

GAO Highlights

Highlights of [GAO-20-385](#), a report to congressional requesters

Why GAO Did This Study

An independent establishment of the executive branch, USPS is required to provide prompt, reliable, and efficient services to the public. While USPS is to be self-sustaining, it lost about \$78 billion from fiscal years 2007 through 2019 due primarily to declining mail volumes and increased costs. Given USPS's poor financial condition, in 2009 GAO identified USPS's financial viability as a high-risk area, a designation it retains today.

GAO was asked to explore issues related the transformation of USPS and potential implications for stakeholders. This report (1) examines major challenges facing USPS, (2) identifies how selected domestic businesses and foreign posts reportedly have addressed serious challenges, (3) examines critical foundational elements of USPS's current business model, and (4) identifies key previously issued GAO matters for congressional consideration regarding USPS and actions taken in response.

GAO reviewed its prior reports and related matters for congressional consideration, analyzed laws and regulations, and assessed USPS documents on financial and operational performance. It also reviewed reports by the USPS Office of Inspector General, the Postal Regulatory Commission, and other selected groups such as the 2018 Task Force on the United States Postal Service.

View [GAO-20-385](#). For more information, contact Lori Rectanus at (202) 512-2834 or rectanusl@gao.gov.

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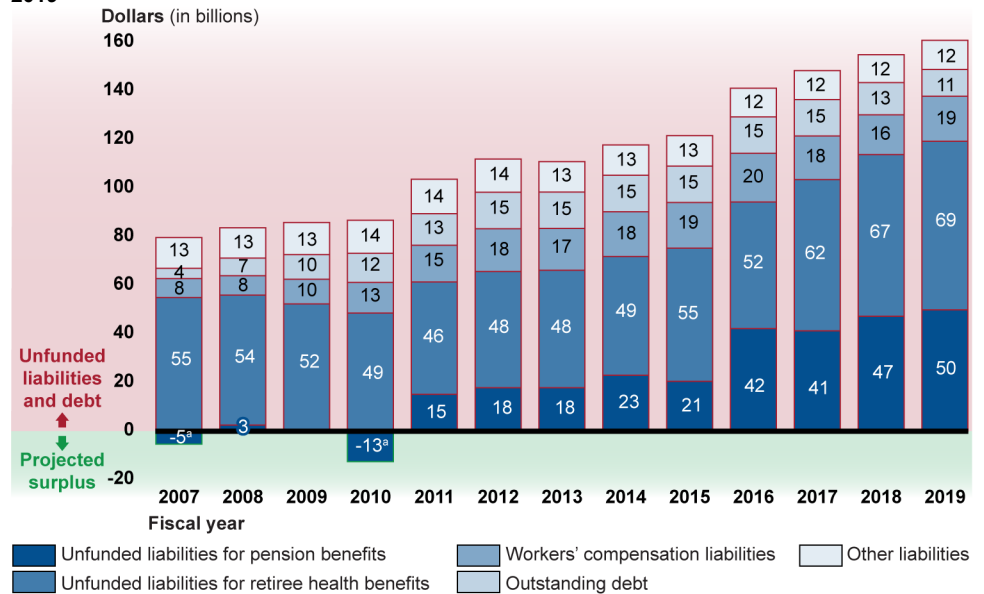
U.S. POSTAL SERVICE

Congressional Action Is Essential to Enable a Sustainable Business Model

What GAO Found

Since GAO's 2009 high-risk designation, the U.S. Postal Service's (USPS) financial viability has progressively worsened due to declining mail volume, increased employee compensation and benefit costs, and increased unfunded liabilities and debt. First-Class Mail volume has declined 44 percent since fiscal year 2006. Additionally, employee compensation and benefits costs have been increasing. Although USPS's work force declined from about 786,000 in fiscal year 2007 to about 617,000 in fiscal year 2013, USPS's work force increased to about 630,000 in fiscal year 2019. Finally, total unfunded liabilities and debt continue their steady upward trend (see figure).

Total U.S. Postal Service's (USPS) Unfunded Liabilities and Debt, Fiscal Years 2007 through 2019



Source: U.S. Postal Service 10-K reports | GAO-20-385

Note: Negative unfunded liabilities for pension benefits in fiscal years 2007 and 2010 represent projected funding surpluses.

To address these challenges, USPS has taken a variety of actions such as providing increased self-service options and reducing facility hours. Statutory requirements, however, limit USPS's ability to make changes in areas such as certain service offerings, pricing, and its employee compensation and benefits.

