



September 18, 2006

ALEXANDER LAZAROFF  
VICE PRESIDENT, EASTERN AREA OPERATIONS

JERRY D. LANE  
VICE PRESIDENT, CAPITAL METRO OPERATIONS

SUBJECT: Transmittal of Audit Report – Mail Transport Equipment Service Center  
Network – Highway Transportation Routes – Greensboro  
(Report Number NL-AR-06-010)

This is one in a series of reports that presents results from our self-initiated nationwide audit of the mail transport equipment service center (MTEC) network (Project Number 06XG023NL001).

The objectives of our audit were to determine whether management implemented audit recommendations from our report, *Mail Transport Equipment Service Center Decision Analysis Report, Performance and Financial Benefits* (Report Number TR-AR-01-003, dated May 4, 2001), 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.

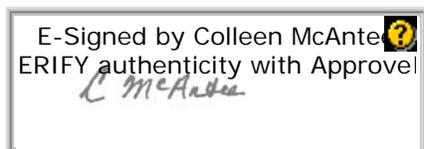
This follow-up report focuses on whether there were opportunities for the U.S. Postal Service to save money by reducing the number of highway round trips originating at the Greensboro MTEC. The Greensboro MTEC provides service to mail processing facilities in the Postal Service's Eastern and Capital Metro Areas.

We concluded the Postal Service could save approximately \$1,607,510 over the term of existing contracts by canceling, not renewing, or modifying 73 round trips originating at the Greensboro MTEC. The trips could be eliminated without affecting customer service by consolidating loads to more fully utilize trailer capacity. This amount represents funds put to better use and will be reported as such in our *Semiannual Report to Congress*.

Management generally agreed with our findings and recommendations. They stated that they had eliminated or substituted for 53 of the 62 trips they agreed to eliminate and that they would assess the 11 trips they agreed to assess. They also agreed the trip eliminations would potentially save \$1,536,397. To accommodate operational changes occurring after the issuance of our draft report, management explained they would not eliminate nine trips they initially agreed to eliminate, and they provided supporting documentation. While we continue to believe our initial trip reduction proposals and the associated potential savings are valid, we will examine the additional documentation management provided and work with management to reconcile the differences during the process of closing our significant recommendations. 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 all the recommendations 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.



Colleen A. McAntee  
Deputy Assistant Inspector General  
for Core Operations

#### Attachments

cc: Patrick R. Donahoe  
William P. Galligan  
Paul E. Vogel  
Anthony M. Pajunas  
James R. Hardie  
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 (MTE) to mail processing facilities nationwide. The service centers deliver equipment to users with dedicated transportation.

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 March 2006 near the Greensboro MTESC.



The U.S. Postal Service presented the original plan to create the network to its Board of Governors (BOG) in the Decision Analysis Report (DAR), *Mail Transport Equipment Service Center Network*, dated May 13, 1997. The DAR forecasted 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, allegations of poor performance and excessive costs troubled the new network. As a result, the BOG asked the U.S. Postal Service Office of Inspector General (OIG) to evaluate the program.

Our audit report titled *Mail Transport Equipment Service Center Decision Analysis Report, Performance and Financial Benefits* (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.

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**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 Greensboro MTESC transportation requirements. The Greensboro MTESC provides service to numerous mail processing facilities in North Carolina and Virginia. On April 1, 2006, Postal Service officials realigned operations. As a result, contract responsibility for Greensboro MTESC routes transferred from the Eastern Area to the Capital Metro Area.

Using Postal Service computer-generated data, we determined trip dispatch, arrival, and load efficiency and identified potential trips for consolidation or elimination. We did not audit or comprehensively validate the data; however, we noted several control weaknesses that constrained our work. For example, some computer files 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.

During our work, we interviewed Postal Service Headquarters officials in Network Operations Management and managers and employees in the Eastern Area and Capital Metro Operations and at the Greensboro MTESC. We reviewed relevant Postal Service policies, procedures, and directives; observed and photographed operations; and consulted with subject-matter experts. We performed our work in close coordination with the Network Operations Management transportation assessment team and area personnel, discussed our observations and conclusions with various management officials, and included their comments where appropriate.

We conducted work associated with this report from March through September 2006 in accordance with

generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances.

