

GAO Highlights

Highlights of [GAO-14-444](#), a report to the Chairman, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

USPS is expected to provide prompt, reliable and efficient nationwide service while remaining self-supporting, but it is facing serious fiscal challenges with insufficient revenues to cover its expenses. Mail delivery is USPS's largest cost area, totaling about \$30 billion annually. Although USPS lacks authority to make certain changes that could reduce costs, it does have the authority to convert from more expensive to less expensive delivery modes.

GAO was asked to examine potential cost savings and issues related to delivery conversion. This report discusses: (1) the estimated costs of each delivery mode and potential savings associated with converting to less costly modes and (2) USPS actions to convert to less costly delivery modes and any impediments to conversions. GAO obtained and analyzed USPS estimates from fiscal years 1994 through 2012 on delivery mode costs as well as potential savings from conversions to less costly modes and determined that the estimates have limitations, which we discuss in the report. GAO also interviewed officials from USPS and mailing industry stakeholders.

What GAO Recommends

GAO recommends that USPS collect updated data on delivery mode costs and the potential savings of converting to less costly modes of delivery and establish a time frame for publicly reporting the results. USPS agreed with the recommendation.

View [GAO-14-444](#). For more information, contact Lorelei St. James at (202) 512-2834 or stjamesl@gao.gov.

May 2014

U.S. POSTAL SERVICE

Delivery Mode Conversions Could Yield Large Savings, but More Current Data Are Needed

What GAO Found

The U.S. Postal Service (USPS) estimates of delivery mode costs and potential savings from converting to less costly modes show that door-to-door delivery is much more costly than delivery to a curbside or centralized mailbox and that USPS could achieve large savings by mandating large-scale conversions from door delivery to other modes. For fiscal year 2012, USPS estimated average annual costs of about \$380 per delivery point for door delivery, compared with about \$240 for delivery to the curb, and about \$170 for delivery to a central location. USPS also estimated potential ongoing savings of over \$2 billion annually from mandating conversion of about one-third of door deliveries to other modes. However, USPS's estimates of these specific costs and savings have limitations, in part because they rely on data from a 1994 USPS study. In lieu of current data, USPS adjusted the 1994 data according to increases in the Consumer Price Index—an adjustment that may not have been the same as changes in USPS delivery costs, which are affected by factors such as increases in postal wage rates, postal benefit costs, and gasoline prices. USPS officials estimate a new study could be conducted to replace the 1994 study for a total of about \$100,000 to \$750,000, depending on the extent of the study. Without current information on costs of delivery modes and on potential savings through delivery conversions, USPS and lawmakers may not have an accurate understanding of the impact of delivery mode changes on which to base their decisions.

USPS has taken some actions to shift door deliveries to less costly delivery modes on a voluntary basis, but it faces stakeholder resistance and other impediments to mandatory conversions. USPS revised its regulations in April 2012 specifying that USPS determines the mode of delivery for new addresses and that new addresses must receive less costly modes, such as centralized delivery, unless USPS approves an exception. Additionally, USPS implemented voluntary business conversions in fiscal year 2013. USPS reported that 43,333 out of about 5.6 million business door delivery points—or about 0.8 percent—were voluntarily converted in fiscal year 2013. USPS has set a modest goal of about 35,000 additional voluntary business conversion goals for fiscal year 2014. USPS also converted about 36,302 out of about 32.2 million residential door delivery points—or about 0.1 percent—to centralized delivery on a voluntary basis in fiscal year 2013. Through the voluntary conversion process, customers on a route may choose to maintain door delivery, reducing the number of conversions and lowering potential savings. Large-scale mandatory conversions have the potential to achieve large savings. However, USPS is reluctant to mandate conversions. There is some evidence that USPS would face resistance from customers, USPS employees, and mailing industry stakeholders if it were to implement mandatory conversion of delivery to less costly modes. Stakeholder concerns include personal safety, mail security, and difficulty finding suitable urban locations for boxes to deliver mail to a curbside or centralized location.