

GAO

Testimony

Before the Subcommittee on Federal
Workforce, U.S. Postal Service and Labor
Policy, Committee on Oversight and
Government Reform, House of Representatives

For Release on Delivery
Expected at 1:30 p.m. EDT
Wednesday, June 15, 2011

U.S. POSTAL SERVICE

**Dire Financial Outlook and
Changing Mail Use Require
Network Restructuring**

Statement of Phillip Herr, Director
Physical Infrastructure Issues



G A O

Accountability * Integrity * Reliability

Highlights of [GAO-11-759T](#), a testimony before the 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 (USPS) recently reported that its financial results for the first half of this fiscal year—a net loss of \$2.6 billion—are worse than projected. USPS expects continued financial challenges as mail volume continues to decline. Most notable is the decline of First-Class Mail (its most profitable mail) by over 25 billion pieces, or about 25 percent, over the past decade. GAO has reported on proposals to revise USPS pension and retiree health obligations, but such actions alone will not be sufficient to address the accelerating volume decline and changing use of the mail.

This statement discusses (1) why it is important to restructure USPS's networks and (2) what actions are needed to facilitate additional progress. This statement is based primarily on past and ongoing GAO work.

GAO is not making new recommendations in this statement. Recently, GAO has reported that Congress, the administration, and USPS urgently need to reach agreement on a package of actions that will address constraints and legal restrictions to facilitate progress in rightsizing USPS's operations, networks, and workforce. GAO has also recommended that Congress consider providing USPS with financial relief, and in doing so, consider all options available to reduce costs.

View [GAO-11-759T](#) or key components. For more information, contact Phillip Herr at (202) 512-2834 or herrp@gao.gov.

June 15, 2011

U.S. POSTAL SERVICE

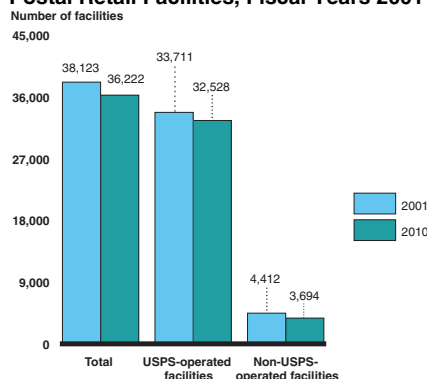
Dire Financial Outlook and Changing Mail Use Require Network Restructuring

What GAO Found

USPS urgently needs to restructure its networks and operations as its financial condition and outlook are reaching a crisis. USPS has been experiencing billion-dollar losses and cash shortfalls over the last 5 years, and expects to reach its \$15 billion borrowing limit this year. USPS officials have stated that USPS may default on its retiree health payments owed to the federal government in September 2011. These financial problems are due to declining mail volume brought on by customers' shift to electronic alternatives and USPS's difficulty in reducing costs and eliminating excess network capacity. USPS faces restructuring challenges in three areas:

- **Retail**—Although USPS has provided alternatives to post offices, it has been slow to modernize its network. As customer visits to, and revenue generated at, post offices have declined, USPS has not made commensurate reductions in its number of retail facilities (see figure).
- **Mail processing**—USPS has improved operational efficiency and reduced employee work hours, but excess capacity remains as large mail volume declines continue.
- **Delivery**—USPS has adjusted routes and deployed new sorting equipment to make delivery more efficient, but additional efforts are needed, since delivery is USPS's most costly activity.

Postal Retail Facilities, Fiscal Years 2001 and 2010



Restructuring decisions involve key public policy questions. For example, what postal services are needed and what is affordable? In order for USPS to be self-sustaining, it needs to significantly reduce its costs to match its revenues. Change is needed to facilitate restructuring postal networks and operations. GAO has suggested the following changes:

- **Revise legal requirements** to facilitate network-wide restructuring, perhaps similar to the Defense Base Closure and Realignment Commission approach.
- **Improve outreach** and the transparency of information used to make decisions.
- **Enhance public input** by simplifying rules and requirements so that they are consistent, timely, and easy for the public to understand.

