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Highlights

Highlights of [GAO-08-503T](#), a testimony before the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, Committee on Oversight and Government Reform, U.S. House of Representatives

Why GAO Did This Study

In December 2006, Congress passed the first comprehensive postal reform legislation in over 30 years. The Postal Accountability and Enhancement Act (the act) provided opportunities to address many of the financial, operational, and human capital challenges facing the Postal Service (the Service), which contributed to GAO's decision to remove the Service's transformation efforts from its High-Risk List last year. Specifically, the act provides tools and mechanisms that can be used to establish an efficient, flexible, fair, transparent, and financially sound Postal Service—one that can more effectively operate in an increasingly competitive environment not anticipated under the Postal Reorganization Act of 1970.

This testimony focuses on (1) the actions to date resulting from implementing the act and how it affected the Service's 2007 financial condition, (2) the implementation challenges and areas for continued oversight, and (3) how information required under the law can contribute to future postal reform decisions. The testimony is based on GAO's past work; a review of the implementation of the postal reform law, including actions already taken; and updated information on the Service's financial and operational condition. The Postal Service had no comments on this testimony.

To view the full product, including the scope and methodology, click on [GAO-08-503T](#). For more information, contact Katherine Siggerud at (202) 512-2834 or siggerudk@gao.gov.

POSTAL REFORM LAW

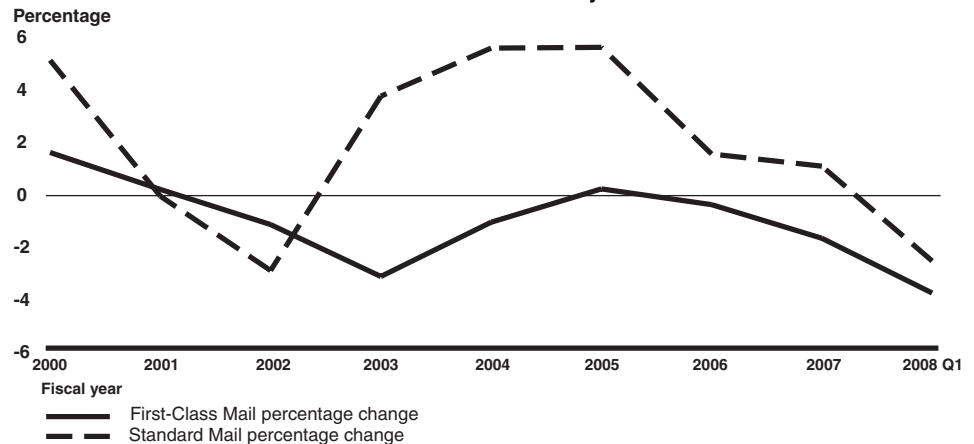
Early Transition Is Promising, but Challenges to Successful Implementation Remain

What GAO Found

Over the last 14 months, key actions have been taken to implement the act. For example, a new rate-setting system and regulatory agency were established, the Service began prefunding its retiree health benefit obligations, service standards were updated, and key reports were issued. These actions have required the collective efforts of many postal stakeholders including the Service and the Postal Regulatory Commission. The Service reported a \$5.1 billion net loss for fiscal year 2007. Some of the actions taken to implement the act, such as funding changes to its retiree health benefit obligations and pension requirements, directly impacted these results, as did other events such as the January 2006 and May 2007 rate increases.

The uncertain economic environment serves to exacerbate the challenges facing the Service and contributed to lower than expected mail volumes and revenues in the first quarter of fiscal year 2008. The Service projects a \$600 million net loss for 2008 as it faces challenges such as generating volumes (see figure) as rates increase again in May; managing its costs and improving operational efficiencies through accelerated cost reduction strategies; maintaining, measuring, and reporting service; and managing its workforce.

First-Class Mail and Standard Mail Volumes have Recently Declined



Some key areas for continued oversight include changes to mail volumes and revenues, efforts to control costs by optimizing the Service's infrastructure and workforce, transition to new automation and technology to enhance mail sorting and tracking, transparency in measuring and reporting delivery performance, and implementation of the new rate-setting regulations.

Information required under the act can be used to facilitate constructive dialogue about complex postal reform issues that may eventually need to be revisited by Congress. The act requires multiple reports and studies over the next 5 to 10 years that can be used to continually examine and assess the Postal Service's position in an environment of increasing competition and technological advances. Specifically, these reports and studies will provide key information on the Service's mission and role, monopoly protections, universal service requirements, rate-setting and other regulatory issues, oversight structure, competition issues, and consumer protection.