

# Effectiveness of Mail Transported by Air

## AUDIT REPORT

Report Number 26-033-R26 | July 1, 2026



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# Highlights

## Background

As part of its Delivering for America plan, the U.S. Postal Service announced several initiatives to improve transportation efficiency and decrease air transportation. The Postal Service estimated annual savings from these initiatives of about \$1.1 billion from surface transportation, and \$701 million from air transportation. In October 2021, the Postal Service extended First-Class Mail delivery standards to allow more volume to travel by surface and adjusted its primary air cargo contract in September 2024, to align with these initiatives. However, despite these changes, the Postal Service has increasingly relied on the air network to transport First-Class Mail and Marketing Mail.

## What We Did

Our objective was to evaluate the effectiveness of First-Class Mail and Marketing Mail transported by the air network. We analyzed air-assigned volume, service performance, and transportation costs. Additionally, we judgmentally selected four air stop locations and 12 associated mail processing facilities to conduct observations and interviews.

## What We Found

While the Postal Service has reduced overall transportation expenses, its new air cargo contract is not aligned with volume trends and network changes. The Postal Service did not properly forecast declining package volumes or impacts of subsequent network changes when establishing the volume requirements of its new air cargo contract. As a result, the Postal Service made the decision to transport First-Class Mail and Marketing Mail by air to avoid paying premiums. While the new contract offers benefits for the Postal Service, the volume requirement leaves the Postal Service with little choice but to fly First-Class Mail — even though this contradicts previous decisions to extend delivery standards to allow for surface transport — simply to meet contractual minimums and avoid even higher expenses. With the contract's long duration and the continued difficulty of meeting minimum volumes without relying on First-Class Mail, the Postal Service may want to assess its options moving forward, including whether the current agreement remains the most effective approach.

## Recommendations and Management's Comments

We made two recommendations to address issues with planning and forecasting and to align the air cargo contract with network changes. Postal Service management agreed with one recommendation and disagreed with the other. Management's comments and our evaluation are at the end of the finding and recommendations. The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to recommendation 1 as corrective actions should resolve the issues. We will pursue recommendation 2 through the audit resolution process. See [Appendix D](#) for management's comments in their entirety.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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July 1, 2026

**MEMORANDUM FOR:** PETER ROUTSOLIAS  
CHIEF LOGISTICS OFFICER AND EXECUTIVE VICE PRESIDENT

ROBERT CINTRON  
VICE PRESIDENT, LOGISTICS

*Mary K. Lloyd*

**FROM:** Mary K. Lloyd  
Deputy Assistant Inspector General  
for Operations, Performance & Services

**SUBJECT:** Audit Report – Effectiveness of Mail Transported by Air  
(Report Number 26-033-R26)

This report presents the results of our audit of the Effectiveness of Mail Transported by Air.

All recommendations require U.S. Postal Service Office of Inspector General's (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesy provided by your staff. If you have any questions or need additional information, please contact Todd Watson, Director, Network Processing, or me at 703-248-2100.

Attachment

cc: Postmaster General  
Corporate Audit Response Management

# Results

## Introduction/Objective

This report presents the results of our self-initiated audit of the Effectiveness of Mail Transported by Air (Project Number 26-033). Our objective was to evaluate the effectiveness of First-Class Mail and Marketing Mail transported by the air network. See [Appendix A](#) for additional information about this audit.

## Background

As part of its Delivering for America plan, the U.S. Postal Service announced several initiatives to optimize and improve transportation efficiency, including decreasing the use of costly air transportation, and increasing the use of less expensive surface transportation. To support this strategy, on October 1, 2021, the Postal Service adjusted First-Class Mail<sup>1</sup> service standards<sup>2</sup> to extend delivery by an additional one-to-two-days, allowing more volume to travel by surface. By shifting more volume to surface transportation, the Postal Service expected significant cost savings and improved predictability.

In April and July 2025, the Postal Service further adjusted First-Class Mail and Marketing Mail<sup>3</sup> service standards based on its regional processing and distribution centers<sup>4</sup> and regional transportation optimization<sup>5</sup> (RTO) initiatives. This change added

an additional day to single piece First-Class Mail<sup>6</sup> from post offices more than 50 miles from a regional processing and distribution center. In addition, Marketing Mail<sup>7</sup> standards were shortened to two days more than the applicable First-Class Mail service standard. According to the Postal Service, these initiatives and revised standards would enable it to balance the use of air and ground transportation, improve service, reduce costs, and enhance operational precision and efficiency across its processing and transportation networks. As a result, the Postal Service estimated annual savings of approximately \$1.1 billion from surface transportation, and \$701 million from air transportation.

“According to the Postal Service, these initiatives and revised standards would enable it to balance the use of air and ground transportation, improve service, reduce costs, and enhance operational precision and efficiency across its processing and transportation networks.”

1 The most used and cost-effective mailing service offered by the Postal Service for sending letters, postcards, and flats (large envelopes).

2 Service standards are delivery benchmarks for how long customers can expect it to take to deliver different types of mail and packages from origin to destination ZIP Codes.

3 Postal Service products and services over which the Postal Service exercises sufficient market power that it can effectively set their price with limited competition. This includes First-Class Mail and Marketing Mail.

4 The Postal Service plans to create a nationwide network of regional processing and distribution centers and local processing centers that will consolidate operations and reduce transportation among facilities.

5 An initiative designed to reduce the number of transportation trips to and from post offices more than 50 miles away from a regional processing and distribution center.

6 Single Piece First-Class Mail is mostly used by households and small businesses for personal and business correspondence and transactions such as bill payments.