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**Prior Audit Coverage**

Since March 2005, the OIG has worked with the Postal Service to reduce MTEC costs. As a result, we have issued four audit reports that identified potential savings exceeding \$12 million. For more detailed information about these audits, see Appendix A.

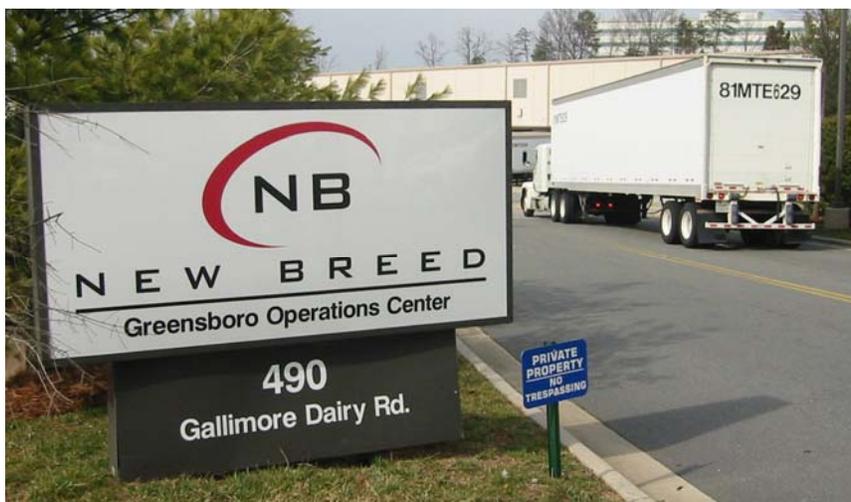
## AUDIT RESULTS

### Highway Contract Management

Postal Service Headquarters implemented our recommendations and is aggressively pursuing opportunities to reduce MTESC network costs. (See Appendices B and C.) Network Operations Management transportation assessment teams, supplemented by area personnel, are continuing to analyze 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 a truck arriving at the Greensboro MTESC, March 2006.



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. Based on our examination of scheduled shipments and our physical examination of trailer utilization, we believe additional potential for trip cancellation and savings exists without jeopardizing service or operational flexibility. Specifically, we believe that the Postal Service could save approximately \$1,607,510 over the term of existing Greensboro MTESC highway contracts by canceling, not renewing, or modifying 73 unnecessary round trips.

Postal Service policy requires transportation managers to balance service and cost. The Postal Service could eliminate the 73 trips without affecting service because they did not optimize some trailer loads and could consolidate equipment on other trips.

Cooperative Effort

As a result of our continuing efforts to partner with and bring value to the Postal Service, we had ongoing communication with area officials throughout our audit and provided the officials with a list of our specific trip proposals. We then

The interior of an underutilized inbound trailer at the Greensboro MTE SC, March 6, 2006.



discussed our proposals and area operational needs with officials and made appropriate adjustments. As a result of this cooperation, area officials initially agreed to eliminate the 62 trips outlined in Appendices D and E and are currently assessing the 11 trips listed in Appendix F. Our trip cancellation proposals are summarized below:

**PROPOSED TRIP ELIMINATIONS  
BY ELIMINATION CATEGORY**

Elimination Category	Number of Trips	Appendix	Savings (\$)
Postal Service identified trip cancellations or modifications during the audit.	21	D	\$450,935
Proposed trip eliminations/substitutions with which area officials agreed.	41	E	1,078,651
Proposed trip eliminations which area officials agreed to assess.	<u>11</u>	F	<u>77,924</u>
<b>Total</b>	<b>73</b>		<b>\$1,607,510</b>

