



Highlights of [GAO-08-787](#), a report to congressional requesters

# U.S. POSTAL SERVICE

## Data Needed to Assess the Effectiveness of Outsourcing

### Why GAO Did This Study

The U.S. Postal Service (the Service) has a long history of contracting out postal functions, such as mail transportation, mail delivery in rural areas, vehicle and equipment maintenance, and retail postal services. However, postal employees also perform many of these same functions and unions representing these employees have concerns about the scope and impact of outsourcing. The objectives of this requested report are to assess (1) the circumstances under which the Service can outsource postal functions, how it decides to outsource, and the extent to which it has outsourced; (2) how the Service’s management processes compare for contractors and postal employees; and (3) the results, including any savings, and key challenges related to the Service’s outsourcing activities. GAO reviewed applicable statutes, collective bargaining agreements, postal processes and outsourcing data, and interviewed postal union and management officials.

### What GAO Recommends

To determine the effectiveness of postal outsourcing, improve management accountability, and support congressional oversight, GAO recommends that the Postmaster General should establish a process to track the results of outsourcing activities that are subject to collective bargaining and report these results to Congress. The Service generally agreed with our findings and first recommendation, but not to provide Congress with information about outsourcing results.

To view the full product, including the scope and methodology, click on [GAO-08-787](#). For more information, contact Katherine Siggerud at (202) 512-2834 or [siggerudk@gao.gov](mailto:siggerudk@gao.gov).

### What GAO Found

The Service has no statutory restrictions on the type of work it may outsource, but collective bargaining agreements with its unions impose some process requirements and limitations. When evaluating outsourcing proposals, the Service must consider five factors—public interest, cost, efficiency, availability of equipment, and qualification of employees—and determine whether outsourcing will have a “significant impact” on work performed by postal employees covered by collective bargaining agreements. If so, it must compare the costs of performing proposed work with postal employees and with a contractor, notify the affected union that it is considering outsourcing, and consider union input before making a decision. We could not determine the Service’s total outsourcing contracts related to bargaining unit work, because the Service does not separately track these contracts. It did provide data on some outsourcing that has impacted work by employees of its four major unions in the areas of retail, processing, transportation, and delivery.

The Service evaluates contractors and postal employees using similar suitability and performance standards, but uses different management processes. The Service recently revised its drug screening procedures so they are now similar for both groups. The Service manages contractors through specific performance requirements, as compared to Service policies and collective bargaining agreements for postal employees. Finally, the Service has mechanisms to evaluate performance and take actions related to performance problems for both, but does not compile performance data to permit comparisons between contractors and postal employees.

The Service does not have a comprehensive mechanism for measuring results, including any actual savings; therefore, it could not provide information on the effectiveness of its outsourcing. Without cost-savings data, postal managers, stakeholders and Congress cannot assess the risk and value of outsourcing. Also, accountability for results is limited. The Service has stated that it will explore outsourcing opportunities, and postal unions are concerned that the Service’s use of contractors for delivery service is growing as shown below. Proposed legislation to limit the Service’s outsourcing is pending in Congress, which the Service says could limit its ability to contain costs. Key challenges include whether the Service and its unions can reach agreement on outsourcing issues through collective bargaining and whether the Service can provide analysis to substantiate the benefits of outsourcing.

**Comparison of Portion of Total Number and Growth in Delivery Routes Served by City, Rural, and Contract Letter Carriers, Fiscal Years 1998 and 2007**

Carrier type	Percentage of total routes		Percentage of growth
	1998	2007	1998 to 2007
City	71.2	66.3	-2.3
Rural	26.5	31.0	22.5
Contractor	2.3	2.7	22.9

Source: GAO analysis of Service data.