June 15, 2011

Chairman Ross, Ranking Member Lynch, and Members of the Subcommittee:

I am pleased to be here today to participate in this hearing to address the challenges facing the U.S. Postal Service (USPS). USPS is in a serious financial crisis, and as mail volume continues to decline, it has not generated sufficient revenue to cover its expenses and financial obligations. At the end of this fiscal year, USPS officials project a substantial cash shortfall and report that USPS may default on its retiree health payments owed to the federal government. Within the next 4 months, critical decisions by Congress and USPS are needed to avoid its projected default and set USPS on a path to financial solvency.

My statement today focuses on the urgent need for USPS to rightsize its operations and infrastructure in light of the current and projected decrease in demand for its services. This means downsizing and modernizing its networks to reflect the accelerating decline in mail volume resulting from changing mail use by businesses and the public. Specifically, my statement addresses (1) why it is important to restructure USPS's networks and (2) what actions are needed to facilitate progress in restructuring.

This statement is primarily based on our extensive body of work on USPS's activities including our reviews over the past several years of USPS's business model, financial condition, networks, and service; foreign posts; and postal reform. In addition, it draws on interviews with senior USPS officials conducted in May and June 2011. We conducted the performance audit work that supports this statement in accordance with generally accepted government auditing standards. Additional information on our scope and methodology is available in each issued report.

USPS's Dire Financial Outlook and Changing Mail Use Require Network Restructuring

USPS urgently needs to restructure its networks and operations as its financial condition and outlook reach a crisis level. USPS has experienced a cumulative net loss of nearly \$20 billion over the last 5 fiscal years and has already reported a net loss of \$2.6 billion through the first 6 months of fiscal year 2011. By the end of this fiscal year, USPS projects that it will incur a \$8.3 billion loss¹, experience a substantial cash shortfall, reach its \$15 billion borrowing limit, and be unable to make its scheduled retiree health benefits payment to the federal government. USPS's financial problems have been building, as customers' mail use has been changing—that is, mail volume is declining as customers shift to electronic communications and payment alternatives. Total mail volume peaked in fiscal year 2006 at 213 billion pieces and declined by about 20 percent by the end of fiscal year 2010, to about 170 billion pieces. In the first 2 quarters of this fiscal year, the volume for First-Class Mail—USPS's most profitable product that accounted for 44 percent of USPS total volume—has declined by almost 7 percent. USPS has projected a further drop in total mail volume to 150 billion pieces or less by 2020.

Declining mail volume exposes fundamental weaknesses in USPS's business model, which has historically relied on mail volume growth to help cover the costs associated with national retail, processing, and delivery networks. USPS does not have sufficient revenue to cover the growing costs of expanding delivery service to roughly 1 million new residences and businesses each year while maintaining about 33,000 USPS-operated retail² and processing facilities. Furthermore, USPS faces a variety of challenges in trying to reduce costs, including an inflexible cost structure; legal and regulatory restrictions; stakeholder resistance; difficulty reducing compensation and benefit costs, which comprise 80 percent of USPS's total expenses; and increasing difficulty in achieving work hour savings. For these reasons and more, we placed USPS's financial condition and outlook on our 2011 list of high-risk programs and agencies.³

¹The Postmaster General testified in May 2011 that USPS projects a loss of approximately \$8.3 billion in fiscal year 2011, before any non-cash adjustments to workers' compensation liabilities.

²USPS-operated retail facilities include (1) main post offices, where local postmasters oversee retail operations in the geographic area; (2) postal stations located within a municipality's corporate limits; and (3) postal branches located outside a municipality's corporate limits.

³GAO, *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011).

Retail

USPS currently operates about 32,500 retail facilities. Customers can also purchase some USPS products or services at over 70,000 locations, including about 3,700 contract postal units and community post offices⁴ and through partnerships with retailers, as well as through usps.com. In fiscal year 2010, about 31 percent of retail revenue from USPS products and services was generated through retail alternatives, and USPS estimates that by 2020, these alternatives may account for nearly 60 percent of retail sales. Meanwhile, fewer customers are visiting USPS-operated retail locations. According to USPS, customer visits have declined over the last decade by about 21 percent and retail revenue generated at USPS-operated retail locations has dropped by about 16 percent, yet the number of USPS-operated facilities has remained largely unchanged since fiscal year 2001.

