



HIGHLIGHTS

September 28, 2012

First-Class Mail on Air Transportation — Assignment by Weight

Report Number NL-AR-12-010

BACKGROUND:

The U.S. Postal Service contracts with select air carriers to transport First-Class Mail (FCM) in order to meet established service standards. The carriers include FedEx®, United Parcel Service® (UPS), and selected commercial passenger airlines. [REDACTED]

The Postal Service assigns mail to carriers in the following order: [REDACTED]

[REDACTED] The process considers contract minimums and the per pound costs of commercial air as a priority when determining the order in which mail is assigned, but does not consider the overall weight or density of the mail. The Postal Service spent \$488 million in fiscal year 2011 to ship FCM by air. Our objective was to assess FCM assignments to air transportation by container weight.

WHAT THE OIG FOUND:

The Postal Service can assign some FCM to air transportation in a more cost-effective manner. If weight was considered, [REDACTED]

[REDACTED] Our analysis also showed that the Postal Service could maintain contract commitments and

service if this mail was reallocated, resulting [REDACTED] overall reduced air transportation costs. We determined this occurred because Postal Service did not consider weight of the mail as a priority in the assignment process. We determined the Postal Service has an opportunity to save about \$10 million in transportation costs over the next year by assigning FCM to air transportation considering weight.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Network Operations, modify the process to assign FCM to air transportation considering weight where feasible, [REDACTED]