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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

RICHARD J. KESSLER, STAFF DIRECTOR
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February 4, 2014

The Honorable Gene Dodaro
Comptroller General of the United States
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Dodaro:

On September 19, 2013 the Senate Homeland Security and Government Affairs Committee held a hearing on postal reform.¹ At the hearing, the Postmaster General stated that the U.S. Postal Service (USPS) does not know how much United Parcel Service, Inc. (UPS) and FedEx may be saving through the Parcel Select agreements between USPS and these two companies, and, as a result, whether USPS is maximizing its profits on these agreements.² The Postmaster General also stated that USPS' agreement with UPS and FedEx are profitable.³ However, there is evidence to suggest that USPS is not consistently or correctly attributing indirect costs to its Parcel Select mail class.⁴

As part of the Subcommittee's ongoing oversight of federal contracting and financial management, I request that you conduct a study to assess the accuracy of the annual costs attributable to the Parcel Select mail class, including the annual percent change for each type of attributed cost for the last 15 years. I also request that you estimate the amount(s) that FedEx Corporation and United Parcel Service, Inc., save each year due to Parcel Select agreements with USPS. This estimate should include a review of the rates that FedEx and UPS charge customers for delivering parcels and packages, the costs that FedEx and UPS would incur to deliver parcels and packages in the absence of a Parcel Select agreement with USPS, the volume of parcels and packages that USPS delivers for FedEx and UPS pursuant to Parcel Select agreements, and any other relevant information.

¹ Senate Homeland Security and Government Affairs Committee, *Hearing on Outside the Box: Reforming and Renewing the Postal Service, Part I – Maintaining Services, Reducing Costs and Increasing Revenue Through Innovation and Modernization*, 113th Cong. (Sept. 19, 2013).

² *Id.*

³ *Id.*

⁴ United Parcel Service, Inc., *Briefing for Subcommittee Staff* (Dec. 12, 2013).

The Honorable Gene Dodaro
February 4, 2014
Page 2

Please have your staff contact Charlie Moskowitz with the Subcommittee on Financial and Contracting Oversight at (202) 224-6814 with any questions. Please send any official correspondence related to this request to Kelsey_Stroud@hsgac.senate.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
Chairman
Subcommittee on Financial and
Contracting Oversight

cc: Ron Johnson
Ranking Member
Subcommittee on Financial and
Contracting Oversight