Figure 1

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<b>Recommendations</b>	We recommend the Vice President, Eastern Area Operations, coordinate with the Vice President, Capital Metro Operations, to: <ol style="list-style-type: none"><li data-bbox="617 346 1356 451">1. Verify the actual cancellation, modification, or substitution of the 21 trips management identified during our audit.</li><li data-bbox="617 493 1388 630">2. Verify the actual cancellation, modification, or substitution of the 41 trips with which Postal Service managers agreed and provide the date action was taken.</li></ol>
<b>Management's Comments</b>	Management generally agreed with our findings, recommendations, and potential savings. They stated that they had eliminated or made substitutions for 53 of the 62 trips they had previously agreed to eliminate. They said they eliminated 39 of the suggested trips on April 1, 2006, and an additional 14 trips on August 1, 2006. They did not address the remaining nine trips. They also agreed the trip eliminations would potentially save \$1,536,397. In subsequent discussions, management explained that they needed the remaining nine trips to accommodate operational changes occurring after their initial agreement and after the OIG issued the draft report. Management provided supporting documentation. Management's comments, in their entirety, are included in Appendix G.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to our findings and recommendations. Management's actions taken or planned meet the intent of our recommendations. We acknowledge management's partial agreement, as well as the dynamic and ever changing nature of transportation requirements. While we continue to believe our initial trip reduction proposals and the associated potential savings are valid, we will examine the additional documentation management provided and work with management to reconcile differences during the process of closing our significant recommendations.
<b>Recommendation</b>	3. Verify actions taken on the 11 trips Postal Service managers agreed to assess and cancel or modify the trips as indicated by the assessment or document the reasons for retaining the trips.

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<b>Management's Comments</b>	Management agreed with our recommendation. They stated they would assess these 11 trips and report the results within 30 days.
<b>Evaluation of Management's Comments</b>	Management's comments are responsive to our findings and recommendations. Management's actions taken or planned should correct the issues identified in the findings.

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**APPENDIX A. PRIOR AUDIT COVERAGE**

Report Name	Report Number	Date Final Report Issued	Number of Trips Identified for Elimination or Modification	Potential Savings Identified	Trips Agreed to by Management	Additional Trips Management Identified for Elimination During Audit	Trip Management Agreed to Assess	Trip With Which Management Disagrees
MTESC Network – Equipment Processing	NL-AR-05-006	3/31/05		\$9,213,576				
MTESC Network – Highway Transportation Routes New York Metro Area	NL-AR-05-014	9/28/05	49	1,025,812	17		32	
MTESC Network – Highway Transportation Routes San Francisco, CA	NL-AR-06-003	3/23/06	77	1,091,640	31	21		25
MTESC Network – Highway Transportation Routes Memphis, TN	NL-AR-06-005	3/28/06	25	699,397			25	
<b>Totals</b>			<b>151</b>	<b>\$12,030,425</b>	<b>48</b>	<b>21</b>	<b>57</b>	<b>25</b>

## APPENDIX B. OVER-THE-ROAD CONTAINER POLICY LETTER

PATRICK R. DONAHOF  
Chief Operations Officer  
AND Executive Vice President



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 (MTE) 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 MTE network. The MTE 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 MTE 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 MTE 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 MTE network using these boxes. Using a combination of unprocessed MTE types can maximize truck density.

The MTE 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 MTE 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.

A handwritten signature in black ink, appearing to read "Patrick R. Donahoe".

Patrick R. Donahoe

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

475 L'Enfant Plaza SW  
Washington DC 20020 0080  
www.usps.com

## APPENDIX C. REEMPHASIS OF OVER-THE-ROAD CONTAINER POLICY LETTER

Attachment #1

PATRICK R. DONAHOE  
CHIEF OPERATING OFFICER  
AND EXECUTIVE VICE PRESIDENT



March 23, 2005

VICE PRESIDENTS, AREA OPERATIONS  
MANAGER, CAPITAL METRO OPERATIONS

SUBJECT: 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 (MTEC) 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 MTEC. The audit completed in February 2005, shows the MTEC 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.

A handwritten signature in black ink, appearing to read "Patrick R. Donahoe".

Patrick R. Donahoe

Attachment

cc: Paul Vogel  
Tony Pajunas  
Walter O'Tormey  
Jaime Fuentes

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**APPENDIX D. TRIP ANALYSIS DETAIL  
 ADDITIONAL TRIPS IDENTIFIED BY POSTAL SERVICE MANAGEMENT DURING AUDIT**

<b>Highway Contract Route</b>	<b>Destination Point</b>	<b>Contract Term</b>	<b>Proposed Weekly Round Trip Eliminations</b>	<b>Total Projected Savings on Contract</b>
270CK	Lynchburg, VA, Processing and Distribution Center		2	\$57,671.43
270CK	Labeling Services Incorporated (Postal Service customer), Raleigh, NC		3	69,486.78
270CK	Charlotte, NC, Processing and Distribution Center		8	204,036.09
270CK	Charlotte, NC, Processing and Distribution Center Annex		3	84,321.04
	<b>TOTAL IDENTIFIED BY POSTAL SERVICE FOR 270CK</b>	<b>4/1/2006 – 6/30/2008</b>	<b>16</b>	<b>\$415,935.45</b>
270FK	Greensboro, NC, Air Mail Center		5	35,420.11
	<b>TOTAL IDENTIFIED BY POSTAL SERVICE FOR 270FK</b>	<b>7/1/2006 – 6/30/2010</b>	<b>5</b>	<b>\$35,420.11</b>
	<b>TOTAL ADDITIONAL TRIPS IDENTIFIED BY MANAGEMENT</b>		<b>21</b>	<b>\$450,935.45</b>