7 Mailers use Marketing Mail to send flyers, circulars, and small packages at bulk prices with each mailing, meeting a minimum quantity of 200 pieces or 50 pounds of mail. The Postal Service adjusted Marketing Mail from a three-to-ten-day standard to a four-to-seven-day service standard.

The Postal Service also entered a new primary air cargo contract on September 30, 2024, that it expects will allow for more flexibility and better align its air network with Delivering for America transportation initiatives. The new agreement, valued at more than \$10 billion and effective through March 2030, uses a per cubic foot pricing structure tied to average daily volume. The Postal Service guarantees a minimum average volume of [REDACTED] cubic feet per day, with higher rates applying if volumes are [REDACTED] percent

above or below the negotiated average daily volume. Under the agreement, average daily volumes at or below [REDACTED] cubic feet or above [REDACTED] cubic feet trigger higher per unit pricing, with the most cost-effective pricing achieved at volumes between [REDACTED] and [REDACTED] cubic feet. When volumes are outside this threshold, the Postal Service pays up to an additional [REDACTED] more per cubic foot for all mail transported (see Table 1).

**Table 1. Example of Contract Pricing Structure at Selected Volume Levels**

Pricing Tier	Volume Thresholds	Price per Cubic Foot <sup>8</sup>	Potential Cost Based on Pricing Tier Minimum Volume <sup>9</sup>
Group 1 - Contractual Minimum Obligation	Minimum [REDACTED]	[REDACTED]	[REDACTED] <sup>10</sup>
Group 1 - Above Minimum	[REDACTED]	[REDACTED]	[REDACTED]
Group 2	[REDACTED]	[REDACTED]	[REDACTED]
Group 3	[REDACTED]	[REDACTED]	[REDACTED]

Source: Air Cargo Contract Attachment 8 Pricing and Office of Inspector General (OIG) analysis.  
 Note: Adjustments due to rounding.

“While the 2021 and 2025 service standard changes were intended to reduce the amount of mail transported by air, the Postal Service has been increasingly relying on the air network to transport First-Class Mail and Marketing Mail, rather than continuing to transport these products via surface.”

While the 2021 and 2025 service standard changes were intended to reduce the amount of mail transported by air, the Postal Service has been increasingly relying on the air network to transport First-Class Mail and Marketing Mail, rather than continuing to transport these products via surface. To evaluate why this is occurring, we analyzed data related to air-assigned volume, service performance, and transportation costs. Additionally, we judgmentally selected four air stop locations and 12 processing facilities to conduct observations and interview local Postal Service personnel. See [Appendix A](#) for additional information and the sites observed.

<sup>8</sup> Final contract rates may vary due to fuel modifications and are subject to financial reconciliation adjustment.

<sup>9</sup> Potential Cost was calculated by multiplying the maximum price per cubic foot by the minimum pricing tier volume threshold [REDACTED] for Group 1 minimum, [REDACTED] for Group 1 above minimum, [REDACTED] for Group 2, and [REDACTED] for Group 3.

<sup>10</sup> The Postal Service is required to pay for the minimum cubic foot volume, even if the actual volume transported is lower.

# Finding #1: New Air Cargo Contract Not Aligned With Network Changes and Volume Trends

While the Postal Service reduced overall transportation expenses, its new air cargo contract is not aligned with volume trends and network changes. The Postal Service transported First-Class Mail and Marketing Mail by air to help meet optimal contracted volume requirements and improve service. Specifically, the percentage of First-Class Mail three-to-five-day traveling by air went from 2 percent in the beginning of fiscal year (FY) 2025 to 50 percent by mid FY 2026. In addition, the Postal Service began moving Marketing Mail by air beginning in March 2025, a product historically transported by surface (see [Appendix B](#) for analysis and service performance of First-Class Mail and Marketing Mail transported by air).

The Postal Service made the decision to transport more First-Class Mail and Marketing Mail on the air network to avoid paying premium rates to its new primary air carrier. This occurred because the Postal Service did not properly forecast declining package volumes or impacts of subsequent network changes when establishing the volume requirements of its new air cargo contract. While the new contract offers benefits for the Postal Service, the volume

“The Postal Service transported First-Class Mail and Marketing Mail by air to help meet optimal contracted volume requirements and improve service.”

requirement has resulted in the Postal Service deciding to fly more First-Class Mail — even though this contradicts previous decisions to extend delivery standards to allow more mail to move by surface — simply to meet contractual minimums and avoid even higher expenses.

### New Contract Terms and Transportation Expenses

As noted in a prior audit,<sup>11</sup> the new air cargo agreement was more favorable to the Postal Service than its previous carrier contract. Specifically, with the new carrier, the Postal Service lowered costs, increased flexibility in planned capacities, and required a higher percentage of mail on time (see Table 2).

**Table 2. Comparison of Key Provisions in Air Cargo Contracts**

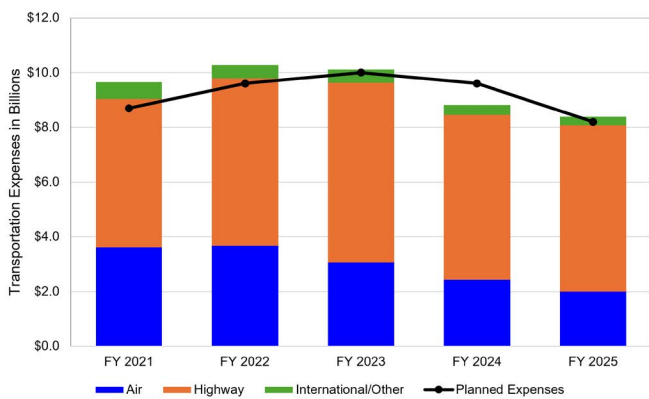
Provision	Previous Carrier	New Carrier	Change
Optimal Pricing	█ per cubic foot	█ per cubic foot	Lower per cubic foot rate
Planned Minimums	█ percent of average daily volume	█ percent of average daily volume	More flexibility planning committed volume
Planned Capacity	█ percent █ percent (peak)	█ percent █ percent (peak)	More flexibility for unplanned volume changes
Service Performance	█ percent	█ percent	Higher service performance requirement

Source: OIG analysis of Air Cargo Contracts identified in the *Assessment of Changes to Air Transportation Contracts* (Report Number 25-022-R25, dated June 23, 2025).

