



May 20, 2024

The Honorable Gary Peters
Chairman
Homeland Security and Government Affairs Committee
United States Senate
Washington, DC 20510

Dear Chairman Peters:

Despite the significant efforts of the consistent and transparent communications we have provided about our Delivering for America Plan initiatives, confusion continues to proliferate in some circles about the work we have underway to rescue the United States Postal Service. I am writing to clarify the various initiatives we have ongoing that are part of the nearly \$15.3 billion in committed self-funded investments and those initiatives that we agreed to "pause" in my letter to you on May 9.

What has been Paused for 2024 - Further Implementations Resulting from Mail Processing Facility Reviews

Over the past several months we have been conducting mail processing facility reviews pursuant to a long-standing practice the postal service has used to analyze the efficiency of our operations and to inform our employees, the communities we serve, and other interested stakeholders of certain options we are considering improving our operations and save costs in our local mail processing plants. This is a formal process which requires public notice, the conduct of a specific study, information sharing and townhall meetings over a month or more period for each facility. In most instances the key component of the facility reviews is to consider whether to move originating mail operations and volume to fewer regional plants to create consistency, precision, and efficiency. I have attached the list of these sites that I previously forwarded, which specifies the status of the facility study, the outcome of our determination, and the level of investment and cost savings that would be implicated. You can also view the details of this process by location on our website. In all cases on the list, we are moving a very small subset of our operations. This process has been regularly undertaken across the country over the last 14 years.

However, contrary to past facility reviews, where the intention was to close the mail processing facility when we moved out mail processing operations, the current facility review process has no such intention. To the contrary, the review process we are undertaking also includes substantial investment in the facilities we are studying. In the past, these changes have been initiated without an eye towards improving the workplace or growing our business because in many instances the intention was to discontinue operations in the facility or to significantly curtail its operations. That is because before the Delivering for America Plan, there had not been a comprehensive strategy to repair our business and to restore our vitality. If you review our website, you will find that pursuant to our current plan, hundreds of millions of dollars will be invested in these facilities to refurbish and equip them to transform this organization to ensure

that we can serve our communities far into the future. Under our current plan, in addition to moving small portions of the operations, we are also modernizing these facilities with significant investment to ensure that deferred maintenance is completed, state-of-the art automation equipment is installed that meets our current business needs, and employee amenities are upgraded, all with the goal of enhancing the efficiency and capacity of our mail and package processing operations, improving our retail capability, and helping our employees do their jobs better and under better working conditions. In some cases, the movement of these operations is freeing up space so that a Sorting and Delivery Center, equipped with new vehicles, many electric, can be co-located at the facility, which could end up adding to our employee complement at the site while also better serving the public.

Through the beginning of May, and at the time of our discussions on this matter, we have been executing on our administrative requirements facility by facility to determine their future role in our network and the investments required to modernize them as described above. As this initiative is not just about moving small portions of our mail processing operations, but mostly about significant investment in the facilities consistent with our national strategy, our workload in this area needs to be aggregated and planned in an organized and systematic manner. As stated previously, this is far different and a stark contrast to past facility reviews, when work was moved without the need to consider any corresponding investment given the limited intentions for the facilities being studied.

At this point of the facility review process, we have made our decisions and quantified our investments over the 59 sites, which are reflected on the attached list. We are now in the process of scheduling our work for this initiative, which we expect to accomplish over the next 18 to 24 months. Our position has been, unlike in the past, that we do not just move the mail processing operations without a firm committed and capitalized plan to the improvements we have specified in our notifications to the public and the community. Our goal is, by site, for it all to occur near concurrently.

Therefore, your request to pause implementation and do some further analysis, including the possibility of asking the Postal Regulatory Commission for an advisory opinion, was something I could accommodate as we are in the work planning phase of this initiative. Starting implementation of these changes after the first of the year is a logical choice considering where we are in the planning cycle, the additional work we have ongoing, our current efforts to stabilize service, and the upcoming election.

As I stated in my letter dated May 9, we will keep you and other members of Congress informed as we progress with our implementation plans. I will also let you know of our decision concerning a filing with the Postal Regulatory Commission.