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

<b>Highway Contract Route</b>	<b>Destination Point</b>	<b>Contract Term</b>	<b>Proposed Weekly Round Trip Eliminations</b>	<b>Total Projected Savings on Contract</b>
270CK	Roanoke, VA, Processing and Distribution Center		2	\$51,217.22
270CK	Lynchburg, VA, Processing and Distribution Center		5	144,178.57
270CK	Labeling Services Incorporated (Postal Service customer), Raleigh, NC		1	23,162.26
270CK	Charlotte, NC, Processing and Distribution Center		14	357,063.16
270CK	Charlotte, NC, Processing and Distribution Center Annex		2	56,214.03
270CK	Fayetteville, NC, Processing and Distribution Center		11	301,018.30
270CK	Charlotte, NC, North Park Annex		3	81,978.79
270CK	Charlotte, NC, Air Mail Center		2	56,734.53
	<b>TOTAL AGREED TO FOR 270CK</b>	<b>4/1/2006 – 6/30/2008</b>	<b>40</b>	<b>\$1,071,566.86</b>
270FK	Greensboro, NC, Air Mail Center		1	\$7,084.02
	<b>TOTAL AGREED TO FOR 270FK</b>	<b>7/1/2006 – 6/30/2010</b>	<b>1</b>	<b>\$7,084.02</b>
	<b>TOTAL AGREED TO BY MANAGEMENT</b>		<b>41</b>	<b>\$1,078,650.88</b>

**APPENDIX F. TRIP ANALYSIS DETAIL  
 PROPOSED TRIPS POSTAL SERVICE MANAGEMENT AGREED TO ASSESS**

<b>Highway Contract Route</b>	<b>Destination Point</b>	<b>Contract Term</b>	<b>Proposed Weekly Round Trip Eliminations</b>	<b>Total Projected Savings on Contract</b>
270FK	Greensboro, NC, Processing and Distribution Center		11	\$77,924.25
	<b>TOTAL MANAGEMENT AGREED TO ASSESS</b>	<b>7/1/2006 – 6/30/2010</b>	<b>11</b>	<b>\$77,924.25</b>

## APPENDIX G. MANAGEMENT'S COMMENTS

MANAGER, OPERATIONS SUPPORT  
CAPITAL METRO OPERATIONS



August 29, 2006

Kim H. Stroud  
Office of Inspector General  
Director, Audit Reporting  
1735 North Lynn Street  
Arlington, Virginia 22209-2020

**SUBJECT: Transmittal of Draft Audit Report – Mail Transport Equipment Service  
Center Network – Highway Transportation Routes - Greensboro  
(Report Number NL-AR-06-DRAFT)**

The Capital Metro Area has reviewed the subject Draft Audit Report, as well as the attached response submitted by the Eastern Area. As you may be aware, we are currently transitioning management oversight of the subject Highway Transportation Routes from the Eastern Area to the Capital Metro Area. We anticipate that this process will be completed by October 1. Nonetheless, our Networks staff has reviewed the audit findings and proposed changes identified in the OIG draft report and offer the following:

At this time we concur with the general findings of the OIG audit team, as well as the analysis and actions proposed by the Eastern Area in their response. We further agree that the associated savings attributed to the proposed trip deletions requires further study, and will provide additional comments upon the completion of the Eastern Area's review.

If you have any questions or require further information, contact Robert Borris, Manager Distribution Networks Operations at 301-618-4401

A handwritten signature in black ink, appearing to read "Jeffrey Becker".

