

GAO

Testimony

Before the Subcommittee on the Postal Service,  
House Committee on Government Reform and Oversight

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U.S. POSTAL SERVICE

Performance Progress Has  
Been Made, But Continued  
Attention to Challenges Is  
Needed

Statement of Bernard L. Unger  
Director, Government Business  
Operations Issues



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# U.S. Postal Service: Performance Progress Has Been Made, but Continued Attention to Challenges Is Needed

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As the Postal Service stands ready to enter the 21st century, it faces significant challenges that call for vigilance and attention as it strives to sustain and expand on reported performance improvements. In fiscal year 1997, the Postal Service ended another year of overall high performance in some of its operational areas, sustaining 3 years of encouraging results. With reported net income of over \$1 billion and increasing on-time delivery scores for First-Class Mail, the Service has shown that it can maintain a high income level while providing its customers with improved service. Also, in some management areas, such as automation of mail processes and labor-management relations, GAO acknowledges that some progress has been made. For example, the Service has overcome many of the initial obstacles it encountered in its efforts to automate letter sequencing and is making substantial progress toward accomplishing its goals in that area. In addition, the Service has also recently made some progress in addressing its labor-management relations problems and has made a good start in developing its strategic and 1999 annual performance plans required under the Government Performance and Results Act (Results Act).

However, challenges remain for the Service to sustain performance and continue on a progressive path toward accomplishing established goals and objectives and improving operations. GAO believes that sustaining and expanding on recent progress will be dependent upon the extent to which Congress, the Service, and other major postal stakeholders continue to focus attention on key issues, particularly:

- labor-management relations, in which efforts to address persistent problems continue, although the sometimes adversarial nature of the relationships among the Service and many of its labor unions can affect progress in implementing improvements;
- postal reform, in which fundamental issues are still being considered, such as defining universal service obligations and the scope of the postal monopoly;
- competition, in which the Service is continually striving to deal with competitors so that it can maintain a firm position in a dynamic communications environment; and
- the effectiveness with which the Service implements the Results Act, particularly with respect to the implementation of its strategic plan and the development and execution of its 1999 and beyond annual performance plans.

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**Summary**  
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GAO is providing information on recently completed work that relates primarily to postal management and reform issues and ongoing work that relates in large part to the issues of competition and diversity.

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# U.S. Postal Service: Performance Progress Has Been Made, but Continued Attention to Challenges Is Needed

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to participate in the Subcommittee's oversight hearing on the U.S. Postal Service. In my testimony, I shall briefly discuss the Service's overall performance during fiscal year 1997, including the Service's reported successes and remaining challenges. Also, I will discuss work that we have completed since the spring of 1997, when we last testified at the Subcommittee's Postal Service oversight hearing. Much of this work was done at the Subcommittee's request and addresses issues related to postal management and reform. In addition, I shall provide information on our ongoing work, which relates primarily to the issues of competition and diversity.

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## Service Performance Has Continued to Improve in Some Areas, but Challenges Remain

First, I would like to briefly discuss the continuation of the Service's reported performance successes and mention some areas of concern and challenges that still remain. For the third year in a row, the Service has reported increases in net income, certain mail delivery services, overall mail volume, and revenue. Net income for fiscal year 1997 was about \$1.3 billion, which marks the third straight year that the Service has reported net income in excess of \$1 billion per year. In fiscal year 1997, the overall delivery score for the on-time delivery of overnight mail reached a 3-year high of 92 percent, and total mail volume increased to about 191 billion pieces. This volume helped generate more than \$58 billion in revenue during fiscal year 1997, the highest revenue figure reported by the Service in the most recent 3 fiscal years.

Although such performance results appear to be encouraging, other information suggests that some areas of concern and challenges remain. For example, the delivery scores of 2-day and 3-day mail for fiscal year 1997—reported by the Service to be 76 and 77 percent, respectively—were less than the score for overnight mail. In addition, the fiscal year 1997 scores for delivering 2-day and 3-day mail had declined from levels previously reported for fiscal years 1995 and 1996.<sup>1</sup> Such declines may reinforce concerns previously expressed by some postal customers that the Service's emphasis on overnight mail delivery has been at the expense of 2-day and 3-day mail delivery efforts.

