



September 28, 2007

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SUBJECT: Audit Report – The Impact of Transportation on Chicago District  
Performance (Report Number NL-AR-07-008)

This report presents the results of our audit of U.S. Postal Service transportation supporting mail delivery operations in the Chicago District (Project Number 07XG032NL000). Our audit objective was to determine whether transportation was causing or contributing to the Chicago District's poor performance. This audit is one of several conducted based on a request from the Postmaster General and Chief Executive Officer and a congressional request.

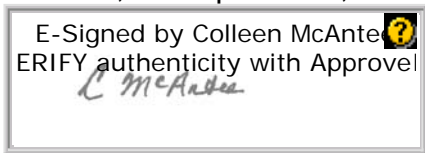
Postal Service transportation supporting the Chicago District includes nationwide "network" transportation between cities, major facilities, and local post offices; and "delivery" transportation between local post offices and neighborhood collection or delivery points. Network transportation involves both contracted transportation and transportation that uses Postal Service vehicles and employees. Network transportation using Postal Service vehicles and employees is called Postal Vehicle Service.

We concluded that neither local transportation nor nationwide network transportation issues were "root causes" or significant contributors to current Chicago District performance challenges. However, we also concluded that transportation was not efficient or cost-effective, and that transportation issues were potentially causing inaccurate and understated mail counts. Specifically we identified unnecessary extra trips that could have been consolidated, significant data weaknesses, inadequate communication and planning, and inaccurate reporting of mail in trailers awaiting transport. We recommended that management analyze transportation requirements, apply any excess transportation resources to other critical needs, improve transportation planning, and improve data collection by properly training and supervising

employees. Management agreed with our recommendations and specified various initiatives, plans and actions to address the 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 the recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. The recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendation 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) 248-2100.



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## INTRODUCTION

### Background

In Chicago every day, the U.S. Postal Service collects mail from 3,850 pick-up points and delivers it to over one million local addresses. The Postal Service’s Chicago District employs approximately 9,000 people; has 69 neighborhood post offices; and manages 29 dedicated collection routes, 2,462 delivery routes, and 195 routes that combine both collection and delivery. The Postal Service supports Chicago with two major mail processing facilities — the Cardiss Collins Processing and Distribution Center (P&DC) in downtown Chicago and the Chicago Bulk Mail Center (BMC), about 10 miles west on Interstate 290 in Forest Park, Illinois. The Irving Park Road P&DC, northwest of Chicago at O’Hare International Airport, also provides limited additional mail processing capacity. For the location of these facilities in the general Chicago region, see the map on the following page.

A PVS tractor-trailer crossing a busy intersection in downtown Chicago May 2, 2007.



Postal Service  
Transportation  
Supporting the Chicago  
District

Postal Service transportation supporting the Chicago District includes nationwide “network” transportation between cities, major facilities, and local post offices; and “delivery” transportation between local post offices and neighborhood collection or delivery points.

Network transportation involves both contracted transportation and transportation using Postal Service vehicles and employees. Network transportation using

Postal Service vehicles and employees is called Postal Service Vehicle Service (PVS). Postal Service transportation resources supporting Chicago include:

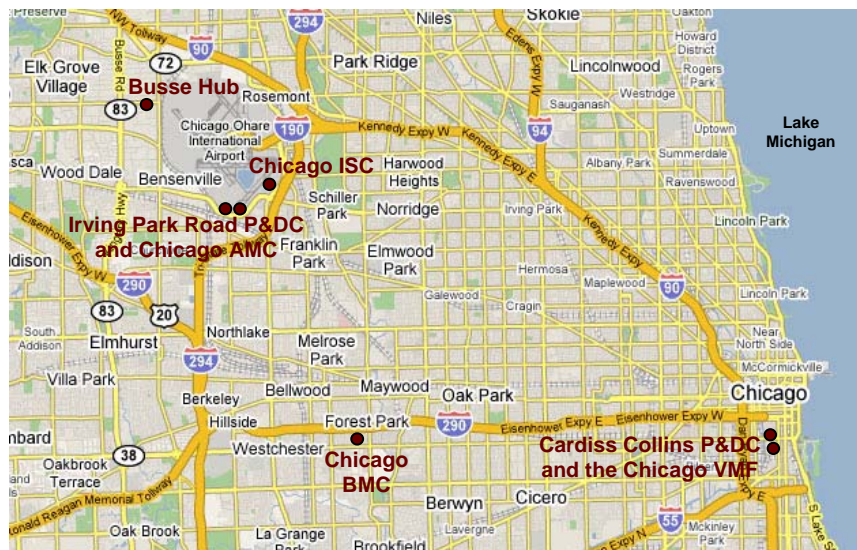
- The Chicago Vehicle Maintenance Facility (VMF) located near the Cardiss Collins P&DC in downtown Chicago.
- The Chicago Airport Mail Center (AMC) at Chicago's O'Hare International Airport.
- The Chicago International Service Center (ISC) also located at O'Hare International Airport.
- The Chicago Metro Surface Hub on Busse Road in Elk Grove Village, Illinois (also frequently referred to as the Busse Hub).
- The Chicago Mail Transport Equipment Service Center (MTESC) in Bolingbrook, Illinois.

