



May 25, 2010

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SUBJECT: Audit Report – Air Networks – Federal Express  
Transportation Agreement – Capital Metro, Eastern, Great Lakes, and  
Northeast Areas (Report Number NL-AR-10-005)

This report presents the results of our self-initiated audit of the Federal Express (FedEx) transportation agreement. The objectives of our audit were to determine whether selected transportation operations were effective and economical (Project Number 09XG027NL000). See [Appendix A](#) for additional information about this audit.

On August 2, 2006, the U.S. Postal Service signed a new 7-year agreement with FedEx. FedEx transports time sensitive mail for the Postal Service, including Express Mail®, Priority Mail®, and First-Class Mail® (FCM). FedEx transportation is usually more expensive than commercial air carrier or surface transportation, and Postal Service policy requires transportation managers to balance service and cost in determining the best transportation mode. In addition, the Postal Service uses Terminal Handling Services (THS) contractors to prepare and load mail into containers for transport on FedEx planes. The containers include both bypass and mixed containers. Bypass containers hold mail bound for the same destination airport and move through or “bypass” the sorting operations at the FedEx Memphis hub at no additional cost to the Postal Service. Mixed containers hold mail bound for various destination airports and must be sorted at the Memphis hub onto departing planes. The Postal Service is required to pay FedEx for sorting mail at the Memphis hub.

## **Conclusion**

It was more effective and economical in some cases for the Capital Metro, Eastern, Great Lakes, and Northeast Areas to use ground transportation and domestic air carriers as well as to sort mail at Postal Service plants than to use FedEx to perform these functions.<sup>1</sup> Because the areas used FedEx, the Postal Service incurred about \$35.3 million in unnecessary costs. If these areas implement our recommended changes, we estimate the Postal Service could save \$170.6 million over a 10-year period.

## **Transporting Surface Mail on FedEx**

We concluded that in some cases using ground transportation was more advantageous than using FedEx. By flying surface mail on FedEx instead of using cheaper ground transportation, the Postal Service spent about \$32.1 million more than necessary during fiscal years (FYs) 2007 and 2008. This occurred because plant employees did not properly segregate surface mail classes from FCM and Priority Mail. By using ground transportation, the Postal Service could lower overall FedEx lift requirements and save about \$138.3 million over 10 years. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice presidents of Capital Metro, Eastern, Great Lakes, and Northeast Areas operations:

1. Use surface transportation to the extent possible for mail that does not require air transportation to meet Postal Service on-time standards.

## **Management's Comments**

Management from the four areas agreed with our finding and recommendation. Management also agreed that the costs of transporting Standard, Periodicals, and Package Services mail volumes on the FedEx Day Network are unnecessary and that the Postal Service should use surface transportation for these mail classes. Each area cited current and/or future efforts and processes that address prevention of this issue. These efforts include the consolidation of originating processing of Standard and Periodical mail into fewer sites by the end of this fiscal year to reduce the potential to comingle mail classes and increased management attention to the matter. Additionally, each area agreed to reinforce existing national policies related to transporting surface

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<sup>1</sup> Each of the four areas agreed these issues were applicable without field visits being conducted. This was based on their experience and the systemic nature of the same issues identified in prior reviews in the Pacific, Southeast, Southwest, and Western Areas where fieldwork was conducted covering more than 60 percent of Postal Service capacity on FedEx transportation.

mail classes. See [Appendix F](#) for management’s comments, including any revisions or addendums, in their entirety.<sup>2</sup>

## Evaluation of Management’s Comments

The U.S. Postal Service Office of Inspector General (OIG) considers the four area’s management comments responsive to the finding and recommendation and the corrective actions should resolve the issues identified in the report.

## FedEx Versus Passenger Airlines

When the Postal Service requires air transportation we concluded that in some cases it is more advantageous to use contracted passenger carriers than to use FedEx. From May 1, 2008, through April 30, 2009, the Postal Service incurred \$1.6 million in unnecessary costs to move 1.1 million cubic feet of FCM on FedEx from origins in the Capital Metro, Eastern, Great Lakes, and Northeast Areas. The excess costs were incurred, because local management did not prioritize mail by assigning it to less costly and available passenger airlines. The Capital Metro, Eastern, Great Lakes, and Northeast Areas could save about \$17.4 million over a 10-year period by maximizing the use of passenger airline capacity. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice presidents of Capital Metro, Eastern, Great Lakes, and Northeast Area operations:

2. Transport mail to the maximum extent possible using the service-responsive capacity of passenger airlines under contract with the Postal Service.

## Management’s Comments

Management from the four areas agreed with our finding and recommendation. However, the areas did cite examples that preclude moving mail on commercial airlines and require moving it via FedEx. All areas cited Postal Service Headquarters’ direction to override normal mail assignment priorities and increase mail volume on FedEx to meet contract minimums and/or shortcomings of the mail assignment and other systems as reasons for non-compliance. Management also expressed concern that, in some instances, the capacity the Postal Service requires does not always align with the capacity commercial airlines offer.

Overall, each area expressed understanding that, under normal circumstances, it is more cost effective to use service-responsive commercial airlines rather than FedEx for transporting FCM. Management from the four areas also stated that they have either been monitoring or will immediately begin monitoring weekly headquarters’ reports that

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<sup>2</sup> We considered all supporting documentation included with management responses, but did not include all the documentation in the Appendix. In addition, we protected personal identifying information where appropriate.

track commercial air lift and volumes, as well as other reports identifying modifications to air routes in the assignment system. They will also take action when necessary to ensure maximum use of commercial air.

### **Evaluation of Management's Comments**

The OIG considers the four area's management comments responsive to the finding and recommendation and the corrective action should resolve the issues identified in the report. We agree that management must consider service, timeframes, and capacities when assigning mail to commercial air transportation and the areas should continue to work diligently with headquarters to address capacity issues with commercial airlines in order to maximize their use. Concerning the areas' assertions that certain headquarters reports and systems may not reflect valid non-compliance, true capacity availability, and/or accurate data, we encourage continued efforts with headquarters staff to resolve these issues.

The Postal Service has established policies and systems for assigning mail to ensure that it moves on intended routes, based on availability, service, and cost. We recognize that conflicting issues can occur in the assignment process, but the Postal Service has procedures in place to address and correct the process and address issues. Any routing adjustments to use other, more costly transportation, should be made when it is clearly documented and determined that stated commercial air capacity is not available or responsive.

### **Mixed Versus Bypass Air Containers**

Finally, it was more advantageous in some cases for the Postal Service to sort mail than use FedEx to do it. During the period May 1, 2008, through April 30, 2009, the Capital Metro, Eastern, Great Lakes, and Northeast Areas unnecessarily spent about \$1.5 million to pay FedEx to sort mail because processing plants did not separate and distribute it in available bypass containers.<sup>3</sup> If these areas properly sort and distribute this mail, the Postal Service could avoid about \$14.9 million in unnecessary costs over 10 years. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice presidents of Capital Metro, Eastern, Great Lakes, and Northeast Area operations:

3. Sort mail into bypass containers as appropriate.

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<sup>3</sup> Bypass containers contain mail for specific destinations that FedEx (Memphis, TN) does not need to sort at an additional cost.

## Management's Comments

Management from the four areas generally agreed with our finding and recommendation. All of the areas, except the Eastern Area, cited challenges that affect their ability to achieve the planned bypass matrix, including:

- The 87 percent conversion break point for bypass containers;
- The 75 percent rule of tendering mail to FedEx by 0400;
- Some processing facilities being too small to make all planned separations; and
- The 6-month FedEx matrix planning cycle.

The four areas also cited specific efforts to continue to monitor and review operations or provide additional instruction to ensure compliance with bypass containerization, and provided expected dates for improved compliance or documentation for improvements already realized.

## Evaluation of Management's Comments

The OIG considers the four area's management comments responsive to the finding and recommendation and the corrective action should resolve the issues identified in the report. Regarding management's comments concerning challenges to achievement of the planned bypass matrix, the FedEx matrix plan sets goals for bypass containers tendered to FedEx in order to avoid added sorting costs. Local officials should enforce established processes to accommodate the plans. Our review determined that employees did not always follow the established process, resulting in unnecessary sorting.

## Additional Management Comments

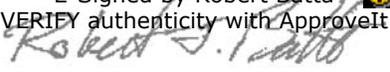
Overall, management did not agree with all funds put to better use due to the 10-year projection methodology included in our report. In summary, however, management stated their corrective actions should produce positive results by the end of the fiscal year or sooner, which should reduce or eliminate their exposure to any funds wasted due to non-compliance for the three issue areas identified in the report.

## Evaluation of Management's Additional Comments

Management did not provide any alternative estimates of projected cost savings or documentation for the amounts on which they disagreed. We acknowledge management's comments regarding current operational and systems challenges and recognize the corrective actions to reduce or eliminate non-compliance. We based our savings estimates on the best available data. We will continue working with management to reach agreement on projected monetary impacts in the process of closing the significant recommendations.

The 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 Postal Service's 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. If you have any questions or need additional information, please contact Jody Troxclair, director, Transportation, or me at 703-248-2100.

E-Signed by Robert Batta   
VERIFY authenticity with ApproveIt  


Robert J. Batta  
Deputy Assistant Inspector General  
for Mission Operations

#### Attachments

cc: Patrick R. Donahoe  
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## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

In January 2006, the Postal Service formalized a nationwide integrated air strategy for mail transportation and briefed the Board of Governors. Management explained that the prior network of passenger airlines was less costly, but also less reliable than other air transportation contractors such as FedEx. Under the strategy, the Postal Service intended to reduce the reliance and number of passenger airlines carrying mail; expand existing air transportation with FedEx and other air cargo carriers; and, where possible, shift mail moved by air to less costly ground transportation. Management emphasized that the integrated air strategy was intended to increase air carriers' on-time performance, create air network redundancy, improve flexibility, enhance security and reduce costs by making contracting more competitive and allowing the Postal Service to eliminate infrastructure.

