

March 30, 2001

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VICE PRESIDENT, NETWORK OPERATIONS
MANAGEMENT

KEITH STRANGE
VICE PRESIDENT, PURCHASING AND MATERIALS

SUBJECT: Leased Trailer Deficiencies in the New York
Metro Area (Report Number TR-MA-01-001)

This management advisory report presents our observations of leased trailer deficiencies in the New York Metro Area (Project Number 00PA032TR001). The report identifies deficiencies we observed during an audit of the safety and security of the Postal Service's leased trailer fleet.

Results In Brief

In July 2000, we observed certain trailers in the New York Metro Area that appeared to be unsafe, in substandard condition, and had a deteriorated appearance that could reflect poorly on the Postal Service. In addition, discussions with New York Metro Area officials revealed that the New York Metro Area had six leased trailer contracts not included on the Postal Service Headquarters list compiled for potential consolidation at the national level. We provided four suggestions regarding safety and the use of trailers for equipment storage. Management agreed with our observations and suggestions and the actions planned and taken address the issues identified in the report. Management's comments in their entirety are included in the appendix of this report.

Background

Hauling by trailer is one of the most cost-effective ways to move large volumes of mail. Everyday, trucking contractors haul trailers to and from postal facilities, and the plants of large customers. The Postal Service has almost 15,000 trailers. Over 10,000 are leased. The Postal Service spends more than \$40 million per year on leased trailers.

In May 2000, we initiated an audit to evaluate the safety and security of the Postal Service's leased trailer fleet, and to identify opportunities for cost savings. In July 2000, we visited the New York Metro Area and observed trailers that were not within our sampling population. Officials from the Distribution Networks office told us some of the trailers were acquired under a March 1999, locally negotiated, 4-year contract at a cost of \$3 million per year. Management stated the contract would expire in March 2003 and was negotiated apart from the national contract because costs were significantly lower.

Because the trailers we observed were in poor condition, which could compromise the safety of personnel and the mail, and their deteriorated appearance reflected poorly on the Postal Service, we decided to conduct a limited review of the trailers and the contract.

**Objectives, Scope,
and Methodology**

This report is intended to communicate the deficiencies we observed. Our objectives were to assess the safety and use of the trailer fleet. We did not audit or comprehensively review the New York Metro Area leased trailer contract, nor did we comprehensively inspect all trailers acquired under it. We are providing this report so action can be taken to correct problems we identified in July 2000, and during our follow-up visit in October 2000.

We interviewed New York Metro Area officials and took pictures of some trailers to show their deteriorated appearance. We also reviewed the contract and contract files.

Safety

In July 2000, we observed certain trailers in the New York Metro Area that appeared to be unsafe and in a substandard and deteriorated condition that could reflect poorly on the Postal Service. We brought these issues to the attention of management and in October 2000, we returned to the New York Metro Area for a follow-up visit. Officials told us that since our initial visit, they had completed trailer inspections and found that 239 of the 1,300 trailers leased under the local contract were unsafe, required repair, or needed to be completely refurbished. Specifically, officials reported that trailers were up to 30-years-old, and that many had:

- Excessive rust, which reflected poorly on the Postal

Service and could damage trailer structure.

- Bald tires.
- Expired inspection stickers.
- Missing load restraint systems that could cause cargo to suddenly shift during transit and cause damage to the trailer or to the mail.
- Damaged safety cross bars that could lead to personal injury by allowing vehicles to slide under the trailer.
- Rotting floorboards that could cause injury to personnel loading and unloading the trailer.

Photographs of substandard trailers are illustrated in Appendix A.

In addition to the unsafe conditions identified by the New York inspections, we identified the following contract related safety problems:

- The contractor was unable to provide maintenance history files, including safety compliance records, as required by the contract, which could account for the poor condition of the trailers.
- Despite unsafe, substandard appearance, many trailers had valid inspection stickers that were affixed by the trailer owner after a safety inspection was performed by the trailer owners.
- The contractor returned a “refurbished” trailer to service with a bald tire.

Suggestion	We suggest the vice president, Purchasing and Materials: 1. Require the contractor to meet contract provisions regarding trailer safety, maintenance, and appearance.
Management's Comments	Management agreed with our suggestion and stated they would coordinate with the vice president, New York Metro Area, to ensure that locally leased trailers meet federal and Postal Service safety requirements and are maintained in a manner that reflects favorably on the Postal Service.

