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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

February 4, 2014

The Honorable Patrick R. Donahoe
Postmaster General
United States Postal Service
475 L'Enfant Plaza SW
Washington, DC 20260-0010

Dear Mr. Donahoe:

On September 19, 2013, the Senate Homeland Security and Government Affairs Committee held a hearing on postal reform.¹ At the hearing, you stated that the United States Postal Service (USPS) does not know how much the United Parcel Service (UPS) and FedEx may be saving through the Parcel Select contracts between USPS and these two companies for the provision of so-called “last mile” delivery of the companies’ parcels. Specifically, in response to my question as to whether USPS modeled what would happen if USPS decided not to carry UPS and FedEx packages, you stated that USPS has not done such modeling, but “I’m sure they [UPS and FedEx] have done that, and they make the decisions using us based on what their prices are.” It appears that UPS and FedEx enter into negotiations for Parcel Select contracts with USPS with far greater information than USPS about the price at which it is still profitable for them to rely on USPS for last mile delivery.

As part of the Subcommittee’s ongoing oversight of federal contracting and financial management, I request that you provide information and documents sufficient to understand the contracts between USPS and UPS and FedEx. Specifically, I request the following information and documents:

- (1) The current Parcel Select contract, and any modifications, with FedEx;
- (2) The current Parcel Select contract, and any modifications, with UPS;
- (3) The memoranda which documented the justification for the agreements with FedEx and UPS, the negotiations with FedEx and UPS, and the determination of price reasonableness (if any); and

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).

- (4) The annual costs attributable (as defined in Section 3631 of title 39, United States Code) to the Parcel Select mail class, including the percent change annually in each type of attributed cost for the previous 15 years.

The jurisdiction of the Subcommittee on Financial and Contracting Oversight is set forth in Senate Rule XXC clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 64 (113th Congress). I request that you provide these documents and information as soon as possible, but by **no later than Friday, March 28, 2014**.

I appreciate your assistance. Please contact Charlie Moskowitz with the Subcommittee at (202) 224-6814 with any questions. Please send any official correspondence relating to this request to Kelsey_Stroud@hsgac.senate.gov.

Sincerely,



Claire McCaskill
Chairman
Subcommittee on Financial and Contracting
Oversight

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