Also, despite a reported increase in overall mail volume, the Service has acknowledged that due in large part to increased competition, its

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<sup>1</sup>For fiscal years 1995 and 1996, the Service reported that the scores for the delivery of 2-day mail were about 78 and 79 percent, respectively. The score for delivering 3-day mail in both fiscal years 1995 and 1996 was about 80 percent.

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participation in delivering some types of mail has declined or suffered slow growth. For instance, the Service's delivery of Express Mail packages<sup>2</sup> has declined due, in part, to its inability to offer volume discounts to large business mailers and its poor coverage of Zoning Improvement Plan (ZIP) codes for next-day delivery. In addition, the Service reported that the increased use of electronic alternatives to First-Class Mail, such as electronic mail and banking functions, has contributed to a lower growth rate than expected for this type of mail—around 1.5 percent for fiscal year 1997—rather than the 2.5 percent initially anticipated. The Service expects that this trend will continue in future years and will result in significant losses in First-Class Mail revenues. In addition, continued aggressive efforts by various competitors have challenged the Service's ability to participate in the international mail market, participation that the Service acknowledged has declined in recent years.

Also, in light of the Service's reported net income of over \$1 billion in each of the last 3 fiscal years, questions have been raised concerning the appropriateness of the Service's recently approved request for increases in various postage rates. Questions have also been raised about the means by which the Service determines the need for such increases, including the use of specific data to justify the rate increase request.

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**Our Completed Work  
Related to Key  
Management Issues**

I would now like to highlight for you some of the work that we completed during the past year, in which we reported on topics involving key management issues that have received a great deal of attention from Congress and various postal stakeholders. The topics we addressed included (1) labor-management relations; (2) automated letter sequencing, also known as Delivery Point Sequencing (DPS); and (3) the Service's plans prepared in response to the Government Performance and Results Act (Results Act).

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**Labor-Management  
Relations**

During recent years, our work has shown that the poor state of labor-management relations within the Postal Service represents one of the most significant internal operational and managerial problems facing the Service. When we issued our most recent report in October 1997 on labor-management relations in the Service,<sup>3</sup> little progress appeared to

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<sup>2</sup>The Service's Express Mail package delivery service is intended to deliver documents and merchandise packages weighing up to 70 pounds within a specified period of time, usually by the next business day. Both domestic and international services are offered.

<sup>3</sup>U.S. Postal Service: Little Progress Made in Addressing Persistent Labor-Management Problems (GAO/GGD-98-1, Oct. 1, 1997).

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have been made in improving relations among the Service and three of its four major postal labor unions.<sup>4</sup> We reported that although some improvement efforts, known as initiatives, had been established, difficulties existed in reporting on the initiatives' results because, in some cases, initiatives had only recently been implemented or had been discontinued. Also, disagreements among the parties prevented the full implementation of some initiatives. In our 1997 report, we included various indicators, such as a growing number of employee grievances, which showed that problems on the workroom floor of various postal locations appeared to have continued since 1994 when we initially reported on the existence of these problems.<sup>5</sup> In the 1994 report, we mentioned that in many instances, labor-management relations problems resulted from autocratic management styles; the sometimes adversarial attitudes of employees, unions, and postal management; and an inappropriate and inadequate performance management system.

Subsequent to the issuance of our 1997 report, we have seen some progress in the parties' efforts to address such problems. For example, in late October 1997, Service officials along with representatives from the four major postal labor unions, the three management associations,<sup>6</sup> and officials from the Federal Mediation and Conciliation Service (FMCS) began convening summit meetings, one of the initiatives that we had discussed in our 1997 report. According to FMCS, which helped facilitate the summits, progress has been made and continues to be made in addressing labor-management relations problems that have plagued the Service for years, including issues related to employee grievances. We are encouraged by the recent reported progress as well as the new Postmaster General's emphasis on the importance of addressing labor-management relations problems. We support the parties' use of summit meetings as an opportunity to try to reach agreement on approaches to solving long-standing labor-management relations problems. However, the underlying problems that have hampered good relationships between the Service and most of its labor unions remain and pose significant challenges to the Service and its unions.