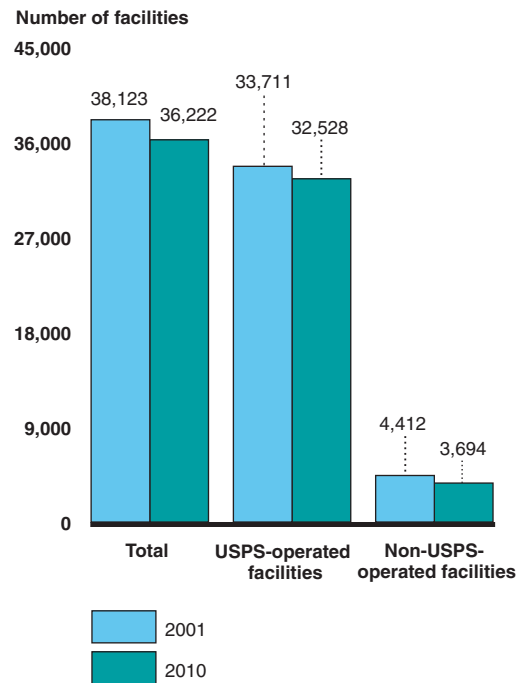
Although the number of channels through which customers can access USPS's products and services is expanding, USPS has been slow to modernize its legacy retail network. Figure 1 compares the number of selected groups of postal retail facilities—USPS-operated facilities and non-USPS-operated⁵—in fiscal years 2001 and 2010. Non-USPS facilities may be operated by partners and are therefore less costly for USPS and may be more conveniently located where there is higher customer traffic. While USPS has slightly reduced the total number of USPS-operated and non-USPS-operated retail facilities over the last 10 years, the ratio of USPS-operated versus non-USPS-operated facilities has barely changed (88 percent in fiscal year 2001 compared with 90 percent in fiscal year 2010). Foreign postal operators we studied have modernized their legacy brick-and-mortar retail networks by drastically reducing the proportion of facilities they operate relative to the proportion of those operated by others.⁶

⁴Contract postal units are operated by nonpostal employees in privately operated businesses, such as convenience stores, grocery stores, greeting card stores, and pharmacies. Community post offices are contract postal units that are located in small communities and function as main post offices.

⁵Non-USPS-operated facilities include community post offices and contract postal units, described previously.

⁶GAO, *U.S. Postal Service: Foreign Posts' Strategies Could Help Inform U.S. Postal Service's Modernization Efforts*, [GAO-11-282](#) (Washington, D.C.: Feb. 16, 2011). We are currently conducting two reviews related to USPS's retail network: one on retail alternatives and another on retail closures.

Figure 1: Postal Retail Facilities, Fiscal Years 2001 and 2010



Source: GAO analysis of USPS data.

Note: USPS-operated facilities include post offices, stations, and branches. Non-USPS-operated facilities include community post offices and contract postal units.

Several factors have constrained USPS’s efforts to make significant changes to its retail network:

- *Legal requirements:* USPS officials have stated that the legal process has hindered USPS’s ability to make progress in retail realignment. Statutory requirements prohibit USPS from closing small post offices solely for operating at a deficit,⁷ and, therefore, certain retail facilities cannot be closed based on financial performance alone. USPS has reported that about 80 percent of postal retail facilities do not generate sufficient revenue to cover their costs. Additionally, the Postal Regulatory Commission (PRC) has authority to hear appeals on “post office” closures.⁸ However, USPS and the PRC have differed in their

⁷39 U.S.C. §101. Also, annual appropriations provisions have restricted post office closures. See e.g., Pub. L. No. 111-117 (Dec. 16, 2009).