Passenger Airlines – On June 30, 2006, when the Postal Service's transportation contracts with passenger airlines expired, they discontinued most passenger airlines as domestic air transportation contractors. On September 29, 2006, the Postal Service announced new air transportation contracts with select passenger airlines. The vice president, Network Operations, explained that by relying on passenger airlines with established records of performance, the new contracts would help achieve on-time delivery and provide higher levels of service.

**Postal Service management explained that American Airlines was a passenger airline with reliable, on-time performance and awarded the airline a contract to continue providing service.**

**American Airlines jet at Tampa International Airport; February 25, 2009.**



The FedEx Contract – On August 2, 2006, the Postal Service announced they had truncated the original 2001 contract with FedEx and signed a new 7-year agreement. The new agreement specified an immediate price reduction in all contract categories and allowed the Postal Service to continue to outsource THS.

On July 31, 2006,  
the Postal Service  
signed a new  
7-year agreement  
with FedEx.

The air container  
pictured in the  
foreground was  
designed to be  
loaded onto FedEx  
aircraft.



The Postal Service transportation network currently uses THS contractors to prepare and load mail into containers for transport on FedEx planes. The THS operations contractors for the Capital Metro, Eastern, Great Lakes, and Northeast Areas are Metro Air Service; Worldwide Flight Services; and Quantem Aviation Services, Inc.

Under the FedEx contract, the Postal Service periodically negotiates with FedEx for mail transport capacity. As a contract minimum, the Postal Service pays for 95 percent of the contracted capacity whether it is used or not.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

This is the sixth in a series of reports on the FedEx transportation agreement. The objectives of our audit were to determine whether selected transportation operations in the Capital Metro, Eastern, Great Lakes, and Northeast Areas were effective and economical. We based our analysis on computer generated data and results of our prior audit work conducted in the Pacific, Southeast, Southwest, and Western Areas.

In our four prior area reviews, we interviewed management from Postal Service Network Operations, area offices, and contract management from FedEx and several THS providers. We also visited facilities and operations including airport mail centers, THS operations, and mail processing facilities. We evaluated the types of mail transported; considered on-time service standards; analyzed alternate solutions for making the best use of surface and air networks; and observed and photographed operations.

Our prior reviews of Postal Service areas represented more than 60 percent of Postal Service capacity on FedEx. In meetings with the Capital Metro, Eastern, Great Lakes, and Northeast Areas, management agreed that conditions and causes identified in prior reviews were systemic in nature and applicable for their areas. Based on these factors and our analysis of data, we have reasonable assurance that the conditions and causes cited in this report are applicable to the subject Postal Service areas; therefore, no additional site visits were needed or performed in these areas.

The Postal Service outsources THS operations to contractors, who build and tender air containers to FedEx for transportation.

FedEx containers loaded by THS operations for tender to FedEx, Orlando, FL.



We also examined relevant documents, including:

- The Postal Service Integrated Air Strategy, dated January 9, 2006.
- The FedEx contract, dated January 10, 2001, and the extended FedEx contract, dated July 31, 2006.
- Postal Service contracts with various passenger airlines.
- Contracts with THS providers.
- Postal Service policies that govern network routing and on-time standards.

We examined computer-generated data from October 2006 through April 2009 to analyze mail volume, operational efficiency, and costs. We did not audit or comprehensively validate the data; however, the large amounts of data and its inaccessibility significantly constrained our work. Extracting more current data during the audit would have delayed our work.

To address these data limitations, we applied alternate audit procedures. We discussed the data with Postal Service management, managers, supervisors, employees, and contractors as well as conducted source document examinations. We did not observe and conduct physical inspections to validate the data used in this report. We also discussed our initial findings and recommendations with senior Postal Service management, considered their perspective, and included their comments where appropriate.

We conducted this performance audit from July 2009 through May 2010 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 findings and conclusions based on our

audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management during February 2010 and included their comments where appropriate.

**PRIOR AUDIT COVERAGE**

<b>Report Title</b>	<b>Report Number</b>	<b>Final Report Date</b>	<b>Monetary Impact</b>
<i>Air Networks – Issues In the Pacific Area Associated with a Major Postal Service Customer</i>	NL-AR-08-001	November 23, 2007	\$80.4 million
<i>Air Networks – Federal Express Transportation Agreement – Pacific Area</i>	NL-AR-08-002	February 19, 2008	\$62.8 million
<i>Air Networks – Federal Express Transportation Agreement – Western Area</i>	NL-AR-08-008	September 29, 2008	\$141.3 million
<i>Air Networks – Federal Express Transportation Agreement – Southwest Area</i>	NL-AR-09-002	March 3, 2009	\$53.3 million
<i>Air Networks – Federal Express Transportation Agreement – Southeast Area</i>	NL-AR-09-007	July 31, 2009	\$52 million

The reports listed above identified the same or similar issues identified in this report. We identified FedEx operational efficiency opportunities related to surface mail flown on FedEx, FCM flown on FedEx, and FedEx container capacity and bypass container use in the Pacific, Western, Southwest, and the Southeast Areas. Management generally agreed with our findings and recommendations; however, management did not agree with the total monetary impact.

**APPENDIX B: DETAILED ANALYSIS**

**Transporting Surface Mail on FedEx**

We concluded that in some cases using ground transportation was more advantageous for the Postal Service than flying mail on FedEx. Data from the Postal Service’s FYs 2007 and 2008 cost and revenue analyses and the Transportation Cost System (TRACS) identified large volumes of surface mail<sup>4</sup> transported using the FedEx Daytime Network (Day Turn)<sup>5</sup> from origins in the Capital Metro, Eastern, Great Lakes and Northeast<sup>6</sup> Areas to destinations across the country. Postal Service policy requires transportation managers to balance service and cost. Because surface mail is not as time sensitive as Express Mail®, Priority Mail, or FCM, the area transportation managers could have met the Postal Service’s on-time standards by using highway or rail transportation. By transporting surface mail on FedEx, the Postal Service spent about \$32.1 million more than necessary during FYs 2007 and 2008, as shown in Table 1.

**Table 1. Excess Costs of Transporting Surface Mail on FedEx Day Turn during FYs 2007 and 2008**

Fiscal Year		Periodicals	Standard Mail	Package Services	Total Cost
2007 A	reas Total	\$5,713,385	\$5,924,799	\$3,409,557	\$15,047,741
2008 A	reas Total	4,433,001	6,943,241	5,709,960	17,086,202
<b>Totals</b>		<b>\$10,146,386</b>	<b>\$12,868,040</b>	<b>\$9,119,517</b>	<b>\$32,133,942</b>

**Note: We extracted information from Postal Service cost and revenue analysis data. All numbers are rounded. For more details, see Appendix D.**

The Capital Metro, Eastern, Great Lakes, and Northeast Areas transported surface mail on FedEx, and the Postal Service incurred excess costs, in part, because employees at the areas’ processing plants did not properly segregate surface mail classes from FCM and Priority Mail during distribution operations. Specifically, during our site visits to processing plants in prior reviews, we observed plant employees placing surface mail into FCM and Priority Mail containers or sacks for transport by FedEx using the Day Turn network.<sup>7</sup> See Appendix E for details<sup>8</sup> on TRACS data for the Capital Metro, Eastern, Great Lakes, and Northeast Areas.

<sup>4</sup> Surface mail includes magazines, advertising, and merchandise shipped by major mailers such as publishers, catalog companies, or online retail companies.

<sup>5</sup> FedEx Day Turn operations are principally for transporting FCM and Priority Mail during daytime hours.

<sup>6</sup> The New York Metro Area was absorbed into the Eastern and Northeast Areas, effective October 1, 2009.

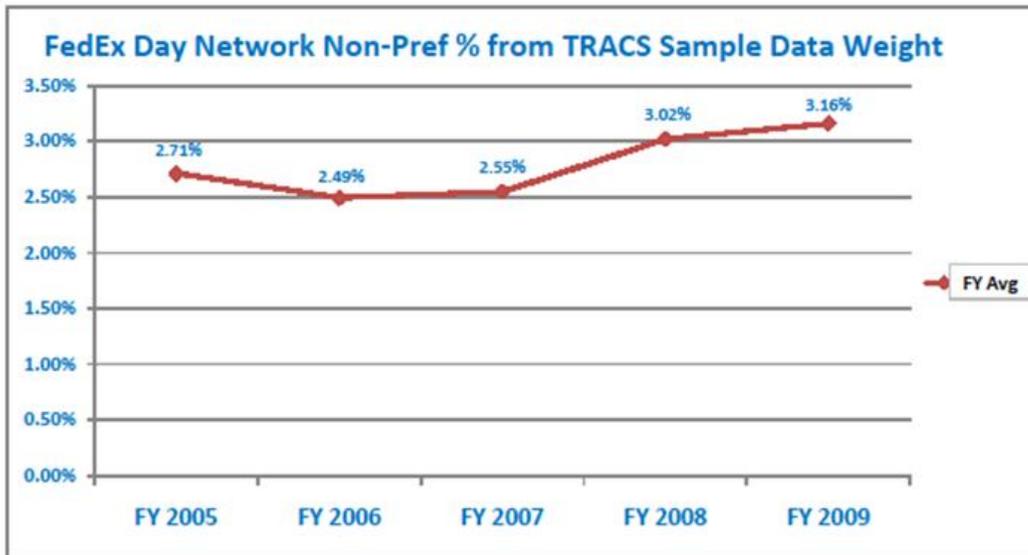
<sup>7</sup> Managers from the Capital Metro, Eastern, Great Lakes, and Northeast Areas agreed that the conditions we observed in the Pacific, Southeast, Southwest, and Western Areas were occurring in their areas.

