



April 1, 2024

The Honorable Jack Bergman
House of Representatives
Washington, DC 20515-2201

Dear Congressman Bergman:

This responds to your March 6 letter to Postmaster General Louis DeJoy, further regarding the Mail Processing Facility Review (MPFR) of the Iron Mountain Processing & Distribution Center (P&DC) in Kingsford.

I appreciate the opportunity to add to our February 14 letter and provide additional specific information about the planned improvements at the Iron Mountain facility, and to share clarifying details about how the U.S. Postal Service is organizing and optimizing our transportation network to improve service for Michigianians and the nation. As mentioned in previous correspondence with your office, the MPFR is part of a \$40 billion investment strategy to upgrade and improve the Postal Service's processing, transportation, and delivery networks. The MPFR process will inform the best allocation of resources and strategies to improve customer service and to achieve significant cost savings through operational precision and efficiency.

The Initial Findings document for the Iron Mountain MPFR, a copy of which is available at www.usps.com/mpfr, shows that the Postal Service plans to invest between \$3 million to \$5 million into the Iron Mountain facility for modernization, deferred maintenance, and new processing automation equipment as we prepare the facility to serve as an important contributor to operations in today's economy and far into the future.

The initial results of the facility review support the business case for modernizing the Iron Mountain P&DC as a Local Processing Center (LPC) with simplified processes and standardized layouts. The Iron Mountain LPC will be a critical node for the unified movement of mail and packages across the regional processing and transportation ecosystem in a logically sequenced manner and will benefit from the expanding services the Postal Service plans to deploy to increase its revenue and enhance its role in this community.

The facility will offer expanded and streamlined package processing and distribution capabilities in the local market and new workplace amenities for Postal Service employees. Additionally, the business case supports transferring some mail processing operations to the Green Bay P&DC. Currently, a majority of mail and packages are destined outside of the Iron Mountain area to the rest of the country and world.

It is anticipated that the facility will maintain the following operations once converted to an LPC:

- Destinating packages
- Destinating letters and flats
- Destinating bundles
- Manual letters and flats
- Express
- Business Mail Entry Unit

The LPC will also be fitted with state-of-the-art sorting equipment that will improve delivery services. We plan to operate the following sorting equipment in this facility:

- 2 Delivery Bar Code Sorters
- 1 DBCS Input Output Subsystem
- 1 Automated Flat Sorting Machine 100
- 1 Single Induction Package Sorter (new)

In addition to modernizing our operational design, these facility investments will address poor working environments for our employees that should have been dealt with years ago. Just like it has made do with obsolete processing plants, the Postal Service has deferred maintenance on its facilities and equipment for far too long. Compared with equivalent private-sector competitors, too many of our facilities are in poor condition and lack resources that are considered bare minimums in a modern work facility.

On the Iron Mountain facility's workroom floor, lighting will be upgraded with LEDs, flooring will be repaired and refinished, impediments to open process flow will be removed, and dock areas will be generally rehabilitated. Employee amenities will be refreshed with renovation to restrooms, lockers, and break areas. These workplace enhancements are part of our commitment to a stable and empowered workforce, and already we have seen a reduction in pre-career workforce turnover by 50 percent and the conversion of over 165,000 pre-career employees to full-time career employee status since October 2020.

Regarding your concern about potential job relocations should some operations shift between facilities, please know that any such relocations will be made in accordance with our collective bargaining agreements with the national postal unions. Our ongoing analysis will include quantifying the time it will take to refurbish the facility and prepare it for the services and functions as an LPC and quantifying the appropriate workforce necessary to efficiently staff the LPC. We expect that the increase in these services and functions, particularly enhanced package processing and shipping capacity, may require additional employment positions, which could mitigate some of the employee reductions.

The Iron Mountain facility will also feature evolving Postal Service self-service tools and technology to give customers added services and new choices in how they ship and receive packages, including Smart Lockers, which are a keyless, self-service delivery solution that allows package shippers and package recipients to send and receive packages direct to a Post Office Smart Locker location.

