



December 20, 2023

The Honorable John Hoeven
United States Senate
Washington, DC 20510-3406

Dear Senator Hoeven:

This responds to your December 13 phone call and December 15 letter regarding the Mail Processing Facility Reviews (MPFRs) for the Bismarck and Grand Forks Processing and Distribution Centers (P&DC), reported delivery concerns in downtown Dickinson, and questions about cluster box units in Minot.

Thank you for the opportunity to discuss the exciting and positive investments we propose to make at the Bismarck and Grand Forks facilities. We appreciate being able to provide more details about our plans to improve our service for North Dakotans and for all our customers. In an effort to provide an expedited response about the MPFRs, a separate response to your questions about Dickinson and Minot is forthcoming.

The U.S. Postal Service provides a vital service to its customers in North Dakota and across the nation and does so only supported by the sales of its products and services, not taxpayer dollars. As you know, the Postal Service has been contending with a broken business model better suited to the year 2000 when mail volume was more abundant than today, and letter mail volume continues to decline. We must now turn around from an obsolete, illogical, and inefficient processing network, and a regulatory scheme seemingly intent on preventing any progress or prospect for success.

To finally overcome these obstacles, the Postal Service formulated and is implementing its Delivering for America (DFA) plan, the details and progress of which have been previously shared with your staff and which are available at <https://about.usps.com/what/strategic-plans/delivering-for-america/>. This turn-around plan is a 10-year, \$40 billion strategic effort to revitalize the Postal Service and allow it to meet the service expectations of our current and future customers, achieve financial stability, and bring this essential national institution into the 21st century. For the last 15 years, clear and evident deficiencies were ignored and now the task must be to provide the American people with a modern logistics service that is dependable and effective.

The DFA is grounded in a solid and optimistic business strategy. The Postal Service's greatest strength is that it delivers everywhere, six days per week, and the DFA is designed around this fact. It leverages our integrated mail and package delivery capabilities and 6-day delivery so that we can increase revenue while simultaneously allowing billions in cost savings by eliminating unneeded or outmoded practices. The codification of the integrated network in the 2022 Postal

Service Reform Act acknowledged the inherent soundness of this approach. The network improvements we are implementing, like those we are discussing in North Dakota, make it logical and cost efficient.

The Bismarck and Grand Forks Processing and Distribution Centers are Not Closing

Importantly, I would like to dispel any misconception that the MPFRs will result in closing the Bismarck or Grand Forks facilities or any career employee layoffs. In every reasonable scenario, the facilities will continue to be needed network nodes delivering mail and packages for the state. In truth, the MPFRs will examine how best to rationalize and improve the processing of mail and packages, and better connect that process to the national network. Depending on the MPFR results, some mail processing functions may be consolidated to other facilities that are better suited for a given task, but it is important to note that opposing any and all consolidations within the state of North Dakota would consign our customers there to deteriorating service provided by an obsolete network.

