



# The U.S. Postal Service and Six-Day Delivery: Issues for Congress

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June 9, 2009

**Congressional Research Service**

7-5700

[www.crs.gov](http://www.crs.gov)

R40626

## Summary

Since 1863, the U.S. Postal Service (USPS) has been delivering mail to homes and businesses in cities. In 1896, USPS extended delivery services to rural locations. Although USPS has historically delivered mail to most locations six days per week, it was not until 1981 that Congress statutorily required six-day delivery. Today, USPS delivers mail and parcels to more than 149 million homes, businesses, government offices, and post office boxes six days per week. Throughout the Service's history, however, there have been discussions about reducing the number of delivery days to conserve fuel and reduce costs.

In FY2008, USPS reported a \$2.8 billion dollar loss and a drop in mail volume (9.5 billion fewer pieces than in 2007, a 4.5% drop in volume). The first quarter of FY2009 showed continued economic decline, with a \$380 million loss over three months. USPS anticipates an even larger drop in mail volume (10 to 15 billion fewer pieces than in 2008, a 4.9%-7.4% drop in volume) in FY2009. The bleak economic forecast for USPS prompted its leaders, Congress, and the public to suggest methods that may increase revenue or reduce expenses. Among these cost-saving suggestions is reducing the number of delivery days.

At a 2009 congressional hearing Postmaster General John E. Potter stated that six-day delivery "may simply prove to be unaffordable." He then "reluctantly" requested that Congress eliminate the six-day delivery requirement that is placed annually in appropriations laws. Some lawmakers criticized Mr. Potter's request, stating that reducing service days could cause even greater reductions in mail volume and lead to a "death spiral" for USPS. Other lawmakers are uncertain about the future of six-day mail delivery.

In 2008, two studies were conducted on the possible economic effects of reducing USPS delivery services. One study, conducted by USPS, estimated the financial savings of a five-day delivery week at \$3.5 billion annually, with no anticipated reduction in sales volume. The other study, conducted by the Postal Regulatory Commission (PRC), estimated the savings at \$1.94 billion annually, which includes a significant estimated loss of sales volume. One lawmaker stated that Congress may consider commissioning a third study to more accurately determine how much money five-day delivery could save USPS.

Other countries' mail services vary in their delivery schedules. Australia, Sweden, and Canada offer five-day delivery services. France, Germany, the Netherlands, and the United Kingdom (UK) have six-day delivery. New Zealand offers some customers a six-day delivery option, but charges additional fees for weekend deliveries. Significant differences among the various global postal services may prevent USPS from borrowing operating techniques that have been successful in other countries.

This report will examine the history of six-day mail delivery and analyze potential effects of reducing USPS delivery from six to five days. It will then examine legislative options for the 111<sup>th</sup> Congress.

This report will be updated as events warrant.

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Since 1775, the Postal Service has delivered mail throughout the United States. The Service began as a conduit for communication between “Congress and the armies” during the Revolutionary War.<sup>1</sup> In 1863, USPS, pursuant to statute, began delivering mail to certain addresses in cities if postage was enough to “pay for all expenses of the service.”<sup>2</sup> By 1896, the Postal Service was making deliveries to certain rural and urban homes six days per week. In some cities, in fact, delivery occurred more than once per day until 1950.<sup>3</sup> In other, more remote rural areas, deliveries continue to occur fewer than six days per week. Today, the U.S. Postal Service (USPS) delivers to “146 million homes and businesses, six days a week.”<sup>4</sup> Throughout the Service’s history, however, there have been discussions about reducing the number of delivery days in order to conserve fuel and reduce costs.

In FY2008, USPS reported a \$2.8 billion dollar loss and a drop in mail volume (9.5 billion fewer pieces than in 2007, a 4.5% drop in volume).<sup>5</sup> The first quarter of FY2009 indicated continued economic decline, with a \$380 million loss over three months.<sup>6</sup> USPS anticipates an even larger drop in mail volume (10 to 15 billion fewer pieces than in 2008, a 4.9%-7.4% drop in volume) and revenue in FY2009.<sup>7</sup> The bleak economic forecast for USPS has prompted its leaders, Congress, and the public to suggest methods that may increase revenue or reduce expenses for the quasi-governmental entity.<sup>8</sup> Among these suggestions is to reduce the number of delivery days for USPS from six to five.

At a January 28, 2009, hearing before the Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Postmaster General John E. Potter stated that six-day delivery “may simply prove to be unaffordable.” Potter requested that Congress eliminate the six-day delivery requirement that annually is placed in appropriations laws.<sup>9</sup> Some lawmakers criticized Mr. Potter’s request, and one Senator stated that reducing service days could cause even greater reductions in mail volume and lead to a “death spiral” for USPS.<sup>10</sup> At a March 25, 2009, hearing before the House Committee on Oversight and

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<sup>1</sup> U.S. Postal Service, *The United States Postal Service: An American History, 1775-2006*, p. 6, at <http://www.usps.com/cpim/ftp/pubs/pub100.pdf>.

<sup>2</sup> U.S. Postal Service, “City Delivery,” at [http://www.usps.com/postalhistory/\\_pdf/CityDelivery.pdf](http://www.usps.com/postalhistory/_pdf/CityDelivery.pdf).

<sup>3</sup> *Ibid.*

<sup>4</sup> U.S. Postal Service, “Grow Your Business: National Postal Forum Debuts Special Session – and Discount – for Small Businesses,” press release, April 2, 2009, at [http://www.usps.com/communications/newsroom/2009/pr09\\_034.htm](http://www.usps.com/communications/newsroom/2009/pr09_034.htm).

<sup>5</sup> U.S. Postal Service, *Form 10-Q, U.S. Postal Service Quarterly Report*, February 9, 2009, p. 8, at [http://www.usps.com/financials/\\_pdf/FinalQuarterIFY0910Q.pdf](http://www.usps.com/financials/_pdf/FinalQuarterIFY0910Q.pdf).

<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*, p. 24.

<sup>8</sup> For information on other actions USPS is taking to cut costs, see U.S. Government Accountability Office, *U.S. Postal Service: Deteriorating Postal Finances Require Aggressive Actions to Reduce Costs*, GAO-09-332T, January 28, 2009, at <http://www.gao.gov/new.items/d09332t.pdf>.

<sup>9</sup> U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, *The Impact of the Economic Crisis on the U.S. Postal Service*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., January 28, 2009, at <http://hsgac.senate.gov/public/index.cfm?Fuseaction=Hearings.Detail&HearingID=ce8899e6-d08e-4d07-a6df-6aecebc9c12e>.

<sup>10</sup> Comments of Senator Susan M. Collins, *ibid.* A similar statement can be found in U.S. Senator Susan Collins, “Senator Collins Criticizes U.S. Postal Service for Proposing Elimination of Services,” press release, January 28, 2009, [http://collins.senate.gov/public/continue.cfm?FuseAction=PressRoom.PressReleases&ContentRecord\\_id=22d3f0b2-802a-23ad-47be-7a88b075995c&Region\\_id=&Issue\\_id=&CFID=15709811&CFTOKEN=35683692](http://collins.senate.gov/public/continue.cfm?FuseAction=PressRoom.PressReleases&ContentRecord_id=22d3f0b2-802a-23ad-47be-7a88b075995c&Region_id=&Issue_id=&CFID=15709811&CFTOKEN=35683692).

Government Reform, Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia, Potter again requested that Congress eliminate the six-day mail delivery requirement.<sup>11</sup>

Two studies of the possible economic effects of reducing USPS delivery were conducted in 2008.<sup>12</sup> One study, conducted by USPS, estimated the financial savings of a five-day delivery week at \$3.5 billion annually, with no anticipated reduction in sales volume. The other study, by the Postal Regulatory Commission (PRC),<sup>13</sup> estimated the savings at \$1.93 billion annually, and includes an expected loss of \$580 million in sales volume. Representative Stephen F. Lynch stated at a May 20, 2009, hearing that Congress may consider commissioning a third study that would more conclusively determine how much money USPS could save if it moved to five-day delivery.<sup>14</sup>

Other countries have varied mail delivery schedules. Royal Mail, which delivers mail in the United Kingdom (UK) six days per week, reportedly contemplated eliminating Saturday delivery in 2008 because of economic concerns.<sup>15</sup> Royal Mail, however, continues to deliver six days per week. Canada Post offers letter-carrier services five days per week, and does not deliver mail or parcels on most Saturdays.<sup>16</sup> Canada Post, which receives no national appropriation, paid the Canadian government \$720 million (\$670 million USD) in taxes in 2008 and generated \$54 million (roughly \$46 million USD) in profit after taxes.<sup>17</sup> New Zealand Post offers six-day mail delivery services to some customers, but not to customers living in rural areas. Customers who use Saturday delivery must pay an additional fee.<sup>18</sup> Parcels are not delivered on Saturdays in New Zealand. A sampling of various countries' mail delivery practices found that some countries deliver mail five days per week (Australia and Sweden) while others deliver mail six days per week (France, Germany, and The Netherlands). Significant differences among the various mail services, however, may prevent USPS from borrowing techniques that were successful in other countries. The United States, for example, is much larger geographically than most of the other countries. Also, union contracts may prohibit USPS from adopting certain practices that could cut costs.

This report examines the history of six-day delivery at USPS and outlines potential effects of reducing delivery service. It then analyzes legislative options for the 111<sup>th</sup> Congress.

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<sup>11</sup> Statement of Postmaster General John E. Potter in U.S. Congress, House Committee on Oversight and Government Reform, Subcommittee on Federal Workforce, Post Office, and the District of Columbia, *Restoring the Financial Stability of the U.S. Postal Service: What Needs to Be Done?*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., March 25, 2009, at <http://federalworkforce.oversight.house.gov/documents/20090325092625.pdf>.

<sup>12</sup> U.S. Postal Service, *Report on Universal Postal Service and the Postal Monopoly*, October 2008, p. 55, at [http://www.usps.com/postallaw/\\_pdf/USPSUSOReport.pdf](http://www.usps.com/postallaw/_pdf/USPSUSOReport.pdf); and U.S. Postal Regulatory Commission, *Report on Universal Postal Service and the Postal Monopoly* (Washington: PRC, December 19, 2008), pp. 123-124, at <http://www.prc.gov/prc-docs/home/whatsnew/USO%20Report.pdf>.

