

Highlights of [GAO-13-216](#), a report to the Chairman, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, United States Senate

## Why GAO Did This Study

USPS continues to face a dire financial situation. Reducing costs is essential, but USPS also must generate additional revenue through the sale of products and services. PAEA, enacted in 2006, eliminated USPS's authority to offer nonpostal services unless they were offered as of January 1, 2006, and expressly grandfathered by the PRC. USPS may, however, offer new nonpostal services if they are related to the grandfathered nonpostal services. It may also offer experimental postal products that meet certain conditions. As requested, this report describes:

(1) the nonpostal services grandfathered after the enactment of PAEA, experimental postal products offered since enactment of PAEA, and discretionary services USPS currently performs for other federal agencies; (2) initiatives—including nonpostal services and experimental postal products—USPS is pursuing to generate additional revenue and the status of these initiatives; and (3) the reasons USPS decided not to pursue other revenue-generating initiatives that it had identified.

GAO reviewed PAEA provisions and PRC decisions pertaining to nonpostal services, experimental postal products, and services performed for other federal agencies and USPS documents related to the initiatives that USPS chose to pursue and those it decided not to pursue. GAO interviewed USPS officials regarding these issues.

In commenting on a draft of this report, USPS agreed that its financial viability is dependent not only on cutting costs, but also on generating additional revenue.

View [GAO-13-216](#). For more information, contact Lorelei St. James at (202) 512-2834 or [stjamesl@gao.gov](mailto:stjamesl@gao.gov).

## U.S. POSTAL SERVICE

### Overview of Initiatives to Increase Revenue and Introduce Nonpostal Services and Experimental Postal Products

## What GAO Found

The U.S. Postal Service (USPS) currently offers 12 nonpostal services (i.e., services not directly related to mail delivery) that were grandfathered by the Postal Regulatory Commission (PRC) after enactment of the Postal Accountability and Enhancement Act (PAEA). These services—which include Passport Photo Services, the sale of advertising to support change-of-address processing, and others—generated a net income of \$141 million in 2011. Since enactment of PAEA, USPS has received approval from PRC to offer eight experimental postal products, which are products that differ significantly from other offered products, such as the sale of gift cards loaded with a specified sum of money. Lastly, USPS performs at least four discretionary services (i.e., services it chooses, rather than is required, to perform) for other federal agencies, such as accepting passport applications for the State Department.

USPS is currently pursuing 55 new initiatives that it identified based on outreach to postal stakeholders. USPS chose to pursue these initiatives because of their potential to increase revenue and add value to the mail, among other reasons. Forty-eight initiatives are extensions of existing lines of postal products and services, such as offering Post Office Box customers a suite of service enhancements (e.g., expanded lobby hours and earlier pickup times) at selected locations and increasing public awareness of the availability of postal services at retail stores. Three initiatives are extensions of existing nonpostal services, including allowing customers to forward their mail to a new address using mobile devices. Finally, four of the initiatives involve experimental postal products, such as prepaid postage on the sale of greeting cards. These four experimental products are among the total of eight experimental products that have received PRC approval since enactment of PAEA. Forty-five of the 55 initiatives are ongoing; the remaining are under development.

USPS considered but decided not to pursue 25 other stakeholder-identified initiatives, primarily because of financial reasons. Twelve initiatives were abandoned because USPS determined they were not likely to be profitable or the initial investment was too high. Reasons for not pursuing other initiatives included insufficient stakeholder interest or lack of statutory authority. USPS would like to pursue revenue-generating opportunities in three areas—nonpostal services, shipments of alcoholic beverages, and services performed for state and local governments—if it is provided with statutory authority to do so. USPS officials said opportunities in these areas could improve USPS's financial position, but they emphasized that additional innovations will not be sufficient to return USPS to financial solvency. Results will also be constrained by the economic climate and by changing use of the mail. USPS's multiyear revenue plan detailing its competitive strategies is expected in the spring of 2013.