<sup>11</sup> *Assessment of Changes to Air Transportation Contracts* (Report Number 25-022-R25, dated June 23, 2025).

Through its new air contract and other initiatives, the Postal Service reduced total transportation expenses<sup>12</sup> from about \$10.1 billion in FY 2023 to about \$8.4 billion in FY 2025, resulting in annual savings of about \$1.7 billion (see Figure 1). Even with shifting more First-Class Mail and Marketing Mail to air transportation in FY 2025 to help meet optimal volume requirements, total transportation expenses continued to decrease but exceeded the Postal Service’s plan by about \$200 million, as reported in the *Fiscal Year 2025 Annual Report to Congress*, due to impacts from realigning the transportation network, including shifting mail back to air in the second half of FY 2025.

**Figure 1. Transportation Expenses for FY 2021 Through FY 2025**



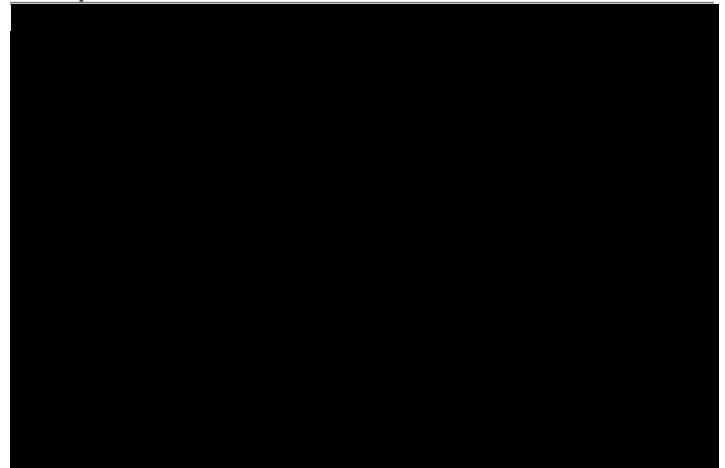
Source: FY 2021 to 2025 Annual Report to Congress and FY 2021 to 2025 Form 10-K.

While the Postal Service’s new air cargo contract delivered several important benefits, including lower rates, greater flexibility, and stronger service performance requirements, the full potential of these advantages was not fully realized as the volume requirements are not aligned with actual volume and operational realities.

### Inadequate Package Volume Forecasting

The Postal Service did not adequately account for declining Priority Mail<sup>13</sup> volume when establishing the minimum volume thresholds in the air cargo contract. Although the contract established an average minimum of [REDACTED] cubic feet per day, actual package volume averaged [REDACTED] cubic feet per day and met the minimum requirement in only 1 of 13 operating periods between December 30, 2024, and December 28, 2025. See Figure 2 for a comparison of mail volume to the contract minimum, which shows that low package volumes led the Postal Service to fly additional First-Class Mail and Marketing Mail.

**Figure 2. Average Air Network Daily Volume Compared to the Contract Minimum**



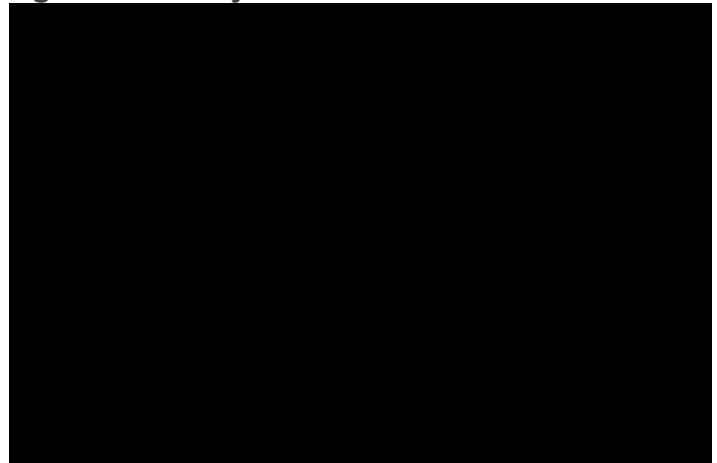
Source: Average daily assignment by mail class, provided by the Postal Service. Data was analyzed for October 8, 2024, through March 22, 2026 (Postal Service Operating Periods 2411 - 2603). Note: The volumes are estimated using density to cubic feet conversion factors. The identified package volume by air includes Priority Mail, Ground Advantage, oddly shaped or weighted packages, and international packages. The yellow bars show that package volumes fall short of the contract minimum (purple line), demonstrating that packages alone cannot meet the required minimum.

<sup>12</sup> Transportation expenses include only the contractual costs incurred to transport mail and other products between Postal Service facilities, including highway, air, and international transportation contracts, plus contract delivery services.  
<sup>13</sup> Priority Mail is an expedited service with a two-to-three-day service standard.