<sup>8</sup> The shaded blue blocks in Appendix E show over a 3 year period that surface mail class volume was found in FCM and Priority Mail containers being flown on FedEx.



Standard Mail in First-Class Letter Trays and Periodicals in Flat Tubs destined for transportation on FedEx, Atlanta Processing and Distribution Center (P&DC) (February 11, 2009) and Jacksonville P&DC (February 23, 2009).

We recognize that overall mail volume has decreased in FYs 2008 and 2009; however, the volumes of surface mail classes transported on FedEx have not declined. In fact, the percentage transported on FedEx has increased in FYs 2008 and 2009 as shown in the following chart:



If these surface mail classes were transported on surface transportation, the Postal Service could lower overall FedEx lift requirements and save about \$138.3 million in the four selected areas over 10 years. See [Appendix C](#) for a breakdown of unnecessary costs and potential cost avoidance.

## FedEx Versus Passenger Airlines

It was more advantageous in some cases for the Postal Service to use domestic carriers to fly mail than to pay FedEx to fly mail. From May 1, 2008, through April 30, 2009, the Postal Service incurred almost \$1.6<sup>9</sup> million in unnecessary costs to move 1.1 million cubic feet of FCM on FedEx from origins in the Capital Metro, Eastern, Great Lakes, and Northeast Areas. The Postal Service incurred the excess costs because local management did not follow mail assignment priorities by assigning mail to less costly and available commercial air transport. See Table 2.

**Table 2. Available Unused Capacity on Passenger Airlines Analysis of the Capital Metro, Eastern, Great Lakes and Northeast Areas – May 1, 2008, through April 30, 2009**

Postal Areas	Unused Passenger Airline Capacity in Cubic Feet	Excess Costs
Capital Metro	116,974	\$209,581
Eastern	333,813	489,566
Great Lakes	187,513	299,624
Northeast	458,032	584,097
<b>Totals</b>	<b>1,096,332</b>	<b>\$1,582,868</b>

**Note:** The amount of excess costs attributable to the New York Metro Area (Newark, JFK, San Juan) before it was merged with the Northeast Area was \$430,896, and the unused capacity was 358,041 cubic feet. This is included in Northeast Excess Costs section. For more details, see [Appendix D](#).

Postal Service transportation managers told us that transportation on FedEx was the most costly transportation mode, passenger airlines were less costly, and surface was the least costly.

Management generally assigns FCM according to these priorities:

- Surface transportation when on-time service standards can be met.
- Passenger airlines when FedEx contract requirements have been met.
- FedEx when air transportation is required and capacity on passenger airlines or other commercial carriers is unavailable.

For FCM that requires air transportation, Postal Service processing plants assign the mail to air carriers before dispatching it to airports. During many site visits to THS

<sup>9</sup> The questioned costs and projected savings for this finding were adjusted for periods in August 2008 because of Postal Service Headquarters' instructions to divert FCM from normal commercial air routings to the FedEx day network in order to meet contract matrix minimum volume guarantees.

operations at various airports in the Pacific, Southeast, Southwest, and Western Areas, we observed FCM arriving from processing plants that was routinely assigned to FedEx when FedEx contract minimums had already been met and availability existed on less costly passenger airlines.

We concluded that Capital Metro, Eastern, Great Lakes, and Northeast Area transportation managers have an opportunity to meet on-time standards and save about \$17.4 million over 10 years if they maximize the capacity of selected passenger airlines. See [Appendix C](#) for a breakdown of unnecessary costs and potential cost avoidance.

### Mixed Versus Bypass Air Containers

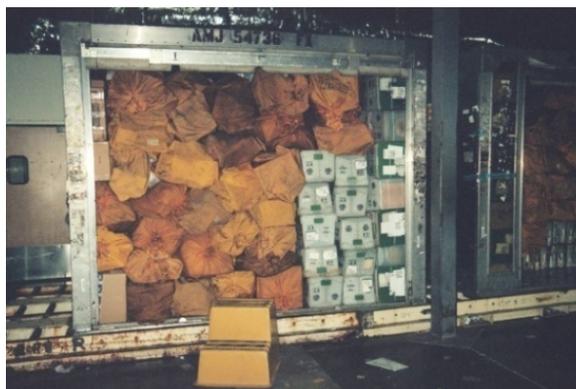
We found it was more advantageous in some cases for the Postal Service to sort mail than it was for FedEx to sort mail. During the period May 1, 2008, through April 30, 2009, the Capital Metro, Eastern, Great Lakes, and Northeast Areas unnecessarily spent about \$1.5 million to pay FedEx to sort mail at the FedEx Memphis hub.

The Postal Service tenders mail to FedEx in both bypass and mixed containers.

- Bypass containers hold mail bound for the same destination airport and move through the FedEx Memphis hub at no additional sorting cost to the Postal Service.
- Mixed containers hold mail bound for various destination airports and must be sorted at the Memphis hub onto departing planes. The Postal Service is required to pay FedEx for sorting mail at the hub.

The Postal Service's contract with FedEx establishes mail sorting fees charged to the Postal Service. During the analysis period, FedEx charged between 60 and 62 cents for sorting each sack, tub, tray, or similar mail handling unit. Sorting mail for a single FedEx air container could cost more than \$300.

**This picture shows a fully loaded FedEx air container prepared by THS in Tampa, FL; February 24, 2009. Management planned to transport the container to the FedEx Memphis hub for sorting.**



Metro Air Service; Worldwide Flight Services; and Quantem Aviation Services, Inc., are the Postal Service contractors for most THS operations in the Capital Metro, Eastern,

Great Lakes, and Northeast Areas. The contractors load FedEx air containers for transport on FedEx aircraft. For many valid operational reasons, the contractors cannot always load mail into bypass containers and, instead, must load it in mixed containers. To balance service and cost, the Postal Service establishes goals for bypass versus mixed containers. Our analysis of the Capital Metro, Eastern, Great Lakes, and Northeast Areas for the period May 1, 2008, through April 30, 2009, showed the areas achieved a 51-percent average of planned bypass goals. See Table 3.

**Table 3. Capital Metro, Eastern, Great Lakes, and Northeast Areas – Planned and Actual Bypass Mail Sorted by FedEx - May 1, 2008, through April 30, 2009**

Postal Areas	Planned Bypass Cubic Feet	Actual Bypass Cubic Feet	Planned Bypass Cubic Feet Achieved (Percent)
Capital Metro	4,991,236	3,023,824	60.58%
Eastern	4,833,073	3,134,839	64.86%
Great Lakes	6,794,188	3,690,413	54.32%
Northeast	13,908,549	5,870,018	42.20%
<b>Totals</b>	<b>30,527,046</b>	<b>15,719,094</b>	<b>51.49%</b>

Note: The New York Metro Area has combined with the Northeast Area, which includes New York, NY; Rochester, NY; and San Juan, PR. For more details, see [Appendix D](#).

Because the Capital Metro, Eastern, Great Lakes, and Northeast Areas operations did not meet planned container bypass cubic feet, the Postal Service spent more than necessary to sort mail using FedEx. Our analysis of FedEx scan data for the period identified more than 2.5 million mail bags, trays, tubs, or other mail handling units that FedEx unnecessarily sorted. As a result, the Postal Service paid FedEx about \$1.5 million more than needed. See Table 4.

**Table 4. Capital Metro, Eastern, Great Lakes, and Northeast Areas – Cost Analysis of Unnecessary Handling Charges - May 1, 2008, through April 30, 2009**

Postal Areas	Handling Units that could have been transported in Planned Bypass Containers	Unnecessary Handling Charges
Capital Metro	518,469	\$318,386
Eastern	399,647	245,447
Great Lakes	904,440	555,720
Northeast	700,812	428,884
<b>Totals</b>	<b>2,523,368</b>	<b>\$1,548,437</b>

Note: The amount of unnecessary handling charges attributable to the New York Metro Area before it was merged with the Northeast Area was \$313,679, and the number of handling units that could have been transported in bypass containers was 512,998.

This condition occurred because Postal Service mail processing plants did not:

- Adequately separate and identify bypass mail before sending it to the THS contractors.
- Dispatch mail to airports in time for THS contractors to place the mail in bypass containers. Management at some THS sites we visited stated that mail routinely arrived late from local facilities; and as a result, the THS contractors converted containers from bypass to mixed so they could be tendered on-time to FedEx.

FedEx freight and U.S. mail conveyed through the FedEx Memphis hub sort operation, April 20, 2005.

FedEx charges the Postal Service for every sack, tub, tray, or other mail handling unit.

Note that U.S. mail packages, Priority Mail sacks, and an overturned tub are being conveyed through the sort operation commingled with FedEx freight.



If Capital Metro, Eastern, Great Lakes, and Northeast Areas processing plants properly separate bypass mail and dispatch mail to airports on time, the Postal Service could avoid about \$14.9 million in unnecessary sorting costs over the next 10 years. See [Appendix C](#) for details of unnecessary costs and potential cost avoidance.

