

## Why GAO Did This Study

For several years USPS has not generated sufficient revenues to cover its expenses. Although much focus has been on USPS's costs as a way to close the gap between its revenues and expenses, generating additional revenue is also needed. To increase mail volume and revenue, USPS has implemented NSAs, sales, and promotions with a variety of products.

As requested, GAO reviewed (1) the trends and reported results of USPS's sales, promotions, and NSAs, as well as (2) any opportunities and challenges related to generating additional revenue from them. GAO reviewed USPS documents, PRC decisions, and annual reports, and interviewed officials from USPS and PRC. GAO also interviewed mailers, which were selected in part based on participation in NSAs, sales, and promotions. Their views cannot be generalized to all mailers.

## What GAO Recommends

GAO recommends that when filing for approval, USPS provide information to PRC about USPS's data collection and analysis plans for estimating the long-term financial results of promotions. GAO also recommends that PRC evaluate USPS's data collection and analysis plans for promotions as part of its review. In commenting on the report, USPS disagreed with the first recommendation, and PRC agreed with both recommendations. USPS stated it does not believe the recommendation will significantly affect the PRC's review process or improve the quality of USPS's business decisions. GAO continues to believe this recommendation has merit, as discussed in this report.

View [GAO-13-578](#). For more information, contact Lorelei St. James at (202) 512-2834 or [stjamesl@gao.gov](mailto:stjamesl@gao.gov).

## U.S. POSTAL SERVICE

### Opportunities to Increase Revenue Exist with Competitive Products; Reviewing Long-Term Results Could Better Inform Promotions Decisions

## What GAO Found

The U.S. Postal Service (USPS) has developed numerous negotiated service agreements (NSA), sales, and promotions since the enactment of the Postal Accountability and Enhancement Act (PAEA) in 2006, and they generate a small but growing portion of USPS total revenue. PAEA established two categories of products: "market dominant," where USPS has a monopoly, and "competitive," which includes all other products, such as shipping services. NSAs, sales, and promotions are generally designed to encourage additional mail volume and revenue through temporary discounts on specific mail products. For example, USPS has offered promotions to incentivize mailers to invest in technology that may increase the value of mail for those mailers over the long-term. No NSAs, sales, or promotions followed the enactment of PAEA until regulations were issued in late 2007. The number of NSAs, sales, and promotions has increased most years since. The revenue generated from NSAs, sales, and promotions has also increased overall. The most revenue was generated by competitive NSAs. Financial results of competitive NSAs are not reported publicly. According to the Postal Regulatory Commission (PRC), which exercises regulatory oversight over USPS, nearly all competitive NSAs have covered their costs. Market dominant NSAs generated little revenue, in part because few were done. Sales and promotions have also generated little revenue.

Opportunities for increasing revenue from NSAs, sales, and promotions are primarily with competitive NSAs, though challenges may limit revenue, and it will likely not offset declines from other products. Continued growth in e-commerce is creating opportunities to generate additional revenue through competitive NSAs. Opportunities to generate additional revenue through market dominant NSAs are limited by low demand for those products. Also, it is difficult for USPS to determine whether any volume and revenue increases directly result from market dominant NSAs because it is difficult to accurately estimate mailers' future mail volume. In addition, USPS and some mailers we spoke with noted that the process for developing both market-dominant and competitive NSAs can be burdensome, hindering the development of new agreements. USPS has taken actions, though, to streamline the process for developing competitive NSAs. Opportunities for generating revenue from sales and promotions are also limited by low demand as well as limited review of the long-term financial results before implementation. USPS has noted that promotions satisfy rate requirements by, for example, helping to generate revenues for USPS. In particular, promotions are used to encourage mail volume over the long term. However, USPS does not provide data and analysis about the potential long-term financial results when submitting promotions to PRC for its approval. As a result, PRC does not assess the methodologies for evaluating the long-term financial results of promotions before implementation. Given USPS's financial situation, USPS should demonstrate how promotions may achieve positive long-term financial results, in order to help maximize the revenue generated by those postage rate discounts.