**The local network of Postal Service facilities supporting Chicago.**

**The Busse Hub, the Chicago ISC, the Irving Park Road P&DC, and the Chicago AMC are all located at or near O'Hare International Airport.**

**The Cardiss Collins P&DC and the Chicago VMF are near each other.**

**The Chicago MTESC is located off Interstate 55, about 30 miles southwest of the Cardiss Collins P&DC.**



The Chicago District PVS fleet has 260 PVS drivers or other PVS employees, operates 139 PVS tractor-trailers or cargo vans, and services 137 facilities in the Chicago region. Chicago is also supported by 81 rail and highway contractors operating more than 276 surface contract routes. Postal Service air transportation contractors servicing Chicago include Federal Express (FedEx), United Parcel Service (UPS), American Airlines, United Airlines,

and other passenger air carriers. Chicago-based United Airlines operates its major national hub at Chicago's O'Hare International Airport.

Chicago Mail Delivery Performance

During 2006, deficiencies in Chicago mail delivery began to attract the attention of local community leaders, the media, and the Illinois congressional delegation. Chicago residents complained that mail was not delivered until after dark — sometimes as late as 11:30 p.m. Local political leaders explained that the complaints about mail spiked in late summer or early fall.

Postal Service officials candidly acknowledged mail service in Chicago — particularly Chicago-to-Chicago delivery of both First-Class® and Standard Mail® — did not meet Postal Service performance standards. They explained staffing shortages, injured mail carriers, temporary workers, and routes assigned to temporary carriers were, in many cases, responsible for misdeliveries, late-night deliveries, or no delivery at all.

Rail traffic near the Chicago BMC on June 5, 2007.

Bulk mail includes magazines, advertising, and merchandise shipped by major mailers like publishers, catalog companies, or online retail companies. It is less time-sensitive than First-Class or expedited mail and, as a result, transportation managers can move it over long distances by rail.



In February 2007 in an effort to resolve the problem, the Deputy Postmaster General told Postal Service Chicago District officials to work with congressmen, city aldermen, city residents, and the political community and focus on two things:



- Meeting Postal Service performance standards as measured by the Postal Service's External First-Class (EXFC) measurement system.
- Taking care of customers.

In response, district officials ordered a review of every aspect of Chicago's mail system including collection, transportation, sorting, and delivery. In addition, the Postmaster General requested the U.S. Postal Service Office of Inspector General (OIG) independently review issues associated with Chicago District performance.

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**Objective, Scope, and Methodology**

Our audit objective was to determine whether transportation was causing or contributing to poor Postal Service performance in Chicago.

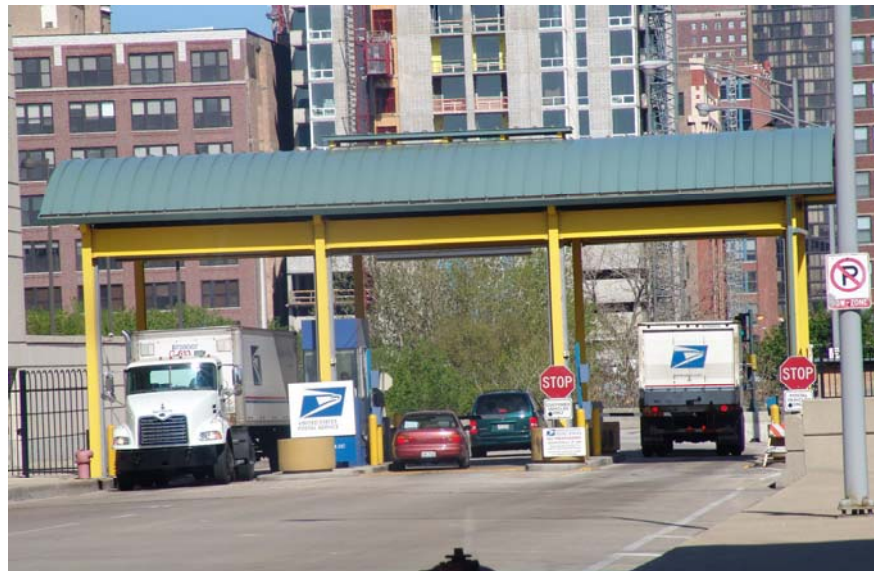
As a partial framework for our examination, we used the Postal Service's "24-Hour Clock" concept. Senior headquarters management, including Network Operations and the Internal Control Group in headquarters Finance, introduced the "24-Hour Clock" concept in February 2006 as a mechanism to strengthen internal control and improve performance. The concept specifies a series of "key performance indicators," sometimes called "clock indicators," that identify explicit points in time during the Postal Service's daily 24-hour cycle when various operational activities should have been completed. The concept then provides a mechanism for Postal Service managers to identify and correct conditions or "root causes" associated with any service failures. Activities, indicators, or conditions associated with transportation include, but are not limited to, the following:

- Collection mail arriving at processing or other facilities late, due to insufficient room on trucks.
- Mail leaving processing facilities late because of delayed or inadequate transportation
- Transportation delayed awaiting dispatch from originating facilities.

- Inaccurate or improperly entered data in the Postal Service's computerized Transportation Information Management Evaluation System (TIMES).
- Late assignment of mail to Postal Service air transportation contractors including commercial passenger airlines, FedEx, or UPS.

