



Highlights of [GAO-03-812T](#), a testimony before the President's Commission on the United States Postal Service

## Why GAO Did This Study

The President established this Commission to examine the state of the U.S. Postal Service (the Service) and submit a report by July 31, 2003, with a proposed future vision for the Service and recommendations to ensure the viability of postal services. GAO has provided congressional committees with many reports and testimonies on postal matters, and this testimony is based largely on these prior reports and testimonies.

In April 2001, GAO put the Service's long-term financial outlook and transformation on its High-Risk List for several reasons. The Service was experiencing

- significant deficits,
- severe cash-flow pressures,
- rising debt,
- cost growth outpacing revenue increases,
- limited productivity gains, and
- liabilities in excess of assets.

Under its 1970s-era business model, the Service was relying on raising rates and incrementally reducing costs to carry out its mission. GAO concluded that this business model was not sustainable in today's competitive environment.

The Commission's report will be an important guide for comprehensive postal transformation. In this testimony, GAO presents key issues the Commission should consider to enhance the long-term financial viability of the Service by making it a more results-oriented and efficient organization.

[www.gao.gov/cgi-bin/getrpt?GAO-03-812T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-812T).

To view the full product, click on the link above. For more information, contact Bernie Ungar, 202-512-2834, [ungarb@gao.gov](mailto:ungarb@gao.gov).

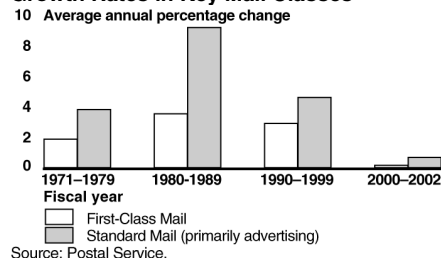
# U.S. POSTAL SERVICE

## Key Postal Transformation Issues

### What GAO Found

The ability of the Service to remain financially viable is at risk because growth in mail volume has stagnated and its business model is not well suited to operate efficiently in a competitive environment. As the figure shows, growth in the volume of First-Class and Standard Mail, the two largest revenue-producing classes, has declined.

**Growth Rates in Key Mail Classes**



Key issues for the Commission to consider include the following:

**Role and Mission.** Over the past 30 years, competition has increased and private-sector firms are performing more traditional postal functions. Customers' needs have also changed with new communication alternatives. In determining what universal postal services are needed and the roles for public and private providers, factors to consider are how to enhance customer convenience and create opportunities for least-cost providers.

**Governance Structure and Accountability Mechanisms.** Qualification requirements for members of the governing board should ensure that appointees possess the experience needed to oversee a large business-like operation, and the board should have sufficient authority in areas such as setting rates and executive pay. Reporting requirements should ensure accountability and transparency of financial and organizational results.

**Flexibilities and Incentives to Increase Revenue and Control Costs.** The Service will need appropriate flexibilities and incentives to balance its revenue generation and cost containment capabilities in areas such as allowing retained earnings, closing unneeded post offices, and containing costs related to infrastructure rationalization, workforce realignment, and wage and benefit comparability. Also, the Service's long-term retiree health and workers' compensation obligations need to be addressed.

**Effective Labor-Management Relations and Support Systems.** To improve operational efficiency and enhance performance accountability for all employees, postal managers and unions need better cooperation to realign the workforce for the future and focus performance management and workforce planning systems on organizational goals and results.