<sup>13</sup> The Postal Regulatory Commission is an independent agency created by Congress that has regulatory oversight over the Postal Service.

<sup>14</sup> U.S. Congress, House Committee on Oversight and Government Reform, Subcommittee on Federal Workforce, Post Office, and the District of Columbia, *Nip and Tuck: The Impact of Current Cost Cutting Efforts on Postal Service Operations and Network*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 20, 2009, at <http://federalworkforce.oversight.house.gov/documents/20090520142353.pdf>.

<sup>15</sup> Harry Wallop, "Royal Mail Cuts May End Saturday Post," *The Telegraph*, May 10, 2008.

<sup>16</sup> Information provided by telephone to author by Canada Post on April 28, 2009.

<sup>17</sup> Canada Post, *About Us: Fast Facts*, at <http://www.canadapost.ca/cpo/mc/aboutus/corporate/fastfacts.jsf>.

<sup>18</sup> New Zealand Post, *Sending Letters Around New Zealand*, at <http://www.nzpost.co.nz/Cultures/en-NZ/OnlineTools/Ratefinder/LettersNZ>.

## History of Six-Day Delivery

Currently, all but 25,000 of USPS's 135 million residential mail recipients receive six-day mail delivery.<sup>19</sup> The history of six-day delivery, however, is not well documented. Delivery to homes and businesses in cities was instituted, pursuant to statute, in 1863.<sup>20</sup> In some cities, deliveries occurred several times per day, until most cities eliminated multiple deliveries in 1950.<sup>21</sup> Certain rural homes and businesses received deliveries starting in 1896. In some remote, rural areas—like homes at the bottom of the Grand Canyon—six-day delivery still does not occur.<sup>22</sup> Based on a review of legislative and postal history, it appears that six-day delivery was not legally required until FY1981, when Congress placed language requiring six-day delivery in USPS's appropriation.<sup>23</sup>

## Congressional and USPS History

The first statute governing general postal delivery was enacted in 1863 when Congress passed a law that authorized the Postmaster General “to make delivery, within any prescribed postal district, of mail matter by letter-carrier, as frequently as the public convenience in such district shall require, and shall make all proper regulations for that purpose.”<sup>24</sup>

According to USPS, prior to 1863, postage payments did not include home or office delivery and included only “the delivery of mail from Post Office to Post Office.”<sup>25</sup> Patrons, however, “could pay an extra two-cent fee for letter delivery” to private homes and businesses.<sup>26</sup> Private delivery firms also delivered items to homes or businesses.

By 1888, however, mail carriers “were instructed to deliver letters frequently and promptly—generally twice a day to homes and up to four times a day to businesses.... The second residential delivery was discontinued on April 17, 1950, in most cities.”<sup>27</sup> Current USPS policies limit deliveries to one per day in all locations.<sup>28</sup> USPS initiated rural home delivery on October 1, 1896, with deliveries to homes in Charles Town, Halltown, and Uvilla, West Virginia. With the advent of rural delivery, the Postal Service grew at a rapid pace and began to resemble the modern-day USPS.

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<sup>19</sup> “25,009 of the approximately 135 million [USPS] residential delivery points receive delivery 3 days per week because they are exceptionally difficult to serve, such as those at the bottom of the Grand Canyon.” U.S. Postal Regulatory Commission, *Report on the Universal Postal Service and the Postal Monopoly*.

<sup>20</sup> U.S. Postal Service, “City Delivery.”

<sup>21</sup> *Ibid.*

<sup>22</sup> Mules deliver mail to homes at the bottom of the Grand Canyon five days per week. Information provided electronically to the author by USPS on June 3, 2009.

<sup>23</sup> P.L. 96-499; 94 Stat. 2607.

<sup>24</sup> 12 Stat. 701, Sec. 12.

<sup>25</sup> U.S. Postal Service, “City Delivery.”

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*, p. 2.

<sup>28</sup> U.S. Postal Service, “Deliveries Per Day,” at [http://www.usps.com/postalhistory/\\_pdf/DeliveriesperDay.pdf](http://www.usps.com/postalhistory/_pdf/DeliveriesperDay.pdf).

## The 94<sup>th</sup> and 95<sup>th</sup> Congresses

Representative Tom Corcoran stated at a congressional hearing that the Postal Service took its first formal step toward eliminating one delivery day per week in 1976 when it conducted a study to examine the possible effects of such delivery reduction.<sup>29</sup> That study, according to Corcoran, was completed, but a formal proposal stemming from the study was not drafted. Instead, in 1977, the congressionally created Commission on Postal Service (created in 1975) submitted to Congress and the President a report that discussed the possibility of transitioning to five-day delivery. The members of the congressional commission were divided on whether to recommend eliminating a day of Postal Service delivery. The commission's final report said that five of the seven commissioners reluctantly recommended the reduction in delivery, but did not say which day of the week would be the optimal day off.

While the Commission would prefer not to recommend a reduction in delivery standards, the alternative of increased postal costs and rates causing volume declines is less acceptable.

The other alternative is to increase the public service appropriation to provide six-day delivery. A majority of the Commission does not favor this course. We find that six-day delivery, although convenient, is not considered essential by a great majority of our citizens when compared with the costs of providing that service.<sup>30</sup>

According to the *New York Times*, the Postal Service had already been reducing a variety of services and deliveries in early 1976 to cut rising costs.<sup>31</sup> The *New York Times* reported that Representative James M. Hanley, then-chairman of the House Postal Service Subcommittee, called for "a moratorium on service cutbacks and rural office closings that were meant to save money."<sup>32</sup> According to the article, Postmaster General Benjamin F. Bailar agreed to stop the service cutbacks.

On July 12, 1977, Representative Charles H. Wilson introduced a resolution (H.Con.Res. 277) that stated the Postal Service should not reduce its service delivery days.<sup>33</sup> On August 4, 1977, the House Committee on the Post Office and Civil Service recommended the passage of the resolution. On September 26, 1977, the resolution passed the House by a vote of 377 to 9. H.Con.Res. 277 was referred to the Senate Committee on Governmental Affairs, which took no further action on the bill.<sup>34</sup>

On September 27, 1977, Representative John B. Breckenridge released a statement criticizing the delivery cut, claiming it would "likely affect the people in rural American more than any other group of postal customers" and "would eventually result in less delivery routes and less

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<sup>29</sup> U.S. Congress, House Committee on Post Office and Civil Service, *Six-Day Mail Delivery*, Hearing, 95<sup>th</sup> Cong., 2<sup>nd</sup> sess., January 12, 1978 (Washington: GPO, 1978), p. 405.

<sup>30</sup> Commission on Postal Service, *Report on the Commission on Postal Service, Volume 1* (Washington, DC: GPO, April 1977), p. 50.

<sup>31</sup> Ernest Holsendolph, "Postal Service is Warned Mail Cuts Jeopardize Aid," *The New York Times*, March 27, 1976, p. A1.

<sup>32</sup> *Ibid.*

<sup>33</sup> U.S. Congress, House Committee on Post Office and Civil Service, *Saturday Mail Delivery*, H.Con.Res. 277, 95<sup>th</sup> Cong., 1<sup>st</sup> sess., August 4, 1977, 95-568 (Washington: GPO, 1977).

<sup>34</sup> Several identical versions of the resolution were introduced in the 95<sup>th</sup> Congress. H.Con.Res. 237 was selected because it was the first resolution introduced.

employment for rural carriers and other delivery employees at a time when unemployment is a national problem.”<sup>35</sup>

A series of congressional hearings were held on six-day delivery from November 1977 through March 1978. According to Representative Patricia Schroeder, who opened the hearings, the Postal Service prompted the hearings by proposing a cut back in delivery service.<sup>36</sup> Although the Postal Service had made no formal indication that it supported the elimination of one service day, one Member of Congress said that “statements made by postal officials indicate[d] they [were] leaning toward making such a recommendation.”<sup>37</sup>

In all, Congress held 12 hearings in as many cities with more than 500 testimonies offered between November and March. Those who testified included Members of Congress, union representatives, editors and publishers, the general public, and representatives of the aging. Most of those who testified did not support a reduction in Postal Service deliveries, finding such cuts a “disservice”<sup>38</sup> that could result in “possible delay in the receipt of welfare, social security, pension checks, and so forth—the kind of mail that people receive ... on weekends and through Saturday mail.”<sup>39</sup>

In addition to concerns about mail delivery in general, much of the testimony framed the debate over six-day delivery as a tension innately embedded in the mission of the Postal Service: is it a profit-driven organization, or a public service? Representative Timothy E. Wirth stated at one hearing that the six-day service was a “social value,” and that cutting a day of service at a time when people were “losing some of their faith in what government can do for them” would exacerbate their disillusionment.<sup>40</sup>

Thirteen bills were introduced in the 95<sup>th</sup> Congress (1977-1978) that would have affected Postal Service delivery, but none were reported from committee.<sup>41</sup>

## **The 96<sup>th</sup> and 97<sup>th</sup> Congresses**

In 1980, the House Committee on the Budget was expected to propose an \$836 million reduction in Postal Service appropriations for FY1981.<sup>42</sup> According to Representative James M. Hanley, the chairman of the House Committee on Post Office and Civil Service, the reduction in appropriations would have eliminated “all of the public service appropriations” and other

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<sup>35</sup> The Honorable John B. Breckinridge, “Statement on the Proposed Five Day Home Delivery,” press release, September 27, 1977. For a copy of the statement, contact the author.

<sup>36</sup> The hearings were a collection of relatively small, informal hearings held around the country.

<sup>37</sup> U.S. Congress, House Committee on Post Office and Civil Service, *Six-day Mail Delivery*, p. 137.

<sup>38</sup> Testimony of Melvin Schwartz, representative of Ads Advertising and Mail Service, *ibid.*, p. 79.

<sup>39</sup> Testimony of Joseph Sawyer, President of the Board of Directors of the Wynnefield Residents Association, *ibid.*, p. 154.

<sup>40</sup> Testimony of Representative Timothy E. Wirth, *ibid.*, p. 5.

<sup>41</sup> H.R. 5549; H.R. 6690; H.R. 7297; H.R. 7569; H.R. 7612; H.R. 7921; H.R. 7943; H.R. 8048; H.R. 8235; H.R. 8445; H.R. 8609; H.R. 9043; and S. 651.