We used these indicators or activities to examine the effectiveness of Postal Service transportation supporting the Chicago District. To assist us with our analysis, Postal Service officials explained all 24-hour clock activities or

**PVS trucks passing through the Cardiss Collins P&DC security gate, May 2, 2007.**



indicators must be integrated into one continuous 24-hour flow and be effectively coordinated to ensure successful mail collection, transportation, sorting, and delivery. They emphasize the system relies on adequate staffing, continuous communication, accurate data, a properly trained and motivated workforce, effective supervision, and a sense of urgency. We considered this added criteria during our examination.

In addition to examining transportation supporting Postal Service Chicago District operations in the context of the "24-Hour Clock," we interviewed officials from Postal Service Headquarters, the Great Lakes Area, and the Chicago District. We visited the Cardiss Collins P&DC, the

Chicago BMC, the Irving Park Road P&DC, the Chicago VMF, the Chicago AMC, the Chicago Metro Surface Hub, the Chicago MTESC, and three local Post Offices: Fort Dearborn, Nancy B. Jefferson, and Northtown. We interviewed Postal Service managers and employees, and observed and photographed operations. We reviewed and relied on our previous audit work in the Chicago District and Great Lakes Area and examined relevant Postal Service transportation contracts and collective bargaining agreements. We also reviewed articles from the print and broadcast news media, interviewed journalists, reviewed testimony from public hearings, and examined OIG Hotline and other complaints from Chicago residents and public officials.

**The Irving Park Road P&DC is located next to the Chicago AMC at Chicago's O'Hare International Airport, June 5, 2007.**



We examined Postal Service computer-generated data to analyze mail volume, the type of mail transported, and on-time performance. We did not audit or comprehensively validate the data; however, we noted several weaknesses that constrained our work. For example, some computer records had missing or inaccurate data and during our visits we noted managers and employees were not always properly entering transportation dispatch and arrival times or load data. Even though data limitations and other restrictions constrained our work, we were able to compensate by applying alternate audit procedures, including source document examination, observation, physical inspection, and discussion with appropriate



officials. For example, we physically inspected the loads of PVS tractor-trailers and cargo vans, made extensive observations on loading and dispatch docks, interviewed drivers, and discussed our observations with managers. In addition, throughout our audit work, we discussed our observations, preliminary conclusions, and preliminary recommendations with district, area, and headquarters officials and included their comments were appropriate.

The Chicago District is supported by rail and highway transportation.

These “intermodal” highway trailers are designed to be loaded onto rail flatcars and transported over the rail network.

Photograph taken at the Chicago BMC, June 4, 2007.



We conducted work associated with this performance audit report from April through September 2007 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audit work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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**Related Audit Coverage**

The OIG has several on-going audits specifically addressing timeliness of mail service and financial accountability in the Chicago District. Since 2002, we have issued a number of reports that examined transportation-related activities or programs in the Chicago District.

We are currently conducting nationwide audits of both the Postal Service's air transportation network and PVS fleet. In both cases, our objectives are to determine whether operations are effective and whether there are opportunities to save money. Our plans for this work include audits of the Chicago AMC and of PVS operations in the Chicago District.

## AUDIT RESULTS

### Postal Service Transportation in Support of the Chicago District

Neither local transportation nor nationwide network transportation issues are “root causes” or significant contributors to the local customer service or performance challenges the Chicago District has been experiencing.

Local PVS transportation leaving the Irving Park Road P&DC northwest of Chicago, June 5, 2007.



Our analysis of documents and the evidence we obtained from interviews, site visits, observations, and physical inspections concluded that, although there are some inefficiencies associated with transportation supporting Chicago and improvements could be made, transportation was not the cause of the local Chicago District problems.

### Local Transportation

Postal Service employees using Postal Service owned or leased vehicles are the principal providers of local transportation for the Chicago District. At various intervals and times during the period April 30 through May 16, 2007, using the 24-hour clock concept as a framework for our analysis, we observed trip departures and arrivals from network and local facilities in and around Chicago. We also examined trip schedules, considered local traffic conditions, and inspected the loads of tractor-trailers and cargo vans. As a result, we concluded employees timely made all afternoon and evening mail collection trips. With limited exceptions, employees also timely delivered morning dispatched carry mail to local post offices. For example:

- We observed 94 afternoon and evening collection trips. Managers were actively supervising trips; there were sufficient vehicles and personnel to support collection routes; and all mail from collection routes was transported from local post offices in PVS transportation in time to meet 24-hour clock indicators.

A PVS cargo van in a local Chicago neighborhood, May 3, 2007.



- We observed 166 morning trip dispatches. Transportation managers were actively supervising dispatches to local post offices; only eight trips (or less than 5 percent) were delayed; and, in all of those situations, the trips were delayed because processing plant employees could not move the mail to loading docks in time for scheduled dispatch.

As a result of our analysis and observations we concluded that local transportation:

- Was sufficient to meet the Postal Service's 24-hour clock indicators and performance standards.
- Was not a root cause or a significant contributor to the customer service and performance challenges the Chicago District has been experiencing.

However, we also concluded that local transportation was not efficient or cost-effective and that transportation issues were potentially causing inaccurate and understated mail counts. For example:

Unnecessary Extra Trips – In order to meet scheduled departure times and 24-hour clock performance indicators, transportation managers frequently dispatched trucks without full loads. Managers dispatched partially empty trucks because they could routinely use excess PVS resources to dispatch extra unscheduled trips. Managers explained they were able to dispatch extra PVS trips because, in contrast to scheduled contracted transportation, PVS resources were readily available and provided great flexibility. The managers acknowledged having excess PVS vehicles and personnel on standby was costly, but explained Chicago corrective action support plans required them to dispatch scheduled trips on-time — whether the trucks were full or not — and then call for extra PVS trucks if needed.

