March 23, 2006

AL INIGUEZ
VICE PRESIDENT, PACIFIC AREA OPERATIONS

SUBJECT: Audit Report – Mail Transport Equipment Service Center Network – Highway Transportation Routes – San Francisco (Report Number NL-AR-06-003)

This is one in a series of reports that presents results from our self-initiated nationwide audit of the mail transport equipment service center (MTESC) network (Project Number 04YG003NL005).

The objectives of our audit were to determine whether audit recommendations from our report, *Mail Transport Equipment Service Center Decision Analysis Report, Performance and Financial Benefit* (Report Number TR-AR-01-003, dated May 4, 2001), were implemented and whether there were additional opportunities to save money. The report, initiated in response to a Board of Governors request, concluded the network would not achieve the financial benefits anticipated by the 1997 Decision Analysis Report. We recommended, in part, that management reduce cost by analyzing transportation requirements and other costs associated with the network.

This follow-up report focuses on whether there were opportunities for the U.S. Postal Service to save money by reducing the number of highway round-trips originating at the San Francisco MTESC. The San Francisco MTESC provides service to San Francisco, Oakland, Sacramento, and other geographical locations in the Postal Service's Pacific Area.

We concluded the Postal Service could save approximately $968,386 over the term of existing contracts by canceling, not renewing, or modifying 77 round trips originating at the San Francisco MTESC. The trips could be eliminated without affecting customer service by consolidating loads to more fully utilize trailer capacity and by stopping the inappropriate shipment of serviceable over-the-road containers. Further, we concluded that during 2004 and 2005, the Postal Service may have missed an opportunity to save an additional $123,254 because management did not comply with the Postal Service's over-the-road container processing policy. These amounts represent funds put to better use and questioned costs and will be reported as such in our *Semiannual Report to Congress*.

Management agreed with our recommendations. They agreed to eliminate 52 round trips by February 25, 2006, and agreed with the estimated annual savings of $471,890 associated with those trips. Management also agreed to eliminate six trips and reevaluate the need for additional 10 trips by April 1, 2006, when they will provide an update of the annual savings. Further, management agreed to review the remaining nine recommended trip reductions in July 2006 to determine whether they can be eliminated without impacting service. Management's comments and our evaluation of these comments are included in the report.

The U.S. Postal Service Office of Inspector General (OIG) considers recommendations 1, 2, and 3 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Joe Oliva, director, Transportation, or me at (703) 248-2300.

E-Signed by Colleen McAnte
ERIFY authenticity with Approve

C McAntee

Colleen A. McAntee
Deputy Assistant Inspector General
for Core Operations

Attachments

cc: Paul E. Vogel
Anthony M. Pajunas
Dana L. Austin
Diane M. Guiuan
Ronald L. Washington
Steven R. Phelps

INTRODUCTION

Background

The mail transport equipment service center (MTESC) network is a system of 22 contractor-operated service centers designed to supply mailbags, carts, hampers, and other mail transport equipment to mail processing facilities nationwide. The service centers deliver equipment to users with dedicated transportation.

The original plan to create the network was presented to the U.S. Postal Service Board of Governors (BOG) in the Decision Analysis Report (DAR), *Mail Transport Equipment Service Center Network*, dated May 13, 1997. The DAR forecast costs exceeding $3.6 billion over 10 years and the BOG approved it in June 1997. The new network became fully operational in January 2000. From the outset, the new network was troubled by allegations of poor performance and excessive costs. As a result, the BOG asked the U.S. Postal Service Office of Inspector General (OIG) to evaluate the program.

The MTESC Network has dedicated transportation.

Our 2001 audit report identified $1 billion in potential MTE transportation cost overruns.

This MTE tractor-trailer was photographed in January 2005 near the San Francisco Bulk Mail Center (BMC).

Our audit report, *Mail Transport Equipment Service Center Decision Analysis Report, Performance and Financial Benefit* (Report Number TR-AR-01-003, dated May 4, 2001), concluded the network would not achieve the financial benefits anticipated by the DAR. We recommended, in part, that management reduce cost by analyzing transportation requirements and related costs associated with the network.

Postal Service Headquarters implemented our recommendation and is aggressively pursuing opportunities to reduce MTESC network costs. Network Operations Management transportation assessment teams, supplemented by area personnel, are currently analyzing network transportation costs in order to reduce operating expense and improve efficiency.

