

XPO Logistics Inc. (NYSE: XPO)

Major U.S. Department of Defense and U.S. Postal Service Contractor

XPO Logistics also provides transportation and third-party logistics services to other federal government agencies and the U.S. Postal Service

Major U.S. Federal Government Contractor: Through acquisitions, XPO Logistics has inherited U.S. federal government contracts valued in excess of \$1.7 billion. These contracts were overwhelmingly with the U.S. Department of Defense for the purposes of hauling military freight and cargo throughout the country in service of the United States Transportation Command (USTRANSCOM). The goal of this massive federal contract was to reduce the cost of shipping military freight domestically through the use of third-party logistics providers.

Alleged Fraud and other problems with major Department of Defense (DoD)

Contract: Instead of reducing cost, XPO's major DoD contract with USTRANSCOM raised the cost of transporting military freight. According to the Inspector General for the Department of Defense, this was due to a combination of lack of oversight and overcharging by XPO subsidiary Menlo Logistics.

XPO Logistics recently settled a major lawsuit and investigation brought by the U.S. Department of Justice and whistleblowers into alleged fraudulent overcharging the U.S. Department of Defense for the arrangement of transportation of military freight through the Defense Department Coordination Initiative (DTCI).

On May 3, 2016, XPO Logistics announced a \$13 million settlement agreement with the United States Department of Justice regarding a false claims act and whistleblower civil case involving XPO Logistics allegedly overcharging DoD by billing for the much higher rate of moving military freight by air transportation when in fact the freight was moved by the much lower rate of transporting the cargo by surface transportation. In spite of these problems and settlement, XPO Logistics will continue to provide services to DoD through this contract through 2017.

Ranked in Top 150 of U.S. Postal Service (USPS): In 2015, XPO Logistics also received in excess of \$16.6 million from the U.S. Postal Service for providing services, ranking the company #101 overall in services provided to the U.S. Postal Service. Services include operating receiving, sorting, consolidating, loading and dispatching varying types of mail for the USPS. XPO Logistics increased its services over 2014 when XPO Logistics was ranked #147 among service providers to the USPS.

Sources:

- Inspector General Report, United States Department of Defense. Report No. DODIG-2012-108. August 31, 2012. "Questionable Data Cast doubt on the need for continuing the Defense Transportation Coordination Initiative."
- USA v. XPO Logistics, Menlo Worldwide Government Services, LLC et al. Case 2:13-CV-0539-KJM-AC. Complaint filed February 9, 2016.
- Press Release. XPO Logistics. "U.S. Department of Justice civil investigation of Menlo Logistics, Estes Forwarding Worldwide and Estes Express Lines Concludes with Joint Settlement". May 3, 2016.