Communication, Coordination, and Planning – During our on-site visits to local facilities, we visited the Fort Dearborn, Nancy B. Jefferson, and Northtown Post Offices. These local post offices were not prepared for scheduled transportation arrivals or departures because management did not properly align transportation schedules with mail processing activities and the schedules were constantly changing. For example, schedules during our second week of observations were significantly different from schedules during our first week. Because of this scheduling volatility, as well as the routine arrival of unscheduled trips, local station personnel at all three post offices we visited were uncertain or confused as to when trucks would arrive or depart and, consequently, could not properly plan daily operational activity.

Inaccurate and Understated Mail Counts – The Postal Service Mail Condition Reporting System (MCRS) is intended to provide managers with an accurate daily inventory of mail volume on hand at facilities in the Postal Service network. However, Chicago BMC managers explained that when they prepare “standard” mail for transport to Cardiss Collins, they place it in trailers for



dispatch, count it as “in transit,” and do not report it as “volume on hand.” The managers also explained that, since Cardiss Collins does not process the mail until the following day, Cardiss Collins managers do not dispatch PVS transportation to pick it up and, consequently, do not report it either. BMC managers concluded that, as a result, the mail in the BMC yard was effectively hidden and not counted by either the BMC or Cardiss Collins, and MCRS reports were inaccurate. They explained the problem was partially due to not using plans or schedules to coordinate processing with transportation. They said they did not use transport schedules between the BMC and Cardiss Collins because there were enough excess PVS resources to provide the flexibility to call for transportation when needed.

Data Weaknesses – The Postal Service’s Vehicle Information Transportation Analysis and Logistics (VITAL) system is intended to capture daily PVS trip scheduling information. It includes such data as scheduled departure and arrival times and the driver’s name. The Postal Service’s TIMES database contains PVS trip information, contracted transportation data, actual arrival and departure times, and information on the use of truck capacity. VITAL interfaces with TIMES and is intended to feed it daily. The Postal Service uses both systems for daily and long-term transportation planning; however, our data examination identified significant inaccuracies. For example:

- VITAL departure and arrival schedules were not accurate. This condition existed in part because data entry personnel could not keep up with the scheduling volatility we discussed earlier in the report. We discussed our observations with supervisors and managers at the plant and area, and they immediately initiated corrective action to improve scheduling. We did not assess the effectiveness of the corrective action during this audit.
- TIMES data on truck capacity use and “on-time” performance was inaccurate because loading or arrival dock personnel did not estimate it correctly, did not enter it correctly, or did not enter it at all. Senior Postal Service officials acknowledged those issues. They emphasized the problem was inadequate supervision and explained that local

managers were required to properly supervise data collection and entry. They also said they would improve data reliability because they were phasing out TIMES and replacing it with the Surface Visibility system. They explained that, instead of using unreliable visual estimates, Surface Visibility would use scanned electronic data.

Transportation managers must continually balance on-time performance with cost. Since transportation data is currently inaccurate, managers cannot rely on it to accurately plan daily operations or long-term transportation requirements. Consequently, managers routinely express a preference for costly excess transportation so they have the flexibility to meet uncertain performance requirements. Because Chicago managers need excess PVS transportation on standby to meet unforeseen operational contingencies, there is a high risk the Postal Service is paying too much for local Chicago transportation.

In addition to limiting the ability of transportation managers to plan daily operations and long-term transportation requirements, inaccurate data restricted our work as well. Those restrictions prevented us from quickly assessing the magnitude of excessive local transportation costs. Although data limitations restricted our current work, our observations in the Chicago District were consistent with our findings in previous network optimization work where we routinely identified opportunities to increase effectiveness and reduce transportation costs. As we proceed with previously planned Chicago District work and conduct additional analysis and observations, we anticipate that we will be able to identify opportunities to reduce local transportation, more precisely quantify excess cost, and make specific recommendations to allow excess resources to be put to better use.

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**Recommendation**

We recommend the District Manager/Postmaster, Chicago District, and the Senior Plant Manager, Cardiss Collins Processing and Distribution Center, coordinate to:

1. Analyze Chicago District Postal Vehicle Service (PVS) operations to identify excess PVS resources they can reduce and apply to other critical requirements.

<b>Management's Comments</b>	Management agreed with our recommendation. They stated that they are working to identify excess PVS resources. Management added they would analyze their transportation resources once they complete reorganizing their processing structure. Management's comments, in their entirety, are included in Appendix B.
<b>Recommendation</b>	2. Improve communication and coordination between processing facilities and local post offices by improving local transportation planning and scheduling.
<b>Management's Comments</b>	Management agreed with our recommendation. They explained they are monitoring the Cardiss Collins plan for improving communication and coordination with local stations. Specifically, they stated Cardiss Collins had already implemented integrated operating plan agreements with some stations, and would be adding additional stations to improve mail flow and communication.
<b>Recommendation</b>	We recommend the Vice President, Great Lakes Area Operations:  3. Require managers at Cardiss Collins Processing and Distribution Center and the Chicago Bulk Mail Center to properly plan transportation between the two facilities and properly account for mail in trailers.
<b>Management's Comments</b>	Management agreed with our recommendation and said they have been working to ensure transportation between Cardiss Collins and the Chicago Bulk Mail Center was properly planned. They also stated that local mail processing personnel would be trained on how to properly record on-hand mail in the Mail Condition Reporting System.
<b>Recommendation</b>	4. Require managers to improve data collection by properly training and supervising employees on transportation systems, such as Surface Visibility.
<b>Management's Comments</b>	Management agreed with our recommendation. Management stated they are working with local Cardiss Collins personnel to improve data collection activities associated with systems such as Surface Visibility and Vehicle Information Transportation Analysis and Logistics.