⁸39 U.S.C. § 404(d)(5).

interpretation of the PRC's statutory authority to review appeals of USPS decisions to close stations and branches. Further, when USPS proposes changes in the nature of postal services that will generally affect service on a nationwide or substantially nationwide basis, it must request an advisory opinion from the PRC.⁹

- According to USPS officials, the amount of time taken to complete the required statutory process for closing facilities has hindered USPS from timely realignment of its retail network. USPS is required to provide 60 days advance notice of closing a post office, and any person served by the facility may appeal the closure decision. The PRC has 120 days after receiving an appeal to make a determination, which is made on a case-by-case basis. So far this fiscal year, the PRC has received more appeals of retail facility closures than it did in the last decade combined (18 in 2011 compared with 8 in fiscal years 2001 through 2010). Of these 18 appeals, 10 involved stations and branches. The PRC may affirm USPS's decision or require USPS to reconsider its closure decisions, but the ultimate authority to close a post office rests with USPS. Currently, after the PRC's determination, USPS must wait at least 90 days to take action after posting a final closure determination.¹⁰
- In its filings with the PRC, USPS has asserted that, in cases where the closing involves a station or branch, the PRC lacks subject matter jurisdiction to hear appeals that do not involve a "post office." Nevertheless, the PRC issues determinations on appeals of USPS decisions to close retail facilities, including stations and branches. This issue remains unresolved.
- In 2009, USPS filed a request for a PRC advisory opinion of its analysis of over 4,000 stations and branches for possible closure, which resulted in the closure of about 145 facilities from this proceeding. The PRC's opinion advised USPS to improve public notice and input prior to making closure decisions.¹¹ It also suggested that USPS implement uniform procedures for closing or consolidating all types of retail facilities—post offices, stations, or branches. Since then, USPS officials have told us that they plan additional closings of certain retail facilities.

⁹39 U.S.C. § 3661(b).

¹⁰USPS has proposed reducing the waiting period from 90 days to 60 days, consistent with statutory requirements. 76 Fed. Reg. 17794 (Mar. 31, 2011).

¹¹Advisory Opinion Concerning The Process For Evaluating Closing Stations and Branches, Docket No. N2009-1, March 10, 2010.

-
- *Stakeholder resistance:* USPS has often faced formidable resistance from employees, affected communities, and Members of Congress when it has attempted to close post offices because of concerns about possible effects on service, employees, and communities. Although USPS is taking steps to improve its communication for making these retail changes, stakeholders continue to protest the closure of postal facilities.

The foreign posts we recently studied have also experienced declining mail volume and revenue. Their solutions to addressing stakeholder resistance involved regular engagement with stakeholders, including strategic communication and outreach efforts. These posts emphasized that although a neighborhood post office would be closing, retail alternatives were available with local merchants who had extended operating hours and were located where customers frequently visit—such as grocery, convenience, and drug stores. For example, when modernizing its retail network, the Swedish postal operator launched a nationwide campaign that focused on the post as “a service” instead of “a place” and proactively informed customers about how and where they could access postal services. The Swedish Post reported that customers adapted to the change and preferred the expanded service options. Officials we interviewed at Australia Post discussed the importance of involving local communities in deciding, for example, whether to contract with a local retail partner or close a post office.

Mail Processing

USPS has taken actions to reduce excess capacity and improve operational efficiency throughout its mail processing network for sorting and transporting mail, but has had difficulty comprehensively adjusting its network to respond to the unprecedented mail volume decline since fiscal year 2006. As a result, costly excess capacity remains.¹² USPS’s mail processing network comprises over 500 mail processing facilities and corresponding transportation services, equipment, and staff. USPS has made some progress in streamlining its processing network, such as by closing smaller facilities like Airport Mail Centers and Remote Encoding

¹²We are currently conducting a more detailed review of the excess capacity in USPS’s mail processing network.

Centers.¹³ These and other actions have helped USPS eliminate nearly 108 million workhours from its processing network over the last 5 years (or nearly 40 percent of its total workhour reduction over that time).