The MTESC network is a system of 22 contractor operated service centers designed to supply equipment to mail processing facilities nationwide.

Photograph of the San Francisco MTESC, January 2005.

Objectives, Scope, and Methodology

This audit is a follow-up to our May 4, 2001, report. Our objectives were to determine if management implemented our recommendations and whether there were additional opportunities to save money. This report focuses on San Francisco MTESC transportation requirements. The San Francisco MTESC provides service to mail processing facilities in San Francisco, Oakland, Sacramento, and other geographical locations in the Postal Service's Pacific Area.

During our work, we interviewed Postal Service Headquarters officials in Network Operations Management and Supply Management. We also interviewed officials, managers, and employees in the Pacific Area and at the San Francisco MTESC.

We used Postal Service computer-generated data to determine trip dispatch, arrival, and load efficiency; and to identify potential trips for consolidation or elimination. We observed and photographed operations and examined applicable Postal Service policies, procedures, and directives. We consulted with statisticians and other subject-matter experts. We also discussed our observations and conclusions with management officials and included their comments where appropriate. We performed our work in close coordination with the Network Operations Management transportation assessment team and area personnel.

We performed a site visit at the San Francisco MTESC from January 10 through 14, 2005. We provided preliminary results to area officials on January 19, 2005, and to headquarters' officials January 26, 2005. The Network Operations Management transportation assessment team performed a follow-up review of the San Francisco MTESC the week of February 1, 2005, and identified similar opportunities for significant trip reductions. We performed additional analytical work and coordination with area personnel through November 2005.

We conducted work associated with this report from January 2005 through March 2006 in accordance with generally accepted government auditing standards and included tests of internal controls considered necessary under the circumstances.

Data Limitations

During our audit, we examined computer data in management's Mail Transport Equipment Support System. We did not audit or comprehensively validate the data; however, we noted several control weaknesses that constrained our work. For example, the system had missing records and inaccurate trailer load volumes. Even though data limitations constrained our work, we were able to partially compensate by applying alternate audit procedures, including source document examination, observation, physical inspection, and discussion with responsible officials. We also applied conservative principles to our monetary impact estimates and, accordingly, always selected the most restrained assessment.

Prior Audit Coverage

Our report, *Mail Transport Equipment Service Center Network – Equipment Processing* (Report Number NL-AR-05-006, dated March 31, 2005), concluded the Postal

Service saved more than $7.2 million in processing costs from March 2002 through September 2004, in part because headquarters took aggressive and positive action in response to OIG recommendations. (See Appendix A.) Our report also concluded the Postal Service missed an opportunity to save an additional $1.4 million because all mail processing facilities did not quickly comply with headquarters' implementing instructions, and could still save $628,000 over the next 2 years if all facilities implement headquarters' policy. We recommended management reemphasize over-the-road (OTR) container processing policy. Management agreed with our recommendation and issued additional instructions on March 23, 2005. (See Appendix B.)

Our report, *Mail Transport Equipment Service Center Network – Highway Transportation Routes – New York Metro Area* (Report Number NL-AR-05-014, dated September 28, 2005), concluded the Postal Service could avoid costs totaling approximately $741,000 over the term of existing contracts by eliminating 49 round trips originating at the Long Island MTESC. The Postal Service could eliminate trips without affecting customer service by consolidating loads to more fully utilize trailer capacity and by stopping the inappropriate shipment of serviceable OTR containers. Further, we concluded that during 2004 and 2005, the Postal Service may have missed an opportunity to save about $285,000 because management did not comply with the Postal Service OTR container processing policy. We recommended Postal Service evaluate the 49 trips we proposed for termination, terminate the trips, or document the reasons for retaining the trips. Management agreed with our recommendation.

AUDIT RESULTS

Highway Contract Management

The Postal Service could save approximately $968,386 over the term of existing San Francisco MTESC highway contracts by canceling, not renewing, or modifying 77 unnecessary round trips. Further, the Postal Service may have missed an opportunity to save an additional $123,254 because the San Francisco BMC did not comply with the OTR container processing policy. The affected trips originated from and returned to the San Francisco MTESC.