Management stated they will continue to train and supervise the employees who work with these transportation systems.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to our findings and recommendations. Management's actions, taken or planned should correct the issues identified in the findings.

**Nationwide Network Transportation**

Like local transportation, neither air nor surface nationwide network transportation is a “root cause” or significant contributor to local performance challenges in the Chicago District.

**The Air Transportation Network**

In January 2006, management formalized a nationwide integrated air strategy and briefed the Board of Governors (BOG) on it. Management explained that passenger airlines were not as reliable as the Postal Service needed them to be. Under the strategy, the Postal Service would reduce reliance on passenger airlines, expand existing air transportation with FedEx and UPS, and, where possible, shift mail moved by air to less costly ground transportation.

**The Chicago AMC at Chicago’s O’Hare International Airport, June 5, 2007.**



On June 30, 2006, when the Postal Service mail transportation contract with 40 passenger air carriers expired without renewal, the Postal Service evaluated the performance of the carriers and asked only selected airlines to continue. On September 29, 2006, the Postal Service announced new air transportation contracts with seven airlines. The Vice President, Network Operations, explained that relying on passenger airlines with established records of performance would help the new contracts achieve on-time delivery and provide the highest levels of service. Senior Postal Service officials explained that Chicago-based United Airlines was not one of the passenger airlines the Postal



Service asked to continue as a domestic air transportation contractor, citing United's past record of inadequate "on-time" performance.

**Postal Service air transportation contractors servicing Chicago include FedEx, UPS, and various select passenger airlines.**

**Here UPS planes are pictured on the tarmac at Chicago's O'Hare International Airport, June 5, 2007.**



The Postal Service's nationwide transportation network is dynamic and requirements constantly change. On March 30, 2007, the Postal Service reinstated the domestic air transportation contract with United Airlines and on April 28, 2007, United Airlines resumed domestic mail transportation operations. The new United Airlines contract specified a start-up period during which mail transportation operations would be limited and stipulated the carrier would be subject to closely monitored on-time performance measures. Senior Postal Service officials explained that renewed United Airlines flights into and out of O'Hare International Airport might have some limited impact on local Chicago District issues, but stipulated that flying mail on United Airlines is very expensive compared to surface transportation. In accordance with Postal Service transportation network strategy, the Postal Service would prefer to use surface transportation, where possible.

During our audit, a Cardiss Collins P&DC manager complained that mail from O'Hare International Airport inbound to Chicago from cities across the country did not arrive at Cardiss Collins until late in the afternoon. We reviewed the Cardiss Collins manager's complaint by analyzing data, observing operations, and interviewing transportation managers and officials at Cardiss Collins, the Chicago AMC, the Great Lakes Area, and Postal Service Headquarters. We found that the Postal Service's integrated air strategy causes most mail flown to O'Hare to

arrive on FedEx, American Airlines, or UPS aircraft — and the aircraft generally arrive according to plan and contract requirements. The following chart illustrates the mail volume and on-time performance associated with mail and carriers arriving at O'Hare during May 2007.

**Domestic Mail Received at O'Hare International Airport – May 2007**

Air Carrier	Pounds Carried	Percent Carried	On-Time Percentage
FedEx Day (First-Class & Priority)	2,224,652	53.85	94.30
American Airlines	632,120	15.30	95.90
FedEx Night (Express Mail only)	524,773	12.70	96.60
UPS	391,425	9.47	*
United Airlines	140,353	3.40	97.00
U.S. Airways	101,267	2.45	97.80
Continental Airlines	93,591	2.27	98.40
JetBlue	22,451	0.54	99.90
Northwest Airlines	<u>750</u>	<u>0.02</u>	NA*
<b>Total</b>	<b>4,131,382</b>	<b>100</b>	

\* Data not available.

Postal Service transportation managers explained that, generally, flight arrival times into O'Hare were in accordance with contracted transportation plans and schedules. They explained flight mail load volumes and arrival times were recorded in the Postal Service's automated National Air and Surface System (NASS), but stipulated some NASS data was incomplete. We identified the following general information based on our examination of NASS data; additional information from on-site Postal Service managers; and data, records, or statements from various sources:

FedEx – Under agreement with the Postal Service, FedEx flies mail to and from Chicago Tuesday through Sunday. Tuesday through Saturday mail arrives at O'Hare at about 8:40 p.m. On Sunday, mail arrives at O'Hare at about 6:00 p.m. Mail flown on FedEx generally arrives in accordance with plans, schedules, and contract provisions. Postal Service AMC employees do not conduct terminal handling services (THS) for FedEx transported mail. Instead, management outsources this task to THS contractors. The THS contractor at O'Hare for mail transported by FedEx is Evergreen Aviation Ground Logistics Enterprises, Inc. Evergreen's Chicago operations are conducted from and within the Postal Service Chicago AMC.

