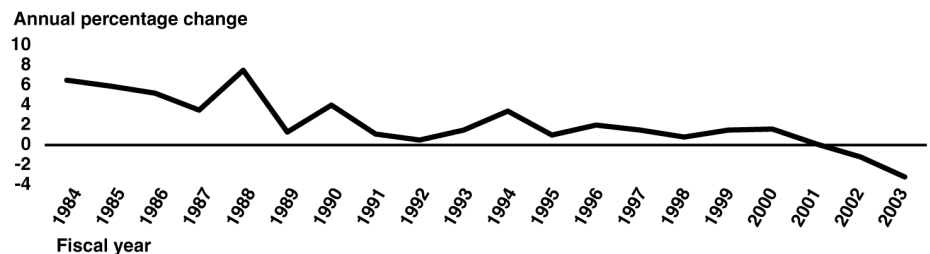
U.S. POSTAL SERVICE

Key Elements of Comprehensive Postal Reform

What GAO Found

GAO believes that comprehensive postal reform is urgently needed. The Service achieved notable success in fiscal year 2003, but this respite is likely to be short-lived. The outlook is for continuing declines in the core business of First-Class Mail, while some key costs are rising and productivity gains are likely to slow.

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



Source: Postal Service.

Key postal reform issues that need to be addressed are:

The Service's Mission and Role as a Self-Financing Federal Entity

The Service has a broadly defined mission that enables it to engage in unprofitable and costly endeavors. In our view, the time has come for Congress to clarify the Service's core mission and ensure continuity across changes in its management. Key issues include what should be the scope of the postal monopoly, and should the Service retain its regulatory functions.

Governance, Transparency, and Accountability Mechanisms

Better governance, transparency, and accountability mechanisms are needed. Qualification requirements are too general to ensure that board appointees have the experience needed to oversee a large business-like operation. Enhanced transparency and accountability mechanisms are also needed for financial and performance information, such as reporting requirements.

Flexibilities and Independent Oversight

The Service needs additional flexibilities so it can generate needed revenues, contain costs, and provide quality service. Major changes to the rate-setting structure are needed to enhance flexibility, encourage greater cost allocation, provide better cost data, and strengthen independent oversight. Also, current legal and other constraints serve to limit the Service's ability to rationalize its infrastructure and workforce, including closing unnecessary post offices.

Human Capital Reforms, Including Pension, Benefit, and Escrow Issues

Outstanding human capital issues include the Service's responsibility for pension costs related to military service, funding the Service's significant obligations for retiree health benefits, and determining what action to take on the escrow account established as a result of the enactment of P.L. 108-18. Other key areas for reform include workers' compensation and pay comparability.