



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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# HIGHLIGHTS

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January 18, 2013

**Federal Shipping**

Report Number MS-AR-13-004

## **BACKGROUND:**

The U.S. General Services Administration establishes long-term federal government-wide contracts with vendors to provide goods and services to federal agencies at volume discount pricing. The General Services Administration established contracts for shipping services with the U.S. Postal Service and its major competitors.

While Federal Express and United Parcel Service have been participant vendors since 2001, the Postal Service did not participate until May 2009. During fiscal years 2011 and 2012, federal agencies spent about \$342.6 million and \$336.9 million, respectively, on shipping services through GSA contracts. The Postal Service's share of this revenue was \$1.2 million for FY 2011 and \$4.8 million for fiscal year 2012.

Our objective was to evaluate the Postal Service's use of General Services Administration contracts to maintain and increase its share of federal agencies' shipping revenue.

## **WHAT THE OIG FOUND:**

The Postal Service has opportunities to increase its share of federal shipping revenue. Two major challenges include pricing inflexibility and the lack of 2- and 3-day guaranteed express delivery products. In addition, the Postal Service faces challenges resulting from late

entry into the General Services Administration market, the size and structure of its federal sector sales force, and limited payment methods it accepts. Further, the U.S. Department of Defense provides preferential treatment to those shippers that have their own air fleet and agree to make that fleet available during a national defense crisis.

By overcoming these challenges and enhancing customer intelligence to identify those federal agencies that predominantly ship lightweight packages, we estimate the Postal Service could generate \$17.4 million of additional revenue annually during fiscal years 2013 and 2014. This is in addition to lost revenue of \$21.4 million during fiscal year 2011 and \$17.4 million for fiscal year 2012.

## **WHAT THE OIG RECOMMENDED:**

We recommended the Postal Service address the challenges it faces in the federal shipping marketplace and enhance customer intelligence on federal agencies' shipping practices.