UPS – Under agreement with the Postal Service, UPS flies mail to and from Chicago Tuesday through Saturday where it arrives at O’Hare by 7:30 a.m. Mail flown by UPS generally arrives in accordance with plans, schedules, and contract provisions. Terminal handling for mail flown by UPS is also outsourced, but rather than using a THS contractor, UPS provides the service itself. Under contract provisions with the Postal Service, UPS employees remove mail from aircraft, move it by tug and dolly to the Postal Service AMC, unload it from the air containers, and then load it into Postal Service “over-the road” containers for onward surface transportation.

**UPS and American Airlines air containers on dollies on the O’Hare International Airport ramp behind the Chicago AMC, June 5, 2007.**



Commercial Passenger Airlines – The passenger airlines provide the Postal Service with the greatest flexibility. Under agreement with the Postal Service, passenger airlines fly mail to and from Chicago every day where it arrives throughout the course of the day. When it arrives, Postal Service AMC employees recover it from the airlines and then prepare it for onward transportation.

PVS Transportation – There are 27 daily PVS trips between the Chicago AMC and the Cardiss Collins P&DC. Transportation managers at the Chicago AMC and the Cardiss Collins P&DC explained that the 27 PVS trips are sufficient to immediately move mail arriving at O’Hare from the AMC to Cardiss Collins and other facilities in or around the Chicago District.

As a result of our data analysis, observations, and interviews concerning the Cardiss Collins' manager's complaint, we concluded that mail arriving at O'Hare was generally arriving in accordance with plans, schedules, and contract provisions and that neither nationwide air network transportation nor local PVS transportation were significant contributors to local Cardiss Collins performance challenges. Nonetheless, we plan to examine internal AMC issues more closely during our upcoming audit of the Chicago AMC to determine whether any internal delays within the Chicago AMC are root causes of current Chicago District problems. Accordingly, we will defer any recommendations until that time.

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The Surface  
Transportation  
Network

The Postal Service's nationwide surface transportation network development strategy is focused on achieving network optimization by:

- Reducing expensive air transportation where possible and shifting mail previously flown by air to less expensive surface transportation, consistent with Postal Service on-time performance standards.
- Reducing the number of surface trips by consolidating loads, maximizing vehicle capacity, and eliminating unneeded trips.

Surface transfer centers (STCs) — sometimes called hubs — are critical nodes in the Postal Service's surface transportation network. According to Postal Service transportation officials, they form the foundation of the Postal Service's surface network. STCs serve the same purpose as passenger airline hubs where people fly to a hub from origins around the country, then transfer to planes leaving the hub for final destinations. Whether part of an air or surface transportation network, the transportation industry uses the hub system as a network optimization architecture (or design) intended to maximize network capacity and minimize network cost.

Postal Service STCs provide concentration points where mail transported from locations across the country is received, consolidated, and then transferred to vehicles leaving the hub for final destinations. This technique allows the Postal Service to combine loads, maximize vehicle capacity, dispatch full vehicles, and save money by eliminating unneeded trips. Transportation industry experts explain that hub transportation systems are generally more efficient and less costly than direct origin-to-destination systems, but cite exceptions when demand or volume maximizes direct route capacity and makes consolidation unnecessary. The Postal Service's ground transportation network currently operates 20 STCs and plans to open three additional STCs during fiscal year (FY) 2007.

Although the Postal Service's nationwide surface transportation network support of the Chicago District is not a root cause or significant contributor to current Chicago District performance problems, like local transportation, it is not efficient or cost-effective.

The Chicago Metro Surface Hub — frequently referred to as the Busse Hub — is located on Busse Road in Elk Grove Village, Illinois. It is the largest STC in the Postal Service's transportation network. It is near Interstate 90, where trucks can easily access it from the interstate highway system. It is also located near O'Hare International Airport. The Busse Hub receives mail transported from origins across the country, consolidates the mail, then transfers the mail to trucks leaving the hub for final destinations.

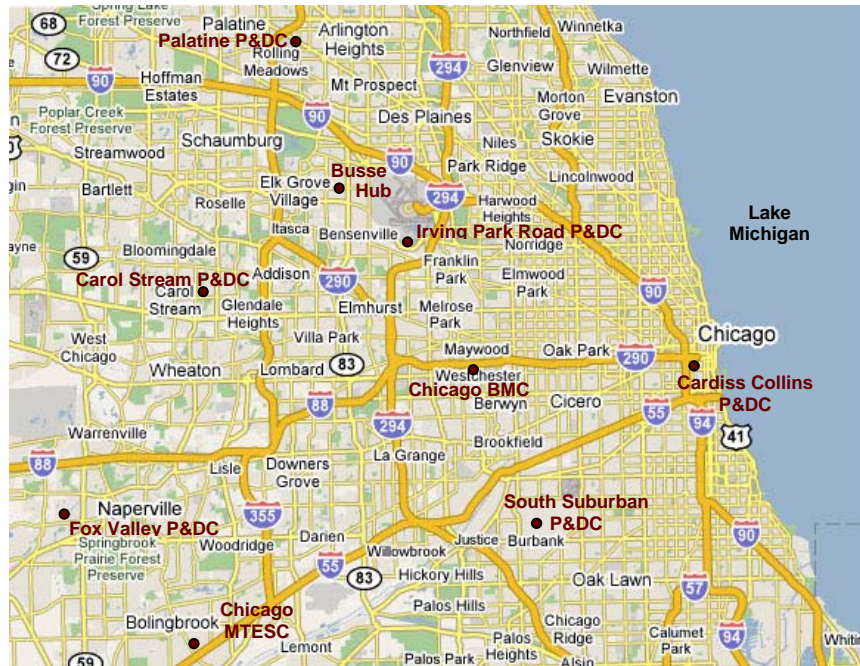
The Busse Hub was originally intended to operate only as a mail transfer center, but when its reporting structure shifted from Great Lakes Area control to local Chicago District control, local priorities took precedence, processing functions were added, and, as a result, the original network transportation function was adversely impacted. In addition to its nationwide surface network function, the hub services local processing facilities in the greater Chicago region. These facilities are frequently referred to as "ring" facilities because they form a ring around Chicago.