Your letter says that your constituents have noticed service adjustments "resulting from the proposed changes to the Iron Mountain facility." It is important to reiterate that the Iron Mountain MPFR process has not yet resulted in any operational adjustments in the Upper Peninsula. The reported changes to the collection schedule for some local Post Offices in the Upper Peninsula are related to an initiative known as Local Transportation Optimization, or LTO, which is designed to address costly inefficiencies in our transportation logistics. This transportation initiative is separate from the MPFR plan in Iron Mountain.

Our local transportation network is currently characterized by a large number of underutilized and unnecessary trips. This is because we currently operate separate trips to pick up and drop off mail and packages from delivery units. These separate trips lead to underutilization and high costs, particularly on longer local transportation routes that move a lower volume of mail. This current inefficient and costly transportation network, wherein half-empty trucks are making more trips than necessary, is unsustainable, and taking steps to address our transportation costs is a critical element of generating the savings needed to achieve financial sustainability.

The LTO initiative aims to improve the efficiency of our transportation network by, in certain circumstances, using the same trip to both drop off destinating mail for delivery *and* pick up originating mail for processing. Implementation of this initiative will reduce the overall number of transportation trips and stops (thus reducing costs), improve utilization, and reduce carbon emissions. Michigan is among the first areas where we are evaluating the LTO initiative. This initiative has been meticulously designed with performance in mind, and we do not expect that it will affect service performance. Currently, a significant portion of First-Class Mail is delivered in advance of its service standard, which reduces any risk to our service performance that this initiative may have. As with any operational change, some short-term service issues may arise as processes are refined and tuned to resolve unanticipated challenges. However, please be assured that as LTO is implemented in different areas, we will continue to assess all aspects of our network and make appropriate changes (such as adjusting trip schedules and processing schedules) to ensure strong service performance.

Regarding Priority Mail Express (PME) service, it may be helpful if I share some context regarding that product and service. PME is an expedited service for shipping any mailable matter and includes a money-back guarantee if delivery by a promised date and time is not met (subject to the specific conditions detailed in the *Domestic Mail Manual*, or DMM, section 113). As noted in the DMM, next-day delivery for PME products is available at designated Postal Service facilities for service to specific destinating three-digit or five-digit ZIP Code delivery areas. Next-day delivery is not a guaranteed aspect or feature of PME—it is and has always been available only when the originating and destinating ZIP Codes happen to align efficiently. Thus, next-day PME service may become impossible between some ZIP Code pairs, or become possible between others, when postal operations change or as network facilities modernize and relocate. Retail and Delivery officials responsible for the Central Area, which contains Michigan's postal districts, confirmed that the PME product remains available in the Upper Peninsula and continues to offer the same expedited service as in the past, with a money-back guarantee should we fail to meet that commitment. Customers can use the Retail Postage Price Calculator on our website, available at <https://postcalc.usps.com/Calculator>, to receive an estimate of the cost they can expect to pay and the delivery speed they can expect to receive based on the product purchased, the origin and destination ZIP Codes, and the time the mailpiece is tendered to their local Post Office.

We recognize that not all customers may have access to overnight services, depending on the originating and destinating ZIP Code pairs, and that LTO has affected ZIP Code pairs in the Upper Peninsula. As a self-funded agency that relies on the sale of products and services and not taxpayer dollars for our operations, the Postal Service must make business decisions based on national operational and financial considerations, while also balancing the needs of our customers. We cannot modify our transportation plans or change our network to accommodate the operations of specific local customers. However, we believe that our numerous competitive product offerings, ranging from Priority Mail Express to our new USPS Ground Advantage product, provide a variety of options for nearly all customers in the country. Regarding your concerns about LTO and service delays, it is important to note that we are not aware of any delays in the Upper Peninsula, and service performance for both market dominant and competitive products in our Michigan-2 postal district continues to exceed the national average.

As shared in our previous response, the ongoing operational changes are part of a process to modernize our long-neglected infrastructure and network, correct unsustainable inefficiencies, and adapt to a new reality of how people use the mail. These changes will help ensure the long-term financial health of the Postal Service, enabling us to provide exceptional service to customers across the nation and ensuring we can continue to fulfill our mission of providing timely, reliable, secure, and affordable delivery of mail and packages well into the future.

Thank you for writing. Please let me know if I can assist you with other postal matters.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael J. Gordon". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping underline.

Michael J. Gordon
Director, Government Liaison