



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

HIGHLIGHTS

**POSTAL SERVICE INITIATIVE:
Consolidation of Mail
for Transportation Between
Network Distribution Centers**

Report Number NL-AR-12-006

IMPACT ON:

Highway contract route (HCR) surface transportation between network distribution centers (NDCs).

WHY THE OIG DID THE AUDIT:

Our objective was to assess the efficiency of the U.S. Postal Service's consolidation pilot (involving loading, unloading, and utilization) for long-distance HCRs between NDCs. The pilot included 19 transportation lanes, 17 HCRs, and 4 consolidators. We initiated the audit based on an inquiry from the postmaster general and chief executive officer.

WHAT THE OIG FOUND:

The loading and unloading method used before the mail consolidation pilot was efficient based on workhours; however, it resulted in additional transportation costs. We determined that the consolidation increased mail handling time and costs but saved money overall and improved trailer utilization. We also found the use of contracted labor and facilities for consolidations provides the most flexibility and savings. We further determined that opportunities exist to increase overall trailer utilization by combining 2.5 trailer loads into one and by consolidating mail bound for Puerto Rico. By doing so, we estimate the Postal Service can save an additional \$7.68 million annually. Finally, we determined an onsite Postal Service

managerial presence is needed at the consolidation facilities.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Network Operations, continue pursuing opportunities to consolidate routes, increase the required average trailer consolidation load ratio, and consolidate lanes for mail bound to Puerto Rico. Finally, we recommended managerial oversight be provided at consolidation facilities.

WHAT MANAGEMENT SAID:

Management generally agreed with our recommendations but not our monetary impact, stating that they expanded the number of consolidation lanes in February 2012, would continue to pursue additional opportunities and a 2.5:1 utilization ratio, as well as evaluate the consolidation of mail bound for Puerto Rico. Management also stated they would conduct locally managed quarterly meetings with contractors.

AUDITORS' COMMENTS:

Management's comments are responsive to recommendations 1, 2 and 3 but not to recommendation 4. Management should pursue more aggressive managerial oversight at contractors' facilities to protect the Postal Service's interests.