In early 2007, a task force that included management, the Postal Inspection Service, and the OIG, examined the



mission of the Busse Hub. The task force concluded the Chicago District expanded the role of the Busse Hub beyond

Postal Service “ring” facilities in the greater Chicago region.



the original intent and, as a result, compromised the hub’s mission. The task force specified that:

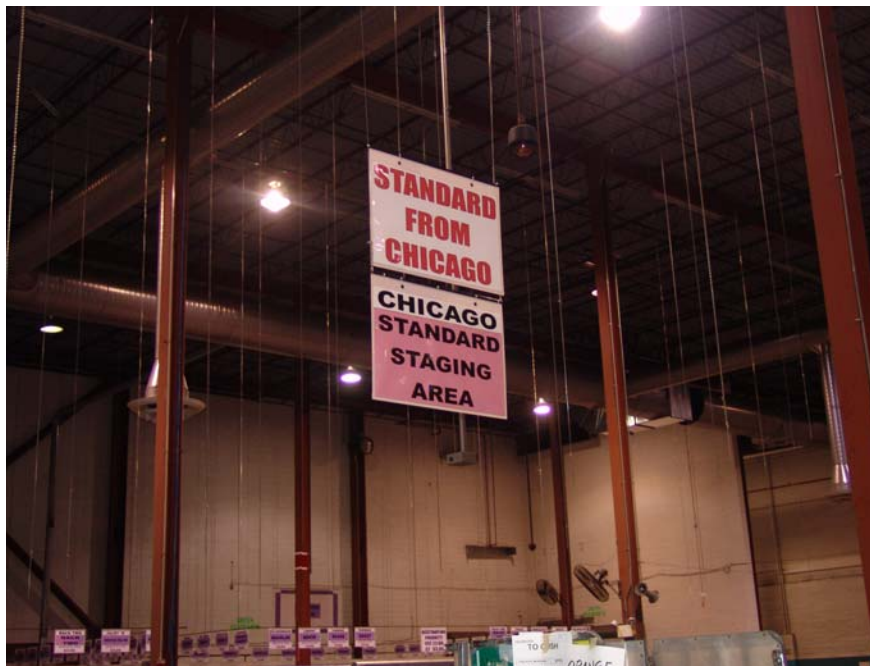
- The Busse Hub was not designed to efficiently process mail.
- Processing inefficiencies were interfering with hub mail consolidation and transfer functions.
- Mail was not properly consolidated.
- Too much local mail volume was passing through the hub and, consequently, was delaying timely transportation dispatch.

The task force also specified interference with the consolidation, transfer, and dispatch functions was causing trucks to be dispatched with less than full loads; this meant the Postal Service dispatched more trucks than needed and spent more money on transportation than necessary. The task force recommended, in part, that management separate Busse network transportation functions from local operations.

Postal Service officials subsequently reiterated that Busse congestion was caused, in part, by too much mail volume flowing through the hub from local operations. They explained that much of the local volume was unnecessary because many trips between Chicago “ring” facilities were already full and did not require consolidation. They

**A Postal Service Inter-Departmental Task Force report, dated March 16, 2007, concluded the Busse Hub was not designed, intended or equipped to process Standard Mail. The task force also concluded local mail flowing through the Busse Hub was interfering with surface transportation network functions.**

**The Busse Hub Standard Mail staging area, June 5, 2007.**



emphasized that, as a result, they could route local trips to bypass the Busse Hub and lighten the Busse load. They stipulated that, as part of their “Chicago Busse STC improvement strategy,” they were planning to bypass the Busse Hub where possible and use direct transportation between facilities in the local Chicago region.

On May 29, 2007, Postal Service Headquarters transportation officials proposed to reduce both contract and PVS trips to and from Busse by:

- Defining the Busse STC role and using Busse as a hub transfer and consolidation facility.
- Maximizing long-distance highway contract trip capacity, bypassing Busse with full loads, and dispatching directly from origin-to-destination where feasible.

- Discontinuing local transfer at Busse and, instead, using direct trips between local ring facilities.