Prior to the contract announcement in April 2024, Priority Mail volume declined by about 54 percent, and continued to decline by about 31 percent in the period following the announcement (see Figure 3).<sup>14</sup>

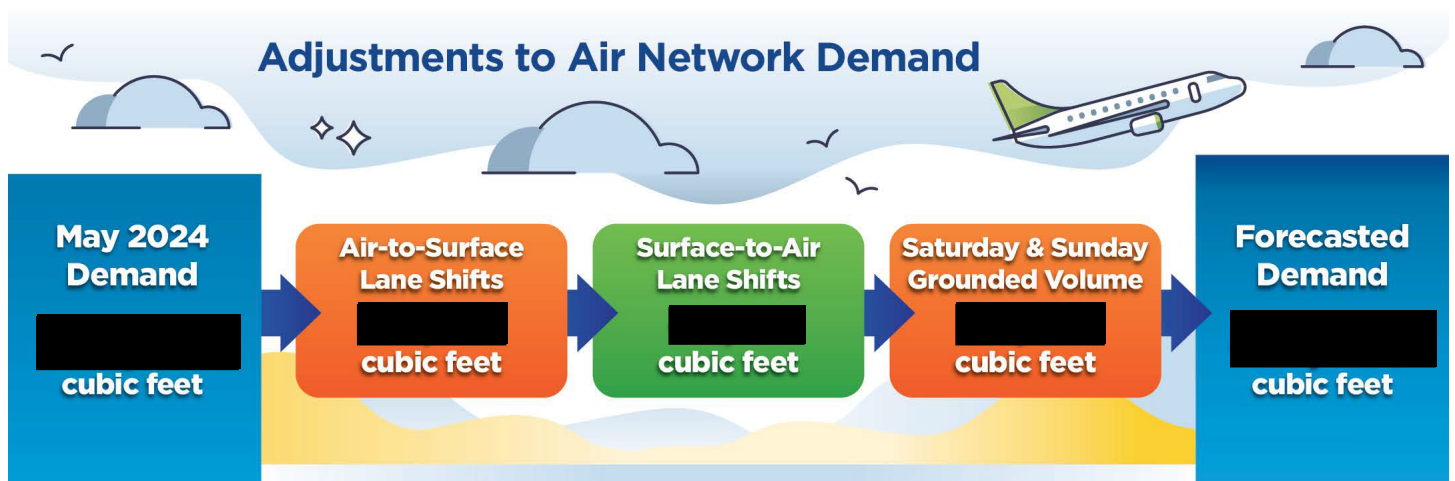
Postal Service management stated that, during contract negotiations, it did not apply a decline factor specific to Priority Mail and instead forecasted an overall 2 percent increase in average daily volume (see Figure 4).

**Figure 3. Priority Mail Volume**



Source: Informed Visibility and OIG analysis.

**Figure 4. Average Daily Demand Forecast for New Air Cargo Contract**



Source: Postal Service provided data and OIG analysis.

**Network Changes Service Impacts**

Operational changes and the implementation of RTO and Regional Transfer Hubs<sup>15</sup> also increased the Postal Service’s reliance on transporting First-Class Mail and Marketing Mail by air to meet volume minimums and improve service performance. Specifically, beginning in January 2025, the Postal Service moved previously low-performing

Priority Mail 2-Day Air to the surface network<sup>16</sup>, and started transporting all Ground Advantage nonmachinable outsides (NMO)<sup>17</sup> and some Priority Mail NMOs by surface in February 2025. Postal Service management also stated that certain RTO First-Class Mail was shifted to air transportation to help meet service standards.

<sup>14</sup> We reviewed originating Priority Mail data for the period before the contract announcement, from April 2021 through March 2024, and for the period after the announcement, from April 2024 through March 2026.  
<sup>15</sup> Reduces origin separations and moves mail across the country where it is then sorted for destinating facilities.  
<sup>16</sup> Prior to the contract announcement in April 2024, Priority Mail two-day air service met its performance target only twice between July 2023 to April 2024 and did not meet the target from May 2024 through December 2024.  
<sup>17</sup> NMOs are parcels or mailpieces that — due to size, weight, or other characteristics — cannot be sorted by mechanized mail processing equipment and must be handled manually.

### Contract Structure and Pricing Limitations

As the contract’s minimum volume requirements do not reflect declining package volumes or ongoing network changes, the Postal Service made the decision to add First-Class Mail and Marketing Mail to its air network to avoid incurring significant additional costs.

To assess the financial impact of the contracted minimums, we conducted an analysis to determine

how much additional cost the Postal Service would have incurred had it not used First-Class Mail and Marketing Mail to supplement package volumes and meet the contract’s minimum thresholds. We found transporting only packages by air would have increased total transportation costs by over \$127 million and left more than 31.7 million cubic feet of paid-for air capacity unused (see Table 3 and Appendix C for additional information).

**Table 3. OIG Estimated Package Air and Additional Surface Transportation Costs by Operating Period**

Actual Air Carrier Payment	Estimated Package Air and Additional Surface Transportation Costs	Cost Difference
██████████	██████████	\$127,362,946

Source: Postal Service provided data, air cargo contract, Contract Logistics Enterprise Acquisition Resource database, and OIG analysis.

These results show the contracted volume requirements are misaligned with operational realities. This avoids higher contract expenses but contradicts previous decisions to extend delivery standards to allow more mail to move by surface.

Further, even after adding First-Class Mail and Marketing Mail to the air network, the Postal Service still fell below optimal pricing minimum average daily volumes on the air network in at least three operating periods.<sup>18</sup> In these three operating periods, the Postal Service could have saved at least \$54.1 million by transporting more volume on the air network to achieve optimal pricing (see Table 4).