<sup>42</sup> Testimony of Representative James M. Hanley, chairman of the Committee on Post Office and Civil Service in U.S. Congress, House Committee on Post Office and Civil Service, *Implications of Proposed Reductions in Postal Service Appropriations*, 96<sup>th</sup> Cong., 2<sup>nd</sup> sess., April 17, 1980, S.Hrg. 96-80 (Washington: GPO, 1980), p. 1.



subsidies for the Postal Service.<sup>43</sup> At a March 26, 1980, hearing before the House Committee on Post Office and Civil Service, then-Postmaster General William F. Bolger stated that eliminating Saturday delivery was one option the Postal Service was considering to ensure its economic stability in the face of the budget cuts. Bolger estimated the service reduction could result in the elimination of 15,000 to 20,000 Postal Service jobs, but would save the Service about \$588 million.<sup>44</sup>

*The Washington Post* quoted Bolger as saying the service cuts could be the “only one workable alternative” for the Service as a result of anticipated cuts in federal subsidies.<sup>45</sup> *Congressional Quarterly* reported that in response to the possible service day elimination, Postal Service employees teamed with companies who would be affected by the change to form an ad hoc coalition to lobby Members of Congress to block the service cut.<sup>46</sup>

Five bills related to Postal Service delivery days were introduced during the 96<sup>th</sup> Congress.<sup>47</sup> Four of the bills were not reported from committee;<sup>48</sup> one bill, H.R. 79, passed the House and was referred to the Senate Committee on Governmental Affairs. No further action was taken on H.R. 79. In addition, the Omnibus Reconciliation Act included a provision affecting mail delivery. The act (P.L. 96-499; 94 Stat. 2607), which was signed into law on December 5, 1980, included a requirement that the Postal Service “take no action to reduce or to plan to reduce ... the number of days each week for regular mail delivery.” The statute expired on October 1, 1981. As noted earlier, based on a review of legislative history, P.L. 96-499 appears to mark the first time Congress required six-day delivery in statute.

In the 97<sup>th</sup> Congress, five other bills related to Postal Service delivery were introduced, but none were reported from committee.<sup>49</sup> In addition, the House-passed Treasury, Postal Service and General Government Appropriation Act, FY1982 (H.R. 4121) contained a provision prohibiting the Postal Service from using federal funds to implement a reduction in service. However, the bill did not pass the Senate, and the continuing resolution Congress enacted (P.L. 97-92) to provide the necessary funding for that year contains no explicit language that would have prohibited USPS from reducing the number of delivery days.

While no six-day delivery requirement appears to be continued in appropriations legislation for FY1982, a six-day delivery requirement was placed in appropriations legislation for FY1983. The Further Continuing Appropriations Act, 1983 (P.L. 97-377; 96 Stat. 1830) required the Postal

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<sup>43</sup> *Ibid.*, p. 30.

<sup>44</sup> U.S. Congress, House Committee on Post Office and Civil Service, *Implications of Proposed Reductions in Postal Service Appropriations*, 96<sup>th</sup> Cong., 2<sup>nd</sup> sess., March 26, 1980, S.Hrg. 96-80 (Washington: GPO, 1980), p. 5. Bolger estimated the savings for the first full year of implementation would be \$683 million, but the Postal Service would have to pay out one-time costs and unemployment benefits that would cut into the financial savings.

<sup>45</sup> “Bolger Says Lower U.S. Postal Subsidies Likely to Mean 5-Day-a-Week Deliveries,” *The Washington Post*, April 2, 1980, p. 7. See also Direct Mail/Marketing Association, Inc.; and Peter C. Stuart, “Axing Saturday Mail Won’t Be Easy,” *The Christian Science Monitor*, April 3, 1980, p. 3.

<sup>46</sup> “Postal Workers, Business Organizing In Effort to Save Saturday Mail Delivery,” *Congressional Quarterly*, April 12, 1980, pp. 953-954.

<sup>47</sup> H.R. 79; H.R. 2833; H.R. 7337; H.R. 7622; and H.R. 7876.

<sup>48</sup> H.R. 2833; H.R. 7337; H.R. 7622; H.R. 7765; and H.R. 7876.

<sup>49</sup> H.R. 172; H.R. 1275; H.R. 1997; H.R. 2492; and H.R. 3969. H.R. 3969 is not directly related to six-day delivery. The bill would have required mail delivery to individual homes in certain housing developments where USPS instead may deliver to centralized locations.

Service to “continue six-day delivery of mail and rural delivery of mail ... at the 1982 level.” Six-day delivery was assured through the end of FY1983.

## **The 1983 Standard**

Since 1984, Congress annually has placed language in appropriations legislation requiring the Postal Service to provide “six-day delivery ... at the 1983 level.”<sup>50</sup> Why Congress cites 1983 as the touchstone year for USPS delivery service is uncertain. It is also unclear what 1983 delivery levels are. The Postal Regulatory Commission (PRC), an independent agency that exercises regulatory oversight, wrote in a December 2008 report that its “meaning and application are problematic”<sup>51</sup> because “several interpretations [of the mandate] are possible.”<sup>52</sup>

For example, the rider could be interpreted to mean that all cities, towns, and rural areas that received 6-day delivery at any time during 1983 must continue to receive 6-day delivery and that cities, towns, and rural areas that did not receive 6-day delivery in 1983 or were served for the first time after 1983 do not have the receive 6-day delivery service today. Another possible interpretation is that the same percentage of customers that received 6-day delivery in 1983 should continue to receive 6-day delivery today. As a result of demographic changes, under either interpretation, the actual addresses receiving 6-day delivery service could be substantially different today than it was in 1983.<sup>53</sup>

In 2008, the ambiguity of the delivery provision led the PRC to conclude that “the Postal Service exercises considerable flexibility in determining how it delivers the mail.”<sup>54</sup> USPS stated in its own 2008 report on its service obligations that it would like Congress to remove the six-day service provision requirement to allow “flexibility to meet future needs for delivery frequency, in accordance with a careful balancing of various considerations.”<sup>55</sup>

## **The Economics of USPS**

The U.S. Postal Service generates nearly all of its funding—about \$74.8 billion annually—by charging users of the mail for the costs of its services.<sup>56</sup> Congress does provide an annual appropriation of approximately \$100 million to compensate USPS for revenue it forgoes in providing free mailing privileges to the blind and overseas voters, and for other purposes.<sup>57</sup> Over the past eight years, USPS has experienced a significant shift in the composition of its mail

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<sup>50</sup> See, e.g., Consolidated Appropriations Act, 2008, Title V, P.L. 110-161; 121 Stat. 1844 (2007).

<sup>51</sup> *Ibid.*, p. 20.

<sup>52</sup> U.S. Postal Service, *Report on Universal Postal Service and the Postal Monopoly*, (Washington, DC: USPS, October 2008), p. 29.

<sup>53</sup> *Ibid.*, pg. 29, footnote 8.

<sup>54</sup> *Ibid.*, pg. 29.

<sup>55</sup> U.S. Postal Service, *Report on Universal Postal Service and the Postal Monopoly*, p. 21.

<sup>56</sup> United States Postal Service, *Annual Report of the U.S. Postal Service 2008* (Washington, DC: USPS, 2008), p. 3.

<sup>57</sup> See CRS Report RL34523, *Financial Services and General Government (FSGG): FY2009 Appropriations*, coordinated by Garrett Hatch. Free mailing privileges do not extend to Congress. Instead, Congress pays the Postal Service for franked and other congressional mail by way of an annual appropriation for the legislative branch. For more information on franking, see CRS Report RS22771, *Congressional Franking Privilege: Background and Current Legislation*, by Matthew Eric Glassman.

volume. The largest product profit margin is created by First Class Mail sales, which have been in decline since 2000. USPS, therefore, has to rely more heavily on Standard Mail sales, which consist mainly of advertising mail.

## **Standard and First Class Mail**

In 2008, 49% of all mail volume was Standard Mail, a USPS classification for items that weigh fewer than 16 ounces, and includes printed matter, flyers, circulars, advertising, newsletters, bulletins, catalogs, and small parcels.<sup>58</sup> Any item can be delivered as First Class Mail, which is more expensive to send than Standard Mail. Certain items must be mailed First Class—including handwritten or typewritten material, bills, statements of account or invoices, credit cards, personal correspondence, personalized business correspondence, and all matter sealed against inspection.<sup>59</sup> First Class Mail comprised 45% of all mail volume.

As stated earlier, since 2000, First Class Mail volume has steadily declined. In 2005, for the first time in USPS history, the amount of Standard Mail exceeded that of First Class Mail (see **Figure 1**). Because it is sold at a higher price and costs roughly the same for USPS to deliver,<sup>60</sup> First Class Mail provides the Postal Service with a higher profit per piece of mail.

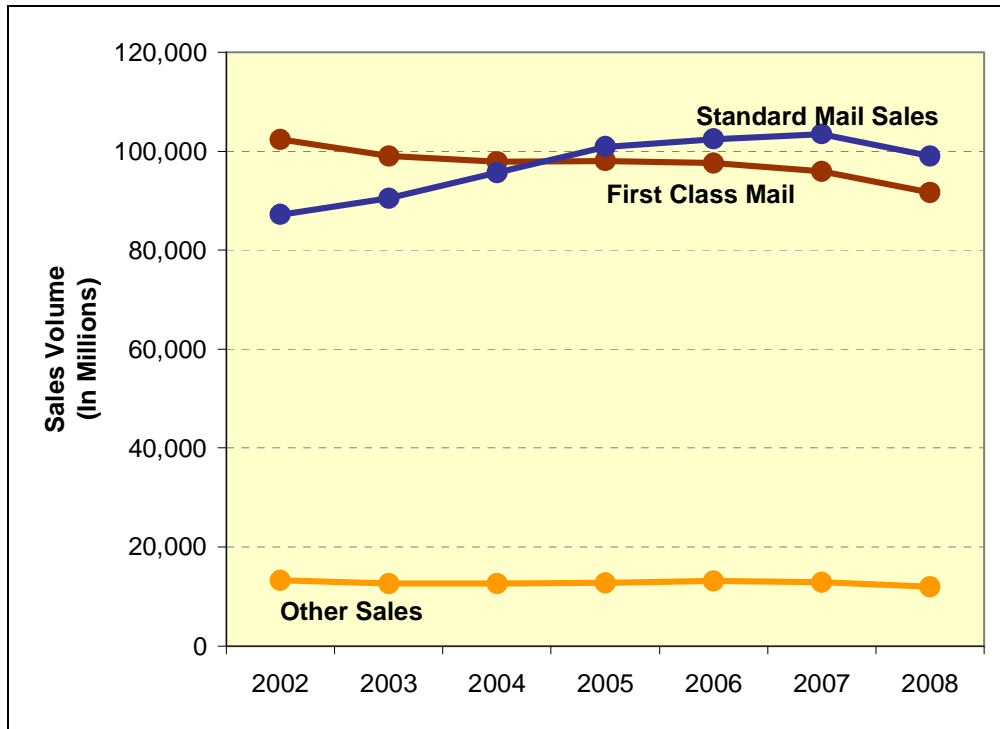
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<sup>58</sup> U.S. Postal Service, “Business Mail 101, Classes of Mail: Standard Mail,” at <http://www.usps.com/businessmail101/classes/standard.htm>.

