

## Why GAO Did This Study

Since 2006, the U.S. Postal Service has taken actions to reduce its excess capacity. Such actions have made progress toward consolidating the mail processing network to increase efficiency and reduce costs while meeting delivery standards. However, since 2006, the gap between USPS expenses and revenues has grown significantly. In February 2012, USPS projected that its net losses would reach \$21 billion by 2016.

As requested, this report addresses (1) actions USPS has taken since 2006 to reduce excess capacity—in facilities, staff, equipment, and transportation; (2) USPS plans to consolidate its mail processing network; and (3) key stakeholder issues and challenges related to USPS's plans. GAO reviewed relevant documents and data, interviewed USPS officials, reviewed proposed legislation, and reviewed stakeholder comments to USPS plans for changing delivery service standards.

## What GAO Recommends

GAO is not making new recommendations in this report, as it has previously reported to Congress on the urgent need for a comprehensive package of actions to improve USPS's financial viability and has provided Congress with strategies and options to consider. USPS had no comments on a draft of this report.

## U.S. POSTAL SERVICE

### Mail Processing Network Exceeds What Is Needed for Declining Mail Volume

## What GAO Found

Since 2006, the U.S. Postal Service (USPS) has closed redundant facilities and consolidated mail processing operations and transportation to reduce excess capacity in its network, resulting in reported cost savings of about \$2.4 billion. Excess capacity remains, however, because of continuing and accelerating declines in First-Class Mail volume, automation improvements that sort mail faster and more efficiently, and increasing mail preparation and transportation by business mailers, much of whose mail now bypasses most of USPS's processing network.

In December 2011, USPS issued a proposal for consolidating its mail processing network, which is based on proposed changes to overnight delivery service standards for First-Class Mail and Periodicals. Consolidating its network is one of several initiatives, including moving from a 6-day to a 5-day delivery schedule and reducing compensation and benefits, that USPS has proposed to meet a savings goal of \$22.5 billion by 2016. This goal includes saving \$4 billion by consolidating its mail processing and transportation network and reducing excess capacity as indicated in the table below. The Postal Regulatory Commission is currently reviewing USPS's proposal to change delivery service standards.

**2011 USPS Estimate of Mail Processing Excess Capacity to Be Eliminated by Proposed Changes in First-Class and Periodical Delivery Standards**

	2011 processing network	Excess capacity
Facilities	461 processing facilities	223 processing facilities
Workforce	154,325 positions	Up to 35,000 positions
Equipment	About 8,000 pieces of mail processing equipment	3,000 pieces of mail processing equipment
Transportation	1.5 billion trips between processing facilities	376 million trips between processing facilities

Source: USPS.

Stakeholder issues and other challenges could prevent USPS from implementing its plan for consolidating its mail processing network or achieving its cost savings goals. Although some business mailers and Members of Congress have expressed support for consolidating mail processing facilities, other mailers, Members of Congress, affected communities, and employee organizations have raised issues. Key issues raised by business mailers are that closing facilities could increase their transportation costs and decrease service. Employee associations are concerned that reducing service could result in a greater loss of mail volume and revenue that could worsen USPS's financial condition. USPS has said that given its huge deficits, capturing cost savings wherever possible will be vital. USPS has asked Congress to address its challenges, and Congress is considering legislation that would include different approaches to addressing USPS's financial problems. A bill originating in the Senate provides for employee buyouts but delays moving to 5-day delivery, while a House bill creates a commission to make operational decisions such as facility closures and permits USPS to reduce delivery days. If Congress prefers to retain the current delivery service standards and associated network, decisions will need to be made about how USPS's costs for providing these services will be paid, including additional cost reductions or revenue sources.