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<sup>4</sup>The four major postal labor unions include (1) the American Postal Workers Union (APWU), (2) the National Association of Letter Carriers (NALC), (3) the National Postal Mail Handlers Union (Mail Handlers), and (4) the National Rural Letter Carriers' Association (Rural Carriers). In many instances, the Service's labor-management problems and concerns have involved three of the four major unions—APWU, NALC, and Mail Handlers. The Rural Carriers have generally had a more cooperative relationship with the Service.

<sup>5</sup>U.S. Postal Service: Labor-Management Problems Persist on the Workroom Floor (GAO/GGD-94-201A/B, Sept. 29, 1994).

<sup>6</sup>The three management associations include (1) the National Association of Postal Supervisors (NAPS), (2) the National Association of Postmasters of the United States (NAPUS), and (3) the League of Postmasters of the United States (the League).

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This year, events are scheduled that may affect the state of labor-management relations within the Service. For example, elections for officers in the two largest of the four major postal labor unions—APWU and NALC—are set to occur in the summer of 1998. Such officers can play an important part in the overall relationship that the organizations have with the Service. In addition, collective bargaining negotiations are expected to begin in August 1998, shortly after the elections of new union officers for these two unions. Also, the newly appointed Postal Service Vice President for Labor Relations should become involved with the negotiations. In the past, negotiations between the Service and three of the four major postal labor unions have sometimes been marked by controversy and disagreements that have in some cases required arbitration. The conduct of the negotiations and the extent to which settlements can be agreed upon instead of relying on arbitration can be highly dependent on the attitudes and approaches that Service officials and union representatives bring to the bargaining table.

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**Automated Letter  
Sequencing**

In April 1998, we reported on the implementation of the process known as DPS,<sup>7</sup> the final phase of the Service's letter automation program. As part of the overall automation program, DPS, which began in 1993, entails the automated sorting of letters that have been barcoded by either business customers or the Service. DPS was designed to provide letter carriers with letters already sequenced into delivery order, so that carriers would spend less time in the office manually sorting letters and more time on the street delivering mail. In doing so, DPS was expected to save letter carrier workhours, thus reducing overtime costs and improving productivity.

The Service has made substantial progress in implementing DPS, despite initial obstacles. For instance, DPS implementation, which was initially scheduled for completion by the end of fiscal year 1995, fell behind schedule due to delays in procuring automated equipment and a shortfall in the volume of barcoded letters. The Service acknowledged that it had been overly optimistic in its DPS expectations. Subsequently, it revised goals and benchmarks for the implementation of DPS to be completed by the end of fiscal year 1998. The progress that the Service has made toward achieving these goals and benchmarks included the deployment of all the automated equipment needed to support DPS, the implementation of DPS in more delivery zones than expected, and annual increases in carrier workhour savings.

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<sup>7</sup>U.S. Postal Service: Progress Made in Implementing Automated Letter Sequencing, but Some Issues Remain (GAO/GGD-98-73, Apr. 17, 1998).

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Although the Service achieved carrier workhour savings through DPS implementation, part of these savings was offset by a nationwide decline in city carrier street efficiency, which involves the number of deliveries carriers made per hour. On DPS routes, the Service believed that the decline was greater than it had anticipated from DPS work methods and was due in part to route adjustments that were less timely and accurate than expected. NALC believed that much of the decline in efficiency was caused by DPS work methods, such as the additional time carriers needed to handle and prepare some DPS letters on the street, work that was formerly done by carriers in the office. The Service is working to improve city carrier efficiency through various efforts. For example, the Service has made additional funds available so that inspections can be made prior to implementing DPS on specific routes, and routes can be adjusted to capture DPS savings. Also, the Service is working to improve supervision of city carriers' street operations and is testing both alternative delivery methods and new city carrier performance standards.

Although the Service has achieved some success in addressing operational issues, it has been less successful in resolving disagreements about DPS implementation with NALC, the postal labor union that represents about 234,000 city carriers. Such disagreements generated the filing of many grievances. Most of the grievances were resolved through settlement while several had to be resolved through national arbitration. In many cases, the grievances involved employee concerns about specific DPS implementation procedures that were established in various memoranda signed by the Service and NALC. Although many city carriers we spoke with said that they saw benefits to DPS, they also said that they were concerned about its effects on their daily work, particularly their ability to serve customers efficiently.