What Activities Remain Ongoing in 2024

As I identified above, I wish to clarify the confusion regarding ongoing activities we are endeavoring to accomplish during the remainder of the year. They are as follows:

Completion of Initiated Regional Processing and Distribution Centers (RPDCs)

RPDCs are larger, new or renovated processing facilities equipped to handle substantial truck traffic, aggregate large volumes of mail and packages, and perform a high volume of selected mail and package processing functions as well as cross-docking operations. Our plan currently provides for 60 locations (some may be a multiple facility configuration) to be deployed

throughout the country. We have several underway in various stages of progress. In many cases these are existing facilities that we will refurbish and equip to perform our required operations in a more standardized and consistent way with a dramatically improved work environment. The projects underway and their status are identified below:

1. **Richmond RPDC: Richmond, Virginia** - an existing 680,000 square foot facility substantially complete and operating, awaiting further conveying equipment to be installed in first quarter of next year.
2. **Atlanta RPDC: Palmetto, Georgia** - a new 1,200,000 square foot facility substantially complete and substantially operating awaiting some additional equipment and facility adjustments.
3. **Charlotte RPDC: Gastonia, North Carolina** - a new 700,000 square foot facility substantially completed and partially operating.
4. **Chicago RPDC: Chicago, Illinois** – an existing 720,000 square foot facility currently being substantially renovated and equipped and partially operating. Expected completion prior to year-end.
5. **Portland RPDC: Portland, Oregon** - an existing 780,000 square foot facility substantially complete and operating, awaiting further material handling equipment to be installed prior to the end of the year.
6. **Boise RPDC: Boise, Idaho** - an existing 300,000 square foot facility substantially complete and operating, awaiting further material handling equipment to be installed prior to the end of the year.
7. **Houston RPDC: Houston, Texas** - an existing 850,000 square foot facility currently being substantially renovated and equipped and partially operating.
8. **Indianapolis RPDC: Indianapolis, Indiana** - a new 1,200,000 square foot facility in various levels of completion by function awaiting additional equipment installation. Partially operating for package sortation with increasing functionality and volume through the end of 2024.
9. **Jacksonville RPDC: Jacksonville, Florida** - an existing 780,000 square foot facility currently being substantially renovated and equipped. Partial operations to begin this fall. Expected completion prior to year-end.
10. **Jersey City RPDC*: Jersey City, New Jersey** - an existing 1,400,000 square foot facility currently being substantially renovated and equipped and partially operating for package sortation. Expected completion in September of 2025.
11. **Greensboro RPDC*: Greensboro, North Carolina** - an existing 460,000 square foot facility currently being substantially renovated and equipped and partially operating. Expected completion in September of 2025.
12. **Phoenix RPDC*: Phoenix, Arizona** - a new 500,000 square foot facility in various levels of completion by function awaiting additional equipment installation. Initial operations begin for package sortation in September 2024.
13. **Santa Clarita RPDC: Santa Clarita, California** - An existing 650,000 square foot facility receiving a 200,000 square foot addition scheduled for completion in 2026.

* Please note Jersey City, Greensboro and Phoenix listed above were not transmitted on the RPDC list we provided to you May 1 due to their stage of construction.

Local Processing Centers (LPCs)

LPCs are destination oriented mail and package processing centers and cross dock operations consisting almost entirely of renovated existing facilities. These facilities are being equipped to handle selected mail and package processing functions as well as cross-docking operations. Our plan currently provides for approximately 190 of these locations (some may be a multiple facility configuration—some may be configured inside an RPDC) and will be deployed throughout the country. We have many renovation and equipment installation projects

underway in various stages of progress. As stated above, many of these are existing facilities that will be refurbished and equipped to perform our required operations in a more standardized way with a dramatically improved work environment. The projects underway and their status are identified below:

