



Highlights of [GAO-10-538T](#), a testimony to the Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate

### Why GAO Did This Study

The U.S. Postal Service’s (USPS) financial condition and outlook deteriorated significantly during fiscal year 2009. USPS was not able to cut costs fast enough to offset declining mail volume and revenues resulting from the economic recession and changes in the use of mail, such as electronic bill payment.

In July 2009, GAO added USPS’s financial condition and outlook to its High-Risk List and reported that USPS urgently needed to restructure to improve its financial viability. Declines in mail volume and revenue, large financial losses, increasing debt, and financial obligations will continue to challenge USPS.

This testimony provides (1) information on USPS’s financial condition and forecast and (2) GAO’s perspective on the need for USPS restructuring. In addition, questions and issues are included for Congress to consider regarding USPS’s proposal to reduce delivery from 6 to 5 days. This testimony is based on GAO’s past and ongoing work, including its work on postal reform issues, its report adding USPS’s financial condition and outlook to its High-Risk List, and updated information on USPS’s financial condition and outlook.

View [GAO-10-538T](#) or key components. For more information, contact Phillip Herr, at (202) 512-2834 or [herrp@gao.gov](mailto:herrp@gao.gov).

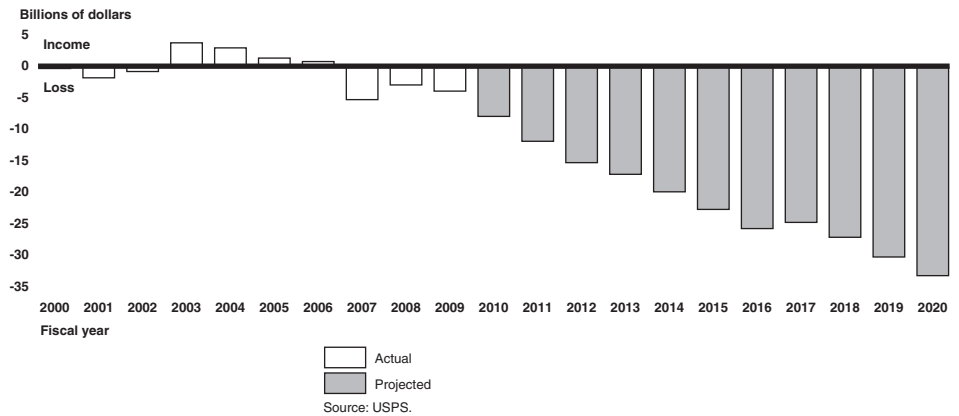
## U.S. POSTAL SERVICE

### Financial Crisis Demands Aggressive Action

#### What GAO Found

As mail volume declined by 35 billion pieces (about 17 percent) in fiscal years 2007 through 2009, USPS’s financial viability deteriorated, with close to \$12 billion in losses, and it does not expect total mail volume to return to its former level when the economy recovers. USPS forecasts that total mail volume will decline to 167 billion pieces in fiscal year 2010—the lowest level since fiscal year 1992, and 22 percent less than its fiscal year 2006 peak. It also projects a record loss of over \$7 billion. Further, USPS has halted construction of most new facilities and expects to borrow \$3 billion in fiscal year 2010, which would bring its total outstanding debt to \$13.2 billion, close to its \$15 billion statutory limit. Looking forward, USPS projects that by fiscal year 2020, total mail volume will further decline by 16 percent, to the lowest level since 1986. Absent additional actions to cut costs and increase revenues, USPS expects financial losses will escalate over the next decade.

**USPS Actual and Projected Net Income (Loss), Fiscal Years 2000 to 2020**



Action is urgently needed in multiple areas by USPS and Congress to address USPS’s pressing challenges so that it can achieve financial viability, including restructuring USPS operations, networks, and workforce to reflect changes in mail volume, revenue, and use of mail. The longer it takes for USPS and Congress to address USPS’s challenges, the more difficult they will be to overcome. When GAO placed USPS’s financial condition and outlook on its High-Risk List, it identified the following key actions USPS and/or Congress could take: reduce employee compensation and benefits; consolidate retail and processing networks; consolidate administrative field structure; generate revenue through new or enhanced products; change funding requirements for retiree health benefits; and realign delivery services. GAO will analyze USPS’s proposal to reduce delivery from 6 to 5 days when it becomes available. Included in this testimony are questions and issues for Congress to consider regarding delivery changes. GAO will also be issuing its report later this spring that provides its perspective on USPS’s financial crisis, as well as additional options for restructuring.