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**Strategic and Performance  
Plans**

In July 1997, we issued our observations on a draft of the Service's 5-year strategic plan that was developed in response to the requirements of the Results Act.<sup>8</sup> We found that the draft plan had various strengths, the most significant of which was the substantial emphasis that the plan placed on the achievement of performance results. This emphasis was generally consistent with the Results Act's concept of a systematic management process that used results-oriented goals and strategies as well as

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<sup>8</sup>The Results Act: Observations on the Postal Service's June 1997 Draft Strategic Plan (GAO/GGD-97-163R, July 31, 1997).

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quantitative performance indicators to measure progress toward these goals.<sup>9</sup>

The plan generally addressed the six major components required by the Results Act, including a mission statement, general goals and objectives, strategies to achieve the goals and objectives, and performance measures of the goals and objectives. In doing so, the plan provided useful information on the Service's vision of its future and how the Service planned to achieve its desired results. However, we believed that for some of the components, such as the Service's mission statement, the information could have been strengthened so that it could have been more complete and more clearly conveyed. When the Service's final strategic plan was issued at the end of September 1997, we found that improvements had been included in the plan that made it a clearer and more complete document.

In its 1997 Comprehensive Statement on Postal Operations, the Service included a preliminary version of the Annual Performance Plan for fiscal year 1999. The plan is intended to provide a yearly update of and more detailed information on the goals and targets to be achieved and establish performance indicators to be used in determining how progress is being made toward achieving the goals and targets. We are currently reviewing the plan and are finding that, overall, it did an effective job of articulating performance goals that defined expected performance and were quantifiable and results-oriented. Also, the plan did a good job of discussing how the Service plans to measure and review results, and it recognizes the role of management and some stakeholders, such as the Inspector General, in reviewing and evaluating programs. However, although the plan broadly discussed the strategies and resources necessary to achieve its goals, we believe that the plan could better link particular strategies and resources with particular performance goals. Without such linkage, it may be difficult for stakeholders reviewing the plan to understand how the Service intends to achieve its goals.

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<sup>9</sup>According to the Service, strategic planning has been in place since 1995 when it established its current management system called *CustomerPerfect<sup>SM</sup>*, a system of continuous assessment and improvement of postal operations so that the Service can better provide postal products and services to its customers in a competitive environment.

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## **Our Completed Work Related to Other Postal Management Issues**

I would now like to provide you with a brief summary of work we completed since the spring of 1997 on other issues related to the Service's overall management and operations. This work resulted in reports on (1) cost overruns at the Chicago Post Office, (2) the procurement of postal uniforms, and (3) emergency suspensions of operations at post offices.

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### **Cost Overruns at the Chicago Post Office**

In October 1997, we reported on the cost overruns that occurred in the construction of the new Chicago Main Post Office.<sup>10</sup> We found that based on our review of the events that occurred and an investigation by the Postal Inspection Service, the overruns, which totaled about \$133 million, appeared to be due primarily to inadequate planning. The Service implemented procedures aimed at reducing the likelihood of cost overruns occurring in similar future capital investment projects, including earlier notification of problems to the Board of Governors and more Postal Inspection Service involvement with review of facilities construction. Also, we were asked to review mail service performance data on Chicago's Graceland postal station, which had been the focus of constituent complaints. We compared performance data from the Graceland station with another postal station—Boston's Brookline station—that had achieved higher data results and yet functioned in an environment similar to the Graceland station. Our analysis of the data confirmed that there were differences in the performance of the two stations, but it also showed that the data were not informative about the causes of the problems with mail service in Graceland or in Chicago.

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### **Procurement of Postal Uniforms**

In January 1998, we provided information on the Service's efforts to centralize its procurement of postal uniforms.<sup>11</sup> Congressional concerns about this issue involved the extent to which a centralized program might adversely affect American companies currently participating in the Service's decentralized system for procuring uniforms. We reported that to help minimize the overall effect on American companies, the Service was planning to implement various oversight efforts to ensure that contractors under the Centralized Uniform Purchasing program (1) produced uniforms exclusively using American materials and labor and (2) adhered to the Apparel Industry Partnership's "Work Place Code of Conduct" designed to ensure that goods are not produced under sweatshop conditions. Also, the

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<sup>10</sup>U.S. Postal Service: Chicago Main Post Office Cost Overruns and Graceland Station Mail Service (GAO/GGD-98-11, Oct. 31, 1997).