Costly excess mail processing capacity remains for several reasons:

- Mail volume has declined, particularly single-piece First-Class Mail, which has dropped by about 23 billion pieces over the past decade. As a result, less mail is processed end-to-end through USPS's processing network. In 2009, for example, a USPS official testified that USPS had 50 percent excess plant capacity in its First-Class Mail processing operations.
- Continuing automation improvements enable USPS to sort mail faster and more efficiently. Some space once needed for manual sorting is now excess.
- Eighty-three percent of Standard Mail in fiscal year 2010 was destination entered by mailers,¹⁴ meaning that it bypassed most of USPS's mail processing network and long-distance transportation. This increase—16 percent over the last decade—has left USPS with excess processing capacity.

As a result of these factors, USPS's mail processing network could handle significantly more mail than is currently going through the system. USPS has often faced resistance from employees, affected communities, and Members of Congress when it has attempted to consolidate its processing operations and networks, close mail processing facilities, or both because of concerns about possible effects on service, employees, and communities. In particular, we have reported that stakeholders have concerns about USPS's ongoing efforts to consolidate its Area Mail Processing (AMP) facilities.¹⁵ Proposals to consolidate these processing operations and facilities are

¹³ Airport Mail Centers primarily process mail to expedite its transfer to and from different commercial passenger airlines. Remote Encoding Centers are separate plants established to apply address barcodes on letters that could not be read by the automated equipment in the mail processing plants.

¹⁴ Mail that is destination entered is sorted and transported by mailers to USPS facilities that are generally closer to the final destination where the mail will be delivered.

¹⁵ GAO, *U.S. Postal Service: Mail Processing Network Initiatives Progressing, and Guidance for Consolidating Area Mail Processing Operations Being Followed*, [GAO-10-731](#) (Washington, D.C., June 16, 2010).

intended to reduce costs and increase efficiency by making better use of excess capacity or underused resources. The AMP proposals consist of consolidating operations from one mail processing facility that downsizes its mail processing operations to other facilities nearby that gain the processing operations. USPS has improved its processes for communicating and implementing its AMP consolidation plans and is currently evaluating over 130 proposals for consolidations.

Delivery

USPS has ongoing efforts to increase the efficiency of mail delivery, which is its most costly activity and involves more than 310,000 carriers accounting for approximately 47 percent (\$23 billion) of USPS's total salary and benefit expenses in fiscal year 2010. Two key efforts are underway:

- Realignment of city delivery routes to remove excess capacity and improve efficiency. USPS expects this effort to generate nearly \$1 billion in annual savings by reducing space needs in post offices and other facilities and helping provide more consistent delivery service.
- Installation of new automated systems to sort certain mail, such as catalogs and magazines, into delivery order so that costly manual sorting by carriers is no longer needed. USPS expects this effort to improve delivery accuracy, consistency, and timeliness.

These efforts, along with other actions and declines in volumes, have helped USPS eliminate approximately 70 million delivery work hours over the last 5 fiscal years (or nearly a quarter of USPS's total workhour reduction over that time). USPS has attempted to further reduce delivery costs by asking Congress not to include the language in its annual appropriations legislation that requires it to deliver mail 6 days a week. USPS officials have stated that moving to 5-day delivery would result in annual savings of about \$3 billion once the change would be fully implemented.

Because USPS expects mail volume to continue declining, it will need to continue working to improve delivery efficiency. According to USPS, it generated \$1.80 in daily revenue contribution for each delivery point in fiscal year 2000; by fiscal year 2009, that number had shrunk to \$1.40, and by fiscal year 2020, USPS estimates that it could decline to about \$1.00. While moving to 5-day delivery would not, by itself, resolve USPS's considerable financial challenges, this and other restructuring strategies will need to be considered to adapt to changes in mail use and achieve financial viability.

USPS and Congress Need to Take Urgent Action to Restructure Networks

Congress and USPS urgently need to reach agreement on a package of actions that will address difficult constraints and legal restrictions and allow USPS to accelerate progress on restructuring its networks. Members of the 112th Congress have introduced legislation to promote network restructuring, and USPS has proposed regulatory changes. We also have recommended in prior reports that USPS realign its postal operations, networks, and workforce with changes in mail usage and customer behavior. As part of this work, we proposed options for action by Congress and USPS to reduce costs and improve efficiency.