<sup>59</sup> USPS, *Domestic Mail Manual*, 133 Prices and Eligibility, Section 3.0, at <http://pe.usps.gov/text/dmm300/133.htm>.

<sup>60</sup> First Class Mail can cost more to deliver if USPS must forward the mail to a different address if, for example, a resident has moved.

Figure I. Volume of Mail by Class, 2002-2008



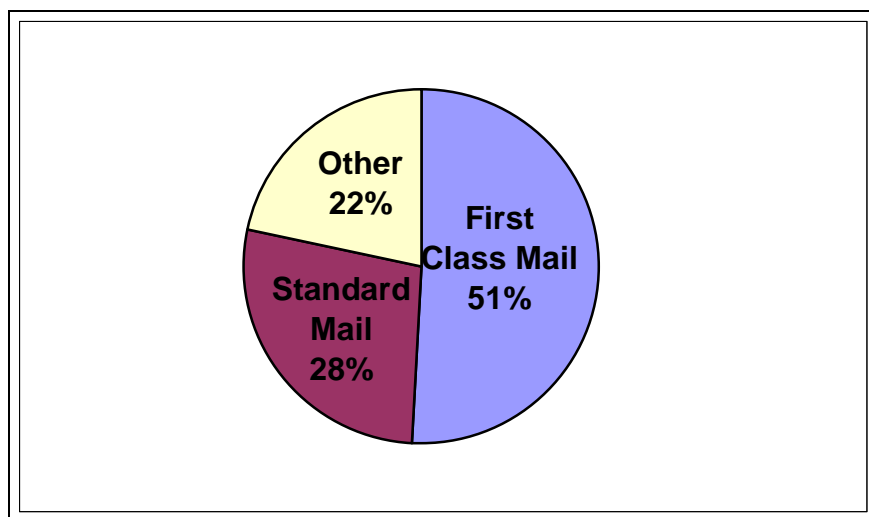
**Source:** CRS calculations using data from U.S. Postal Service, *Annual Report of the U.S. Postal Service* (Washington: USPS, 2004-2008).

**Note:** “Other Mail” includes additional USPS mail categories, including Priority Mail, Express Mail, international mail, and package services.

Both First Class Mail and Standard Mail declined in volume between 2007 and 2008 (**Figure 1**). First Class Mail volume dropped by 4.6 billion pieces, and Standard Mail dropped by 4.432 billion pieces between 2007 and 2008.<sup>61</sup> In 2008, Standard Mail generated 28% (\$20.6 billion) of USPS’s total revenue (**Figure 2**), and made up 49% of the 203 billion mail pieces delivered (**Figure 3**).

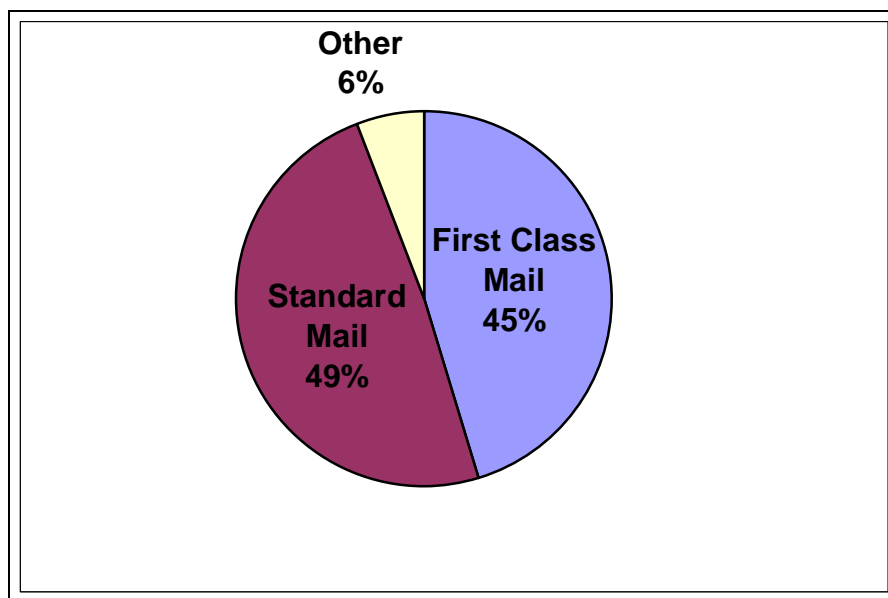
<sup>61</sup> U.S. Postal Service, *Annual Report of the U.S. Postal Service* (Washington, USPS, 2008), p. 31.

**Figure 2. USPS Revenue Percentages by Mail Class, 2008**



**Source:** Annual Report of the U.S. Postal Service (Washington, USPS, 2008). Numbers may not add to 100% because of rounding.

**Figure 3. Composition of Mail by Class, 2008**



**Source:** Annual Report of the U.S. Postal Service (Washington, USPS, 2008).

The USPS annual report's financial projections anticipate a revenue increase of 1%-2% for FY2009, but a 3%-4% decrease in volume. The revenue increase was expected because of "anticipated price increases."<sup>62</sup> Although USPS anticipated that Standard Mail sales and revenue would continue to grow,<sup>63</sup> the first two quarters of 2009 show a loss of Standard Mail volume.

<sup>62</sup> Ibid., p. 44.

<sup>63</sup> U.S. Government Accountability Office, *U.S. Postal Service: Mail-Related Recycling Initiatives and Possible Opportunities for Improvement*, GAO Report GAO-08-599, June 2008.

Sales of Standard Mail have dropped 19.8% (5 billion pieces) in the second quarter of 2009 when compared to the same quarter in 2008.<sup>64</sup> New financial projections estimate USPS will process between 20 and 25 billion fewer pieces of mail in FY2009 than it did in FY2008 and revenues will drop \$6 million from the previous year.<sup>65</sup> Furthermore, USPS does not anticipate mail volume increases in 2010.<sup>66</sup> Continued reduction in Standard Mail volume—for example, volume losses caused by the enactment of Do Not Mail initiatives or a decline in advertising sales prompted by the economic downturn—could lead to greater revenue losses for USPS.<sup>67</sup>

As the volume of First Class Mail has dropped, USPS has increased the postage rate. However, as **Figure 4** shows, revenue for First Class Mail remained relatively constant.<sup>68</sup> Meanwhile USPS's annual operating costs have increased. Standard Mail revenue, on the other hand, grew from more than \$15.8 billion in FY2002 to nearly \$20.6 billion in FY2008.<sup>69</sup> **Figure 4** also shows USPS projections for FY2009 in which costs are reduced by \$5.9 billion, but revenues decline by \$6 billion, leaving the Service with a budget shortfall nearly identical to that of FY2008.

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<sup>64</sup> U.S. Postal Service, *United States Postal Service Quarterly Financial Report Index, Form 10-Q*, quarterly period ended March 31, 2009, p. 17.

<sup>65</sup> *Ibid.*, pp. 24-25

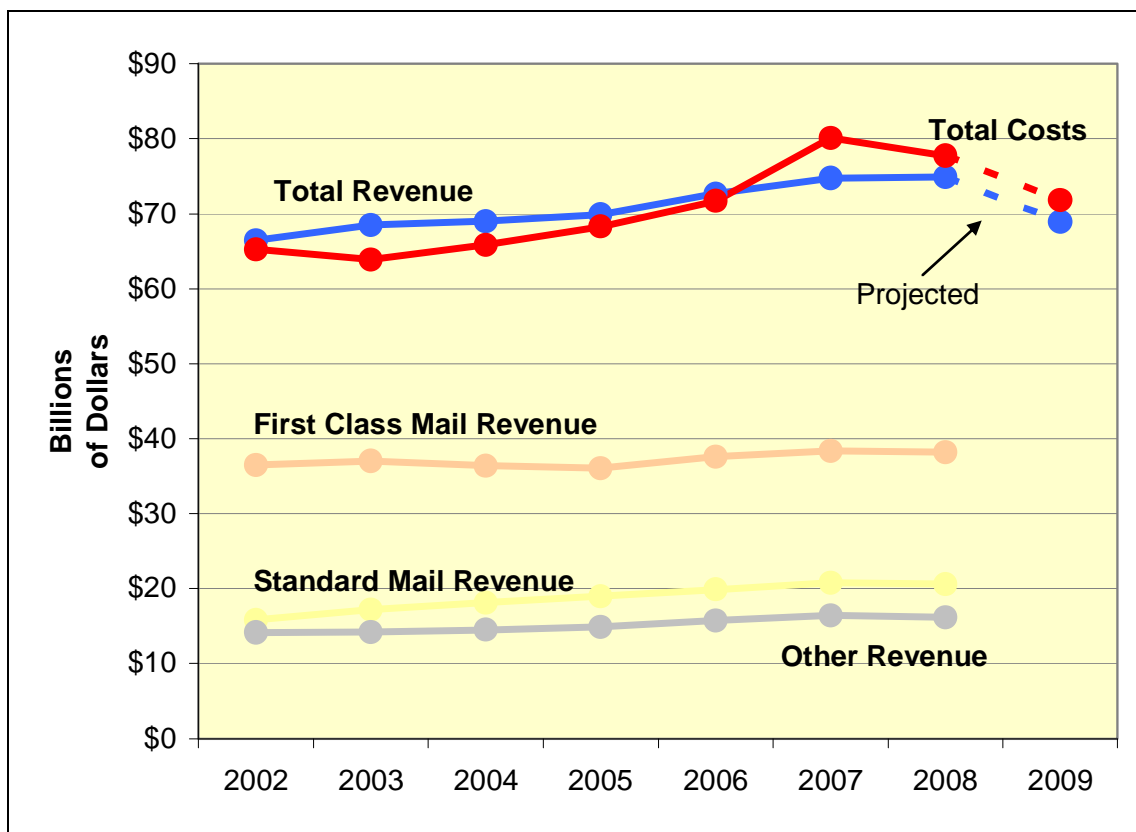
<sup>66</sup> *Ibid.*, p. 23.