<sup>11</sup>U.S. Postal Service: Information on Centralized Procurement of Uniforms (GAO/GGD-98-58R, Jan. 28, 1998).

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Service met with the National Association of Uniform Manufacturers and Distributors, which represented some of the Service's retail vendors, in an effort to address their concerns about the Service's planned move to centralized uniform purchasing. Notwithstanding these actions, however, the number of retail vendors selling postal uniforms under a centralized program was expected to decrease from more than 800 to 6 or less.

The Service estimated that it could save about \$13 million to \$17 million annually through centralized uniform procurement. However, according to the Secretary for the Board of Governors, the decision to move forward to implement the program was not based on anticipated savings but on the need to comply with existing memoranda of understanding with postal labor unions. The memoranda anticipated that, through centralized purchasing, employees would be supplied with a greater number of uniform items of a higher quality with an overall reduction in costs to the Service. Nevertheless, the Postal Service recently decided to delay plans to implement the Centralized Uniform Purchasing program pending further discussions with affected unions. Postal officials do not see any movement toward program implementation before 1999 at the earliest.

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**Emergency Suspensions of  
Post Offices**

In April 1997, we issued a report on information involving emergency suspensions of post offices,<sup>12</sup> which are temporary closures that the Service may initiate under conditions that constitute a threat to the safety and health of postal employees or customers or to the security of the mail, such as natural disasters, or other conditions, such as the termination of a lease. In our earlier report on post office closures,<sup>13</sup> we briefly described emergency suspensions and as you requested, in our April 1997 report, we followed up on that work to provide you with additional information related to such suspensions. Among other things, we reported to you that between the beginning of fiscal year 1992 and March 31, 1997, the operations of 651 post offices had been suspended for various reasons, half of which involved lease or rental agreement terminations. Recently, we obtained from the Service updated information on post offices under emergency suspension, which showed that as of March 13, 1998, 470 post offices were under emergency suspension. Also, we were told that 311 of these offices were undergoing a feasibility study by the Service to determine whether they should be permanently closed. In addition, in

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<sup>12</sup>U.S. Postal Service: Information on Emergency Suspensions of Operations at Post Offices (GAO/GGD-97-70R, Apr. 23, 1997).

<sup>13</sup>U.S. Postal Service: Information on Post Office Closures, Appeals, and Affected Communities (GAO/GGD-97-38BR, Mar. 11, 1997).

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March 1998, the previous Postmaster General announced a nationwide moratorium on post office closings initiated by postal management. However, this moratorium did not affect the Service's program for suspending operations at specific post offices due to emergency situations.

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## **Our Completed Work Related to Postal Reform**

At this time, Mr. Chairman, I would like to discuss some of our completed work efforts that relate mainly to postal reform, a significant issue that has been the subject of much debate in Congress and among postal stakeholders. Since April 1997, we have reported on the mail box restriction law and issues concerning the governance of the Service. We also provided you with our views on proposed revisions to your postal reform legislation.

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## **Mail Box Restriction**

At your request, Mr. Chairman, in May 1997, we reported on issues involving the mailbox restriction,<sup>14</sup> which generally referred to the law (18 U.S.C. 1725) that essentially gives the Service exclusive access to mailboxes. At the time that we issued our report, proposed postal reform legislation included a demonstration project to test relaxing the mailbox restriction. However, as you may recall, Mr. Chairman, you believed that more information was needed on this topic before changes to this law could reasonably be considered.

To provide you with additional information on the mailbox restriction, among other things, we obtained the views of over 1,000 randomly selected adults in the continental United States and other postal stakeholders, including the Service and the seven major postal labor unions and management associations. We reported that the vast majority of the adults were opposed to allowing just anyone to put mail into their mailboxes. However, their views differed regarding the desirability of mailbox access for particular companies or particular items. For example, about 60 percent of the adults favored allowing express companies, such as Federal Express and United Parcel Service, to put packages into mailboxes. But less than 50 percent of the adults favored allowing companies to leave other types of items in mailboxes, such as utility bills, magazines or newspapers, and catalogs, coupons, or ads.