Postal Service policy requires transportation managers to balance service and cost and precludes managers from sending serviceable OTR containers to equipment service centers. The Postal Service could eliminate the 77 trips without affecting service because:

- Some trailer loads were not optimized and equipment could be consolidated on other trips.
- Some trips were scheduled primarily to return serviceable OTR containers the San Francisco BMC inappropriately sent to the MTESC.

The interior of an underutilized trailer arriving at the San Francisco MTESC, January 12, 2005.

The Postal Service could attain savings by not renewing unnecessary trips scheduled to expire within 1 year, or by canceling unnecessary trips currently contracted to continue beyond 1 year. See Figure 1 on the following page.

PROPOSED NONRENEWALS AND CANCELLATIONS BY REMAINING CONTRACT TERM

TRIP CATEGORY	AFFECTED TRIPS	NUMBER OF TRIPS	ESTIMATED SAVINGS
Contracts expiring within 1 year	16 percent	12	$361,642
Contracts with more than 1 year remaining	84 percent	65	$606,744
All terminated trips	100 percent	77	$968,386

Figure 1

Cooperative Effort

As a result of our continuing efforts to partner with and bring value to the Postal Service, we had ongoing communication with Pacific Area officials throughout our audit. We provided the Pacific Area officials with a list of our specific trip proposals and the officials reviewed each proposal in conjunction with their own assessment of area-wide network requirements. After the area's review, we discussed our proposals and area operational needs with area officials and made appropriate adjustments. As a result of our cooperative effort, the area agreed with the 52 proposals outlined in Appendices C and D and agreed to reassess the 25 trips listed in Appendix E, which managers feel are still necessary.

These serviceable OTR containers were prepared for shipment to the San Francisco MTESC on January 12, 2005.

Postal Service policy precludes serviceable OTR containers from being returned to the MTESC. The policy stipulates that only containers requiring repair are to be returned.

Trips scheduled to return serviceable containers are not needed and result in unnecessary expenditures.

In 15 of the 25 cases where managers felt the trips were still necessary, officials explained that the trips were needed to return serviceable OTR containers the San Francisco BMC sent to the MTESC. However, the Postal Service's March 2002 policy states that serviceable OTR containers are to remain exclusively within the BMC network and only containers requiring repair are to be shipped to service centers. (See Appendices A and B.) Our trip cancellation proposals are summarized below:

Area position conflicts with Postal Service policy. (See Appendices A & B.)

**PROPOSED TRIP ELIMINATIONS
BY ELIMINATION CATEGORY**

ELIMINATION CATEGORY	NUMBER OF TRIPS	APPENDIX	SAVINGS
Postal Service identified trip cancellations or modification during the audit.	21	C	$400,427
Proposed trip eliminations with which area officials agreed.	31	D	$432,538
Proposals with which managers disagreed.	10	E	$67,231
Trips officials felt were needed to return serviceable OTR containers.	15	E	$68,190
Total	77		$968,386

Figure 2

During our on-site inspection from January 10 through 14, 2005, we inspected 133 incoming OTR containers to determine compliance with Postal Service policy. Only eight required repair while 125 were serviceable and had been inappropriately shipped to the MTESC for storage and reissue.

Our examination of Postal Service records indicated that from January 1, 2004, through October 13, 2005, the San Francisco MTESC operated at least 2,004 trips to return OTR containers the San Francisco BMC inappropriately sent to the MTESC. As a result, the Postal

Service may have missed an opportunity to save more than $123,000 because the BMC did not comply with headquarters OTR container policy. See Figure 3 below.

UNNEEDED COST OF SHIPPING SERVICEABLE OTR CONTAINERS FROM THE SAN FRANCISCO BMC TO THE SAN FRANCISCO MTESC

Time Period	Number of Round Trips	Cost Per Round Trip	Missed Savings Opportunity
January 1, 2004 through June 30, 2005	1,621	$59.59700	$96,607
January 1, 2004 through June 30, 2005	51	$104.41064	$5,325
July 1, 2005 through October 13, 2005	285	$56.82523	$16,195
July 1, 2005 through October 13, 2005	47	$109.08436	$5,127
Total	2,004		$123,254

Figure 3

Although Network Operations Management officials continually strive to optimize transportation with aggressive cost-cutting efforts such as their MTESC network cost and efficiency assessments, transportation requirements are dynamic and constantly change. We discussed each of the suggested trip eliminations with area officials and reconsidered their service requirements.