Jeffrey Becker

Attachment

cc: Jerry Lane  
Robert Borris  
Beth Ann Sabo

MAILING ADDRESS  
16501 SHADY GROVE ROAD  
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301 548-1415  
FAX: 301-548-1471

PHYSICAL ADDRESS:  
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SUITE 656  
GAITHERSBURG, MD

VICE PRESIDENT, AREA OPERATIONS  
EASTERN AREA



August 15, 2006

Kim H. Stroud  
Office of Inspector General  
Director, Audit Operations  
1735 N. Lynn St.  
Arlington VA 22209-2020

**SUBJECT:** Draft Audit Report – Surface Transportation – Mail Transport Equipment  
Service Center Network – Highway Transportation Routes - Greensboro  
(Report Number NL-AR-06-DRAFT)

The Eastern Area has reviewed the subject Draft Audit Report (Project Number 06XG023NL001) and is in general agreement with the findings and recommendations. The Eastern Area eliminated or substituted eliminations for 53 of the 62 trips identified in Appendix D and E of the report. Additionally, Eastern Area agrees to review the 11 trips identified in Appendix F of the report. The Eastern Area recognizes that there is a philosophical difference in the methodology for the calculation of actual and potential savings between the parties. Therefore the Eastern Area can also generally agree that the application of the OIG methodology for calculating savings could yield a potential cost avoidance of \$1,536, 397.

**Recommendation 1:**

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

**Response**

Effective August 1, 2006, 21 weekly one-way trips have been eliminated from HCR 270CK along with an additional 7.35 weekly one-way trips. The number of eliminated weekly trips totaled 28.35 one-way or 14.18 round trips. The result of the elimination of these trips was a reduction in the annual rate of the contract of \$182,701. (Ref; Attachment A)

**Recommendation 2:**

Verify the actual cancellation, modification, or substitution of the 41 trips with which Postal Service managers agreed and provide the date action was taken.

**Response**

Effective April 1, 2006, HCR 270CK was awarded as a new contract with a 2 year term of April 1, 2006 to March 31, 2008. This new contract replaced the prior HCR 270CK with a term of April 1, 2004 to March 31, 2006. The contract was posted for solicitation on Global eProcure on February 14, 2006. The route was solicited with a reduction of 77.16 weekly one-way trips or 38.58 round trips from the current schedule at that time.

ONE MARQUIS PLAZA  
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PHONE: 412-494-2510  
FAX: 412-494-2582

The result of the solicitation with the reduced number of trips was a reduction in the annual rate of \$323,408. (ref; Attachment A)

**Recommendation 3:**

Verify actions taken on the 11 trips Postal Service managers agreed to assess and cancel or modify the trips as indicated by the assessment or document the reasons for retaining the trips.

**Response**

The 11 trips identified in Appendix F of the report are basically shuttle service between the Greensboro MTESC and Greensboro BMC and Greensboro P&DC. Postal Management is performing a 3 month analysis to identify inconsistencies in the transportation. We will complete our analysis and respond with our recommendations within thirty days of this response.

If you have any questions or require further information contact Jim Hallstein, Transportation Budget & Financial Analyst at 412-494-2621.