**APPENDIX C: SUMMARY MONETARY IMPACTS IN CAPITAL METRO, EASTERN,  
 GREAT LAKES, AND NORTHEAST AREAS' FEDEX OPERATIONS**

**Unrecoverable Questioned Costs (Unnecessary Costs)<sup>10</sup>  
 October 2007 through April 2009**

Cost Category	Amount
<b>Cost to transport surface mail on FedEx Day Turn (FYs 2007 &amp; 2008).</b>	
Capital Metro	\$8,458,355
Eastern	7,742,761
Great Lakes	7,537,391
Northeast	<u>8,395,436</u>
<b>Total</b>	<b>\$32,133,942</b>
<small>(Note: The amount of cost attributable to the New York Metro Area before it was merged with the Northeast Area was \$4,062,740)</small>	
<b>Excess cost of FCM that could have been transported on less costly passenger airlines (May 2008 through April 2009).</b>	
Capital Metro	\$209,581
Eastern	489,566
Great Lakes	299,624
Northeast	<u>584,097</u>
<b>Total</b>	<b>\$1,582,868</b>
<small>(Note: The amount of cost attributable to the New York Metro Area before it was merged with the Northeast Area was \$430,896)</small>	
<b>Avoidable sorting costs at the FedEx Memphis hub (May 2008 through April 2009).</b>	
Capital Metro	\$318,386
Eastern	245,447
Great Lakes	555,720
Northeast	<u>428,884</u>
<b>Total</b>	<b>\$1,548,437</b>
<small>(Note: The amount of cost attributable to the New York Metro Area before it was merged with the Northeast Area was \$313,679)</small>	
<b>Total</b>	<b>\$35,265,247</b>

<sup>10</sup> Costs that are unnecessary, unreasonable, or an alleged violation of law or regulation.

**Funds Put to Better Use (Potential Cost Avoidance)<sup>11</sup>**

Method of Cost Avoidance	Amount
<b>Moving surface mail on less costly surface transportation.</b>	
Capital Metro	\$36,403,432
Eastern	38,660,156
Great Lakes	32,439,749
Northeast	<u>30,796,114</u>
<b>Total</b>	<b>\$138,299,451</b>
<b>Using commercial passenger airlines to move FCM when capacity exists and FedEx contract minimums have been met.</b>	
Capital Metro	\$2,210,543
Eastern	5,348,313
Great Lakes	3,205,361
Northeast	<u>6,590,700</u>
<b>Total</b>	<b>\$17,354,917</b>
<b>Avoiding FedEx sorting charges by maximizing direct containers and pursuing additional opportunities to further reduce charges.</b>	
Capital Metro	\$3,068,355
Eastern	2,365,154
Great Lakes	5,352,573
Northeast	<u>4,147,480</u>
<b>Total</b>	<b>\$14,933,562</b>
<b>Total</b>	<b>\$170,587,930</b>

<sup>11</sup> Funds that could be used more efficiently by implementing recommended actions. OIG uses a 10-year cash flow methodology, discounted to present value by applying factors published by Postal Service Headquarters Finance when calculating these monetary impacts. Fluctuations in mail volume over time may impact the 10-year projection results.

**APPENDIX D: DETAILS OF UNRECOVERABLE QUESTIONED COSTS  
 (UNNECESSARY COSTS) BY ISSUE**

**Transporting Surface Mail on FedEx Day Turn**

**Expanded Table 1. Excess Costs of Transporting Surface Mail  
 on FedEx Day Turn during FYs 2007 and 2008**

Fiscal Year	Area	Periodicals	Standard Mail	Package Services	Total Cost
2007	Capital Metro	\$1,338,698	\$873,581	\$647,260	\$2,859,539
	Eastern	2,397,570	1,269,269	464,845	4,131,685
	Great Lakes	1,256,084	1,899,025	715,976	3,871,086
	Northeast	573,295	738,497	856,255	2,168,047
	NY Metro	147,738	1,144,127	725,219	2,017,384
	Areas Total	\$5,713,385	\$5,924,799	\$3,409,557	\$15,047,741
2008	Capital Metro	\$1,117,552	\$2,688,357	\$1,792,907	\$5,598,816
	Eastern	1,766,602	1,132,774	711,701	3,611,076
	Great Lakes	782,531	1,867,467	1,016,307	3,666,305
	Northeast	447,465	430,402	1,286,783	2,164,649
	NY Metro	318,852	824,241	902,262	2,045,356
	Areas Total	\$4,433,001	\$6,943,241	\$5,709,960	\$17,086,202
<b>Totals</b>		<b>\$10,146,386</b>	<b>\$12,868,040</b>	<b>\$9,119,517</b>	<b>\$32,133,942</b>

Note: We extracted information from Postal Service cost and revenue analysis data. All numbers are rounded.

### FedEx Versus Passenger Airlines

**Expanded Table 2. Available Unused Capacity on Passenger Airlines Analysis of the Capital Metro, Eastern, Great Lakes, and Northeast Areas – May 1, 2008, through April 30, 2009**

Postal Areas	Point of Origin	Unused Passenger Airline Capacity in Cubic Feet	Excess Costs	
Capital Metro	Baltimore	49,112	\$56,100	
	Ch	arlotte	8,607	18,243
	Green	sboro	26,706	84,871
	W	ashington, DC (Dulles)	11,058	19,417
		Raleigh-Durham	<u>21,491</u>	<u>30,950</u>
	Sub Total	116,974	\$20 9,581	
Eastern	Cleveland	58,946	\$88,418	
	Columbus	113,745	186,913	
	Cincinnati	42	8	
	Philadelphia	152,688	201,587	
	Pittsburgh	2,506	4,905	
	Louisville	<u>5,886</u>	<u>7,735</u>	
	Sub Total	333,813	\$489,566	
Great Lakes	Detroit	25,844	\$33,528	
	Indianapolis	28,161	62,056	
	Milwaukee	43,687	87,827	
	Chicago (O'Hare)	34,147	35,366	
	Saint Louis	<u>55,674</u>	<u>80,847</u>	
	Sub Total	187,513	\$299,624	
Northeast	Hartford	27,075	\$36,054	
	Boston	72,916	117,147	
	Newark	27,415	33,194	
	New York (JFK)	326,790	392,323	
	San Juan	<u>3,836</u>	<u>5,379</u>	
	Sub Total	458,032	\$584,097	
<b>Totals</b>		<b>1,096,332</b>	<b>\$1,582,868</b>	

Note: The amount of excess costs attributable to the New York Metro Area (Newark, JFK, San Juan) before it was merged with the Northeast Area was \$430,896 and the unused capacity was 358,041 cubic feet.

### Mixed Versus Bypass Air Containers

Expanded Table 3. Capital Metro, Eastern, Great Lakes, and Northeast Areas – Planned and Actual Bypass Mail Sorted by FedEx - May 1, 2008, through April 30, 2009

Postal Areas	Point of Origin	Planned Bypass Cubic Feet	Actual Bypass Cubic Feet	Planned Bypass Cubic Feet Achieved (Percent)
Capital Metro	Baltimore, MD	1,110,773	790,609	71.18%
	Charlotte, NC	1,369,862	793,135	57.90%
	Greensboro, NC	512,565	260,836	50.89%
W	Washington, DC (Dulles)	1,380,362	945,819	68.52%
Norfolk,	VA	65,650	4,040	6.15%
	Raleigh-Durham, NC	450,551	183,458	40.72%
	Richmond, VA	101,473	45,927	45.26%
	Sub Total	4,991,236	3,023,824	60.58%
Eastern	Cleveland, OH	69,554	37,288	53.61%
Philadelp	Cincinnati, OH	677,523	508,345	75.03%
	Phila, PA	2,934,199	1,719,886	58.62%
	Pittsburgh, PA	661,952	474,667	71.71%
	Louisville, KY	489,845	394,653	80.57%
	Sub Total	4,833,073	3,134,839	64.86%
Great Lakes	Detroit, MI	1,142,550	922,371	80.73%
	Grand Rapids, MI	312,434	249,845	79.97%
	Indianapolis, IN	1,086,571	729,943	67.18%
	Milwaukee, WI	1,700,020	377,584	22.21%
	Chicago, IL (O'Hare)	2,552,613	1,410,670	55.26%
	Sub Total	6,794,188	3,690,413	54.32%
Northeast	Newark, NJ	2,970,223	1,767,937	59.52%
	New York, NY (JFK)	4,553,755	1,713,555	37.63%
	San Juan, PR	350,207	232,908	66.51%
	Hartford, CT	2,186,705	1,317,285	60.24%
	Bos	Boston, MA	465,337	141,733
	Manchester, NH	1,982,935	171,756	8.66%
	Rochester, NY	1,399,387	524,844	37.51%
	Sub Total	13,908,549	5,870,018	42.20%
<b>Totals</b>		<b>30,527,046</b>	<b>15,719,094</b>	<b>51.49%</b>

**APPENDIX E: TRACS DATA BY AREA**

**CAPITAL METRO AREA**

**"SURFACE" MAIL CLASSES ON FEDEX DAY TURN FY 2007 - FY 2009**

Postal Facility	TRACS data by quarter														
	From TRACS Sampling			FY 2007				FY 2008				FY 2009			
	Periodicals	Standard Mail	Package Services	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	X	X													
	X	X	X												
	X	X	X												
	X	X	X												
	X	X	X												
		X	X												
	X		X												
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	X	X	X												
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	X	X	X												
	X	X	X												
	X	X	X												
		X	X												
	X	X	X												
	X	X	X												
	X	X	X												
		X	X												
	X	X	X												