Based on our examination of scheduled shipments and our physical examination of trailer utilization for the proposed trip eliminations, we continue to believe the potential for trip cancellation and savings exists, without jeopardizing service or operational flexibility.

Recommendation

We recommend the vice president, Pacific Area Operations:

1. Verify the actual cancellation, modification, or substitution of the 21 trips management identified during our audit.

Recommendation	We recommend the vice president, Pacific Area Operations: 2. Verify the actual cancellation, modification, or substitution of the 31 trips with which Postal Service managers agreed and provide the date action was taken.
Management's Comments	Management agreed with recommendations 1 and 2 and the estimated savings, and stated they would make the proposed trip reductions by February 25, 2006.
Recommendation	We recommend the vice president, Pacific Area Operations: 3. Reassess the 25 trips which Postal Service managers still feel are necessary and cancel or modify the trips as indicated by the reassessment or document the reasons for retaining the trips.
Management's Comments	Management agreed to eliminate six trips and reevaluate the need for an additional 10 trips by April 1, 2006, when they will provide an update of the annual savings. Further, management agreed to review the remaining nine recommended trip reductions by July 2006 to determine whether they can be eliminated without impacting service.
Evaluation of Management's Comments	Management's comments are responsive to our findings and recommendations 1, 2, and 3. We consider management's actions, taken or planned, sufficient to address the recommendations we made in our report.

APPENDIX A. OTR CONTAINER POLICY LETTER

PATRICK R. DONAHOE
CHIEF OPERATING OFFICER
AND EXECUTIVE VICE PRESIDENT

UNITED STATES POSTAL SERVICE

March 1, 2002

VICE PRESIDENTS, AREA OPERATIONS
MANAGER, CAPITAL METRO OPERATIONS

SUBJECT: Bulk Mail Center (BMC) Over-The-Road Container (OTR) Management

Control of bulk mail center (BMC) over-the-road containers (OTR) is being transferred from the mail transport equipment service center (MTESC) network to the BMC network. These containers will either be in continuous use during the normal part of the year or they will be stored when necessary. This will eliminate the redistribution of BMC OTRs by the MTESC network. The MTESC network will retain the responsibility for repair of OTRs. All processing operations must be vigilant about red-tagging damaged and unsafe containers (in accordance with Postal Operations Manual paragraph 583.11).

With more than 216,000 OTRs in service, there is a sufficient supply of containers for each BMC to manage its local operations. Over-the-road containers are for the exclusive use between the BMCs and the processing and distribution centers/facilities (P&DC/F) within the BMC service area. An exception to this rule is the newer P&DC/F sites, which have BMC/OTR processing equipment. Inter-BMC or inter-area dispatches are not authorized, unless adequate and workable "closed loops" have been established. Where imbalances exist, the BMC network will be responsible for relocating OTRs from surplus areas to deficit ones using existing transportation. Transporting mail in OTRs instead of Postal Paks to deficit BMCs will also help to relocate surplus units. Reciprocal agreements also exist between BMCs to exchange non-machineable outsides either in OTRs or cardboard boxes. The MTESC network can provide order information and data to BMC managers concerning "leakage" of OTRs to other operations. Over-the-road containers should not be used for merchandise return operations.

The MTESC network sorts used cardboard boxes in two sizes, small and large. All processing operations should attempt to take advantage of this resource. The MTE organization encourages the return of raw MTE to the MTESC network using these boxes. Using a combination of unprocessed MTE types can maximize truck density.

The MTESC network has previously supplied OTRs nationwide, but the costs (over $9 million for standing transportation and more than $4 million for processing BMC containers) have become prohibitive. Every effort must be made to keep OTRs circulating for the benefit of the entire mail processing and distribution network. The distribution network office must make the appropriate MTESC standing order and highway contract changes. This transfer will be effective March 18.

If you should have further questions, please contact Regina Wesson at (202) 268-4376.

