The Service has made progress in addressing its challenges and has developed a Transformation Plan (the Plan) that contains steps to guide it in the future. Challenges remain, however, and leadership and sustained attention by the Service will be critical to carrying out its transformation.

- Implement the Transformation Plan and determine business model for the 21st century. The Service is struggling to fulfill its mission of providing affordable, high-quality, universal service while remaining self-supporting. The figure shows that despite multiple rate increases, net income has decreased. The Service’s business model is at risk as mail volumes decline and competition and alternatives increase.

- Control costs and improve productivity under the Service’s existing authority. The Service’s ability to control costs and improve productivity is key to improving its financial situation. The Service historically has had difficulty in achieving cost savings related to two costly areas—its workforce and its expansive physical infrastructure.

- Address unresolved financial issues. The Service’s cash flow from operations has not been sufficient to fund needed capital expenditures and reduce debt pressures. Furthermore, its liabilities continue to exceed its assets, and postretirement health obligations are increasing.

- Develop strategies to address human capital issues. Progress is needed in realigning the Service’s workforce planning and performance systems with its business model. Cooperation between labor and management will be critical to achieving transformation goals.

- Provide complete and reliable financial and performance information in a timely and transparent manner. The Service has not provided sufficient public information to explain its changing financial condition, outlook, and progress toward meeting its goals.