**LEGEND:** shaded blocks – each quarter in FYs 2007 - 2009 that "Surface" Mail Classes were sampled by TRACS data collectors at that plant  
 AMC - Airport Mail Center; AMF - Airport Mail Facility; P&DC - Processing and Distribution Center; P&DF - Processing and Distribution Facility;  
 L&DC - Logistics & Distribution Center; GMF - General Mail Facility; AMPC - Area Mail Processing Center; STC - Surface Transfer Center

**EASTERN AREA**

**"SURFACE" MAIL CLASSES ON FEDEX DAY TURN FY 2007 - FY 2009**

Postal Facility	TRACS data by quarter														
	From TRACS Sampling			FY 2007				FY 2008				FY 2009			
	Periodicals	Standard Mail	Package Services	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
X	X	X													
		X													
X	X														
X	X														
X	X	X													
	X	X													
X	X	X													
X	X	X													
X		X													
	X	X													
X	X	X													
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X	X	X													
X	X	X													
	X														
		X													
X		X													
X	X	X													
X	X	X													
X	X	X													
	X														
	X														
X	X	X													
X	X	X													
X	X														

**LEGEND:** shaded blocks – each quarter in FY 2007 - FY 2009 that "Surface" Mail Classes were sampled by TRACS data collectors at that plant  
 L&DC - Logistics & Distribution Center; STC - Surface Transfer Center; HASP - Hub and Spoke; P&DC - Processing and Distribution Center;  
 AMC - Airport Mail Center; AMF - Airport Mail Facility;  
 P&DF - Processing and Distribution Facility;





## APPENDIX F: MANAGEMENT'S COMMENTS

VICE PRESIDENT  
CAPITAL METRO AREA OPERATIONS



March 30, 2010

LUCINE M. WILLIS  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: OIG Draft Audit Report – Air Networks – Federal Express Transportation Agreement –  
Capital Metro, Eastern, Great Lakes, and Northeast Areas (Report Number NL-AR-10-DRAFT)

The Capital Metro Area has reviewed the subject Draft Audit Report – Air Networks – Federal Express Transportation Agreement – Capital Metro, Eastern, Great Lakes, and Northeast Areas (Report Number NL-AR-10-DRAFT), and concurs with the general findings and recommendations of the OIG audit team. We agree in principle that a monetary impact exists and commit to capturing potential savings through implemented efficiencies. Additionally, this report and management's response do not contain information that may be exempt from disclosure under the FOIA (Freedom of Information Act).

**Recommendation #1:** Use surface transportation to the extent possible for mail that does not require air transportation to meet Postal Service on-time standards.

**Response #1:** We agree in principle that a monetary impact exists and commit to capturing potential savings through implemented efficiencies. Moreover, we intend to provide greater oversight of air mail dispatched from Capital Metro Area plants to minimize such discrepancies in the future.

**Recommendation #2:** Transport mail to the maximum extent possible using the service-responsive capacity of passenger airlines under contract with the Postal Service.

**Response #2:** We agree in principle with the audit findings, but question the extent to which the data accurately reflects instances of non-compliance. The SAM's system is designed to assign mail to UPS, C-Air, and then FX unless it is manually overridden. As a practice, Capital Metro does not override this system and allows mail to be assigned to the network as designed. As such, our influence in terms of network assignment is limited to the system itself. In addition, as discussed in our exit conference, there are a number of factors that would preclude volume that, at times, may be transported on commercial air routes from moving on that network as opposed to FedEx.

Examples include:

- GSO is not a C-Air airstop; they have RFS (US Air through CLT). The RFS closes out at 02:25 a.m. The only plant that can access the routes is Greensboro. Lynchburg and Roanoke, who scan to GSO, do not have surface transportation to meet the closeout. Consequently, their volume automatically is assigned to FX. In addition, any mail that Greensboro scans after 02:24 a.m. will go to FX. Approximate weight 272,057 lbs.
- For a short period of time RDU participated in the RFS program. The RFS terminated approximately August 15, 2008. Routes were spooling in with a closeout time of 01:10 a.m. Consequently, no feeder sites were able to access the routes because their ground delay tables did not support it. Some of the 164,056 lbs. is a part of this volume cited in the audit (May 1, 2008 through August 15, 2008).
- HQ's mandate to move C-Air to FX for the month of August 2008 (audit has made adjustments to this report).

MAILING ADDRESS  
16501 SHADY GROVE ROAD  
GAITHERSBURG, MD 20898-9998  
301 548-1410 FAX: 301 548-1434

- HQ's mandate to move C-Air to FX for December 29, 2008 through January 4, 2009 (Total 41,601 lbs. includes GSO volume).
- HQ's mandate to move C-Air to FX for March 13, 2009 (Total 6053 lbs. includes GSO volume).
- HQ's mandate to move C-Air to FX for March 19, 2009 (total 1909 lbs. includes GSO volume).
- HQ's mandate to move C-Air to FX for March 20, 2009 through March 29, 2009 (Total 49,011 lbs. includes GSO volume).
- HQ's mandate to move C-Air to FX for April 15, 2009 through April 30, 2009 (Total 97,792 lbs. includes GSO volume).
- AA 1785 BWI-SJU cancelled on March 10, 2009; mail was assigned to FX (742 lbs.).
- American Airlines out of BWI requested no mail on flight AA 1241 for July 1, 2008, July 8, 2008, and July 10, 2008 (3556 lbs.).
- BWI-PHX on Saturday, January 17, 2009, had only one flight (US 400) and was loaded to maximum capacity, but the C-Air to FX report showed 1495 lbs. went to FX.
- BWI-SAT on Tuesday, November 18, 2008, used all the C-Air lift to SAT, but the C-Air to FX report showed 936 lbs. of unused C-Air lift. BWI used all the C-Air lift for SAT.
- ADM was showing C-Air lift to SMF. BWI, CLT, and IAD had no C-Air routes to SMF. The C-Air to FX report reflected unused C-Air lift periodically from May 25, 2008 through October 21, 2008, for one or more airstops in the capital Metro Area (5846 lbs.).
- RDU shows up on the C-Air to FX report, but the issue with CO having routes that exceed the contract maximum was not addressed completely. One incident was with the C-Air to FX report dated Friday, September 19, 2008. Total weight for all the routes on CO 151 totaled 2047 lbs., but the contract maximum was set at 1452 lbs. The contract received 1482 lbs. (AUS 84 lbs., IAH 958 lbs., and SAT 410 lbs. for a total of 1482 lbs. 565 lbs shows as unused C-Air lift.
- The total leg weights that CO submits for C-Air in RDU and BWI sometimes exceed the contract maximum capacities (BWI on 5/24/08 and RDU on 3/25/08 and 9/19/08).
- Sometime around Tuesday, November 11, 2008, the priority codes for United Airlines rolled in as equal or higher than that of FX. Consequently, mail went to FX first. Volume not available. The extent of the problem unknown as only BWI reported it. IAD and CLT had UA routings during this time frame.
- CO had no presence in SAN for a period of time. HQ's stated not to send mail into SAN on CO. Routes rolled in and BWI utilized them until Continental Airlines notified the Capital Metro to cease on September 5, 2008. From September 5, 2008 through April 10, 2009, BWI was not authorized to use the CO routes to SAN. A portion or all of the 10,211 lbs. assigned to SAN from BWI needs to be adjusted.
- CLT continually shows six AA routes (AA 2427) for 50 lbs. each with a total contract weight of 50 lbs. The AA representative stated they did not submit them (10/08/08). These routes were suspended.

**Recommendation #3:** Sort mail into bypass containers as appropriate.

**Response #3:** We agree in principle with sorting mail into bypass containers as appropriate; however, there are a number of factors impacting our ability to fully capture this opportunity.

Examples include:

- The bypass matrix is developed from the total volume originating from a given airstop. Volume from smaller feeder sites would need to add additional surface transportation if they were required to build the entire bypass assigned to the matrix.
- Building bypass containers does not guarantee it will go as bypass because of the 87 percent rule that mandates the THS to downgrade to a mixed container if it is 87 percent or less full.
- Declining volumes have made it more difficult to build some of the bypass containers.
- The 75 percent rule governing the arrival profile to FX sometimes requires the THS to downgrade bypass containers to mixed

If you have any questions or require further information regarding this response, please contact Robert Borris, Manager Distribution Networks, at 301-618-4401.

  
Jerry D. Lane

cc: Sally K. Haring  
Acting Manager, Corporate Audit and Response Management  
[CARMManager@USPS.GOV](mailto:CARMManager@USPS.GOV)  
[audittracking@uspsaig.gov](mailto:audittracking@uspsaig.gov)



April 29, 2010

LUCINE M. WILLIS  
DIRECTOR AUDIT OPERATIONS

SUBJECT: OIG Draft Audit Report – Air Networks – Federal Express Transportation Agreement –  
Capital Metro, Eastern, Great Lakes, and Northeast Areas (Report Number NL-AR-10-DRAFT)

The following is submitted as an addendum to Capital Metro Area's response of March 30, 2010 to the subject OIG Draft Audit Report (Report Number NL-AR-10-DRAFT):

**Addition to Response #1:** In further response to recommendation #1, we have copied the Sr. Plant Managers of the audit findings and recommendations, as well as reiterated our instructions to assure that only mail designated for the air network is tendered to the air network (see attached). Moreover, we have added process checks for compliance as part of the daily duties of our airfield support staff, and as a line item in our quarterly area plant reviews. Implementation of this process started the week of April 19<sup>th</sup>, 2010, and the first Area review at the Greenville P&DC is currently underway. It is expected that a review of all area plants will be completed by June 30, 2010.