In confronting similar types of challenges that are facing USPS, GAO selected large domestic businesses (companies) and foreign postal entities (widely known as "foreign posts") that have seen significant change in foundational elements of their business models. Specifically, according to GAO's analysis of publicly available reports and interviews of cognizant officials, these organizations have had major changes in services and products, financial self-sustainment, and institutional structure:

To identify how domestic businesses and foreign posts addressed similar serious challenges, GAO selected for review (1) six domestic organizations in the airline, automobile, and railroad industries and (2) five foreign posts in five countries—Australia, France, Germany, New Zealand, and the United Kingdom. The businesses and countries had characteristics similar to USPS, such as large unionized work forces, and had reportedly made significant changes to their business models. For each of these businesses and countries, GAO analyzed public reports on financial and operational performance, as well as institutional structure and requirements. GAO also interviewed government and postal officials from three selected countries and officials from the National Audit Offices of two of the selected countries. Because questions were raised regarding the application of the U.S. Bankruptcy Code to USPS, GAO also requested the National Bankruptcy Conference to assess whether USPS could use bankruptcy or other restructuring processes.

To examine critical USPS business model elements, GAO reviewed its prior reports and reports from numerous other organizations, and obtained the views of stakeholders.

What GAO Recommends

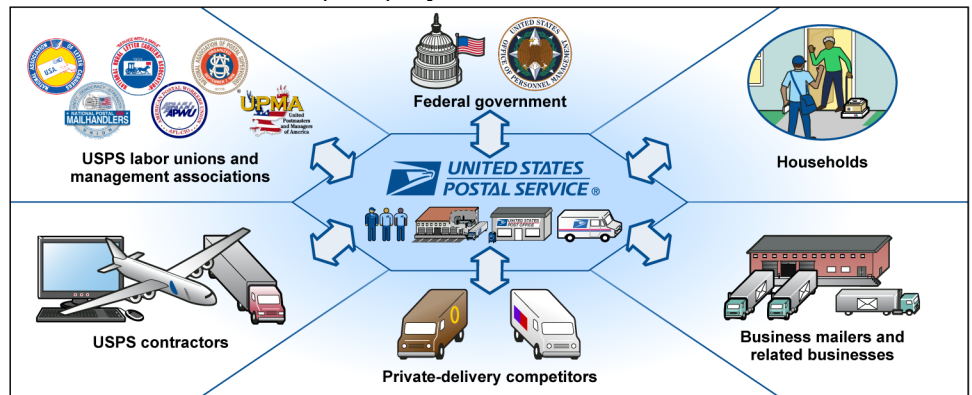
Congress should consider reassessing and determining the (1) level of postal services the nation requires, (2) extent to which USPS should be financially self-sustaining, and (3) appropriate institutional structure for USPS. Both USPS and the Postal Regulatory Commission (PRC) generally concurred with the matters.

- Companies and foreign posts have modified services and products to focus on profitable offerings, and two countries' posts reduced postal service levels. For example, New Zealand Post reduced its mail delivery's frequency from 5 to 3 days per week in urban areas.
- Companies have reduced their workforce, infrastructure, and operational costs, and some accepted government financial assistance to help remain financially viable. Cost reduction has also been a priority for all countries' posts, especially in compensation and benefits, while three countries' governments provided financial assistance to their posts.
- Four of the selected companies declared bankruptcy leading to restructured corporations; some merged with other companies to increase their revenues. Two countries privatized their posts, and three others restructured their posts from government departments into government-owned corporations.

Regarding USPS, reassessing its business model should start with the level of required postal services. For example, delivery is USPS's most costly operation; USPS officials estimate annual savings of \$1.4 billion to \$1.8 billion if delivery of mail were reduced to 5 days rather than 6 days per week. Second, USPS is to function as a financially self-sustaining entity; however, it does not. A reassessment could include determining whether some of USPS's costs and liabilities should be borne by taxpayers. Third, alternative institutional structures for USPS range from a federal agency to a private company. A bankruptcy proceeding is not an effective or appropriate means to address the issues associated with a potential USPS restructuring, according to the National Bankruptcy Conference.

Prior GAO reports have included suggestions for Congress to address USPS's financial viability. For example, GAO's 2010 report identified strategies to reduce compensation, benefits, and operational costs. GAO stated that Congress, among other things, consider all options available to reduce costs. While bills in this area were introduced and in some cases passed congressional committees, legislation was not enacted. In 2018, GAO reported that the financial outlook for the Postal Service Retiree Health Benefits Fund was poor—the Office of Personnel Management forecasted the fund would be depleted by 2030 if USPS continued not making payments into it. Legislation has not been enacted to place postal retiree health benefits on a more sustainable financial footing. Postal reform legislation has not taken place in part because of the difficulty in obtaining compromise among various stakeholders with divergent views (see figure below). However, since GAO's 2010 report, USPS's financial condition has significantly worsened raising fundamental questions about key elements of USPS's business model. Such questions warrant congressional action.

United States Postal Service's (USPS) Key Stakeholders



Source: GAO. | GAO-20-385