1. **Richmond, Virginia LPC** – Configured and fully operating within the newly renovated Richmond RPDC.
2. **Norfolk, Virginia LPC** – an existing 200,000 square foot facility equipped and fully operating.
3. **Portland, Oregon LPC** – Configured and fully operating within the newly renovated Portland RPDC.
4. **Medford, Oregon LPC** – an existing 100,000 square foot facility currently being renovated and equipped and is substantially operating.
5. **Eugene, Oregon LPC** – an existing 150,000 square foot facility currently being renovated and equipped and is substantially operating.
6. **Duluth, Georgia LPC** - an existing 600,000 square foot facility currently being substantially renovated and equipped and is partially operating.
7. **Atlanta, Georgia LPC** - an existing 400,000 square foot facility currently being substantially renovated and equipped and is partially operating.
8. **Macon, Georgia LPC** – an existing 100,000 square foot facility currently operating.
9. **Augusta, Georgia LPC** – an existing 100,000 square foot facility currently operating.
10. **Boise, Idaho LPC** – An existing facility, configured and fully operating within the newly renovated Boise RPDC.
11. **Pocatello, Idaho LPC** - an existing 50,000 square foot facility fully operating.
12. **South Houston, Texas LPC** - a new 400,000 square foot facility under construction substantially completed and equipped and partially operating.
13. **Beaumont LPC** – An existing 150,000 square foot facility currently being renovated and equipped.
14. **Charlotte, North Carolina LPC** - an existing 400,000 square foot facility under total renovation with significant equipment additions and currently not operating. Operations will be relocated back to the facility prior to the end of this year.
15. **Johnson City, Tennessee LPC** - a new 100,000 square foot facility under renovation and being equipped. Operations to commence in 2025.
16. **Greenville, South Carolina LPC** – an existing 250,000 square foot facility to be renovated and equipped in 2025.
17. **Jacksonville, Florida LPC** – An existing 300,000 square foot facility currently being renovated and equipped.
18. **Tallahassee, Florida LPC** – An existing 150,000 square foot facility currently being renovated and equipped.
19. **Indianapolis, Indiana LPC** – An existing 400,000 square foot facility to be equipped for 2025 commencement.
20. **Fort Wayne, Indiana LPC** – An existing 100,000 square foot facility to be equipped for 2025 commencement.

As laid out above, nearly all these RPDC and LPC facilities for which we are not pausing implementation are existing and operating. The work we are engaging in with these initiatives is to catch up on 20 years of deferred maintenance, upgrade 30-year-old technology, install modern sortation equipment and rearrange our production floor layout to logically accommodate the difference between the size of a letter and the size of a package.

Sorting and Delivery Centers (S&DCs)

S&DCs are the Postal Service's new concept to aggregate small delivery units and the mail carriers that worked there into larger, fully renovated, and equipped delivery units. These facilities are almost entirely existing underutilized facilities long ago eliminated from their original use. They are in significant disrepair and now may have small carrier units and are performing random storage functions. As these were formally plants, they have significant parking, work floor space, docks and electrical infrastructure. Our plan currently provides for several hundred of these facilities and large delivery units to be renovated and newly equipped, which will enable them to accommodate our newly acquired package sorting equipment and 66,000 Electric Vehicle over the next few years. These will also be a significant contributor to the growth we aspire to have in our regional package delivery business. These facilities will enable us to be the delivery provider of choice, not just for the last mile, but for the last 150 miles. To date, we have deployed 55 S&DC'S and will deploy an additional 28 prior to September 30, 2024, at the following locations.

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|-------------------------------|-----------------------------------|
| 1. Boston, MA SDC | 15. Carbondale, IL SDC |
| 2. Ft. Lauderdale, FL SDC | 16. Columbus Oakland Park, OH SDC |
| 3. Hicksville, NY SDC | 17. Dayton, OH SDC |
| 4. Kalamazoo, MI SDC | 18. High Point, NC SDC |
| 5. Lakeland, FL SDC | 19. La Cross, WI SDC |
| 6. New Brunswick, NJ SDC | 20. Lake Charles, LA SDC |
| 7. Newark, NJ SDC | 21. Olympia, WA SDC |
| 8. Orange, CA SDC | 22. Sarasota, FL SDC |
| 9. Phoenix Rio Salado, AZ SDC | 23. Severna Park, MD SDC |
| 10. Saint Petersburg, FL SDC | 24. Shawnee Mission, KS SDC |
| 11. Southern Maryland, MD SDC | 25. Southern Connecticut, CT SDC |
| 12. Springfield, MA SDC | 26. Vineland, NJ SDC |
| 13. Stockton Airport, CA SDC | 27. Wilkes Barre, PA SDC |
| 14. Acworth, GA SDC | 28. York East, PA SDC |