**Addition to Response #2:** To the extent that we are able to control, Capital Metro Area is currently in compliance with the recommendation. The Area DN staff regularly reviews the HQ compliance reports and monitors modifications to SAM's. We specifically look for manipulations that would effect unauthorized diversions of volume from service responsive CAIR routings to FedEx. Over the past 18 months we found very few instances of unauthorized activity, but will continue to conduct these audits of SAM's transaction records. We have also attached samples that document some of the exceptions we reported in our response of March 30, 2010.

**Addition to Response #3:** Capital Metro Operations is acutely aware of both the cost element and service benefit to maximizing bypass containers. Consequently, we closely monitor bypass containerization compliance by our plant operations, and provide daily feedback to the field (examples attached). It is our contention that we currently have an effective process for monitoring compliance for bypass containerization by our plants, and for reporting and abating instances of non-compliance. Our Plant Managers are cooperative and supportive of this program.

Please contact me at your earliest opportunity should you have any further questions regarding this addendum.

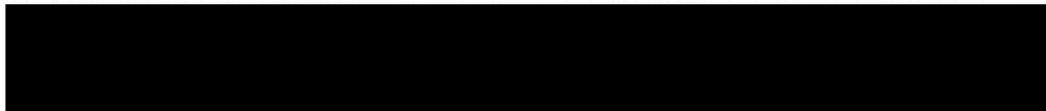
A handwritten signature in black ink, appearing to read "RBorris".

Robert Borris  
Manager, Distribution Networks  
Capital Metro Area  
301-548-6930

**Borris, Robert A - Gaithersburg, MD**

---

To:



Cc:

Subject: FW: OIG Response - DRAFT - FedEx Transportation Agreements

Attachments: Document pdf; DR 09XG027NL000 - FedEx Transportation Agreements NL-AR-10-DRAFT.pdf

Sr.Plant Managers,

Recently the OIG conducted an audit of air transportation routings and identified significant instances where surface volume was transported via the air network (primarily STD, 2C, and Package Service Mail). They also cited instances where mail that could have been moved via commercial air routes was routed via FedEx, as well as instances where bypass containers were not maximized. Each of these infractions have significant cost impacts, as the FedEx network as you may be aware is our most expensive mode of transportation. Moreover, the revenue received for these mail classes would not cover the cost of moving this volume on FedEx. While we're not entirely in agreement with their cost estimates, we completely agree that this is a problem that we cannot afford to ignore. A copy of the review and our response is included. It is our expectation that you will make every effort to assure that only preferential mail designated for air routings is transported via this network, and that you have your support staff add this to their quality check regimen. Likewise, it is expected that you will continue to make the required bypass container separations as directed. Be advised that the Area DN staff will be monitoring for compliance to these directives during our field reviews, as well as the support personnel at the airports to include in their daily AMC reports.

Your support in this effort to keep non-preferential volume out of the air network is appreciated.

Bob Borris  
Manager DN  
Capital Metro Area

**Borris, Robert A - Gaithersburg, MD**

---

From: Buonanno, Theresa A - Landover, MD

Sent: Thursday, April 29, 2010 2:27 PM

To:



Cc:

Subject: Quality Control Mail Checks on Airmail

Please start having the airport personnel do random quality control checks on airmail for first class and priority mail. This would include spot checking sacks and trays to ensure the appropriate mail class is contained within the sack or tray.

Do not delay the mail.

Please note the origin office, the destination, the date and the mail class. You can record this information in the comments section of the Airport Condition Report.

If you have any questions please contact me at: 301-548-6664.

Theresa

**22. Check contents of trays, tubs, and sacks destined for the air network for mail that should move on surface routes (ie. STD, PER, and Package Service Mail)**

Checklist Excerpt:

VICE PRESIDENT, AREA OPERATIONS  
EASTERN AREA



March 31, 2010

Lucine Willis  
Office of Inspector General  
Director, Audit Operations  
1735 N. Lynn St.  
Arlington VA 22209-2020

**SUBJECT:** Transmittal of Draft Audit Report – Air Networks- Federal Express Transportation Agreement-Eastern Area (Report Number NL-AR-10-DRAFT)

The Eastern Area has reviewed the subject Draft Audit Report (Project Number 09XG027NL000) and is in agreement in principle with the recommendations; however, we disagree with the methodology of the monetary impacts due to the broad assumptions that are being applied over a ten-year period.

Recommendation 1:

Use surface transportation to the extent possible for mail that does not require air transportation to meet Postal Service on time standards.

Response

The Eastern Area agrees with the recommendation that surface mail should not be flown. The volume figures referenced are a combination of standard and periodical mail that was identified when the TRACS test was conducted and a blow up figure was used to estimate the volume. This is not First Class Mail for surface destinations that were incorrectly assigned to the FedEx Air Network. The First Class destination is planned to fly but within the tray exists Periodical and Standard volume. The Domestic Mail Manual changes effective 4/1 give a mandatory compliance date of 7/1 to consolidate processing sites of mixed entry standard and periodicals. The Eastern Area for example is going from six sites to two. This will concentrate the workload and visibility of the mixed lower classes. The mail will be dispatched on surface preference routings from these two sites. Eastern Area In-Plant Support, in conjunction with the two sites, will begin monitoring for compliance on 7/1. This volume will be much easier to control from two sites.

Recommendation 2:

Transport mail to the maximum extent possible using service responsive capacity of passenger airlines under contract with the Postal Service.

Response

The Eastern Area agrees with the recommendation. There were many instances during the time period identified where it was the proper business decision made by HQ directing the area DNs to utilize the space available on FX than to incur the cost of paying commercial. We will continue to work in conjunction with Shared Networks at Headquarters to make the best network decisions on a daily basis. The Eastern Area DN has already started monitoring our commercial routing utilization and performance on a weekly basis with the field units to ensure optimal utilization.

ONE MARQUIS PLAZA  
5315 CAMPBELL RUN ROAD  
PITTSBURGH PA 15277-7010  
PHONE: 412-494-2510  
FAX: 412-494-2582

Recommendation 3:

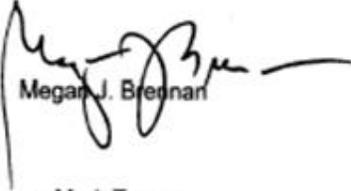
Sort mail into bypass containers as appropriate.

Response

The Eastern Area agrees with the recommendation. The Eastern Area DN has already started monitoring the volume arrival profile (VAP) from the plants to the Terminal Handling Service (THS) provider on a daily basis. Our VAP goal is 75% by 0300 at the THS which provides the THS the ability to maximize the bypass opportunity.

This report has no exemptions under the Freedom of Information Act.

If you have any questions or require further information please contact Tom Ware, Networks Manager at 412-494-2611.



Megan J. Brennan

cc: Mark Tappe  
Kristin Seaver  
Jim Hull  
Tom Ware

VICE PRESIDENT, AREA OPERATIONS  
EASTERN AREA



April 15, 2010

Lucine Willis  
Office of Inspector General  
Director, Audit Operations  
1735 N. Lynn St.  
Arlington VA 22209-2020

**SUBJECT:** (Addendum to response dated March 31, 2010) for Transmittal of Draft Audit Report – Air Networks - Federal Express Transportation Agreement-Eastern Area (Report Number NL-AR-10-DRAFT)

Recommendation 1:

Use surface transportation to the extent possible for mail that does not require air transportation to meet Postal Service on time standards.

Amended Response

The Eastern Area will provide documentation starting July 1 as to field instructions issued and success of the compliance issues. We expect to see significant improvements (reductions in Periodicals, Standard, and Package Services mail volume on FX) by the end of FY 2010.

Recommendation 2:

Transport mail to the maximum extent possible using service responsive capacity of passenger airlines under contract with the Postal Service.

Amended Response

Attached are two PDF files (examples of reports) which we are using to monitor the CAIR mail assignments and performance. We expect by the end of Postal Quarter 3 to see significant improvements.

Recommendation 3:

Sort mail into bypass containers as appropriate.

Amended Response

Attached is an example of our daily condition report where the VAP to the THS is monitored by the DN daily to improve the flow of mail to FX. We expect to see improved performance in bypass ULD utilization by the end of Postal Quarter 3.

This report has no exemptions under the Freedom of Information Act.

If you have any questions or require further information please contact Tom Ware, Networks Manager at 412-494-2611.

A handwritten signature in black ink, appearing to read "Megan J. Brennan".