These proposals and options, which are presented in more detail below, offer an opportunity to reconsider some of the key statutory requirements and processes for closing postal facilities, many of which have not changed significantly since the 1970s and may not be conducive to the type of networkwide changes that are currently needed. Table 1 highlights Congress's, USPS's, and GAO's key retail proposals and options.

Table 1: Retail Proposals and Options for Restructuring

Congress has introduced legislation that would, among other factors,

- Give USPS greater flexibility to close unneeded post offices by eliminating the prohibition against closing small post offices solely for operating at a deficit.^a
- Make procedures for closing or consolidating stations and branches the same as those for post offices.^b
- Require USPS to submit a plan for the co-location of post offices at retail facilities—that is, for moving postal services to non-USPS-operated facilities—and to report to Congress on its progress in implementing this plan.^c
- Require USPS to develop a plan for expanding retail alternatives and regularly report to Congress on its progress in implementing this plan.^a
- Permit USPS to adjust its delivery frequency notwithstanding any other provision of the law.^a

USPS has introduced a proposed rule that would

- Permit USPS to initiate a closure study for a facility where, among other factors, the workload at a facility is below an established level.
- Shorten the regulatory waiting period for closing a retail facility from 90 days to 60 days, after a final closure determination has been made.
- Make the retail closure processes uniform, regardless of whether the facility is a post office, station, or branch.

GAO has presented options and strategies for restructuring USPS's retail network including

- Streamline USPS's retail network by consolidating and closing unneeded retail facilities.
- Modernize customer access by providing services “where the customers are,” including increasing and enhancing customer access through less costly alternatives, such as partnerships, kiosks, and improved online offerings.

Source: GAO analysis.

^aS.1010.

^bThe Post Office Transparency Act, H.R. 2024, 112th Cong. (2011).

^cThe Postal Service Improvements Act of 2011, S. 353, 112th Cong. (2011). Reform the Postal Service for the 21st Century Act, H.R. 1262, 112th Cong. (2011).

In addition to options for retail networks, the following are among the options we have previously identified for restructuring USPS's mail processing and delivery networks:¹⁶

Mail processing network options:

- Close unneeded mail processing facilities.
- Relax delivery standards¹⁷ to facilitate closures and consolidations.

Delivery network options:

- Expand the use of more cost-efficient delivery methods, such as clusterboxes and curblines delivery.¹⁸
- Decrease delivery frequency from 6 to 5 days a week.

Stakeholders have raised concerns about these restructuring options and strategies. For example, postmaster management associations and the PRC have raised objections to USPS's proposed rule to modify its retail structure.¹⁹ Similarly, USPS received a variety of comments raising concerns about its 5-day delivery proposal.

¹⁶GAO, *U.S. Postal Service: Strategies and Options to Facilitate Progress toward Financial Viability*, [GAO-10-455](#) (Washington, D.C.: Apr. 12, 2010).

¹⁷Service standards are performance measures for on-time delivery of mail. These standards help enable USPS, mailers, and customers to set realistic expectations for delivery performance, such as the number of days mail takes to be delivered, and to organize their activities accordingly. To illustrate a potential reduction, in 2010 we reported that one senior USPS official estimated that about 70 processing facilities could be eliminated if local First-Class Mail were to be delivered in 2 days instead of overnight.

¹⁸Curblines delivery is where mail is delivered to a curblines mailbox and a clusterbox is a centralized unit of individually-locked compartments for the delivery of mail.

¹⁹USPS expects to finalize the proposed rule in summer 2011. 76 Fed.Reg.17794 (Mar. 31, 2011).