<sup>67</sup> According to congressional testimony by USPS Postmaster General John E. Potter, the current economic slump in the global and national economies has “made [USPS] far more sensitive to downturns in the economic cycle, as advertising spending is extremely vulnerable to periods of retrenchment.” Testimony of U.S. Postmaster General John E. Potter in U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, *Postal Accountability and Enhancement Act*, hearing on the implementation of P.L. 109-435, 110<sup>th</sup> Cong., 2<sup>nd</sup> sess., March 5, 2008.

<sup>68</sup> First Class mail revenue remained relatively constant through FY2008. In the first two quarters of FY2009, however, USPS announced a decrease of \$762 million prompted by a reduction of volume of 7.2 billion pieces of mail when compared to the same quarter in FY2008. See U.S. Postal Service, *United States Postal Service Quarterly Financial Report Index, Form 10-Q*, quarterly period ended March 31, 2009.

<sup>69</sup> As noted earlier, revenues from Standard Mail have decreased in FY2009.

Figure 4. USPS Revenue, 2002-2008 and 2009 Projected



**Source:** CRS calculations using data from U.S. Postal Service, *Annual Report of the U.S. Postal Service* (Washington: USPS, 2004-2008). Projected revenues come from U.S. Postal Service, *United States Postal Service Quarterly Financial Report Index, Form 10-Q*, quarterly period ended March 31, 2009, p. 25.

**Note:** “Other” includes USPS revenue from the sales of Priority Mail, Express Mail, international mail, and package services.

## Operating Costs

As USPS operating costs have increased steadily, revenue has not kept pace (**Table 1**). In 2008, USPS experienced a \$2.8 billion loss in revenue—\$2.6 billion less than the \$5.3 billion loss for 2007.

**Table I. Revenue, Operating Costs, and Sales Volume  
by Mail Class for USPS, 2002-2008 and 2009 Projected**  
(in millions)

	2002	2003	2004	2005	2006	2007	2008	Projected 2009
<b>Revenue</b>								
First Class Mail	\$36,483	\$37,048	\$36,377	\$36,062	\$37,605	\$38,405	\$38,179	N/A
Standard Mail	\$15,819	\$17,231	\$18,123	\$18,953	\$19,876	\$20,779	\$20,586	N/A
Other	\$14,161	\$14,250	\$14,496	\$14,892	\$15,734	\$16,435	\$16,167	N/A
Total Operating Revenue	\$66,463	\$68,529	\$68,996	\$69,907	\$72,650	\$74,778	\$74,932	\$68,932
<b>Operating Costs</b>								
(Loss) Income from Operations	\$1,229	\$4,627	\$3,145	\$1,626	\$969	(\$5,327)	(\$2,806)	(\$2,906)
<b>Sales Volume</b>								
First Class Mail	102,379	99,059	97,926	98,071	97,617	95,898	91,697	N/A
Standard Mail	87,231	90,492	95,640	100,942	102,460	103,516	99,084	N/A
Other	13,212	12,634	12,616	12,730	13,061	12,820	11,922	N/A
Total Sales Volume	202,822	202,185	206,106	211,743	213,138	212,234	202,703	177,703 - 182,703

**Source:** *Annual Report of the U.S. Postal Service* (Washington: USPS 2004-2008). Projected revenues come from U.S. Postal Service, *United States Postal Service Quarterly Financial Report Index, Form 10-Q*, quarterly period ended March 31, 2009, pp. 24-25.

**Note:** Other includes USPS revenue related to Priority Mail, Express Mail, international mail, and package services.

A June 3, 2008, GAO report found USPS's \$5.3 billion shortfall in FY2007 was largely caused by advance payments into a fund for future retiree health benefits.<sup>70</sup> At a March 5, 2008, congressional oversight hearing, USPS Postmaster General John Potter stated that the service was already attempting to cut costs by reducing "expenditures for supplies, services and other non-personnel expenses."<sup>71</sup> USPS employees are not receiving as much overtime pay, and the service is "selling unused or under-utilized postal facilities."<sup>72</sup>

According to Postmaster General Potter, USPS has reduced annual costs by \$1 billion since 2002, significantly reduced the workforce through attrition, held off on construction of a variety of new

<sup>70</sup> U.S. Government Accountability Office, *U.S. Postal Service: Mail-Related Recycling Initiatives and Possible Opportunities for Improvement*, GAO Report GAO-08-599, June 2008, p. 1.

<sup>71</sup> U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, *Postal Accountability Enhancement Act*, hearing on the implementation of P.L. 109-435, 110<sup>th</sup> Cong, 2<sup>nd</sup> sess., (Washington: GPO, March 5, 2008). According to USPS, 150,000 employees have been offered early retirement options (more than 20% of the total USPS workforce). See U.S. Postal Service, "Postal Service Continues Aggressive Steps to Cut Costs," press release March 20, 2009, at [http://www.usps.com/communications/newsroom/2009/pr09\\_028.htm](http://www.usps.com/communications/newsroom/2009/pr09_028.htm).

<sup>72</sup> *Ibid.*



facilities, and frozen salaries for those in the Service's executive ranks. In addition, Potter stated that he is in the process of reducing executive level employees by 15%.<sup>73</sup>

Despite these reductions, in FY2008, USPS reported a \$2.8 billion dollar loss and a drop in mail volume of 9.5 billion pieces.<sup>74</sup> The first quarter of FY2009 showed continued economic erosion, with a \$380 million loss over three months.<sup>75</sup> USPS anticipates an even larger drop in mail volume (10 to 15 billion fewer pieces than in FY2008, a 4.9%-7.4% drop in volume) and revenue in FY2009.<sup>76</sup> As noted earlier, in the second quarter of FY2009, both volume and revenue dropped when compared with the same quarter in FY2008. Despite a rise in the prices of products and services of 2.9% (on average), revenues dropped 10.5% from the same three-month period in FY2008.<sup>77</sup> Sales of First Class Mail and Standard Mail were down 7.2 billion pieces in the second quarter of FY2009 when compared to the same time in FY2008.<sup>78</sup>

Budget shortfalls, declining sales volume, and vacillating fuel prices have prompted USPS to discuss ways to close the budget gap. Among these options was reducing the number of delivery days, which has proven to be controversial.

## Studies on Six-Day Delivery

Since 1976, Congress, the Postal Service, and other entities have conducted studies on the possible effects of changing USPS delivery days. The studies have a variety of conclusions, but all find that USPS would save considerable money if delivery were reduced to five days. **Table 2** includes five studies that examined the possibility of USPS transitioning to five-day delivery.

**Table 2. Studies That Examined the Possible Transition to Five-Day Delivery at USPS**

Report	Year	Estimated Money Saved if USPS Moved to Five-Day Delivery	Key Points and Study Limitations
Report of the Congressional Commission on Postal Service	1977	More than \$400 million annually	<ul style="list-style-type: none"><li>• Did not factor in a possible loss in sales volume</li><li>• Did not factor in a possible reduction in workforce</li></ul>

<sup>73</sup> Testimony of John E. Potter in U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, *Impact of the Financial Crisis on the U.S. Postal Service*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., January 28, 2009, at <http://hsgac.senate.gov/public/index.cfm?Fuseaction=Hearings.Detail&HearingID=ce8899e6-d08e-4d07-a6df-6aecebc9c12e>.

<sup>74</sup> U.S. Postal Service, *U.S. Postal Service Quarterly Financial Report Index, Form 10-Q*, February 9, 2009, p. 8.

<sup>75</sup> *Ibid.*

<sup>76</sup> *Ibid.*, p. 24.

<sup>77</sup> U.S. Postal Service, *U.S. Postal Service Quarterly Financial Report Index, Form 10-Q*, p. 17.

<sup>78</sup> *Ibid.*, p. 18.

Report	Year	Estimated Money Saved if USPS Moved to Five-Day Delivery	Key Points and Study Limitations
Report of the 1980 Task Force	1980	\$588 million in the first full year of implementation, and up to \$1 billion annually in future years	<ul style="list-style-type: none"> <li>Acknowledged, but did not calculate a loss in sales volume</li> <li>Had concerns about how five-day delivery would affect speed of service on remaining delivery days</li> <li>Did not factor in a possible reduction in workforce</li> </ul>
Report of the President's Commission on Postal Service	2003	Up to \$1.9 billion annually	<ul style="list-style-type: none"> <li>Did not factor in a possible loss in sales volume</li> <li>Did not factor in a possible reduction in workforce</li> <li>Stated that if mail volume continues to decline, eliminating a delivery day should be reconsidered</li> </ul>
USPS Report on Universal Postal Service and the Postal Monopoly	2008	\$3.5 billion annually	<ul style="list-style-type: none"> <li>Acknowledged, but did not factor in a loss in sales volume</li> <li>Did not factor in a possible reduction in workforce</li> </ul>
PRC Universal Service Obligation Report	2008	\$1.93 billion annually	<ul style="list-style-type: none"> <li>Anticipated \$1.57 billion in reduced volume if a delivery day were eliminated</li> <li>Did not factor in a possible reduction in workforce</li> </ul>

**Source:** U.S. Congress, Senate Committee on Governmental Affairs, Subcommittee on Energy, Nuclear Proliferation, and Federal Services, *Evaluation of the Report of the Commission on Postal Service*, 95<sup>th</sup> Cong., 2<sup>nd</sup> sess., May 2, 1977, S.Hrg. 94-180 (Washington: GPO, 1977); *Five-Day Delivery Task Force Report/Operations*, May 19, 1980; Report of the President's Commission on the United States Postal Service, *Embracing the Future: Making Tough Choices to Preserve Universal Mail Service*, Washington, DC, July 31, 2003; U.S. Postal Service, *Report on the Universal Postal Service and the Postal Monopoly*, October 2008; and U.S. Postal Regulatory Commission, *Report on the Universal Postal Service and the Postal Monopoly*, December 19, 2008. Key points and limitations are determined by CRS analysis.

