

Highlights of [GAO-11-270](#), a report to the Ranking Member, 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's (USPS) financial outlook has deteriorated as customers have shifted to electronic alternatives. Mail volumes have declined over 20 percent since fiscal year 2006 and are expected to continue declining. To help its financial outlook, in March 2010, USPS presented a detailed proposal to the Postal Regulatory Commission (PRC) to move from a 6-day to a 5-day delivery schedule. USPS projected this would save about \$3 billion annually and reduce mail volume by less than 1 percent. This proposal factors in widespread changes to USPS's workforce and networks. USPS has also asked Congress to not include language in its annual appropriation requiring 6 day-a-week delivery.

As requested, GAO assessed (1) USPS's cost and volume estimates and the operational impacts associated with its 5-day delivery proposal and (2) the trade-offs and other implications associated with this proposal. GAO reviewed USPS's proposal (including its assumptions, methodologies, and conclusions) and other information from the PRC's 5-day delivery proceeding, surveyed postal employee and mailer groups, and interviewed USPS officials and postal employee groups. Because GAO previously recommended that Congress consider providing financial relief to USPS, as well as other cost-saving options, this report contains no new recommendations. USPS generally agreed with GAO's findings and provided additional context on its proposed change to end Saturday delivery.

View [GAO-11-270](#) 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

Ending Saturday Delivery Would Reduce Costs, but Comprehensive Restructuring Is Also Needed

What GAO Found

USPS's proposal to move to 5-day delivery by ending Saturday delivery would likely result in substantial savings; however, the extent to which it would achieve these savings depends on how effectively this proposal is implemented. USPS's \$3.1 billion net cost-savings estimate is primarily based on eliminating city- and rural-carrier work hours and costs through attrition, involuntary separations, or other strategies. USPS also estimated that 5-day delivery would result in minimal mail volume decline. However, stakeholders have raised a variety of concerns about USPS's estimates, including,

- First, USPS's cost-savings estimate assumed that most of the Saturday workload transferred to weekdays would be absorbed through more efficient delivery operations. If certain city-carrier workload would not be absorbed, USPS estimated that up to \$500 million in annual savings would not be realized.
- Second, USPS may have understated the size of the potential mail volume loss due to questions about the methodology USPS used to develop its estimates of how 5-day delivery may affect mail volumes.

The extent to which USPS can achieve cost savings and mitigate volume and revenue loss depends on how well and how quickly it can realign its operations, workforce, and networks; maintain service quality; and communicate with stakeholders. USPS has spent considerable time and resources developing plans to facilitate this transition. Nevertheless, risks and uncertainties remain, such as how quickly it can realign its workforce through attrition; how effectively it can modify certain finance systems that cannot be changed until congressional approval for 5-day delivery is granted; and how mailers will respond to this change in service. Further, uncertainties remain as factors other than delivery frequency—e.g., price increases—can also affect mail volumes and revenues.

USPS's proposal involves several factors that need to be considered. It would improve USPS's financial condition by reducing costs, increasing efficiency, and better aligning its delivery operations with reduced mail volumes. However, it would also reduce service; put mail volumes and revenues at risk; eliminate jobs; and, by itself, be insufficient to solve USPS's financial challenges. USPS's role in providing universal postal services can affect all American households and businesses, so fundamental changes involve key public policy decisions for Congress. If Congress decides 5-day delivery is necessary, then Congress and USPS could factor the savings into deliberations about what package of actions should be taken to restore USPS's financial viability. Conversely, if Congress maintains the mandate for 6-day delivery, Congress and USPS would need to find other ways to achieve equivalent financial savings, so that the package is sufficient to restore USPS's financial viability. This would likely entail difficult decisions with broad implications for USPS's infrastructure, workforce, and service. As GAO has reported, a package of actions by Congress and USPS is urgently needed to modernize USPS's operations, networks, and workforce.