**Table 4. Group 2 Pricing Potential Savings for Calendar Year 2025**

Operating Period <sup>19</sup>	Average Daily Volume	Group 1 Price per Cubic Foot	Actual Cost (In Millions)	Group 2 Price per Cubic Foot	Potential Group 2 Cost	Potential Savings (In Millions)
2501	██████████	██████	██████	██████	██████	\$19.5
2502	██████████	██████	██████	██████	██████	\$16.6
2503	██████████	██████	██████	██████	██████	\$17.9
<b>Total</b>						<b>\$54.1</b>

Source: Postal Service provided data and OIG analysis.  
Note: Adjustments due to rounding.

<sup>18</sup> In calendar year 2025, each operating period consisted of four consecutive weeks comprising 23 or 24 operating days. The Postal Service may have fallen into a ██████████ but this has not been fully resolved at the time of this report.

<sup>19</sup> Operating period 2501 was December 30, 2024, through January 26, 2025 (23 operating days). Operating period 2502 was January 27, 2025, through February 23, 2025 (24 operating days). Operating period 2503 was February 24, 2025, through March 23, 2025 (24 operating days).

Postal Service management stated that it attempted to re-adjust the target planned capacity<sup>20</sup> in June 2025 however, [REDACTED]

The Postal Service's inadequate forecasting of Priority Mail volumes and not planning for anticipated network changes when agreeing to the new 5.5-year air cargo contract has resulted in the contract not fully aligning with operational needs, resulting in increased First-Class Mail and Marketing Mail being transported on the air network to remain cost-effective. Postal Service management stated it expects to continue transporting First-Class Mail and Marketing Mail through the air network to meet contracted minimums. If package volumes continue to trend downward, the Postal Service will likely shift even more First-Class Mail and Marketing Mail into the air network to avoid higher costs even though that is inconsistent with the longer-term goal of reducing reliance on high-cost air transportation. Further, when the Postal Service extends service standards to enable surface transportation, only to later shift those mail classes back to the air network, it diminishes stakeholder confidence that operational changes are resulting in long-term cost savings. With the contract's long duration and the continued difficulty of meeting minimum volumes without relying on First-Class Mail, the Postal Service may want to further assess its options moving forward, including whether the current agreement remains the most effective approach.<sup>22</sup>

### Recommendation #1

We recommend the **Vice President, Logistics**, develop a plan to improve forecasting for the air network model when determining future contracted volume estimates.

### Recommendation #2

We recommend the **Chief Logistics Officer and Executive Vice President**, in coordination with the **Vice President, Logistics**, conduct an updated cost-benefit analysis to determine whether terminating the current contract and pursuing a new air cargo contract with a shorter base term with option years would provide the needed flexibility to align contracted air capacity with ongoing volume and network changes.

### Postal Service Response

Management generally agreed with the finding and agreed with recommendation 1 but disagreed with recommendation 2. Management disagreed with the assertion that shifting First-Class Mail to the air has contributed to \$200 million in additional costs as well as the need to perform an updated cost-benefit analysis of the Air Cargo Network contract.

Regarding recommendation 1, management stated the Air Network Modeling team will investigate opportunities to improve the forecasting process for the air network. The target implementation date is February 28, 2027.

Regarding recommendation 2, management stated the Air Cargo Network contract already contains the flexibility [REDACTED] to adjust the network due to changes in market demand.

20 [REDACTED]

21 The Postal Service has accounted for any anticipated additional liability in its financial statements.

22 The contract allows termination without cause with [REDACTED]

### OIG Evaluation

The OIG considers management's comments responsive for recommendation 1 as corrective actions should resolve the issue identified.

Regarding recommendation 2, although the Air Cargo Network contract includes a [REDACTED]

[REDACTED] The intent of this recommendation is to ensure the Postal Service conducts due diligence to determine the most effective long-term strategy for use of the air network. The Postal Service has continued to fly First-Class Mail and Marketing Mail to meet

contracted minimum volumes, an approach inconsistent with the Delivering for America strategy to reduce reliance on air transportation. With the contract's long duration and the continued difficulty of meeting minimum volume requirements without relying on First-Class Mail, the Postal Service should further assess its options moving forward, including whether the current agreement remains the most effective approach. We view the disagreement on recommendation 2 as unresolved and will pursue the recommendation through the audit resolution process.

# Appendices

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# Appendix A: Additional Information

## Scope and Methodology

Our objective was to evaluate the effectiveness of First-Class Mail and Marketing Mail transported by the air network.

To accomplish our objective, we:

- Analyzed First-Class Mail and Marketing Mail volume assigned to the air network from FY 2021 through FY 2026 Q1 to determine trends.
- Analyzed service performance of First-Class Mail and Marketing Mail from FY 2021 through FY 2026 Q1 to determine impacts based on transportation method used.
- Reviewed the air cargo contract to determine service goals, minimum and maximum thresholds, and any requirements for mail classes assigned to air versus surface transportation.
- Obtained from Postal Service management the air cargo contract performance data to determine if the minimum and maximum thresholds are being met from FY 2025 and FY 2026 Q1.
- Interviewed Postal Service Headquarters officials to gain insights on why mail moving by air transportation has increased, how the mail classes were determined, and if First-Class Mail and Marketing Mail will continue to fly by air in the future.
- Analyzed transportation costs to determine if the increase in air transportation is impacting expected savings and if the Postal Service is meeting the transportation cost plan.
- Conducted observations at four judgmentally selected air stops and associated processing facilities to gain additional insights on air assignment trends and the impact on service and cost. See Table 5 for the mail processing facilities visited and the dates of observation.

