



Highlights of [GAO-07-244](#), a report to congressional requesters

U.S. POSTAL SERVICE

Vulnerability to Fluctuating Fuel Prices Requires Improved Tracking and Monitoring of Consumption Information

Why GAO Did This Study

The U.S. Postal Service (the Service) is dependent on fuel to support its mail delivery and transportation networks, as well as to heat and operate the over 34,000 postal facilities it occupies. The Service has been challenged by recent fuel price fluctuations, and the Postmaster General stated that gas prices were a primary reason for the proposed 2007 postal rate adjustment. Based on this challenge, you asked GAO to review (1) how the Service's fuel costs changed recently and the impact of these cost changes on the Service's financial and operating conditions, and (2) how the Service's actions to control fuel costs and mitigate risk compare to leading practices and federal requirements. GAO collected fuel cost and price information; interviewed Service fuel officials; and compared the Service's actions against leading practices and federal requirements.

What GAO Recommends

GAO recommends that the Postmaster General take actions to improve the Service's tracking and monitoring of transportation and facility-related fuel consumption data. GAO provided a draft of this report to the Service for its review and comment. The Service agreed with GAO's findings and recommendation and stated that it will take steps to improve its information systems that capture consumption data.

www.gao.gov/cgi-bin/getrpt?GAO-07-244.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Katherine Siggerud at (202) 512-2834 or siggerudk@gao.gov.

What GAO Found

The Service's transportation and facility fuel costs have grown in recent years as fuel prices, particularly for gasoline, diesel, and jet fuel have increased. For example, fuel cost growth for its vehicle fleet was due to rising prices rather than consumption. While fuel costs have directly pressured its financial condition, increasing compensation and benefits were the primary driver of the \$3.4 billion operating expense increase in fiscal year 2006. The Service absorbed fuel cost increases through cost-containment efforts and increased revenues from the January 2006 rate increase, allowing it to achieve net income for the year. Nevertheless, the Service remains vulnerable to fuel price fluctuations, due in part to its purchasing process, which involves buying fuel as needed, often at retail locations. The Service is challenged to control fuel costs due to its expanding delivery network and inability to use surcharges.

GAO found some of the Service's actions to control fuel costs to be generally consistent with procurement and consumption practices advocated by leading organizations and federal requirements for purchasing alternative fuel vehicles. However, GAO also identified areas where more actions could be taken (see table).

GAO Assessment of Service's Actions to Control Fuel Costs

Leading practices and federal requirements	GAO assessment of the Service's relevant actions
Aggregate purchases to leverage buying power and size	<i>Generally consistent:</i> Aggregated purchases for certain subsets of its fuel purchasing program have resulted in cost savings.
Enhance organizational structure	<i>Generally consistent:</i> Enhanced fuel management and leadership through commodity-specific experts and a new energy leadership position.
Use public/private partnerships	<i>Generally consistent:</i> Implemented contracts with private utility providers to install energy efficient projects aimed at gaining operational efficiencies. The Service's cost savings are deferred to finance the project's initial investment.
Track and monitor fuel data	<i>Inconsistent with leading practices:</i> Incomplete data for most of its transportation and facility fuel consumption.
Reduce reliance on petroleum-based fuels as required by federal law	<i>Limited progress:</i> Although the Service has over 40,000 alternative fuel capable vehicles, it continues to be unable to reduce its reliance on petroleum-based fuels due to higher costs and limited availability of alternative fuels.

Source: GAO.

Taking actions to address data inconsistencies will be important, even as the Service develops a new energy strategy. These inconsistencies will limit the Service's ability to understand consumption changes and impacts and where to target potential cost-saving opportunities. Furthermore, additional progress is needed in reducing reliance on petroleum-based fuels because of the more stringent federal fuel consumption requirements that were recently passed.