  
Alexander Lazaroff  
Vice President, Area Operation  
Eastern Area

**Attachments**

Cc: Jerry D. Lane  
Manager, CMO

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5315 CAMPBELL RUN ROAD  
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HCR 270CK								
Prior Contract Term 4/1/04 to 3/31/06			New Contract Term 4/1/06 to 6/30/08			Latest Change Effective Date 8/1/2006		
Trip #	Frequency	Annual Trips	Trip #	Frequency	Annual Trips	Trip #	Frequency	Annual Trips
1	DAILY	365.25	1	DAILY	365.25	1	DAILY	365.25
2	DAILY	365.25	2	DAILY	365.25	2	DAILY	365.25
3	DAILY	365.25	3	DAILY	365.25	3	DAILY	365.25
4	DAILY	365.25	4	DAILY	365.25	4	DAILY	365.25
5	W5	308.07	5	DAILY	365.25	5	DAILY	365.25
6	W5	308.07	6	DAILY	365.25	6	DAILY	365.25
7	DAILY	365.25	7	DAILY	365.25	7	DAILY	365.25
8	DAILY	365.25	8	DAILY	365.25	8	DAILY	365.25
9	DAILY	365.25	9	9-2	203.28	9	9-2	203.28
10	DAILY	365.25	10	9-2	203.28	10	9-2	203.28
11	9-2	203.28	11	X67	260.89	11	X67	260.89
12	9-2	203.28	12	X67	260.89	12	X67	260.89
13	5	52.18	13	DAILY	365.25	13	DAILY	365.25
14	5	52.18	14	DAILY	365.25	14	DAILY	365.25
15	DAILY	365.25	15	67	104.36	15	67	104.36
16	DAILY	365.25	16	67	104.36	16	67	104.36
17	DAILY	365.25	17	DAILY	365.25	17	DAILY	365.25
18	DAILY	365.25	18	DAILY	365.25	18	DAILY	365.25
19	DAILY	365.25	19	DAILY	365.25	19	DAILY	365.25
20	DAILY	365.25	20	DAILY	365.25	20	DAILY	365.25
21	DAILY	365.25	21	X6	313.07	21	X6	313.07
22	DAILY	365.25	22	X6	313.07	22	X6	313.07
23	K7	303.07	23	DAILY	365.25	23		
24	K7	303.07	24	DAILY	365.25	24		
25	DAILY	365.25	25	X7	313.07	25	X7	313.07
26	DAILY	365.25	26	X7	313.07	26	X7	313.07
27	DAILY	365.25	27	DAILY	365.25	27	DAILY	365.25
28	DAILY	365.25	28	DAILY	365.25	28	DAILY	365.25
29	DAILY	365.25	29	K7	303.07	29	K7	303.07
30	DAILY	365.25	30	K7	303.07	30	K7	303.07
31	DAILY	365.25	31	X6	313.07	31	X6	313.07
32	DAILY	365.25	32	X6	313.07	32	X6	313.07
33	X7	313.07	33	X7	313.07	33	X7	313.07
34	X7	313.07	34	X7	313.07	34	X7	313.07
35	DAILY	365.25	35	X7	313.07	35	X7	313.07
36	DAILY	365.25	36	X7	313.07	36	X7	313.07
37	K7	303.07	37	QQ	363.25	37	QQ	363.25
38	K7	303.07	38	QQ	363.25	38	QQ	363.25
39	X6	303.07	39	K7	303.07	39	K7	303.07
40	X6	303.07	40	K7	303.07	40	K7	303.07
41	X7	313.07	41	QQ	363.25	41	QQ	363.25
42	X7	313.07	42	QQ	363.25	42	QQ	363.25
43	X7	313.07	43	X7	313.07	43	X7	313.07
44	X7	313.07	44	X7	313.07	44	X7	313.07
45	QQ	363.25	45	QQ	363.25	45	QQ	363.25
46	QQ	363.25	46	QQ	363.25	46	QQ	363.25
47	K7	303.07	47	K67	251.46	47	K67	251.46
48	K7	303.07	48	K67	251.46	48	K67	251.46
49	QQ	363.25	49	K7	303.07	49	K7	303.07
50	QQ	363.25	50	K7	303.07	50	K7	303.07
51	X7	313.07	51	X67	260.89	51	X67	260.89
52	X7	313.07	52	X67	260.89	52	X67	260.89
53	QQ	363.25	53	DAILY	365.25	53	DAILY	365.25
54	QQ	363.25	54	DAILY	365.25	54	DAILY	365.25
55	K67	251.46	55	K7	303.07	55	K7	303.07
56	K67	251.46	56	K7	303.07	56	K7	303.07
57	K7	303.07	57	X67	260.89	57	X67	260.89
58	K7	303.07	58	X67	260.89	58	X67	260.89
59	DAILY	365.25	59	DAILY	365.25	59	K67	251.46
60	DAILY	365.25	60	DAILY	365.25	60	K67	251.46
61	DAILY	365.25	61	K7	303.07	61	K67	251.46
62	DAILY	365.25	62	K7	303.07	62	K67	251.46