Megan J. Brennan

cc: Mark Tappe  
Jim Hull  
Tom Ware

Attachments:

ONE MARQUIS PLAZA  
5315 CAMPBELLS RUN ROAD  
PITTSBURGH PA 15277-7010  
PHONE: 412-494-2510  
FAX: 412-494-2582

Lane Performance Report for First-Class-Mail

Week Start Date	Carrier	Carrier Name	Origin	Area	Destination	Total Weight	Total HU's	On-Time HU's (Delivered by Scheduled Delivery Day)	% Performance	Total HU's Delivered by Next Delivery Day
3/20/2010	CO	Continental Airlines	CMH	Eastern	SFO	853	65	0	0.00%	65
2/20/2010	UA	United Airlines	PIT	Eastern	IAH	258	20	0	0.00%	0
2/20/2010	UA	United Airlines	PIT	Eastern	LAS	263	23	0	0.00%	23
2/20/2010	AA	American Airlines	PHL	Eastern	PHX	653	41	0	0.00%	41
1/30/2010	UA	United Airlines	CLE	Eastern	LAX	945	88	0	0.00%	88
1/30/2010	UA	United Airlines	PHL	Eastern	DEN	233	25	0	0.00%	25
1/30/2010	CO	Continental Airlines	PHL	Eastern	SEA	217	13	0	0.00%	0
1/16/2010	US	US Airways	CMH	Eastern	LAX	29	2	0	0.00%	0
1/16/2010	CO	Continental Airlines	CLE	Eastern	HNL	795	81	0	0.00%	0
1/16/2010	UA	United Airlines	CMH	Eastern	ONT	173	14	0	0.00%	14
2/13/2010	B6	JetBlue Airways	PIT	Eastern	SJU	1,115	88	1	1.14%	15
3/13/2010	CO	Continental Airlines	CMH	Eastern	PHX	882	82	3	3.66%	82
2/13/2010	CO	Continental Airlines	PHL	Eastern	SEA	1,148	97	5	5.15%	97
2/6/2010	UA	United Airlines	PIT	Eastern	PDX	800	64	4	6.25%	64
1/23/2010	US	US Airways	PIT	Eastern	SJU	163	29	4	13.79%	29
2/13/2010	US	US Airways	PHL	Eastern	TUS	966	79	11	13.92%	11
1/23/2010	CO	Continental Airlines	CMH	Eastern	SFO	1,478	119	21	17.65%	119
2/13/2010	US	US Airways	PIT	Eastern	SJU	209	28	6	21.43%	28
2/20/2010	UA	United Airlines	CMH	Eastern	LAX	3,114	302	70	23.18%	298
1/23/2010	CO	Continental Airlines	CLE	Eastern	SFO	652	69	17	24.64%	69
1/30/2010	AA	American Airlines	CMH	Eastern	LAX	1,213	109	30	27.52%	109
1/23/2010	UA	United Airlines	PIT	Eastern	PDX	1,231	119	35	29.41%	119
1/16/2010	UA	United Airlines	CMH	Eastern	SFO	4,243	317	102	32.18%	214
2/27/2010	AA	American Airlines	PHL	Eastern	ABO	661	54	18	33.33%	54
2/20/2010	UA	United Airlines	CLE	Eastern	SEA	2,104	175	65	37.14%	175
1/30/2010	CO	Continental Airlines	CLE	Eastern	HNL	812	95	37	38.95%	37
1/23/2010	UA	United Airlines	CMH	Eastern	SFO	4,825	388	157	40.46%	387
1/16/2010	UA	United Airlines	CMH	Eastern	SAN	1,833	140	58	41.43%	140
2/13/2010	US	US Airways	PHL	Eastern	PDX	905	84	35	41.67%	84
2/20/2010	CO	Continental Airlines	CMH	Eastern	SFO	1,716	150	64	42.67%	150
2/13/2010	UA	United Airlines	CMH	Eastern	DEN	565	55	24	43.64%	55
2/20/2010	UA	United Airlines	PIT	Eastern	SEA	1,659	144	64	44.44%	144
3/6/2010	CO	Continental Airlines	CMH	Eastern	DEN	174	17	8	47.06%	17
3/6/2010	CO	Continental Airlines	CMH	Eastern	SFO	1,791	143	68	47.55%	143
2/13/2010	UA	United Airlines	CVG	Eastern	LAS	677	79	38	48.10%	79
2/6/2010	UA	United Airlines	CMH	Eastern	LAX	3,478	359	175	48.75%	359
3/13/2010	CO	Continental Airlines	CMH	Eastern	DEN	243	24	12	50.00%	24
2/27/2010	CO	Continental Airlines	CMH	Eastern	PHX	23	2	1	50.00%	1
2/20/2010	AA	American Airlines	PHL	Eastern	ABO	989	97	49	50.52%	63
1/30/2010	UA	United Airlines	CMH	Eastern	DEN	1,764	154	80	51.95%	153
1/16/2010	UA	United Airlines	CVG	Eastern	PDX	1,597	102	53	51.96%	102
3/20/2010	US	US Airways	CMH	Eastern	DEN	270	34	18	52.94%	34
3/20/2010	UA	United Airlines	CMH	Eastern	LAX	4,360	334	178	53.29%	287
2/13/2010	AA	American Airlines	PHL	Eastern	ABO	680	73	39	53.42%	73
2/20/2010	UA	United Airlines	PIT	Eastern	SFO	3,636	291	156	53.61%	290
1/16/2010	UA	United Airlines	PIT	Eastern	PDX	1,463	119	66	55.46%	119
1/23/2010	CO	Continental Airlines	CLE	Eastern	HNL	999	122	68	55.74%	68

Lane Performance Report for First-Class-Mail

Week Start Date	Carrier	Carrier Name	Origin	Area	Destination	Total Weight	Total HU's	On-Time HU's (Delivered by Scheduled Delivery Day)	% Performance	Total HU's Delivered by Next Delivery Day
3/20/2010	AA	American Airlines	CMH	Eastern	LAX	1,250	112	111	99.11%	112
3/20/2010	AA	American Airlines	PHL	Eastern	ABQ	710	69	57	82.61%	65
3/20/2010	AA	American Airlines	PHL	Eastern	HNL	430	46	46	100.00%	46
3/20/2010	AA	American Airlines	PHL	Eastern	PHX	737	58	58	100.00%	58
3/20/2010	B6	JetBlue Airways	PIT	Eastern	SJU	408	39	30	76.92%	30
3/20/2010	CO	Continental Airlines	CLE	Eastern	AUS	882	79	79	100.00%	79
3/20/2010	CO	Continental Airlines	CLE	Eastern	HNL	894	113	63	55.75%	113
3/20/2010	CO	Continental Airlines	CLE	Eastern	LAS	27	2	2	100.00%	2
3/20/2010	CO	Continental Airlines	CLE	Eastern	LAX	3,616	394	394	100.00%	394
3/20/2010	CO	Continental Airlines	CLE	Eastern	SAN	403	33	33	100.00%	33
3/20/2010	CO	Continental Airlines	CLE	Eastern	SAT	2,888	248	248	100.00%	248
3/20/2010	CO	Continental Airlines	CLE	Eastern	SEA	401	41	41	100.00%	41
3/20/2010	CO	Continental Airlines	CLE	Eastern	SFO	93	8	8	100.00%	8
3/20/2010	CO	Continental Airlines	CMH	Eastern	AUS	1,317	110	110	100.00%	110
3/20/2010	CO	Continental Airlines	CMH	Eastern	DEN	229	19	19	100.00%	19
3/20/2010	CO	Continental Airlines	CMH	Eastern	LAS	1,372	116	116	100.00%	116
3/20/2010	CO	Continental Airlines	CMH	Eastern	LAX	3,635	317	317	100.00%	317
3/20/2010	CO	Continental Airlines	CMH	Eastern	PHX	1,194	78	78	100.00%	78
3/20/2010	CO	Continental Airlines	CMH	Eastern	SAT	6,405	470	456	97.02%	469
3/20/2010	CO	Continental Airlines	CMH	Eastern	SEA	561	43	43	100.00%	43
3/20/2010	CO	Continental Airlines	CMH	Eastern	SFO	853	65	0	0.00%	65
3/20/2010	CO	Continental Airlines	PHL	Eastern	LAX	9	1	1	100.00%	1
3/20/2010	CO	Continental Airlines	PHL	Eastern	PHX	695	51	51	100.00%	51
3/20/2010	CO	Continental Airlines	PHL	Eastern	SFO	111	10	10	100.00%	10
3/20/2010	UA	United Airlines	CLE	Eastern	LAS	312	25	21	84.00%	25
3/20/2010	UA	United Airlines	CLE	Eastern	PDX	103	8	7	87.50%	8
3/20/2010	UA	United Airlines	CLE	Eastern	PHX	4,245	323	321	99.38%	323
3/20/2010	UA	United Airlines	CLE	Eastern	SEA	328	27	27	100.00%	27
3/20/2010	UA	United Airlines	CLE	Eastern	SFO	588	60	59	98.33%	60
3/20/2010	UA	United Airlines	CMH	Eastern	DEN	415	45	45	100.00%	45
3/20/2010	UA	United Airlines	CMH	Eastern	LAS	1,430	122	110	90.16%	121
3/20/2010	UA	United Airlines	CMH	Eastern	LAX	4,360	334	178	53.29%	287
3/20/2010	UA	United Airlines	CMH	Eastern	ONT	62	6	6	100.00%	6
3/20/2010	UA	United Airlines	CMH	Eastern	PDX	71	5	4	80.00%	5
3/20/2010	UA	United Airlines	CMH	Eastern	SAN	642	60	57	95.00%	57
3/20/2010	UA	United Airlines	CMH	Eastern	SEA	72	7	7	100.00%	7
3/20/2010	UA	United Airlines	CMH	Eastern	SFO	5,789	446	441	98.88%	446
3/20/2010	UA	United Airlines	PHL	Eastern	LAX	96	10	10	100.00%	10
3/20/2010	UA	United Airlines	PHL	Eastern	PDX	178	16	16	100.00%	16
3/20/2010	UA	United Airlines	PHL	Eastern	SEA	92	10	10	100.00%	10
3/20/2010	UA	United Airlines	PIT	Eastern	LAX	10,359	911	757	83.10%	911
3/20/2010	UA	United Airlines	PIT	Eastern	PDX	2,135	176	108	61.36%	176
3/20/2010	UA	United Airlines	PIT	Eastern	SAN	1,218	93	78	83.87%	93
3/20/2010	UA	United Airlines	PIT	Eastern	SEA	181	13	13	100.00%	13
3/20/2010	UA	United Airlines	PIT	Eastern	SFO	2,982	185	111	60.00%	161
3/20/2010	US	US Airways	CMH	Eastern	DEN	270	34	18	52.94%	34
3/20/2010	US	US Airways	CMH	Eastern	HNL	321	34	34	100.00%	34
3/20/2010	US	US Airways	CMH	Eastern	LAS	328	36	35	97.22%	35

JO ANN FEINDT  
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS



April 16, 2010

LUCINE WILLIS  
DIRECTOR, AUDIT OPERATIONS  
OFFICE OF INSPECTOR GENERAL

SUBJECT: Transmittal of Draft Audit Report – Air Networks – Federal Express  
Transportation Agreement – Great Lakes Area  
(Report Number NL-AR-10-DRAFT)

This is our revised response to the subject draft audit report.

