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ONE HUNDRED EIGHTH CONGRESS

Congress of the United States

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April 28, 2003

The Honorable David M. Walker
Comptroller General of the United States
441 G Street, NW
Washington, D.C. 20548

Dear General Walker:

In testimony before the House Committee on Government Reform in April 2001, you highlighted concerns about the Postal Service's financial outlook and announced that the GAO had added the Service's transformation efforts and long-term outlook to its High-Risk List. You also testified that the Postal Service needed to work with Congress and other stakeholders to develop a comprehensive plan that would address its financial, operational, and human capital challenges, and outline how the Service planned to accomplish fundamental transformation.

The Postal Service developed such a framework with input from interested parties and issued its Transformation Plan in April 2002. Since then, the Postal Service has taken steps to implement many initiatives included in the plan and address some of its key challenges, particularly related to the financial situation. The Service's continued progress in this area is very important to its future success.

We plan to continue efforts to enact fundamental postal reform and look forward to the forthcoming report by the President's Commission this summer. The GAO has supported our previous postal reform efforts and we anticipate continued help in this area. In that regard, we would like the GAO to monitor and periodically report on the Postal Service's financial outlook and the status of the Service's actions to implement its Transformation Plan. More specifically, we would also request that the GAO evaluate the following areas:

Financial Condition and Outlook: How have the Service's actions to cut costs, improve productivity, and enhance its volumes and revenues affected its current overall financial condition and outlook? What is the Service doing to control costs in areas where they have significantly increased? How would potential changes in the funding of postal retiree health obligations impact its financial condition and outlook, and what would be the impact of these changes on the federal budget? To what extent has the Service addressed the GAO's recommendations to improve its financial and performance reporting?

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Infrastructure: How does the Service plan to optimize its networks for postal processing and transportation, as well as its retail network? What is the basis for the Service's decisions related to building, closing, consolidating, or relocating postal facilities? How does the Service plan to address the potential impact of its proposed changes on affected customers, employees, and communities? To what extent is the need to enhance mail security been a factor in the Service's reassessment of its infrastructure?

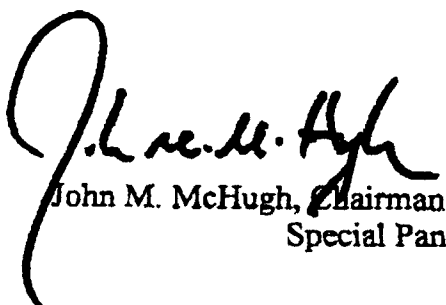
Contracting: To what extent have the Postal Service's efforts to contract with national or larger suppliers and transportation contractors realized actual cost savings? How have small businesses' relationships with the Postal Service changed during the last several years? How are suppliers affected by the Postal Service's use of "reverse auctions" to solicit bids for transportation services? What are the costs and benefits of the Postal Service's program to require all highway contractors to obtain fuel from a single supplier chosen by the Service?

Workforce: How does the Service plan to restructure its workforce to support future postal operations? How do the compensation and benefits for postal employees compare to those of other federal employees and to comparable private sector employees from large corporations, including FedEx and UPS? How would the Service's planned changes in compensation, benefits, and incentive systems support its transformation goals for a more performance-based culture?

Mail Safety and Security: Has the Service identified key vulnerabilities in the safety and security of its facilities and operations? What actions has the Service taken, or has planned, to address vulnerabilities in the physical security of postal facilities? What actions has the Service taken, or has planned, to enhance mail safety and security, including mail destined for government agencies? What actions has the Service taken to utilize low-tech approaches that reduce the anonymity of mail?

Please contact Robert Taub, Denise Wilson, and Richard Boykin of our staff to discuss in more detail the objectives and time frames for these reviews.

Sincerely yours,


John M. McHugh, Chairman
Special Panel on Postal Reform & Oversight


Danny K. Davis, Ranking Member
Special Panel on Postal Reform & Oversight