Air Transportation and Supporting Network

After 22 years we have redesigned and recompeted our Priority Mail Air Network transportation operations. Over the next several months we will be re-routing all our air traffic (approximately 150 flights a day) to 61 different airport hubs across the nation. Concurrently as we make this transition, we will be continuing to insource many of our over 70 Terminal Handling Centers into our regional centers to reduce handling time and cost. This is a continuation of our efforts to reduce air traffic and integrate mail and package movement with our ground transportation network. In addition, we continue our efforts to reduce our air transportation, which has resulted in significant savings and carbon emissions reduction. We expect this transition to be complete in September of 2024.

Ground Transportation

The Postal Service runs approximated 50,000 truck transport trips a day. Because of the nature of our public service mission and the poor design of our network, we had averaged less than

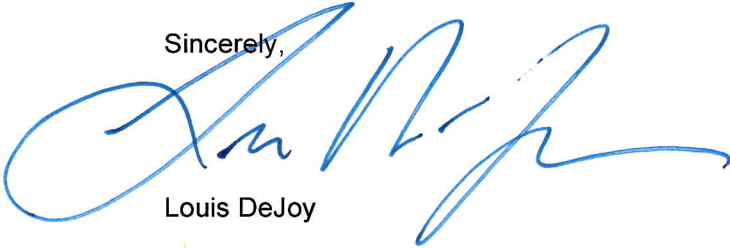
40% trailer utilization significantly driving up our costs. We will continue to design and implement better routings for both national and local transportation to support our efforts to be more efficient and reliable. We expect these initiatives to continue through August, at which point we will begin to pause to accommodate the demands of the elections and peak season. This effort involves ongoing schedule adjustments, routing changes, cross docking, and trip elimination.

In conclusion, I hope I have clarified what actions we will and will not be taking during the remainder of the year. As I have previously discussed, nothing we have done to date has required the filing with the Postal Regulatory Commission for an Advisory Opinion. However, we are evaluating certain service constraints that should we decide to change, would require us to do so. We anticipate conclusion of this evaluation in the next 30 days and will keep you advised of our progress.

As you have witnessed, over the past ten years, and prior to the issuance of the Delivering for America Plan, the Postal Service endured close to \$100 billion in financial losses and was well on its way to lose over an additional \$160 billion over the next 10 years. This has led to deferred maintenance more than \$20 billion and an ill equipped, operationally ineffective, and devastated infrastructure with poor operating strategy and discipline. Our facilities are often unpleasant places to work, our vehicles are ancient, and we are ill equipped in most of our operations to efficiently engage in our work. As laid out in the Delivering for America Plan, we are working to change all of this to achieve long-term financial viability. The nearly \$15.3 billion of committed self-funded investments is a key building block of our efforts.

I have not disputed that we had difficulty in the initial implementation of some of the changes we are making and are working hard to correct for them and will do so. However, simply put, we are digging out of one of the biggest financial and operating institutional holes ever dug and the demanding pace of this change is required because it should have begun many years ago. We have a few years to correct our trajectory, or we will run out of cash and require a federal bailout or some other more drastic solution. I look forward to working with Congress to avoid more draconian results, and to restoring the Postal Service to a high performing and financially healthy organization.

Sincerely,



Louis DeJoy

Enclosure

cc:

Senator Susan M. Collins
Senator Jacky Rosen
Senator Cynthia M. Lummis
Senator Michael F. Bennet
Senator Kevin Cramer
Senator Jeanne Shaheen
Senator John Barrasso
Senator Catherine Cortez Masto
Senator Steve Daines
Senator Kyrsten Sinema
Senator Shelley Moore Capito
Senator Angus S. King
Senator John Hoeven

Senator Jeff Merkley
Senator Deb Fischer
Senator Jon Tester
Senator Roger F. Wicker
Senator Debbie Stabenow
Senator M. Michael Rounds
Senator Joe Manchin III
Senator Marsha Blackburn
Senator Cory A. Booker
Senator Pete Ricketts
Senator Margaret Wood Hassan
Senator John Cornyn