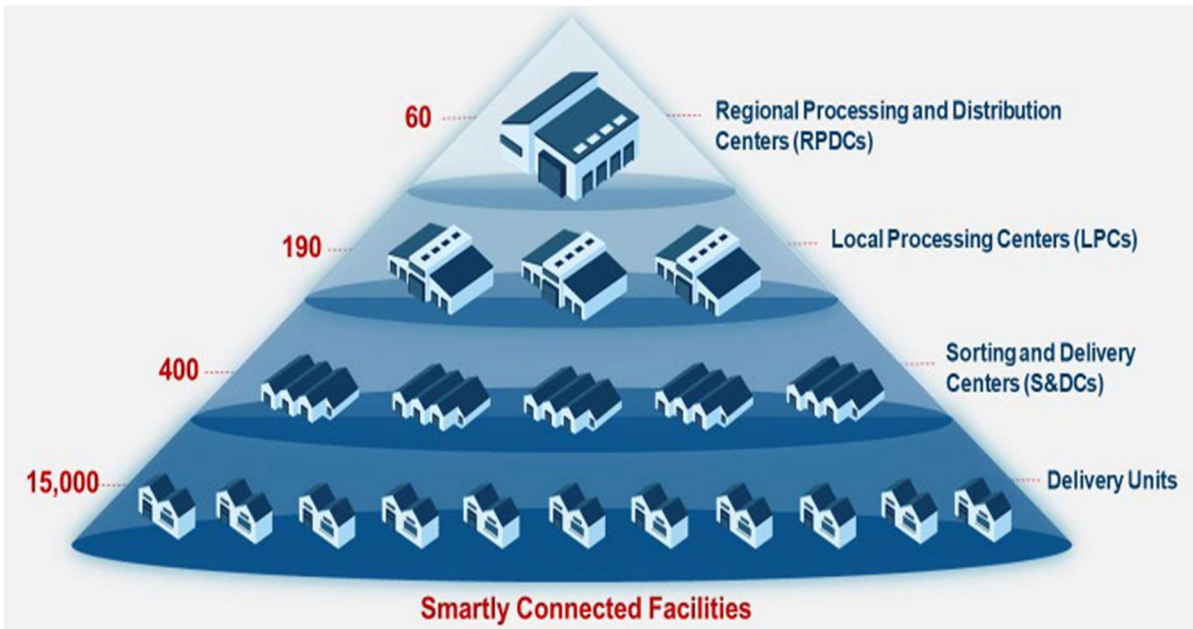
Addressing an Outmoded Delivery Network

Nationally, the Postal Service's legacy processing network is outdated and relies on inefficient facilities that were located and constructed on an ad-hoc basis to meet operational needs that changed years or decades ago. Nevertheless, these facilities and their obsolete operating plans were allowed to persist, and without modernization the result would be steadily degrading service and a Postal Service that is incapable of addressing the needs of the current operational and market reality. To address this challenge, DFA is making strategic investments of \$7.6 billion to establish a modern network of new or improved facilities. When complete, this network will enable an operational model that is logical and uniform and can provide the reliable and precise service that is essential for modern logistics.

Regional Processing and Distribution Centers Take a Modern Approach and Utilize Local Processing Centers

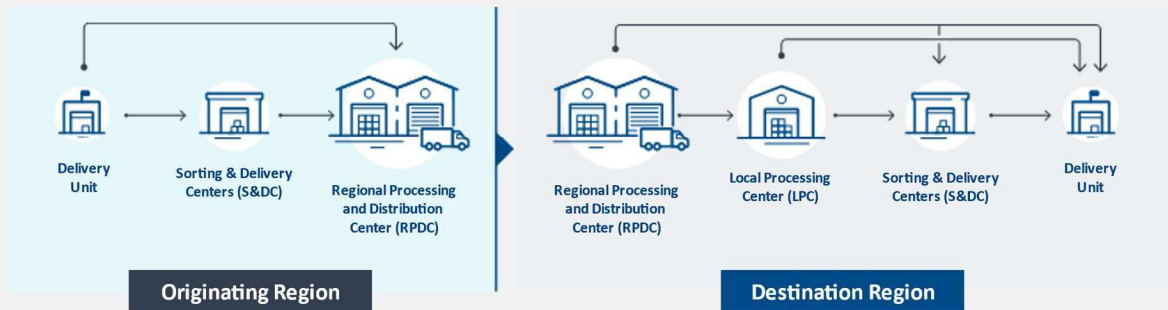
As part of the new processing network, the Postal Service is inaugurating Regional Processing and Distribution Centers (RPDCs), which are large facilities that act as central nodes for a given region. Utilizing modern equipment and economies of scale, these facilities will process all mail and packages for an area, and they will serve as the transportation conduits that connect regional transportation to the national network. RPDCs will support and be supported by Local Processing Centers (LPCs), which will process primarily destinating mail and serve as an aggregation point for destinating volume (i.e., product that is headed out for delivery). Generally, LPCs will be created by repurposing existing sites. In the legacy network, a P&DC may have a variety of processing functions with no standardization or rational design across the network. Instead, P&DCs have taken on various functions—or are lacking certain functions—based on ad-hoc historical decisions. Rationalizing where processing work is done is critical, and it will ensure that each facility is performing a necessary role, and performing it well, to increase overall efficiency.

The graphics on the next page may help illustrate our modern network realignment, how these new or transformed facilities will fit together, and the benefits they will bring.



The Future Network Flow: End-to-End Model

Since the DFA Plan launched, we have committed nearly \$7.6 billion of the Plan's \$40 billion in self-funded investments to create our new network.



REDUCE COST • **ON-TIME** DELIVERY • **SHORTEN** SERVICE STANDARDS
OPTIMIZE RESOURCE & PROCESS YIELD • **ENERGIZE** EMPLOYEES • **EXPAND** USPS CONNECT REACH
ENHANCE PRODUCT OFFERINGS • **CAPTURE** GREATER SHARE OF 1-2 DAY MARKET



North Dakota Is at the Forefront of Network Transformation, Drawing on a Transparent Process

Consistent with these objectives, North Dakota may be among the first places to benefit from the DFA's processing modernization. For the average North Dakota postal customer, these proposed processing changes will go unnoticed, but what customers will notice is increasing reliability and

more dependable service. The implementation of the DFA will enable the Postal Service to meet its service standards for all customers, including those in rural areas, more frequently than it has in the past. Businesses in the region will enjoy better and more efficient customer reach locally, regionally, and nationally.