Also, mixed views about the need for the mailbox restriction were expressed by other postal stakeholders. For example, the Service, the

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<sup>14</sup>U.S. Postal Service: Information About Restrictions on Mailbox Access (GAO/GGD-97-85, May 30, 1997).

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seven major postal labor unions and management associations, and a contractors' association believed that the mailbox restriction was needed generally to protect postal revenue, facilitate efficient and secure delivery of mail, and promote the privacy of postal customers. Other stakeholders, including the Justice Department and the Postal Inspection Service, opposed any relaxation of the mailbox restriction law because, among other things, it helped deter mail theft by limiting mailbox access and made it easier to detect, investigate, and resolve cases of mail theft. However, Service competitors generally believed that the law should be repealed or changed because it was unnecessary, impeded competition, and infringed on private property. Also, none of the eight foreign postal administrations we surveyed said that they needed a law restricting mailbox access and none of these countries had ever had such a restriction. However, these countries' mail delivery practices generally involved less use of mailboxes than is the case in the United States.

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**Governance of the Postal  
Service**

At your request, Mr. Chairman, in August 1997, we provided information on issues related to the governance of the Service that you believed could be helpful in deliberations on postal reform.<sup>15</sup> For our report, we obtained information on issues of concern to current and former members of the Postal Service Board of Governors,<sup>16</sup> including any areas where members indicated a need for legislative attention. Also, among other things, we provided information on governance issues that was intended to provide additional perspective in postal reform discussions. Frequently cited issues by current and former Board members that we interviewed included (1) limitations on the Board's authority to establish postage rates, (2) the inability of the Board to pay the Postmaster General more than the highest rate permitted for a postal executive, (3) the Board's lack of pay comparability with the private sector, and (4) qualification requirements that were too general to ensure that Board appointees possessed the kind of experience necessary to oversee a major government business. However, there was not a consensus among the members on what legislative changes should be considered to address their concerns.

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<sup>15</sup>U.S. Postal Service: Issues Related to Governance of the Postal Service (GAO/GGD-97-141, Aug. 14, 1997).

<sup>16</sup>The Postal Reorganization Act of 1970 created the Postal Service Board of Governors to be the governing body for the Service. The Board consists of 11 members and is comparable to the board of directors of a private sector corporation. The Board directs the Service's exercise of powers, directs and controls expenditures, reviews Service practices, and conducts long-range planning. Also, among other things, the Governors participate in establishing postage rates and take up other matters, such as mail delivery standards.

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**Observations on Proposed  
Revisions to Postal Reform  
Legislation**

In April 1998, we communicated our observations and comments concerning proposed revisions to H.R. 22, the Postal Reform Act of 1997, which would change current laws to give the Service greater commercial freedom while establishing rules intended to ensure fair competition.<sup>17</sup> In our letter, we offered our comments on the principles and trade-offs relevant to congressional consideration of the proposed revisions, and our observations on selected features of the proposed revisions that related to our reviews of postal issues. For example, based on our previous work, we believe the Service could benefit from defining the concept of universal service, which the proposed revisions would require.

We also discussed the potential impact of reducing the scope of the letter mail monopoly to \$2. On the basis of available data, it appeared that the short-range impact of reducing the scope of the letter monopoly to \$2 would not significantly affect the Service's ability to provide affordable universal service. We determined that little of the First-Class Mail volumes that are currently protected by the postal monopoly would become subject to competition. In addition, we said a variety of other factors, such as a reduction in First-Class Mail volume due to increased use of electronic media along with costs, inflation, and service quality, could in the long run, in combination with any change in the scope of the postal monopoly, have an impact on the Service's ability to provide affordable universal service.