Realigning Postal Networks Involves Key Public Policy Questions and Consideration of Changes

Restructuring decisions involve key public policy questions as well as difficult trade-offs—for example, what postal services are needed and what is affordable? Some tension exists between USPS's role as a federal government entity expected to provide universal postal services, including access to retail service, while also being self-financing through businesslike operations. As we have reported, Congress's decisions about how to address the following questions will shape USPS's future role, operations, networks, and ability to adapt to changes in mail use and mail volume:

- **Universal service:** What aspects of universal service, including 6-day delivery, are appropriate in light of fundamental changes in customers' use of the mail? What, if any, changes are needed to delivery standards? How can USPS improve customers' access to postal services through modernizing its retail network to maximize costs savings?
- **Statutory and regulatory changes:** What statutory or regulatory changes are needed to give USPS the flexibility it needs to restructure its operations, networks, and workforce, while also assuring appropriate oversight? For example, what changes may be needed to clarify whether or not the PRC has the authority to review appeals of closures and consolidations of stations and branches?
- **Stakeholder involvement:** What role, if any, should Congress, the Board of Governors,²⁰ and the PRC have in developing, approving, or reviewing decisions to modernize and realign postal services? What input should postmasters or other postal employees and the public have in these decisions? How and when should USPS notify the public of its decisions to modernize and realign services?
- **Accountability:** What incentives and oversight mechanisms would help to balance the public's expectations of universal service, USPS's need for more flexibility to achieve efficiencies, and the government's responsibility to ensure sufficient transparency, oversight, and accountability?

In order for USPS to be self-sustaining, it needs to significantly reduce its costs to match its revenues. Change is needed to facilitate

²⁰The USPS Board of Governors, which has responsibilities similar to the board of directors of a publicly held corporation, directs the exercise of the powers of USPS, directs and controls its expenditures, reviews its practices, conducts long-range planning, and sets policies on all postal matters.

restructuring postal networks and operations. Some changes to consider include:

- *Revise legal requirements to facilitate networkwide restructuring.* This would broaden the current focus on individual facility closures, which are often contentious, time consuming and inefficient, to a broader networkwide restructuring, perhaps similar to the Defense Base Closure and Realignment and Commission (BRAC) approach. Under this approach, expert panels have successfully informed and permitted difficult restructuring decisions, helping to provide consensus on intractable decisions.
- *Adapt PRC review processes to changes made to facilitate networkwide review.* The current appeals process focuses on decisions USPS has made about individual facilities closing. Another oversight approach to facilitate networkwide restructuring would be an annual reporting and review requirement, whereby USPS would report all service changes, including facility closures, completed over the past year and changes planned for the next fiscal year in its annual compliance report to the PRC. The PRC could then review and comment on any potential impacts on service in its annual compliance determination report.
- *Improve outreach and transparency of information used to make decisions.* For example, strategically communicate and conduct outreach with retail customers, government officials, and employee groups; use maps and a template of specified data to show all locations of postal facilities, alternatives, and retail partners where postal services are available in a designated service area; indicate proposed changes in this context; and allow the public to submit questions or comments.
- *Enhance public input by simplifying rules and requirements so that they are consistent, timely, and easy to understand.* For example, eliminate references to internal USPS terms that are not clear to the public, such as whether a retail facility is a post office, station, or branch, and clearly define what is meant by such terms as facility closings, consolidations, discontinuance, conversions, or replacements.

In summary, effectively rightsizing USPS will require both congressional support and USPS leadership to address resistance to change. USPS senior management will need to provide leadership and work with stakeholders for such actions to be successfully implemented. USPS must explain its plans in an open and transparent manner; engage with its unions,

management associations, the mailing industry, and political leaders; and then demonstrate the results of its actions. In turn, stakeholders need to recognize that major change is urgently needed if USPS is to be financially viable and self-sustaining. It is time for USPS management, unions, the public, community leaders, and Members of Congress to take a hard look at what postal services residents and businesses need and can afford. The status quo is no longer sustainable. Changes are necessary to ensure that postal services remain available to all U.S. residents and businesses by a USPS that is financially healthy and self-supporting.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions that you or other Members of the Subcommittee may have.

Contacts and Staff Acknowledgments

For further information about this statement, please contact Phillip Herr at (202) 512-2834 or herrp@gao.gov. Individuals who made key contributions to this statement include Susan Ragland, Director, Financial Management and Assurance; Amy Abramowitz, Teresa Anderson, Joshua Bartzen, Erin Cohen, Shelby Kain, Margaret McDavid, Sara Ann Moessbauer, Amrita Sen, and Crystal Wesco.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