**Notes:** Dollar values are not modified to reflect inflation.

## Congressional Commission on Postal Service

On September 24, 1976, an act (P.L. 94-421; 90 Stat. 1307) creating the Commission on Postal Service to examine the Postal Service and offer possible solutions to its economic woes was signed into law. At a multi-day hearing of the Senate Committee on Governmental Affairs, Subcommittee on Energy, Nuclear Proliferation, and Federal Services in May and June of 1977, several members of the commission discussed their findings. According to the committee's chairman, Gaylord Freeman, the Postal Service was struggling to keep up with rising labor costs. The commission suggested four possible actions that could help USPS remain financially stable:

1. Increase the Postal Service efficiency, if possible
2. Substantially increase postal rates

3. Substantially increase appropriations
4. Reduce the levels of service<sup>79</sup>

Freeman went on to call six-day delivery an “extravagance” that is “taken for granted,” noting that “the average family no longer expects its groceries, its milk, or its medical services to be delivered to the home.”<sup>80</sup> Freeman continued, “[i]f the costs of delivery of the mail were charged directly to the recipient, the public would probably not care to pay for the elaborate delivery system which it now enjoys.<sup>81</sup> The committee estimated that eliminating six-day service in rural areas would save USPS more than \$400 million annually.<sup>82</sup>

The committee’s vice chairman, James Rademacher, disagreed with the commission’s recommendation to eliminate six-day delivery. Instead, he said that the commission’s study only examined what the Postal Service would save, and did not acknowledge that the change in delivery services could affect senior citizens relying on the delivery of their Social Security checks or farmers who need agricultural projections that are sent through the mail.<sup>83</sup> Rademacher also noted that moving to five-day delivery could jeopardize the job security of more than 20,000 Postal Service letter carriers, and possibly more than 90,000 postal employees overall.<sup>84</sup>

## **The 1980 Task Force**

On March 25, 1980, Postmaster General William F. Bolger established a task force to analyze the possible effects of moving from a six- to a five-day delivery schedule. The task force conducted a study, which consisted of telephone interviews of 320 major mailers and 13 selected industries and government agencies. It found that moving to five-day delivery could save \$588 million in the first full year of implementation.<sup>85</sup> The savings were estimated to “exceed \$1 billion annually in future years.”<sup>86</sup>

With the cost savings, however, were predicted increases in other stresses for the Postal Service, like loss of patrons to private mailing services or adverse effects on “the levels of service provided to mail on the remaining delivery days.”<sup>87</sup> In spite of the projected cost and fuel savings, the task force stopped short of endorsing a reduction in delivery service, saying “[t]he potential cost reduction is extremely attractive; but it is clear that the risks to service and future postal revenues are high.”<sup>88</sup>

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<sup>79</sup> U.S. Congress, Senate Committee on Governmental Affairs, Subcommittee on Energy, Nuclear Proliferation, and Federal Services, *Evaluation of the Report of the Commission on Postal Service*, 95<sup>th</sup> Cong., 2<sup>nd</sup> sess., May 2, 1977, S.Hrg. 94-180 (Washington: GPO, 1977), p. 4.

<sup>80</sup> *Ibid.*, p. 5.

<sup>81</sup> *Ibid.*

<sup>82</sup> *Ibid.*, p. 8.

<sup>83</sup> *Ibid.*

<sup>84</sup> *Ibid.*, p. 9. The number of jobs lost were estimated over several years and would not be attributed to one year of Postal Service delivery reduction.

<sup>85</sup> *Five-Day Delivery Task Force Report/Operations*, May 19, 1980. For a copy of the report, contact the author.

<sup>86</sup> *Ibid.*, p. 8.

<sup>87</sup> *Ibid.*, p. 8.

<sup>88</sup> *Ibid.*, p. 9.

The task force recommended a 12- to 18-month planning period if any action to move to five-day delivery was to be made. No such planning period occurred. In addition, the task force suggested that if five-day delivery were to occur, Saturday should be the eliminated day because it “will not greatly affect the majority of ... business mailers.”<sup>89</sup>

## **The President’s Commission on the Postal Service**

In 2003, the President’s Commission on the United States Postal Service, created by President George W. Bush, anticipated an “unstable financial outlook” for USPS.<sup>90</sup> The commission, however, adamantly rejected any action that would reduce delivery days to five.

The Commission firmly recommends continuing the Postal Service’s current Monday through Saturday delivery regimen. While the Postal Service could save as much as \$1.9 billion (less than 3% of its annual budget) by reducing its delivery schedule by one day a week, its value to the nation’s economy would suffer. Beyond the universal reach of the nation’s postal network, the regularity of pick-up and delivery is an essential element of its worth in the current climate. Elimination of Saturday delivery, for example, could make the mail less attractive to business mailers and advertisers who depend upon reaching their target audience on that day. In addition, given the volume of mail the nation sends each day, scaling back to a five-day delivery regimen could create difficult logistics, mail flow, and storage problems.<sup>91</sup>

While the report advised continuing six-day service, the commission noted that increasing use of electronic mail was leading to “a reduction in the demand for mail services” that could lead to a “relaxation of the six-day delivery requirement” in the future.<sup>92</sup>

The report concluded that “[i]f that time does arrive, the Commission believes that the Postal Service should have flexibility to adapt with the changing postal needs of the nation.”<sup>93</sup>

## **The USPS and Postal Regulatory Commission Studies of 2008**

In 2008, two studies on USPS delivery obligations were conducted—one by the PRC and another by USPS.<sup>94</sup> The USPS study determined that the elimination of a delivery day could save the Service \$3.5 billion per year.<sup>95</sup> The PRC study estimated the savings at \$1.93 billion. The lower total estimated savings of the PRC study was anticipated because of an expected loss in sales volume.

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<sup>89</sup> Ibid., p. 7.

<sup>90</sup> Report of the President’s Commission on the United States Postal Service, *Embracing the Future: Making Tough Choices to Preserve Universal Mail Service* (Washington, DC: GPO July 31, 2003), p. vii, at <http://treas.gov/offices/domestic-finance/usps/pdf/freport.pdf>.

<sup>91</sup> Ibid., p. 28.

<sup>92</sup> Ibid., p. 29.

<sup>93</sup> Ibid.

<sup>94</sup> U.S. Postal Service, *Report on the Universal Postal Service and the Postal Monopoly*; and U.S. Postal Regulatory Commission, *Report on the Universal Postal Service and the Postal Monopoly*.

<sup>95</sup> This study did not consider any fluctuation in fuel costs, nor did it include possible volume reductions prompted by the reduction in service days.

The USPS study does not state whether it endorses continuation of six-day delivery. The PRC study, however, did state a need for USPS to have flexibility in determining its delivery obligations.

Delivery mode could be explicitly defined to protect the public interest by ensuring a uniform level of service across the Nation. However, the Postal Service has throughout its history used flexibility in delivery mode to accommodate budgetary restrictions. Any determination by Congress of delivery mode should balance the public interest in a universal standard of delivery against the need for the Postal Service to be flexible to contain costs.<sup>96</sup>

## The 111<sup>th</sup> Congress

### Hearings

Early in the 111<sup>th</sup> Congress, the Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, held a hearing entitled “The Impact of the Economic Crisis on the U.S. Postal Service.” At that hearing, Postmaster General John E. Potter “reluctantly” requested “that Congress remove the annual appropriation bill rider, first added in 1983, that requires the Postal Service to deliver mail six days each week.”<sup>97</sup>

[I]t is possible that the cost of six-day delivery may simply prove to be unaffordable. If that should occur, it could become necessary to temporarily reduce mail delivery to only five days a week. We would do this by suspending delivery on the lightest volume days. . . . Any such action would be taken under the direction of our Board of Governors and only when absolutely warranted by financial circumstances. Were we to do so, we would make every effort to maximize the benefits to our customers while minimizing any disruption to our mailers.<sup>98</sup>

During the question-and-answer period at the hearing, Potter said that USPS would not likely have six-day delivery in the future because of changes in mail volume, much of which is related to increasing use of electronic mail services.

PRC Chairman Dan G. Blair also addressed the possibility of eliminating six-day delivery at the hearing, calling such action a “double-edged sword.” He noted that moving to a five-day delivery schedule could save billions of dollars annually for the Postal Service, but he was unsure whether the move would “exacerbate the already declining mail volumes.”<sup>99</sup> Blair said that even if Congress removed the six-day delivery provision from appropriations legislation, existing statutes would require USPS to gain approval from the PRC in order to change the delivery schedule. He

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<sup>96</sup> U.S. Postal Regulatory Commission, *Report on Universal Postal Service and the Postal Monopoly*, p. 184.

<sup>97</sup> Statement of U.S. Postmaster General John E. Potter in U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, *Impact of the Financial Crisis on the U.S. Postal Service*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., January 28, 2009, at <http://hsgac.senate.gov/public/index.cfm?Fuseaction=Hearings.Detail&HearingID=ce8899e6-d08e-4d07-a6df-6aecebc9c12e>.

<sup>98</sup> *Ibid.*

<sup>99</sup> Testimony of Dan G. Blair, *ibid.*, at [http://hsgac.senate.gov/public/\\_files/BlairStatementt.pdf](http://hsgac.senate.gov/public/_files/BlairStatementt.pdf).

also said that if USPS sought PRC approval, the commission would collect public comments before rendering a determination.

At the hearing, Senator Susan Collins stated that service cutbacks would lead to “an even bigger drop” in mail volume that could lead to a “death spiral” for USPS.<sup>100</sup>

On March 25, 2009, the House Committee on Oversight and Government Reform’s Subcommittee on Federal Workforce, Postal Service, and the District of Columbia held a hearing on the financial stability of the U.S. Postal Service. At the hearing, Potter again asked for flexibility for USPS to determine its delivery days.<sup>101</sup> Carolyn Gallagher, chairperson of the USPS Board of Directors, concurred.