Patrick R. Donahoe

cc: Managers, Operations Support (Area)
Managers, Bulk Mail Centers

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APPENDIX B

REEMPHASIS OF OVER-THE-ROAD CONTAINER POLICY LETTER

Attachment #1

PATRICK R. DONAHOE
CHIEF OPERATING OFFICER
AND EXECUTIVE VICE PRESIDENT

UNITED STATES
POSTAL SERVICE

March 23, 2005

VICE PRESIDENTS, AREA OPERATIONS
MANAGER, CAPITAL METRO OPERATIONS

SUBJCT: Compliance of Bulk Mail Center, Over-The-Road Container Management

The Office of Inspector General recently completed an audit of OTR container usage throughout the Mail Transport Equipment Service Center (MTESC) network. The audit was undertaken to measure compliance to the policy letter issued on March 1, 2002. The policy states that the OTR was designed to be used exclusively within the bulk mail center network and only OTRs requiring repair (those red tagged) should be shipped to the MTESC. The audit completed in February 2005, shows the MTESC network and the percent reduction in OTRs process as of September 2004 (see attached data).

Overall, the data depicts a positive trend in compliance; however, there is still room for improvement and a savings within your areas. Please review the data and ensure postal plants within your area are in compliance with the national policy for OTR usage.

Patrick R. Donahoe

Attachment

cc: Paul Vogel
Tony Pajunas
Walter OTormey
Jaime Fuentes

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APPENDIX C. TRIP ANALYSIS DETAIL
TRIPS IDENTIFIED BY POSTAL SERVICE MANAGERS DURING AUDIT WORK

Highway Contract Route	Destination Point	Contract Term	OIG Proposed Weekly Round Trip Eliminations	Total Projected Savings On Contract
948AK	San Jose Processing and Distribution Center		8	$123,387
948AK	Burke Street Warehouse		5	$ 33,351
	TOTALS FOR 948AK	**06/14/2005 – 6/13/2007**	**13**	**$156,738**
948CK	Stockton Processing and Distribution Center		3	$ 86,519
948CK	Marysville Processing and Distribution Center		5	$157,170
	TOTAL FOR 948CK	**05/29/2004-05/26/2006**	**8**	**$243,689**
	TOTAL IDENTIFIED BY MANAGEMENT		**21**	**$400,427**

APPENDIX D. TRIP ANALYSIS DETAIL
PROPOSED TRIPS POSTAL SERVICE MANAGEMENT AGREED TO ELIMINATE

Highway Contract Route	Destination Point	Contract Term	OIG Proposed Weekly Round Trip Eliminations	Total Projected Savings on Contract
948AK	North Bay Processing and Distribution Center		5	$ 54, 707
948AK	Fresno Processing and Distribution Center		2	$100,977
948AK	Oakland Processing and Distribution Center		12	$ 61,694
948AK	San Jose Processing and Distribution Center		4	$ 61,694
948AK	San Francisco International Service Center		1	$ 8,305
948AK	San Francisco Air Mail Center		2	$ 17,453
948AK	San Francisco Mail Processing Annex		1	$ 9,755
	TOTAL AGREED TO FOR 948AK	**06/14/2005-06/13/2007**	**27**	**$314,585**
948CK	Marysville Processing and Distribution Center		1	$31,434
948CK	Stockton Processing and Distribution Center		3	$86,519
	TOTAL AGREED TO FOR 948CK	**05/29/2004-05/26/2006**	**4**	**$117,953**
	TOTAL AGREED TO BY MANAGEMENT		**31**	**$432,538**

APPENDIX E. TRIP ANALYSIS DETAIL
PROPOSED ELIMINATIONS POSTAL SERVICE MANAGEMENT DISAGREED

Highway Contract Route	Destination Point	Contract Term	OIG Proposed Weekly Round Trip Eliminations	Total Projected Savings On Contract
948AK	San Francisco Processing and Distribution Center		10	$67,231
	TOTAL FOR 948AK	**06/14/2005 – 6/13/2007**	**10**	**$67,231**
948BK	San Francisco BMC		15	$68,190
	TOTAL FOR 948BK (OTRs)	**07/01/2005- 06/30/2007**	**15**	**$68,190**
	TOTAL DISAGREED TO BY MANAGEMENT		**25**	**$135,421**

APPENDIX F. MANAGEMENT'S COMMENTS

AL INIGUEZ
VICE PRESIDENT
PACIFIC AREA

UNITED STATES
POSTAL SERVICE

February 13, 2006

KIM H. STROUD
DIRECTOR, AUDIT REPORTING
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Audit Report Number (Nl-Ar-06-Draft) Mail Transport Equipment Service Center Network Highway Transportation Routes – San Francisco

