

Highlights of [GAO-11-759T](#), a testimony before the Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy, Committee on Oversight and Government Reform, House of Representatives.

Why GAO Did This Study

The U.S. Postal Service (USPS) recently reported that its financial results for the first half of this fiscal year—a net loss of \$2.6 billion—are worse than projected. USPS expects continued financial challenges as mail volume continues to decline. Most notable is the decline of First-Class Mail (its most profitable mail) by over 25 billion pieces, or about 25 percent, over the past decade. GAO has reported on proposals to revise USPS pension and retiree health obligations, but such actions alone will not be sufficient to address the accelerating volume decline and changing use of the mail.

This statement discusses (1) why it is important to restructure USPS's networks and (2) what actions are needed to facilitate additional progress. This statement is based primarily on past and ongoing GAO work.

GAO is not making new recommendations in this statement. Recently, GAO has reported that Congress, the administration, and USPS urgently need to reach agreement on a package of actions that will address constraints and legal restrictions to facilitate progress in rightsizing USPS's operations, networks, and workforce. GAO has also recommended that Congress consider providing USPS with financial relief, and in doing so, consider all options available to reduce costs.

View [GAO-11-759T](#) or key components. For more information, contact Phillip Herr at (202) 512-2834 or herrp@gao.gov.

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U.S. POSTAL SERVICE

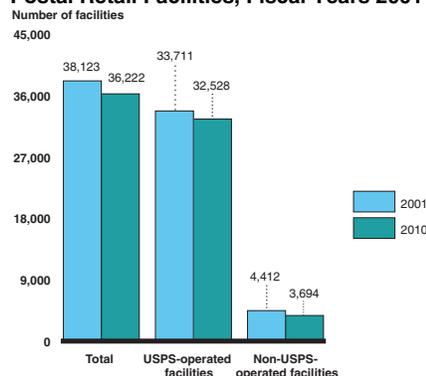
Dire Financial Outlook and Changing Mail Use Require Network Restructuring

What GAO Found

USPS urgently needs to restructure its networks and operations as its financial condition and outlook are reaching a crisis. USPS has been experiencing billion-dollar losses and cash shortfalls over the last 5 years, and expects to reach its \$15 billion borrowing limit this year. USPS officials have stated that USPS may default on its retiree health payments owed to the federal government in September 2011. These financial problems are due to declining mail volume brought on by customers' shift to electronic alternatives and USPS's difficulty in reducing costs and eliminating excess network capacity. USPS faces restructuring challenges in three areas:

- **Retail**—Although USPS has provided alternatives to post offices, it has been slow to modernize its network. As customer visits to, and revenue generated at, post offices have declined, USPS has not made commensurate reductions in its number of retail facilities (see figure).
- **Mail processing**—USPS has improved operational efficiency and reduced employee work hours, but excess capacity remains as large mail volume declines continue.
- **Delivery**—USPS has adjusted routes and deployed new sorting equipment to make delivery more efficient, but additional efforts are needed, since delivery is USPS's most costly activity.

Postal Retail Facilities, Fiscal Years 2001 and 2010



Restructuring decisions involve key public policy questions. For example, what postal services are needed and what is affordable? In order for USPS to be self-sustaining, it needs to significantly reduce its costs to match its revenues. Change is needed to facilitate restructuring postal networks and operations. GAO has suggested the following changes:

- **Revise legal requirements** to facilitate network-wide restructuring, perhaps similar to the Defense Base Closure and Realignment Commission approach.
- **Improve outreach** and the transparency of information used to make decisions.
- **Enhance public input** by simplifying rules and requirements so that they are consistent, timely, and easy for the public to understand.