**Table 5. Site Visit Locations**

Facility Name	Airstop	Dates Visited
Denver, CO, Processing and Distribution Center (P&DC)	Denver International Airport (DEN)	February 10 to 11, 2026
Denver, CO, Terminal Handling Service (THS)		
Milwaukee, WI, P&DC	Milwaukee Mitchell International Airport (MKE)	February 17 to 19, 2026
Milwaukee, WI, THS		
Milwaukee, WI, Mail Processing Annex (MPA)		
Phoenix, AZ, P&DC	Phoenix Sky Harbor International Airport (PHX)	February 17 to 18, 2026
West Valley, AZ, P&DC		
West Valley, AZ, THS		
Miami, FL, P&DC	Miami International Airport (MIA)	February 24 to 26, 2026
Royal Palm, FL, P&DC		
Miami, FL, THS		
West Palm Beach, FL, P&DC		

Source: OIG judgmental site selections.

We conducted this performance audit from January through July 2026 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on June 1, 2026, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of air network modeling internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we

determined that the following five components were significant to our audit objective: control activities, risk assessment, control environment, information and communication, and monitoring.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to risk assessment, information and communication, and monitoring that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of Enterprise Data Warehouse, Informed Visibility, Surface Visibility, Distribution Table Management System, and Logistics Contract Management System data by interviewing Postal Service officials, comparing data to other representative time periods, and reviewing systems controls. We determined that the data was sufficiently reliable for the purposes of this report.

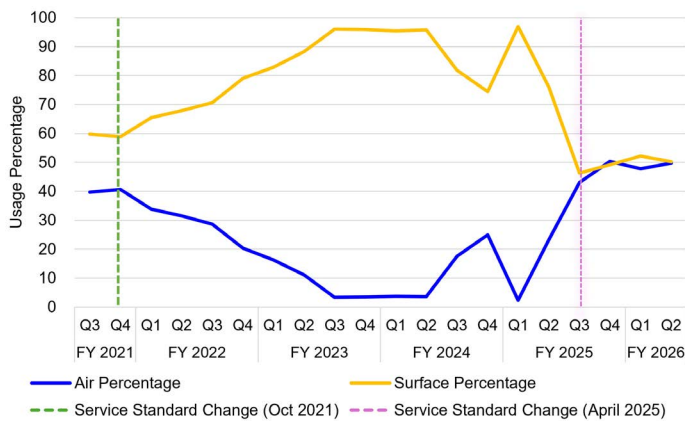
## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Assessment of Changes to Air Transportation Contracts</i>	To evaluate the U.S. Postal Service's air transportation network changes under its new air agreement.	25-022-R25	June 23, 2025	\$0
<i>Effectiveness of Planning Mail Capacity on Air Transportation</i>	To evaluate the U.S. Postal Service's effectiveness in planning air capacity on specific lanes.	23-095-R20	November 30, 2023	\$31,507,179
<i>Changes in the usage of the Methods of Transportation</i>	To evaluate the U.S. Postal Services plan to change modes of transportation for First-Class Mail.	21-260-R22	June 21, 2022	\$258,420

# Appendix B: First-Class Mail and Marketing Mail Volume and Service Performance

Following the Postal Service’s adjustment of service standards in October 2021, use of the air network to transport First-Class Mail and Marketing Mail steadily decreased. However, since the start of FY 2025, the Postal Service has significantly increased the amount of First-Class Mail and Marketing Mail traveling by air. Specifically, the percentage of First-Class Mail with three-to-five-day service standards traveling by air went from 2 percent in FY 2025 Q1 to about 50 percent in FY 2026 Q2 (see Figure 5).

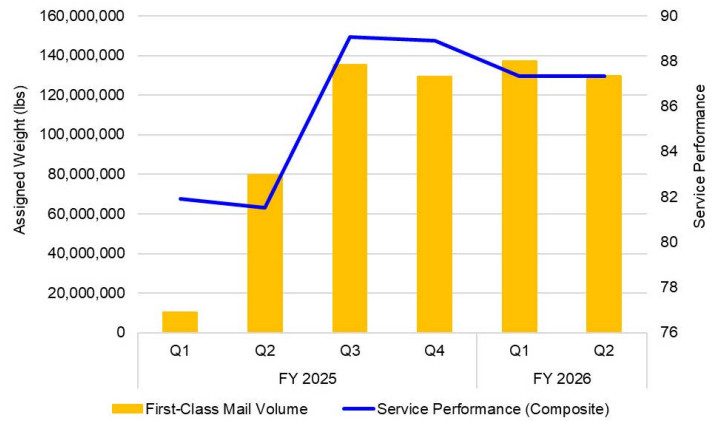
**Figure 5. First-Class Three-to-Five Day Mail Transported by Air and Surface for FY 2021 Q3 Through FY 2026 Q2**



Source: Informed Visibility and OIG analysis.  
Note: Data was analyzed from June 2021 (FY 2021) to March 2026 (FY 2026).

As more First-Class Mail traveled by air, composite service performance increased from about 82 percent in FY 2025 Q1 to about 87 percent in FY 2026 Q2 (see Figure 6).