Adjusting our delivery network makes good business sense given the falling demand for our products and services. On a daily basis, the Postal Service is delivering fewer pieces of mail to each address we serve. The reality is that the reduced volume no longer produces enough revenue to pay for the cost of six-day delivery to the 150 million households and businesses that make up our delivery network.<sup>102</sup>

Phillip Herr, director of physical infrastructure issues at GAO, testified at the hearing that USPS had “provided little information on where it would reduce delivery frequency, and the potential impact on cost, mail volume, revenue, and mail users.”<sup>103</sup>

Because the number of delivery days is fundamental to universal service, Congress should have more complete information before it considers any statutory changes in this area. A mechanism to obtain such information would be for USPS to request an advisory opinion from PRC, which would lead to a public proceeding that could generate information on USPS’s request and stakeholder input.<sup>104</sup>

At a May 20, 2009, hearing before the House Committee on Government Oversight’s Subcommittee on the Federal Workforce, the Postal Service and the District of Columbia, Herr reiterated the need for Congress to have a more thorough analysis of the effects of delivery reduction, adding that five-day delivery “could affect time-sensitive payments, correspondence, advertising, or packages.”<sup>105</sup>

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<sup>100</sup> Comments of Senator Susan M. Collins, *ibid.* A similar statement can be found in U.S. Senator Susan Collins, “Senator Collins Criticizes U.S. Postal Service for Proposing Elimination of Services,” press release, January 28, 2009, [http://collins.senate.gov/public/continue.cfm?FuseAction=PressRoom.PressReleases&ContentRecord\\_id=22d3f0b2-802a-23ad-47be-7a88b075995c&Region\\_id=&Issue\\_id=&CFID=15709811&CFTOKEN=35683692](http://collins.senate.gov/public/continue.cfm?FuseAction=PressRoom.PressReleases&ContentRecord_id=22d3f0b2-802a-23ad-47be-7a88b075995c&Region_id=&Issue_id=&CFID=15709811&CFTOKEN=35683692).

<sup>101</sup> Testimony of John E. Potter in U.S. Congress, House Committee on Oversight and Government Reform, Subcommittee on Federal Workforce, Post Office, and the District of Columbia, *Restoring the Financial Stability of the U.S. Postal Service*, March 25, 2009, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., at <http://federalworkforce.oversight.house.gov/documents/20090325092625.pdf>.

<sup>102</sup> Testimony of Carolyn Gallagher, *ibid.*, at <http://federalworkforce.oversight.house.gov/documents/20090325091804.pdf>.

<sup>103</sup> Testimony of Phillip Herr, *ibid.*, at <http://federalworkforce.oversight.house.gov/documents/20090325092707.pdf>.

<sup>104</sup> *Ibid.*

<sup>105</sup> Testimony of Phillip Herr, U.S. Congress, House Committee on Oversight and Government Reform, Subcommittee on Federal Workforce, Post Office, and the District of Columbia, *Nip and Tuck: The Impact of Current Cost Cutting Efforts on Postal Service Operations and Network*, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., May 20, 2009, at <http://federalworkforce.oversight.house.gov/documents/20090520142743.pdf>.

At that same hearing, Committee Chairman Stephen F. Lynch stated that “[t]he only way” the committee would “embrace” a move to five-day delivery would be when “we have no other choice, and we’re getting to that point.”<sup>106</sup> Representative Jason Chaffetz echoed Mr. Lynch’s hesitation to move to five-day delivery, but added he would consider a mixture of public funding and delivery reduction that could help USPS’s economic condition.

At the hearing, William Galligan, vice president of operations at USPS, said that a move to five-day delivery was inevitable and “an appropriate response to sobering realities.” Later Galligan added that there simply was not enough demand for six-day mail delivery to continue.<sup>107</sup>

## Legislation

On February 13, 2009, Representative Sam Graves introduced H.Res. 173 that, if passed, would express that it is the sense of the House that six-day mail delivery continue:

Whereas Social Security is the primary or sole source of income for many senior citizens, and any delay in the delivery of their Social Security checks would make it difficult for them to purchase even essential items, such as food and medicine; and

Whereas reducing mail delivery service to 5 days a week would inevitably cause not only delays in the delivery of mail, but higher postal costs, due to the many hours of additional overtime that the Postal Service would require in order to handle the resulting back-up of mail; Now, therefore, be it

*Resolved*, That it is the sense of the House of Representatives that the United States Postal Service should take all appropriate measures to ensure the continuation of its 6-day mail delivery service.

## International Comparisons

Other countries’ mail services have a variety of delivery schedules. Royal Mail, which delivers mail in the United Kingdom (UK), reportedly contemplated eliminating Saturday delivery in 2008 because of economic concerns.<sup>108</sup> Despite these concerns, Royal Mail, which maintains six-day delivery, generated £177 million (roughly \$260 million USD) in profit in the first half of 2008.<sup>109</sup> This profit margin was aided by a £150 million (roughly \$233 million USD) “Social Network Payment” from the national government that is used to continue services at Post Office branches that do not generate a profit. In addition, Royal Mail has also moved from full-time to part-time employment for many workers, streamlined spending on information technology, and added new products.<sup>110</sup>

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<sup>106</sup> Statement of Representative Stephen F. Lynch, *ibid.*

<sup>107</sup> Testimony of William Galligan, *ibid.*

<sup>108</sup> Harry Wallop, “Royal Mail Cuts May End Saturday Post,” *The Telegraph*, May 10, 2008.

<sup>109</sup> Royal Mail Holdings Plc, *Trading Update for the Half Year Ended 28 September 2008*, p. 1, at [ftp://ftp.royalmail.com/Downloads/public/ctf/rmg/200809\\_Trading\\_Statement.pdf](ftp://ftp.royalmail.com/Downloads/public/ctf/rmg/200809_Trading_Statement.pdf).

<sup>110</sup> *Ibid.*, p. 2.

Unlike Royal Mail, Canada Post offers letter carrier services five days per week and does not deliver mail or parcels on most Saturdays.<sup>111</sup> Canada Post is a Crown Corporation that is owned by the government but free from many federal regulations. The entity, however, must report operations and revenues to an appointed minister.<sup>112</sup> Canada Post, which receives no national appropriation, paid the Canadian government \$720 million (\$670 million USD) in taxes in 2008 and generated \$54 million (roughly \$46 million USD) in profit after taxes.<sup>113</sup> Unlike USPS, however, Canada Mail contracts out much of its rural delivery service. **Table 3** includes the mail services of a selected group of countries around the world and shows how many days per week they make deliveries as well as offers additional information about the service’s structure and operations.

**Table 3. Number of Mail Delivery Days Per Week, By Country**  
(in 2009)

Country	Number of Delivery Days Per Week	Structure and Operations
Australia (Australia Post)	5	Quasi-governmental entity, known as a Government Business Enterprise, that is governed by a variety of statutes.
Canada (Canada Post)	5	Canada Post is quasi-governmental entity, known as a Crown Corporation, that is owned by the government, but free from certain governmental regulations.
France (La Poste)	6	La Poste is a state-owned company. It eliminated Sunday delivery in 1941.
Germany (Deutsche Post DHL)	6	Deutsche Post DHL is a private company, which owns DHL—one of the largest global private mail and package delivery companies. Deutsche Post offers Saturday delivery for an additional fee.
The Netherlands (TNT)	6	TNT is a private entity that is the largest mail carrier in The Netherlands, but also operates globally.
New Zealand (New Zealand Post)	5 (in certain areas)	New Zealand Post is a state-owned enterprise. Customers outside of rural areas can pay extra for Saturday deliveries, but parcels cannot be mailed on Saturdays to any location.

<sup>111</sup> Information provided by telephone to author by Canada Post on April 28, 2009. Saturday services are offered in late November and throughout December when the holiday season prompts greater use of the Post’s delivery services. Additionally, some Canada Post offices and service windows are open on Saturdays if they are located within businesses that have Saturday hours, like a pharmacy.

<sup>112</sup> Canada Post, *About Us: Corporate Governance*, at <http://canadapost.ca/cpo/mc/aboutus/corporate/governance/default.jsf>.

<sup>113</sup> Canada Post, *About Us: Fast Facts*, at <http://www.canadapost.ca/cpo/mc/aboutus/corporate/fastfacts.jsf>.



Country	Number of Delivery Days Per Week	Structure and Operations
Sweden (Posten)	5	In 2008, Posten—formerly a government –owned company—merged with Post Danmark (of Denmark) and CVC Capital Partners (a private entity). The merger makes the two governments and the private entity shared owners.
United Kingdom (Royal Mail)	6	Royal Mail is a public limited company that is wholly owned by the government. Standard Parcels are not delivered on Saturdays.

**Source:** U.S. Postal Service, *A Strategic Review of Progressive Postal Administrations: Competition, Commercialization, and Deregulation*, February, 1995. Available in U.S. Congress, joint hearing between the Senate Committee on Governmental Affairs’ Subcommittee on Post Office and Civil Service and the House Committee on Government Reform and Oversight’s Subcommittee on Postal Service, *United States Postal Service Reform: The International Experience*, 104<sup>th</sup> Cong., 2<sup>nd</sup> sess., January 25, 1996, S.Hrg. 104-442 (Washington: GPO, 1996). Information on 2009 comes from a variety of sources. Australia Post provided the information electronically to the author on May 12, 2009. Canada Post provided information to the author by telephone on April 28, 2009. La Poste, which serves France, provides information at <http://www.laposte.com/parcels-and-express?lang=en>. TNT, which is The Netherlands largest deliverer of mail, provided information to the author electronically on May 13, 2009. Deutsche Post DHL provided information electronically to the author on May 13, 2009. Information on New Zealand Post is available at <http://www.nzpost.co.nz/Cultures/en-NZ/OnlineTools/Ratefinder/LettersNZ>. The Swedish Post Group provided information electronically to the author on May 12, 2009. information on the merger with Post Danmark and CVC Capital Partners can be found at <http://www.cvc.com/Content/En/MediaCentre/PressRelease.aspx?PRID=144>. Royal Mail provides information at <http://www.royalmail.com/portal/rm/jump2?catId=400028&mediald=400030&keyname=2CLASS> and <http://www.royalmail.com/portal/rm/jump2?catId=400028&mediald=400029&keyname=1CLASS>.