The conclusions of the task force and the subsequent statements, plans, and proposals of Postal Service officials were consistent with our own previous nationwide network optimization work. Since 2004, we have examined 33 contracts involving 297 trips into or out of Busse. As a result, we made numerous recommendations to consolidate

**To improve Busse operations, transportation officials propose bypassing Busse with full truckloads from other network STCs. As an example, they explain full truckloads from the Indianapolis, Indiana, STC could bypass Busse and go directly to the Cardiss Collins P&DC.**

**Highway trucking contractor departing the Indianapolis STC, April 20, 2007.**



loads, maximize vehicle capacity, and eliminate unnecessary trips by consolidating mail on other trips. Our audits concluded management could implement the transportation reductions affecting the Busse Hub without affecting mail on-time performance and would potentially save about \$4.1 million over the life of affected contracts. For more detailed information about these reports, see Appendix A.

We did not fully examine management's strategy to bypass the Busse Hub and use direct transportation where feasible during this audit. However, we did not identify any surface network transportation issues — or issues associated with Busse Hub congestion — that could be considered root causes or significant contributors to the local customer service challenges the Chicago District has been experiencing.

As we proceed with previously planned work on local Chicago District PVS operations, we will have an opportunity to more closely examine local transportation issues associated with Busse and identify opportunities to increase efficiency, reduce costs, and make specific recommendations. Accordingly, we will defer any recommendations until that time.

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**Audit Exit  
Conference and  
Implementation**

On June 29, 2007, we met with Great Lakes Area officials. The officials agreed with our findings and recommendations. They said that because of existing Chicago District challenges, they did not want to reduce PVS resources immediately, but agreed to analyze Chicago District PVS inefficiencies during FY 2008. We concurred that it was prudent to defer any PVS reductions until after Chicago District operations stabilized. The area officials also said they would immediately begin working with local Chicago District officials to implement our three remaining recommendations.

On June 12, 2007, we discussed our report with the Vice President, Network Operations, who agreed with our findings and recommendations.

APPENDIX A

CHICAGO METRO SURFACE HUB PRIOR AUDIT COVERAGE

Report Name	Report Number	Date Final Report Issued	Total Potential Savings Identified - All Facilities	Chicago Metro Surface Hub Savings Identified		
				Highway Contract Route	Chicago Metro Surface Hub Savings Identified	Postal Position
Highway Network Scheduling - Great Lakes Area	NL-AR-04-003	3/29/2004	\$ 5,352,877	607M5	\$ 991,208	Agreed
				607L9	292,844	Agreed
				60893	528,902	Agreed
				606L3	222,561	Agreed
BMC Transportation Routes - Great Lakes Area	NL-AR-04-004	9/29/2004	7,660,533	607M2	106,677	Agreed
				607M8	1,056,062	Agreed
P&DC Transportation Routes - Great Lakes Area	NL-AR-06-008	7/25/2006	5,289,849	607M6	284,958	Agreed
				607L5	641,788	Disagreed
<b>Total</b>			<b>\$ 18,303,259</b>		<b>\$ 4,125,000</b>	

BMC – Bulk Mail Center

P&DC – Processing and Distribution Center



## APPENDIX B

### MANAGEMENT'S COMMENTS

JO ANN FEINDT  
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS



September 25, 2007

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

SUBJECT: Draft Audit Report  
The Impact of Transportation on Chicago District Performance

As requested, this letter represents Great Lakes Area's response to recommendations one through four listed in the Draft Report of The Impact of Transportation on Chicago District Performance.

The Great Lakes Area agrees with the recommendations in the draft report. Specifically:

Recommendation 1 – The Great Lakes Area is working with local management to identify excess PVS resources at the Cardiss Collins P&DC. However, we believe it is in the best interest to postpone any changes to PVS transportation at this time in view of the fact that 12 north side zones will be returned to Irving Park Road P&DC for processing. Once this process is complete we will review our transportation for optimization of resources.


Recommendation 2 – The Great Lakes Area is monitoring the Cardiss Collins plan for improving communication and coordination between the plant and the stations. Specifically, the Cardiss Collins P&DC has implemented IOP agreements with the IPR and Jackson Park Matrix and we will be adding additional stations to improve mail flows and communications.

Recommendation 3 – The Great Lakes Area has been working with local management to ensure that transportation between the Cardiss Collins P&DC and the Chicago Bulk Mail Center is properly planned and implemented. As such, Cardiss Collins transportation officials have met with their counterparts at the Chicago BMC to identify trips operating between the facilities and have discontinued the "as-needed" transportation that was operating for the past few years. While scheduled transportation between the two facilities will properly account for mail in trailers, local mail processing officials will receive training on how to properly record on hand mail volume into the Mail Condition Reporting System.

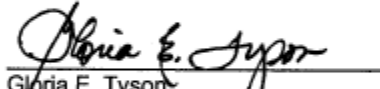
Recommendation 4 – The Great Lakes Area has been working with local officials at the Cardiss Collins P&DC to improve data collection activities such as those related to Surface Visibility. We have also worked closely with local management to resolve any discrepancies within their databases such as VITAL. We will continue to work closely with them and document and training that takes place regarding training and supervising employees who work with the transportation systems.

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We would like to take this opportunity to thank all the parties involved in this audit. We appreciate the hard work and effort put forth by all and we continue to make progress towards improving mail service in Chicago.



Jo Ann Feindt  
Vice President, Area Operations



Gloria E. Tyson  
District Manager, Chicago



Todd S. Hawkins  
Senior Plant Manager, Chicago

cc: Katherine Banks, USPS Headquarters