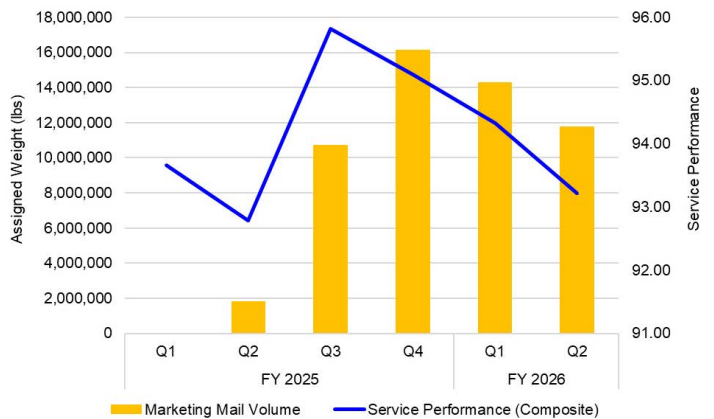
**Figure 6. First-Class Mail Air Assigned Volume and Service Performance**



Source: Enterprise Data Warehouse and OIG analysis.  
Note: Data was analyzed from October 2024 (FY 2025) to March 2026 (FY 2026).

The Postal Service also began moving Marketing Mail by air, a product that historically traveled only by surface. Prior to March 2025, no Marketing Mail was assigned to the air network; however, once added, Marketing Mail volume assigned to the air network increased by 195 percent from March to November 2025 (see Figure 7). Despite this growth, Marketing Mail represented on average 2 percent of total assigned air volume.

**Figure 7. Marketing Mail Air Assigned Volume and Service Performance**



Source: Enterprise Data Warehouse and OIG analysis.  
Note: Data was analyzed from October 2024 (FY 2025) to March 2026 (FY 2026).

# Appendix C: OIG Calculated Package Volume Air and Associated Surface Costs

To assess the financial impact of the contract’s minimum volume requirements, we conducted an analysis to determine how much additional cost the Postal Service would have incurred had it not used First-Class Mail and Marketing Mail to supplement package volumes and meet the contract’s minimum thresholds. To quantify this impact, we calculated actual air carrier costs, estimated air costs for transporting only package via air, and determined the additional surface transportation

costs associated with shifting First-Class Mail and Marketing Mail off the air network.

## Actual Air Carrier Costs

We analyzed Postal Service provided data to estimate payments to the air carrier for each operating period. For each period, we calculated the payment by multiplying the number of days in the operating period by the average daily volume (in cubic feet) and then applying the corresponding group price per cubic foot (see Table 6).<sup>23</sup>

**Table 6. Air Carrier Payments by Operating Period**

Operating Period	Days per Operating Period	Average Daily Volume	Price per Cubic Foot	Air Carrier Payment
2501	23	██████	████	██████████
2502	24	██████	████	██████████
2503	24	██████	████	██████████
2504	24	██████	████	██████████
2505	24	██████	████	██████████
2506	24	██████	████	██████████
2507	23	██████	████	██████████
2508	24	██████	████	██████████
2509	24	██████	████	██████████
2510	24	██████	████	██████████
2511	24	██████	████	██████████
2512	23	██████	████	██████████
2513	23	██████	████	██████████
<b>Total</b>				██████████

Source: Postal Service provided data and OIG analysis.  
 Note: The Postal Service received Group 1 pricing in operating periods 2501 to 2503. Adjustments due to rounding.

## Estimated Package Costs by Air

To estimate what the Postal Service would have paid the air carrier had it only transported package volume — rather than First-Class Mail or Marketing Mail — through the air network, we multiplied the average daily volume by the percentage of package air volume for each operating period. As this would

cause the Postal Service to fall below minimum contractual volume requirements for ██████ pricing in ██████ operating periods, costs were calculated using ██████ pricing and the required minimum volume of ██████ cubic feet. See [Table 7](#) for adjusted package air cost for each operating period.

<sup>23</sup> This excludes ancillary services such as sortation or relabeling. Operating periods 2501 – 2503 received Group 1 estimated pricing rates while operating periods 2504 – 2513 received Group 2 pricing rates.

**Table 7. OIG Estimated Package Air Carrier Costs by Operating Period**

Operating Period	Average Daily Volume	Percent of Package Air Volume	Package Volume	Average Price per Cubic Foot	Package Air Carrier Payment (Using Minimum [REDACTED] Cubic Foot or Actual Volume)
2501					
2502					
2503					
2504					
2505					
2506					
2507					
2508					
2509					
2510					
2511					
2512					
2513					

Source: Postal Service provided data and OIG analysis.

Note: Adjustments due to rounding. **Red shaded** cells mean the package volume cubic feet was below minimum cubic feet, and [REDACTED] was used to determine costs. **Green shaded** cells mean the package volume cubic feet was above minimum cubic feet and the actual volume was used to determine costs.

### First-Class Mail and Marketing Mail Surface Transportation Costs

To estimate the additional surface transportation costs that would result from shifting First-Class Mail and Marketing Mail volumes from the air network to the surface network, we estimated the number of trucks that would be required to transport the mail via surface transportation. We divided the average daily volume of First-Class Mail and Marketing Mail by an estimated truck capacity of

3,000 cubic feet<sup>24</sup> to determine the number of trucks needed per operating day. We then multiplied the number of trucks needed per operating day by the number of operating days in each operating period to determine the number of trucks needed per operating period. Finally, we multiplied the number of trucks needed per operating period by an average trip cost of \$3,602<sup>25</sup> to estimate the additional surface transportation costs associated with shifting volume from the air network to the surface network (see [Table 8](#)).

<sup>24</sup> In the air cargo contract, ad hoc truck payments are made at 3,000 cubic feet per truck. This rate was used for the analysis.

<sup>25</sup> The associated trip cost was determined by averaging all current and approved trips over 1,000 miles in the Contract Logistics Enterprise Acquisition Resource database.