We are in agreement with the recommendations referenced in the NL-AR-06 Draft Audit Report of the San Francisco MTESC network as outlined in the following:

APPENDICES C & D:

We support both OIG and Headquarters' recommendation to review and revise all Standing Orders according to their suggestions. In addition, we supported the recommendations in Appendices C & D of the OIG Draft Audit that recommends the elimination of 52 round trips for an annual savings to the Pacific Area's highway transportation budget of $471,890 as indicated below:

		APPENDIX C	APPENDIX D		
Highway Contract Route	Destination Point	USPS Identified	OIG Proposed Weekly Round Trip Eliminations	Total Eliminated	Actual Annual Savings
948AK	North Bay P&DC	0	5	5	$ 31,311
948AK	Fresno P&DC	0	2	2	$ 57,793
948AK	Oakland P&DC	0	12	12	$ 35,309
948AK	San Jose P&DC	8	4	12	$ 105,928
948AK	San Francisco ISC	0	1	1	$ 4,753
948AK	San Francisco AMC	0	2	2	$ 9,989
948AK	San Francisco PMA	0	1	1	$ 5,583
948AK	San Francisco - Burke St. Warehouse	5	0	5	$ 19,088
	948AK TRIP REDUCTION & SAVINGS	**13**	**27**	**40**	**$ 269,754**
948CK	Stockton P&DC	3	3	6	$ 96,718
948CK	Marysville P&DC	5	1	6	$ 105,418
	948CK TRIP REDUCTIONS & SAVINGS	**8**	**4**	**12**	**$ 202,136**
	TOTAL MTESC TRIP REDUCTIONS & SAVINGS	**21**	**31**	**52**	**$ 471,890**

The service changes to eliminate the above-referenced trips on 948AK and 948CK were submitted to the contracting with an effective date of the new contract of February 25, 2006.

APPENDIX E – Proposed Eliminations Postal Service Management Disagreed With

Appendix E proposes the elimination of 10 trips from the MTESC and the San Francisco Processing & Distribution Center. During the discussion meeting, the Distribution Networks staff

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disagreed with the proposed elimination of these trips. We will re-evaluate the need for these ten (10) trips by April 1, 2006 and make a determination if additional trips can be eliminated. We acknowledge that your recommendations are conservative, but we need this additional time to assess the impact of the elimination of the Burke Street Warehouse on the San Francisco operation as Burke Street previously housed and processed most of their MTE.

After further review of the data and recommendations outlined in Appendix D that suggests the removal of 15 trips between the MTESC and the BMC, we agree to remove 6 trips per week (1 per day) by April 1, 2006 at which time we will provide an update of the annual savings. We have concerns with the elimination of the remaining nine (9) trips for the following reasons:

- Necessary to move unprocessed MTE generated at the BMC
- Needed to move the MTE that the BMC receives from Honolulu, Eureka and Redding
- The MTESC provides mail transport equipment for Quebecor World via trips into the BMC
- The MTESC uses the return trips into the BMC to load serviceable empty OTR's erroneously sent to the MTESC, or the trailers are dispatched empty to the BMC to pick up the unprocessed MTE from the BMC

We agree with the OIG and the HQ policy that the serviceable OTR's should never go to the MTESC. We have been monitoring inbound trips at the MTESC since the OIG audit and will continue to monitor the inbound trailers to keep the serviceable OTR's out of the MTESC. In addition, we will again reissue the Pacific Area Standard Operating Procedure (SOP OS-04-01) to clarify and standardize the instructions for ordering, reporting, transporting, recycling, and to reinforce the policy not to send unprocessed MTE in OTR's into the MTESC. This will be completed by February 17, 2006.

In July, 2006 we agree to review the need for the remaining nine (9) trips to determine if they can be eliminated without impacting the MTESC's ability to service the BMC, Eureka, Redding and Quebecor's MTE needs.

We acknowledge that the OIG calculates the possible savings of $968,386 is based on the remaining term of contracts 948AK, 948BK and 948CK.

We appreciate and support your efforts to improve efficiencies and reduce costs. Please direct and questions to Jill Navarrette, Transportation Budget & Financial Analyst, Distribution Networks at (510) 292-2426.

Al Iniguez

Attachment

cc: Paul E. Vogel
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Diane M. Guiuan
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