**Recommendation 1:**

Use surface transportation to the extent possible for mail that does not require air transportation to meet Postal Service on time standards.

**Response**

The Great Lakes Area agrees with the finding and the recommendation that surface transportation should be used to the greatest extent possible for surface mail (magazines, advertising, and merchandise shipped by major mailers such as publishers, catalog companies, or online retail companies) as long as all generally accepted routing parameters (CTs, CETs) can be met.

Instructions will be issued to the field prior to May 14, 2010 reiterating dispatch policy that emphasizes the use of surface transportation that is service responsive as opposed to air transportation, for Standard, Periodicals and Package Services mail classes.

**Recommendation 2:**

Transport mail to the maximum extent possible using service responsive capacity of passenger airlines under contract with the Postal Service.

**Response**

The Great Lakes Area agrees with this recommendation, but disagrees with the implication of willful noncompliance. The current assignment system prescribes the specific order in which mail is assigned, that is, UPS, commercial carrier and FedEx. However, there have been instances over the last three years in which the Great Lakes Area has been instructed by Headquarters to manipulate distribution tables in order to direct mail away from available commercial carrier

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capacity in order to satisfy FedEx contractual minimum requirements. This has been done as recently as the weekends of March 20 and March 27.

In addition, the Active Dispatch Matrix system, in conjunction with Carrier Generated Routes, produces results that appear to indicate available commercial capacity was not used when in fact the commercial capacity was not available. This is particularly true when transfer routings are used by a carrier with inappropriate indicated capacities to several destinations.

These situations lead to the incorrect assumption that commercial capacity is not being used to its fullest extent and overstates the monetary conclusions for this issue.

Instructions will be issued to the field prior to May 14, 2010 reiterating the policy of using service responsive commercial air transportation to transport non surface mail. We will monitor the Route Modification Report in SAMS and Networks Weekly Dashboard Report for compliance.

**Recommendation 3:**

Sort mail into bypass containers as appropriate.

**Response**

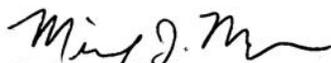
We agree with this finding and recommendation. Every effort will be made to utilize bypass containers as defined by the matrix. However, current instructions require containers to be 85% direct or be converted to mixed containers. This is influenced by the mail assignment system, ground delay tables, the 75% contractual commitment of container tender to FedEx by a specific time and geographic distance of some feeder offices.

Instructions will be issued to the field prior to May 14, 2010 reiterating the policy of building bypass containers that are to be tendered to the THS. On site THS liaisons will monitor the mail from the plants and THS application of this instruction.

In summation, we expect to see significant improvement in these three areas by the end of this fiscal year.

We do not believe this report contains any proprietary information that should be exempt from the Freedom of Information Act.

If you have any questions or require further information please contact Michael J. Mason, Manager, Distribution Networks, at 630-539-4803.

  
Jo Ann Feindt

TIMOTHY C. HANEY  
VICE PRESIDENT, AREA OPERATIONS  
NORTHEAST AREA



April 14, 2010

LUCINE M. WILLIS, DIRECTOR, AUDIT OPERATIONS, USPS-OIG

**SUBJECT: Revised Response to Draft Audit Report – Air Networks - Federal Express  
Transportation Agreement - Northeast Area  
(Report Number NL-AR-10-DRAFT)**

The Northeast Area (NEA) has carefully reviewed Draft Audit Report - Air Networks - Federal Express Transportation Agreement as requested. Overall we do agree with each of the routing recommendations. We do have concerns over the total financial impacts used which are based on these limited observations and projected over a ten-year term.

**Recommendation #1**

Use surface transportation to the extent possible for mail that does not require air transportation to meet Postal Service on-time standards.

Response:

The NEA agrees with this national routing policy and related audit recommendation that designated surface mail should not be flown as it is an unnecessary expense. As part of this review it was observed that there were originating periodical and standard volumes co-mingled with outgoing First-Class Mail (FCM) air volumes. Within the NEA North, we have established two concentration sites for periodical and standard letters processing and one site for flats. Plans to consolidate processing of all periodical and standard letters in the NEA South into the NJ NDC are scheduled to take effect in August of this fiscal year. All Periodical and Standard flats are already consolidated into the Dominick V. Daniels P&DC. Once the final consolidation plans are implemented, the NEA will maximize its opportunity to control the handling and dispatch of this surface mail to the proper surface routings. Additional corrective action will involve issuance of existing policy by the first week of May and again in July, prior to final consolidation, to all NEA Plants regarding processing and dispatching periodicals and standard air volumes separately from FCM. Compliance to this policy will be reviewed periodically by plant and NEA representatives as part of facility visits or reviews. Plans, policy reinforcement instructions, and reviews will be in place in time for improvement to be realized before the end of FY 2010.

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**Recommendation #2**

Transport mail to the maximum extent possible using service responsive capacity of passenger airlines under contract with the Postal Service.

Response:

The NEA agrees with this national routing policy and related audit recommendation as well. There have been many times when we have been directed by Headquarters to switch commercial volumes to FedEx in order to meet minimum FedEx utilization requirements while saving the cost of commercial lift which is the correct financial decision. To the extent practical, we will continue to follow the national routing policy and route Priority and FCM air volumes according to assigned priority codes for commercial, FedEx and UPS routings in order to optimize service and utilize the most efficient routings. There are instances however, where commercial capacity appears underutilized when in fact it is not practical due to limited capacities (< 50 lbs.), inadequate frequencies or early close-out times.

Effective immediately, the Distribution Networks Office (DN) will monitor the weekly Network Flash report for CAIR volumes assigned to Fedex by airstop. Follow-up reviews of assignments to determine contributing causes and potential corrective actions will be taken as warranted. These ongoing actions will help us to realize immediate control of routing compliance. We expect to see improvement by the end of this postal quarter.

**Recommendation #3**

Sort mail into bypass containers as appropriate.

Response:

The Northeast Area agrees with this recommendation. Within the NEA, we have three Postal sites, NY L&DC, JFK and Nashua L&DC, that build their own FedEx cans while the other three sites at BOS, EWR and BDL are done by THS vendors. As part of our efforts to improve the use of the bypass containers, we have improved our on-time scanning prior to 0230 to above 98% overall (see attached). This will help our plants to focus on the proper container make-up and dispatch profiles to the THS in order to provide maximum opportunity to build bypass containers. There are other variables which influence this ability, such as volume fluctuations, travel time from feeder sites and national instructions to convert bypass cans into mixed if less than 85%. In addition, we will focus additional emphasis and efforts at the three identified Postal sites to improve use of assigned bypass containers.

As part of our corrective actions, within the next two weeks, the DN will review required direct container make up and dispatch times in conjunction with VAP requirements with feeder plants and L&DCs. Subsequently, periodic reviews each week of container utilization reports by site will be conducted for follow up as warranted with goal of utilizing assigned by pass containers as appropriate. We expect to see improvement by the end of this postal quarter.

Thank you for the opportunity to provide feedback. Should you have any further questions, please contact Joseph Woods, Manager, Distribution Networks Office at 860-285-7115.

*Timothy C. Haney*  
Timothy C. Haney

Attachment

**Weekly 24 Hour Indicator Report**  
**SCANS BY 0230**

District	Facility	WK-2/5	WK-2/12	WK-2/19	WK-2/26	WK-3/5	WK-3/12	WK-3/19	WK-3/26	WK-4/2
ALB		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
ALB		91.7%	93.1%	88.4%	93.8%	89.8%	93.8%	93.8%	99.2%	96.5%
CONN VLY		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
CONN VLY		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
GR BOS		100.0%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
GR BOS		100.0%	100.0%	100.0%	100.0%	100.0%	99.9%	99.9%	100.0%	100.0%
GR BOS		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.9%
LI		99.5%	99.8%	99.7%	100.0%	99.5%	99.7%	99.7%	100.0%	99.8%
NNE		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
NNE		100.0%	100.0%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
NNE		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.2%	100.0%
NNE		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
NNE		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
NNJ		99.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.0%
NNJ		100.0%	99.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
NNJ		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
NY		99.8%	99.9%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	99.9%
SENE		97.3%	94.1%	84.4%	99.2%	91.8%	98.2%	98.2%	99.7%	91.0%
SENE		99.9%	100.0%	100.0%	100.0%	99.8%	100.0%	100.0%	100.0%	99.7%
TRIBORO		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
WESTCHESTER		98.2%	100.0%	100.0%	100.0%	94.9%	99.7%	99.7%	100.0%	99.8%
WESTCHESTER		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.7%
	<b>Northeast</b>	99.4%	99.4%	98.9%	99.6%	99.2%	99.6%	99.6%	99.6%	98.5%