ATTACHMENT A

HCR 270CK								
Prior Contract Term 4/1/04 to 3/31/06			New Contract Term 4/1/06 to 6/30/08			Latest Change Effective Date 8/1/2006		
Trip #	Frequency	Annual Trips	Trip #	Frequency	Annual Trips	Trip #	Frequency	Annual Trips
63	K7	303.07	63	K7	303.07	63	K7	303.07
64	K7	303.07	64	K7	303.07	64	K7	303.07
65	DAILY	365.25	65	W67	256.46	65	W67	256.46
66	DAILY	365.25	66	W67	256.46	66	W67	256.46
67	DAILY	365.25	67	7	52.18	67	7	52.18
68	DAILY	365.25	68	7	52.18	68	7	52.18
69	K7	303.07	69	9-1	156.54	69	9-1	156.54
70	K7	303.07	70	9-1	156.54	70	9-1	156.54
71	K7	303.07	71	K67	251.46	71	135X	149.26
72	K7	303.07	72	K67	251.46	72	135X	149.26
73	W67	256.46	73	K7	303.07	73	K7	303.07
74	W67	256.46	74	K7	303.07	74	K7	303.07
75	7	52.18	75	9-1	156.54	75	9-1	156.54
76	7	52.18	76	9-1	156.54	76	9-1	156.54
77	9-1	156.54	77	W567	204.28	77	W567	204.28
78	9-1	156.54	78	W567	204.28	78	W567	204.28
79	K67	251.46	79	2	52.18	79	2	52.18
80	K67	251.46	80	2	52.18	80	2	52.18
81	K7	303.07	81	K67	251.46	81	K67	251.46
82	K7	303.07	82	K67	251.46	82	K67	251.46
83	9-1	156.54	83	X7	313.07	83	X7	313.07
84	9-1	156.54	84	X7	313.07	84	X7	313.07
85	4X	50.61	85	DAILY	365.25	85	DAILY	365.25
86	4X	50.61	86	DAILY	365.25	86	DAILY	365.25
87	W567	204.28	87	DAILY	365.25	87	DAILY	365.25
88	W567	204.28	88	DAILY	365.25	88	DAILY	365.25
89	2	52.18	89	K67	251.46	89	K67	251.46
90	2	52.18	90	K67	251.46	90	K67	251.46
91	3	52.18	91	5	52.18	91	5	52.18
92	3	52.18	92	5	52.18	92	5	52.18
93	1	52.18	93	K7	303.07	93	K7	303.07
94	1	52.18	94	K7	303.07	94	K7	303.07
95	K67	251.46	95	K7	303.07	95	K7	303.07
96	K67	251.46	96	K7	303.07	96	K7	303.07
97	DAILY	365.25	97	K67	251.46	97	K67	251.46
98	DAILY	365.25	98	K67	251.46	98	K67	251.46
99	DAILY	365.25	99	2	52.18	99	2	52.18
100	DAILY	365.25	100	2	52.18	100	2	52.18
101	DAILY	365.25	101	K367	199.85	101	K367	199.85
102	DAILY	365.25	102	K367	199.85	102	K367	199.85
103	K7	303.07	103	24	104.36	103	24	104.36
104	K7	303.07	104	24	104.36	104	24	104.36
105	5	52.18	105	3	52.18	105	3	52.18
106	5	52.18	106	3	52.18	106	3	52.18
107	K7	303.07	107	DD	5	107	DD	5
108	K7	303.07	108	DD	5	108	DD	5
109	K7	303.07	109	14	104.36	109		
110	K7	303.07	110	14	104.36	110		
111	K7	303.07	111	3	52.18	111	3	52.18
112	K7	303.07	112	3	52.18	112	3	52.18
113	2	52.18	113	9	1	113	9	1
114	2	52.18	114	9	1	114	9	1
115	K367	199.85	115	9	1	115	9	1
116	K367	199.85	116	9	1	116	9	1
117	245	156.54	117	9	1	117	9	1
118	245	156.54	118	9	1	118	9	1
119	3	52.18	119	9	1	119	9	1
120	3	52.18	120	9	1	120	9	1
121	DD	5						
122	DD	5						
123	14	104.36						
124	14	104.36						

HCR 270CK								
Prior Contract Term 4/1/04 to 3/31/06			New Contract Term 4/1/06 to 6/30/08			Latest Change Effective Date 8/1/2006		
Trip #	Frequency	Annual Trips	Trip #	Frequency	Annual Trips	Trip #	Frequency	Annual Trips
125	3	52.18						
126	3	52.18						
127	9	1						
128	9	1						
129	9	1						
130	9	1						
131	9	1						
	ANNUAL TRIPS	33229.94		ANNUAL TRIPS	29217.80		ANNUAL TRIPS	27743.38
	WEEKLY TRIPS	639.04		WEEKLY TRIPS	561.88		WEEKLY TRIPS	533.53
				WEEKLY CHANGE	( 7.3)		WEEKLY CHANGE	
							TOTAL WEEKLY CHANGE	