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**Ongoing GAO Work  
Related to  
Competition and  
Diversity Issues**

I would now like to discuss our ongoing work, most of which has been initiated at your request, Mr. Chairman, or at the request of members of your Subcommittee, in which we are focusing on various postal activities that in large part relate to the issues of competition and diversity. The ongoing work related to competition includes three efforts, two of which involve issues associated with the Service's role in the international mail market. The three efforts include reviews of (1) Global Package Link, one of the Service's international parcel delivery services, (2) the Service's role in the Universal Postal Union, and (3) the Service's development of new postal products. In addition, our other ongoing work addresses the issue of diversity, with a focus on three review efforts involving (1) the promotions of women and minorities into higher postal management positions; (2) diversity training for postal employees, particularly in sexual harassment and equal employment opportunity (EEO), along with specific postal EEO-complaint related data; and (3) trends in federal EEO complaint caseloads.

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<sup>17</sup>Postal Service Reform: Observations on Proposed Revisions to H.R. 22 (GAO/GGD-98-97R, Apr. 7, 1998).

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**Global Package Link**

In response to your request, Mr. Chairman, we performed a review of the international parcel delivery service known as Global Package Link (GPL), a service which began in 1995, and was designed to make it easier and more economical for direct marketers to export bulk shipments of merchandise internationally. Private express carriers had raised concerns that GPL parcels were subject to fewer customs clearance requirements and received preferential customs treatment overseas, thus giving the Service an unfair competitive advantage in providing international parcel delivery service. In reviewing issues related to these concerns, we focused on the Service's international GPL activities in the three countries where GPL was primarily operating in fiscal year 1997, which included Canada, Japan, and the United Kingdom. During this period, nearly all GPL parcels were sent to Japan.

We found that differences existed in foreign customs requirements for GPL and private express parcels, the greatest of which were in Japan where private express carriers were subject to requirements regarding the preparation of shipping documentation and payment of duties and taxes on their parcels that did not apply to GPL parcels. However, regarding the private carriers' two major areas of concern, the results of our work generally showed that despite differences between the Service and the carriers in various delivery and customs clearance processes for parcels shipped to the three countries, GPL parcels did not appear to receive preferential treatment over private express parcels in (1) the speed of customs clearance in any of the three countries or (2) the assessment of duties and taxes in Canada and the United Kingdom. We were unable to determine whether duties and taxes were assessed on dutiable GPL parcels shipped to Japan because essential data were unavailable.

In commenting on our draft report, private carriers continued to express concerns that differences in customs clearance requirements for postal and privately shipped parcels result in more work and higher costs for the carriers, placing them at a disadvantage in competing with the Service to provide international parcel delivery service. However, Service officials commented that it enjoyed no customs clearance advantage over private carriers and that GPL and the expanded business opportunity it represents is critical to the future of the Postal Service and its customers. Private carriers have urged Congress to protect fair competition by enacting legislation that would require the Service and the carriers to compete on the same terms, particularly with regard to customs treatment. Issues related to fair competition involve weighing how the Postal Service and

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private carriers can compete, given that different sets of requirements and obligations currently exist.

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**Universal Postal Union**

At your request, Mr. Chairman, we have recently begun a review of the Service's role in the Universal Postal Union (UPU), a specialized agency of the United Nations that governs international postal services. Issues involved in this review cover a wide range of concerns. For example, some private carriers have raised concerns about the Service's authority to represent the United States in the UPU because in that position, the Service acts as both a participant in developing international mail policies and a competitor with international private carriers, thus perhaps gaining unfair competitive advantages. As such, a proposal has been suggested that would designate the Office of the U.S. Trade Representative to participate in UPU's activities instead of the Postal Service. At this time, we are in the process of obtaining more information about UPU's functions, the Service's role as a participant in UPU, and the issues and concerns that may contribute to future discussions about UPU's activities.

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**Development of New  
Postal Products**

We are currently addressing issues related to the Service's development of new postal products, such as phone cards and the electronic postmark. Specifically, our work involves obtaining information on (1) any statutory and regulatory authorities and constraints governing the Service's ability to market new products; (2) the Service's processes for developing, testing, approving, and marketing new and electronic products; and (3) new and electronic products that the Service marketed during fiscal years 1995 through 1997, including financial data related to such products.