On January 25, 1996, the Senate Committee on Governmental Affairs’ Subcommittee on Post Office and Civil Service and the House Committee on Government Reform and Oversight’s Subcommittee on Postal Service held a joint hearing.<sup>114</sup> At the hearing, USPS unveiled a study on mail delivery services around the world.

Michael E. Motley, associate director of government business operation issues at the General Accounting Office (now the Government Accountability Office), testified that Canada Post offered the United States its best case study comparison “because of its proximity to the United States and its similarities in geographic size, business environment, and market-oriented economic systems.”<sup>115</sup> Despite the similarities between Canada Post and USPS, however, Motley said “Canada Post has about 6 percent of the U.S. Postal Service’s mail volume and about 6 percent of its number of employees.”<sup>116</sup> Motley stated that the vast size and volume differences between the United States and the other countries could make successful actions taken in other countries impossible to implement in the United States. Motley added, however, that “issues

<sup>114</sup> U.S. Congress, joint hearing between the Senate Committee on Governmental Affairs’ Subcommittee on Post Office and Civil Service and the House Committee on Government Reform and Oversight’s Subcommittee on Postal Service, *United States Postal Service Reform: The International Experience*, 104<sup>th</sup> Cong., 2<sup>nd</sup> sess., January 25, 1996, S.Hrg. 104-442 (Washington: GPO, 1996).

<sup>115</sup> Testimony of Michael E. Motley, *ibid.* Also available at <http://www.gao.gov/archive/1996/gg96060t.pdf>.

<sup>116</sup> *Ibid.*

surrounding the extent and quality of universal mail service, e.g., delivery to all communities 6 days a week, could surface in this country as they have in some other countries.”<sup>117</sup>

## Analysis

Arguably, USPS remains a vital asset for communication across the United States. The Service delivers mail to millions of homes six days per week. With current economic hardships and a reduction in volume of more lucrative USPS products, the Service is struggling economically. One option to reduce the economic stresses on USPS is to reduce service delivery from six days per week to five days per week.

Despite repeated requests to eliminate the six-day delivery requirement, USPS officials have said that reducing the number of delivery days is not their preferred option to bridge the revenue shortage.<sup>118</sup> Among the cost-cutting options preferred by USPS are obtaining flexibility from Congress to pay less into the fund for future retiree benefits (H.R. 22 offers this as an option), obtaining flexibility from Congress to raise the price of stamps and other services higher than currently permitted by law, closing less-used post offices and distribution facilities, and obtaining additional appropriations from Congress. Although there are a variety of options USPS could pursue to reduce costs or increase revenue, this report addresses only the possible transition from six- to five-day service.

Moving to five-day delivery is estimated to save USPS between \$1.94 and \$3.5 billion per year. The difference in total estimated savings would depend on how much mail volume would drop as a result of the service delivery reduction. The \$1.94 billion in estimated cost savings for eliminating a delivery day is \$860 million less than the budget shortfall for FY2008 (\$2.8 billion). In the *U.S. Postal Service Quarterly Financial Report Index*, USPS stated that it does “not anticipate being able to realize any savings in 2009 if five-day delivery were instituted, but the service “would capture savings in future years.”<sup>119</sup> A reduction in delivery days alone, therefore, may not be sufficient to bridge existing or anticipated future budget gaps at USPS.

## Continued Drop in Mail Volume

In 1977, the President’s Commission on Postal Service did not endorse a move to five-day delivery, but stated that the possibility of such a transition should be revisited if mail volume continued to shrink. A primary concern related to a move to five-day delivery has been the ability of the Postal Service to provide services of the same quality on a five-day schedule that is

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<sup>117</sup> U.S. Congress, joint hearing between the Senate Committee on Governmental Affairs’ Subcommittee on Post Office and Civil Service and the House Committee on Government Reform and Oversight’s Subcommittee on Postal Service, *United States Postal Service Reform: The International Experience*, 104<sup>th</sup> Cong., 2<sup>nd</sup> sess., January 25, 1996, S.Hrg. 104-442 (Washington: GPO, 1996), p. 257.

<sup>118</sup> U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, *Impact of the Financial Crisis on the U.S. Postal Service*, testimony of John E. Potter, 111<sup>th</sup> Cong., 1<sup>st</sup> sess., January 28, 2009, at <http://hsgac.senate.gov/public/index.cfm?Fuseaction=Hearings.Detail&HearingID=ce8899e6-d08e-4d07-a6df-6aecebc9c12e>.

<sup>119</sup> U.S. Postal Service, *United States Postal Service Quarterly Financial Report Index, Form 10-Q*, quarterly period ended March 31, 2009, p. 26.

currently offered on a six-day schedule. Mail volume has dropped significantly in recent years, largely because of electronic mail and electronic bill-paying options. Mail volume is expected to continue its decline. Congress may choose to revisit the need for six-day delivery if the decline does continue. With a decline in volume comes a decline in the number of mail pieces delivered on each of the six delivery days. With mail volume in decline, concerns about overwhelming volumes of mail needing delivery on the five remaining delivery days may be mitigated.

## **Customer Reliance on Six-day Delivery**

Congress may choose to remove the six-day delivery provision from appropriation legislation and grant USPS greater flexibility to eliminate delivery days if the Service finds such action to be beneficial economically. Such flexibility would save USPS money in employee pay and fuel costs.<sup>120</sup> The action, however, may prompt fewer people to use USPS services and instead to opt for private companies to deliver their mail. In addition, certain mail customers rely on six-day delivery to receive vital mail or packages, like baby formula, social security checks, or climate predictions. Slower receipt of such items may cause additional stresses to populations that are already vulnerable, like the aged, the poor, or those who live in remote areas.

A January 30, 2009 *Washington Post* Article, reported that William Burrus, president of the American Postal Workers Union, said the union would “vigorously resist any legislative attempt to slash the number of days of delivery.” Mr. Burrus reportedly said that a five-day delivery schedule “would stretch to three days when the additional day is combined with Sunday and a Monday holiday. Such delays will drive essential mail to private carriers, who will continue to deliver seven days a week.”<sup>121</sup>

Congress could consider eliminating a delivery day while maintaining Saturday window service at USPS post offices. If a postal patron needed to receive mail or a package on a day without delivery service, USPS might be able to provide such services at a USPS location. This option may be difficult for USPS because employees who work in post offices must have access to a variety of mail and parcels that would normally be delivered to a patron’s home, office, post office box, or other location. In addition, postal customers who, for medical or other reasons, are unable to leave their homes would not be able to access postal services. Window service, however, might assuage concerns from most customers who would seek access to mail or parcels that normally would have been delivered on the sixth delivery day.

## **Which Day Would Be Eliminated?**

If Congress decided to reduce the number of USPS delivery days, it may then choose to determine which day of service should be eliminated. Previous studies have recommended the elimination of Saturday delivery because it was the most cost effective option.<sup>122</sup> Many businesses that are closed on Saturdays would be unaffected by the elimination of Saturday delivery. USPS has also stated that elimination of Wednesday delivery could be a possibility.<sup>123</sup> If

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<sup>120</sup> USPS spent nearly \$2.4 billion on fuel and oil in FY2008. U.S. Postal Service, “Make/Model and Component Cost Report, National Summary for Quarter 4, FY08, September 2008,” Report AEL302P12, September 2008.

<sup>121</sup> Joe Davidson, “Five-Day Mail Delivery? Not So Fast,” *The Washington Post*, January 30, 2009, p. D3.

<sup>122</sup> Five-Day Delivery Task Force Report/Operations, May 19, 1980. For a copy of the report, contact the author.

<sup>123</sup> Wednesday could be selected as a non-delivery day because its removal from the USPS work week because it is in (continued...)

Saturday delivery were eliminated, on weeks that have Monday holidays, deliveries would not occur for four consecutive days. Alternatively, as noted in the 1980 Task Force study, if Wednesday delivery were eliminated, many businesses that would not be affected by the elimination of Saturday delivery would be affected by the change.<sup>124</sup>

Congress could choose to adopt delivery practices similar to Canada Post, and have six-day delivery only at specified, mail-heavy times of the year. Congress could opt to delegate authority to USPS to shift from six- to five-day delivery as mail volume fluctuates throughout the year. This option would allow USPS the ability to adjust to macroeconomic and seasonal influences that affect mail volume. This delegation of authority, however, may cause confusion for USPS customers who may be unaware of service changes and who rely on consistent USPS delivery services.

Congress could grant USPS flexibility to charge more for Saturday delivery services, as is done in New Zealand. Such action may allow USPS to operate on with a streamlined weekend staff, thereby eliminating work hours and saving overhead costs. This option, however, could negatively affect poorer populations that rely on Saturday delivery for prescriptions, monthly stipends, or other mail or parcels. Many of the other methods foreign countries have used to bridge their mail services' economic gaps—like contracting out carrier service—would be difficult to apply in the United States. Union contracts, geographic vastness, and other variables may make USPS's economic situation unique.

## **U.S. Postal Service and Public Expectations**

A January 2009 Gallop/USA Today poll found that 57% of 1,027 people surveyed said they would prefer to see a reduction in USPS services, like Saturday delivery, in lieu of other measures such as increasing government funding (27% favored) or significant increases in stamp prices (14% favored).<sup>125</sup>

Congress may determine that mail delivery is deeply embedded in America's history. USPS customers expect timely, consistent, and reliable delivery. Providing USPS with the flexibility to vary its delivery schedule may confuse or frustrate customers who think of mail delivery as a necessary public good. Such aggravation may prompt patrons to reflect negatively on the abilities of the federal government to provide services to the public.

Congress may choose to continue placing the six-day delivery provision in appropriations legislation. If six-day delivery continues, USPS would have to find other ways to increase revenue or reduce delivery costs in order to bridge USPS's recurring budget shortfall.

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(...continued)

the middle of the week. As noted earlier, removing delivery on Saturday would cause some weeks with holidays on Monday to have four consecutive days without mail delivery (Saturday through Monday).

<sup>124</sup> Ibid.

<sup>125</sup> Survey by USA Today and Gallup Organization, January 30-February 1, 2009. Retrieved April 23, 2009 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. Three percent of respondents did not have an opinion. Numbers do not equal 100% due to rounding.

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## **Acknowledgments**

Pamela Hairston and Jerry Mansfield, information research specialists, provided research that contributed to the thorough history and current status of six-day delivery at USPS. Patricia Sue McClaughry, senior graphics specialist, assisted in creating the graphs.