Suggestion	2. Follow up to ensure contractor compliance, and if none, consider cancellation of the contract.
Management's Comments	Management agreed with our suggestion. Management stated that 300 trailers had been completely refurbished and now meet safety standards; an additional 173 trailers had been inspected and returned to the contractor because they were unacceptable, and that the Postal Service was continuing to inspect trailers and remove them from inventory if they did not meet safety or appearance standards.
Evaluation of Management's Comments	Management's comments are responsive to our observations and suggestions. We believe the actions taken and planned should correct the issues identified in our report.
Trailer Use	In addition to safety issues, discussions with New York Metro Area officials revealed that the New York Metro Area had six leased trailer contracts not included on the Postal Service Headquarters' list compiled for potential consolidation at the national level. The six contracts involved a total of 2,461 trailers. Officials stated that since our initial July 2000 visit to the New York Metro Area, they had performed a survey of trailer usage and identified 1,023 trailers, or more than 41 percent of trailers they leased for transportation, that were being used for equipment storage. Officials stated they believed this situation indicated facilities were hoarding excess equipment, had inadequate storage, and were paying for trailers not needed.
Suggestion	<p>We suggest the vice president, Network Operations Management:</p> <p>3. Evaluate equipment and storage requirements in the New York Metro Area.</p>

Management's Comments	Management agreed with our suggestion and stated the New York Distribution Network manager would take immediate steps to correct long-standing problems with mail transport equipment and equipment storage, including a review of all mail transport equipment standing orders. This should allow them to reduce the number of orders, as well as, the number of trailers used to store mail transport equipment.
Suggestion	4. Prohibit storing equipment in trailers leased for transportation.
Management's Comments	Management agreed with our suggestion and stated that local operating guidelines for using trailers to store equipment were not sufficient, and that management would reestablish guidelines to reduce the storage of mail transport equipment in trailers.
Evaluation of Management's Comments	<p>Management's comments are responsive to our observations and suggestions. We believe the actions taken and planned should correct the issues identified in our report.</p> <p>We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Joe Oliva, director, Transportation, or me at (703) 248-2300.</p> <p>Debra S. Ritt Assistant Inspector General for Business Operations</p> <p>Attachment</p> <p>cc: Anthony M. Pajunas J. Dwight Young John R. Gunnels</p>

APPENDIX A. PHOTOS OF POSTAL SERVICE LEASED TRAILERS



Picture 1: Trailer with excessive rust and damaged cross bar that protects vehicles from sliding under the trailer.



Picture 2: Trailer with excessive rust that reflects poorly on the Postal Service.



Picture 3: Trailer with damaged door unfit for transportation.



Picture 4: Trailer with damaged and missing load restraint system panels on the sides of trailer, which are used to secure mail or other cargo.



Picture 5: Trailer with inside bald tire.



Picture 6: Trailer used to store empty mail transport equipment. Also note rotting floorboards and excessive rust.

APPENDIX B. MANAGEMENT'S COMMENTS



March 30, 2001

DEBRA S. RITT

SUBJECT: Transmittal of Draft Management – Leased Trailer Deficiencies in the New York Metro Area (Report Number TR-MA-01-DRAFT)

This is in response to your findings and suggestions in the subject draft report, dated February 26, concerning leased trailer deficiencies in the New York Metro Area.

Safety

Suggestion #1: Require the contractor to meet contract provisions regarding trailer safety, maintenance, and appearance.

We agree with this suggestion, and we are coordinating with the vice president, New York Metro Area, to ensure that locally leased trailers meet federal and Postal Service safety requirements and are maintained in a manner that reflects favorably on the Postal Service.

The New York Metro Area has embarked on a safety inspection review initiative which involves having every New York Metro Area Plant Manager conduct a safety inspection of all leased trailers in the trailer numbering sequence beginning with 7024xxx and 5024xxx. These 1,368 trailers (out of a total number of 3,180 currently under a lease agreement) are the trailers that are a part of the area common fleet, which were built prior to 1995. These trailers are the focal point of the review as they are the aging, older-model trailers that have been identified as having a longer than normal industry shelf-life standard. The remaining 1,812 trailers are all trailers built between 1995 and 1999.

Suggestion #2: Follow up to ensure contractor compliance and, if none, consider cancellation of the contract.

We agree with this suggestion. The supplier has completely refurbished approximately 300 trailers and those refurbished trailers have met our safety standards. In addition, there are an additional 173 trailers that have been returned to the supplier and been "off the clock," because the trailers have been deemed as unacceptable to the Postal Service. As part of an ongoing effort, we are removing trailers from the inventory as quickly as our Area Processing and Distribution Centers identify them as not meeting our safety or appearance standards.

Trailer Use

Suggestion #3: Evaluate equipment and storage requirements in the New York Metro Area.

We are in agreement with this suggestion. We have contacted the New York Distribution Network (DN) Manager, who advised us that they have been diligently working this effort for several years. They attribute the problem to the deployment of additional capital equipment that both requires additional mail transport equipment (MTE) to support it and takes up valuable work floor space that previously was used to stage MTE. The DN personnel will begin to take immediate steps to find a sound business solution to this long-standing problem, including but not limited to a review

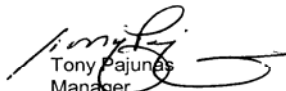
of all standing orders with the MTEC for the purpose of reducing those orders where possible. This should result in the reduction of trailers used to store MTE.

Suggestion #4: Prohibit storing equipment in trailers leased for transportation.

We are in agreement with this suggestion. Further, we agree that local operating guidelines for using leased trailers for the storage of MTE must be more clearly defined. The DN Manager in New York will re-establish management guidelines to reduce the storage of MTE in trailers.



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