**Table 8. OIG Estimated First-Class Mail and Marketing Mail Additional Surface Transportation Costs by Operating Period**

Operating Period	Average First-Class and Marketing Mail Daily Volume	Truck Capacity in Cubic Feet	Determined Trucks Needed Per Operating Period <sup>26</sup>	Average Trip Cost	Additional Surface Costs
2501	50,145	3,000	437	\$3,602	\$1,574,074
2502	92,039	3,000	816	\$3,602	\$2,939,232
2503	151,686	3,000	1,344	\$3,602	\$4,841,088
2504	187,140	3,000	1,656	\$3,602	\$5,964,912
2505	191,814	3,000	1,704	\$3,602	\$6,137,808
2506	187,940	3,000	1,656	\$3,602	\$5,964,912
2507	198,615	3,000	1,679	\$3,602	\$6,047,758
2508	199,611	3,000	1,776	\$3,602	\$6,397,152
2509	190,519	3,000	1,680	\$3,602	\$6,051,360
2510	201,132	3,000	1,776	\$3,602	\$6,397,152
2511	208,668	3,000	1,848	\$3,602	\$6,656,496
2512	208,618	3,000	1,771	\$3,602	\$6,379,142
2513	226,044	3,000	1,909	\$3,602	\$6,876,218

Source: Postal Service provided data, air cargo contract, Contract Logistics Enterprise Acquisition Resource database, and OIG analysis.

We added these additional surface costs to the package air carrier payments for each operating period (see [Table 9](#)).

<sup>26</sup> To account for natural fluctuations in mailflow and the possibility of operational delays that could prevent all volume from fitting on a single truck, an OIG determined 10 percent buffer was added to the calculated number of trucks required.

**Table 9. OIG Estimated Package Air Carrier and Additional Surface Transportation Costs by Operating Period**

<b>Operating Period</b>	<b>Package Air Carrier Payment</b>	<b>Additional Surface Costs</b>	<b>Total Air Carrier and Additional Surface Transportation Costs</b>
2501	██████████	\$1,574,074	██████████
2502	██████████	\$2,939,232	██████████
2503	██████████	\$4,841,088	██████████
2504	██████████	\$5,964,912	██████████
2505	██████████	\$6,137,808	██████████
2506	██████████	\$5,964,912	██████████
2507	██████████	\$6,047,758	██████████
2508	██████████	\$6,397,152	██████████
2509	██████████	\$6,051,360	██████████
2510	██████████	\$6,397,152	██████████
2511	██████████	\$6,656,496	██████████
2512	██████████	\$6,379,142	██████████
2513	██████████	\$6,876,218	██████████
<b>Total</b>			██████████

Source: Postal Service provided data and OIG analysis.

# Appendix D: Management's Comments



June 17, 2026

Laura Lozon  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Effectiveness of Mail Transported by Air (26-033-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Effectiveness of Mail Transported by Air*.

Management generally agrees with the finding except for the assertion that shifting First-Class Mail to the air has contributed to \$200 million in additional costs as well as the need to perform an updated cost-benefit analysis of the Air Cargo Network contract.

The Air Cargo Network contract is product agnostic and not designed to support a singular USPS product. It is at Management's discretion to flow volumes onto the Air Cargo Network for a variety of operational, financial, or service performance considerations. Flying First-Class Mail has helped manage costs in our air network by maintaining a favorable pricing tier and improved service performance for First-Class Mail. The increase in costs of the transportation network is primarily associated with our surface network and increasing rates. Shifting FCM to surface would increase costs of both the surface and air networks and decrease service performance of the product.

Although the Postal Service could not foresee all the operational changes that would be made after the contract award, or the continued decline of Priority mail product at the rate observed, the service standard changes and air contract have enabled the Postal Service to reduce transportation costs by over \$1.7 billion between FY23 and FY25. Flying First-Class Mail is effective for both managing costs and service performance.

The Air Cargo Network contract enables flexibility to manage the changes in planned air network volumes at terms more favorable to the USPS than previous contracts, as noted in a prior OIG report, *Assessment of Changes to Air Transportation Contracts*, issued June 23, 2025.

Following, are our comments on the two recommendations.

Recommendation 1:

We recommend the **Vice President, Logistics**, develop a plan to improve forecasting for the air network model when determining future contracted volume estimates.

Management Response/Action Plan:

Management **agrees** with this recommendation.

Air Network Modeling will investigate opportunities to improve the forecasting process for the air network.

Target Implementation Date: 2/28/2027

Responsible Official:

Executive Director, Logistics Modeling & Planning

Recommendation 2:

We recommend the **Chief Logistics Officer and Executive Vice President, in coordination with the Vice President, Logistics**, conduct an updated cost-benefit analysis to determine whether terminating the current contract and pursuing a new air cargo contract with a shorter base term with option years would provide the needed flexibility to align contracted air capacity with ongoing volume and network changes.

Management Response/Action Plan:

Management **disagrees** with this recommendation. The Air Cargo Network already contains the flexibility [REDACTED] to adjust the network due to changes in market demand.

Target Implementation Date: N/A

Responsible Official: N/A

Sincerely,

E-SIGNED by PETER ROUTSOLIAS  
on 2026-06-17 13:47:58 EDT

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Peter Routsolias  
Chief Logistics Officer and Executive Vice President

E-SIGNED by ROBERT CINTRON  
on 2026-06-17 10:55:41 EDT

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Robert Cintron  
Vice President, Logistics

cc: *Corporate Audit & Response Management*

# OFFICE OF INSPECTOR GENERAL

UNITED STATES



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