

GAO

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Before the Senate Committee on
Governmental Affairs

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U.S. POSTAL SERVICE

**Bold Action Needed to
Continue Progress on Postal
Transformation**

Statement of David M. Walker,
Comptroller General of the United States





Highlights of [GAO-04-108T](#), a testimony before the Senate Committee on Governmental Affairs

Why GAO Did This Study

Last year the President established a commission to examine the future of the U.S. Postal Service (the Service). Its report, issued in July 2003, contained a proposed vision for the Service and recommendations to ensure the viability of postal services. GAO was asked to discuss (1) its perspective on the commission's report and (2) suggestions for next steps. This testimony is based on GAO's analysis of the Commission's report and prior GAO reports and testimonies.

What GAO Recommends

GAO believes that Congress should consider the Commission's recommendations and enact comprehensive postal reform legislation that would clarify the Service's mission and role; enhance governance, accountability, oversight, and transparency; improve regulation of postal rates; and make human capital reforms.

GAO also recommends that the Postmaster General develop a comprehensive plan to optimize its infrastructure and workforce, in collaboration with its key stakeholders, and make it publicly available. In addition, the Postmaster General should provide periodic updates to Congress and the public on the status of implementing its transformation initiatives and other Commission recommendations that fall within the scope of its existing authority. Postal officials have agreed to take these actions.

www.gao.gov/cgi-bin/getrpt?GAO-04-108T.

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

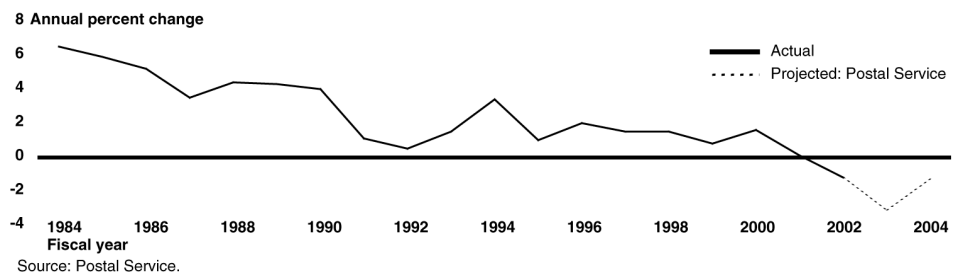
U.S. POSTAL SERVICE

Bold Action Needed to Continue Progress on Postal Transformation

What GAO Found

The Commission found that the Service faces a bleak fiscal outlook. The Service has an outdated and inflexible business model amid a rapidly changing postal landscape. First-Class Mail appears to be on the brink of long-term decline as Americans take advantage of cheaper electronic alternatives. Thus, universal postal service is at risk. These findings are similar to our past work and point to the need for fundamental reforms to minimize the risk of a significant taxpayer bailout or dramatic postal rate increases. The Commission made recommendations to Congress and the Service aimed at achieving such reforms, which GAO believes merit consideration.

First Class Mail Volume Growth from Fiscal Years 1984-2004



GAO agrees with the Commission that now is the time to modernize the nation's postal laws rather than waiting until a financial crisis occurs that limits congressional options. Key aspects of the Service's existing legislative framework that need to be addressed are 1) a broadly defined mission that enables the Service to engage in unprofitable and controversial endeavors, 2) a governance structure that does not ensure governing board members who have the requisite knowledge and skills, 3) the need for additional accountability, oversight, and transparency provisions; 4) a lengthy, burdensome rate-setting process, and 5) provisions that hinder the Service in rationalizing its infrastructure and workforce.

GAO also agrees with the Commission that the Service can take steps now to modernize and increase efficiency and effectiveness, improve its financial position, and rationalize its infrastructure and workforce. The Service has begun to implement its Transformation Plan initiatives, cut its costs and the size of its workforce, and improve its efficiency. However, since the Service issued its Transformation Plan in April 2002, it has not provided adequate transparency on its overall plans to rationalize its infrastructure and workforce; the status of initiatives included in its Transformation Plan; and how it plans to integrate the strategies, timing, and funding necessary to move toward becoming a high-performing organization. The Service's vision of rightsizing its infrastructure and workforce is achievable if approached in a comprehensive, integrated fashion, with appropriate communication and coordination with postal stakeholders.

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