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**Promotions of Women and  
Minorities**

At the request of Congressman Danny Davis, a member of the Subcommittee, we are currently obtaining information on issues related to the promotions of women and minorities into higher postal management positions. Concerns about this topic were raised in response to the issuance of a contractor study on diversity that was presented to the Postal Service Board of Governors in January 1998. The study generally identified relatively small numbers of women and minorities that had been promoted into higher postal management levels, particularly those in the Executive and Administrative Schedule level 17 and above. As agreed recently with Congressman Davis' office, we are currently obtaining information related to this issue, including the extent to which required promotion processes for higher level postal positions are being followed in

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**Statement  
U.S. Postal Service: Performance Progress  
Has Been Made, but Continued Attention to  
Challenges Is Needed**

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specific postal locations and the effects that a selected number of such promotions have had upon workforce diversity in these locations.

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**Diversity Training and  
Postal EEO Complaint  
Data**

At the request of the Subcommittee's Ranking Minority Member Chaka Fattah, we are obtaining information about the extent to which the Postal Service has provided various types of diversity training, particularly on the topics of sexual harassment and EEO, to postal employees. Most recently, we learned that the Service is making efforts to emphasize the importance of training for postal employees through the development of a guide that provides employees information on available training courses, including sexual harassment and EEO. Also, the Service has developed a draft Human Resources Strategic Plan that, among other things, identifies strategies for employee training and development. In addition, as part of our review, we are working to obtain and review specific EEO data related to complaints that Congressman Fattah requested, including such data as the numbers and types of complaints being filed and the types of postal facilities that have large numbers of pending EEO complaints.

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**Trends in Federal EEO  
Complaint Caseloads**

In response to requests from Congressmen Elijah Cummings and Albert Wynn, we are developing and analyzing data on unresolved EEO complaints at federal agencies and at the Equal Employment Opportunity Commission (EEOC), the agency that is primarily responsible for establishing regulations that govern the processing of employees' EEO complaints by federal agencies. Also, EEOC conducts hearings and adjudicates employees' appeals of agency final decisions on their complaints. The requesters asked that the Postal Service be included in this work mainly because it is covered by most of the same EEO complaint processes that apply to most federal agencies. Also, the Service, with over 850,000 employees, is the largest federal civilian employer. Information is being developed about the inventories of EEO complaints at federal agencies and EEOC and how trends in the number of complaints filed and the time taken to process them have contributed to inventory levels.

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Mr. Chairman, this concludes my prepared statement. I have included a list of our Postal Service products issued since April 1997 in the appendix. I would be pleased to respond to any questions you or the members of the Subcommittee may have.

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# GAO Postal Related Products Issued Since April 1, 1997

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U.S. Postal Service: Progress Made in Implementing Automated Letter Sequencing, but Some Issues Remain ([GAO/GGD-98-73](#), Apr. 17, 1998).

Postal Service Reform: Observations on Proposed Revisions to H.R. 22 ([GAO/GGD-98-97R](#), Apr. 7, 1998).

U.S. Postal Service: Information on Centralized Procurement of Uniforms ([GAO/GGD-98-58R](#), Jan. 28, 1998).

U.S. Postal Service: Little Progress Made in Addressing Persistent Labor-Management Problems ([GAO/T-GGD-98-7](#), Nov. 4, 1997).

U.S. Postal Service: Chicago Main Post Office Cost Overruns and Graceland Station Mail Service ([GAO/GGD-98-11](#), Oct. 31, 1997).

U.S. Postal Service: Little Progress Made in Addressing Persistent Labor-Management Problems ([GAO/GGD-98-1](#), Oct. 1, 1997).

U.S. Postal Service: Issues Related to Governance of the Postal Service ([GAO/GGD-97-141](#), Aug. 14, 1997).

The Results Act: Observations on the Postal Service's June 1997 Draft Strategic Plan ([GAO/GGD-97-163R](#), July 31, 1997).

U.S. Postal Service: Information About Restrictions on Mailbox Access ([GAO/GGD-97-85](#), May 30, 1997).

U.S. Postal Service: Continued Challenges to Maintaining Improved Performance ([GAO/T-GGD-97-88](#), Apr. 24, 1997).

U.S. Postal Service: Information on Emergency Suspensions of Operations at Post Offices ([GAO/GGD-97-70R](#); Apr. 23, 1997).

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