To ensure that DFA processing modernization is properly understood and that any potential improvements receive proper consideration, the Postal Service is utilizing the MPFR process when applicable. The MPFR assesses a facility's capacity to meet operational goals and evaluates whether efficiency could be increased by transferring processing operations currently performed at a particular processing center to an RPDC.

Importantly, the MPFR allows for transparency while protecting proprietary, business-sensitive information. The process requires the solicitation and consideration of public comment, whether submitted in writing or provided at the public meeting on the proposal. Specifically, during an MPFR, the Postal Service provides the public and stakeholders with notice of the intent to undertake an MPFR analysis of a site; schedules public meetings to receive input from stakeholders; and provides a website for stakeholders to provide written comments. After considering the collected comments, a final decision on the approval or disapproval of a specific MPFR proposal will be made. Stakeholders include affected employees, employee organizations, officials at various levels of government, local mailers, community organizations, and the media.

During our phone call, you highlighted various distances between locations in North Dakota. Though a casual observer could assume that distance is the paramount factor in designing a logistics network, it is in fact only one variable considered when designing a modern network that can efficiently move mail, packages, or any other physical object. Other factors are of equal or more importance in determining how efficiently and timely a network can process and move material from place to place. For instance, the availability, capacity and speed of automated equipment, the number of nodes in a network, the efficiency of transportation between those nodes, the proper coordination of schedules across the network, and the availability of a workforce to perform the necessary tasks are just a few of the factors that must be accounted for in modern, efficient logistics. Travel time is accounted for in all DFA network modernization plans.

Service Standards are Not Changing and Mail Flow will become More Efficient

I also want to address unfounded concerns that this proposal would result in delivery delays for local mail, specifically mail originating in the Bismarck and Grand Forks areas that is also destined to those regions (mail addressed to the same local areas). While this mail would travel first to Fargo to be processed before returning to the LPC in this proposal, it is important to reiterate that local mail has a two-day service standard, and this mail would continue to be processed and delivered in two days. If ultimately adopted, the changes would likely make our process more efficient and dependable because the vast majority of mail does not stay in the local area but is destined for other regions. Combining originating (outbound) mail and bringing it directly to an RPDC, bypassing any local sortation, will allow the mail to more easily meet our processing and transportation schedules and more easily move across the national network.

To further understand how local mail would not be slowed in this proposed scenario, a hypothetical example may be helpful. A letter put into a collection box on Monday in Bismarck and destined to another address in Bismarck would be collected at a Post Office, taken to the LPC, combined with other mail collected that day, and transported to Fargo that evening. The Fargo plant would process that letter overnight (Monday night/Tuesday morning) along with all the other mail collected from the LPCs. That specific letter would then be transported back to the Bismarck plant on Tuesday, together with letters from other areas destined to Bismarck that were

combined at the Fargo node. It would then be sorted by address Tuesday night at the LPC and brought to local Post Offices on Wednesday morning for delivery that day. In this example, the two-day service standard is easily met; the letter mailed on Monday is delivered on Wednesday, just as it is today. And since we would be able to quickly move mail for other destinations directly to Fargo for processing in this proposed scenario (which, again, is most of the mail), that mail would be more dependable, meeting our service standards for those other destinations.

As we also mentioned on the call, this proposal would not affect local newspapers dropped off at local delivery units. Those periodicals do not go through the same sortation system as regular letters and would continue to be processed as they are today. Newspapers destined to other areas or not pre-sorted by ZIP code would be processed in Fargo and then directed to the appropriate LPC and local delivery unit.

Making Facility Investments for our Employees

Finally, in addition to modernizing our operational design, DFA 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. As we construct RPDCs and repurpose facilities into LPCs, for instance, we are providing our employees updated and modernized workplaces. Redesigning workrooms, installing new equipment, retiring unneeded equipment, and improving the physical conditions of our facilities will improve employee satisfaction and make it easier for them to work to their highest potential. This is 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 150,000 pre-career employees to full-time career employee status since October 2020.

Through the DFA plan, we are undertaking a vital modernization of our long-neglected infrastructure and network that will provide our employees with state-of-the-art workplaces, enabling them to provide exceptional service to the American people. We are also making progress toward ensuring the long-term financial health of the Postal Service and fulfilling our mission to provide timely, reliable, secure, and affordable delivery of mail and packages to the more than 165 million addresses we serve six days a week.

I hope this information is helpful and that it alleviates your concerns. Please let me know if I can assist with any other postal matters.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael J. Gordon".

Michael J. Gordon
Director, Government Liaison