



January 9, 2024

The Honorable Tim Burchett
House of Representatives
Washington, DC 20515-4202

The Honorable Chuck Fleischmann
House of Representatives
Washington, DC 20515-4203

The Honorable Diana Harshbarger
House of Representatives
Washington, DC 20515-4201

Dear Congressman Burchett, Congressman Fleischmann, and Congresswoman Harshbarger:

This responds to your December 8, 2023, letter to Postmaster General Louis DeJoy, regarding Mail Processing Facility Review (MPFR) studies in Tennessee.

Thank you for the opportunity to discuss the exciting and positive investments we propose to make at the Knoxville and Chattanooga facilities. We appreciate being able to provide more details about our plans to improve our service for Tennessee and for all our customers.

Foremost, I would like to emphasize that the MPFR process will not result in the closure of the studied facilities or in any career employee layoffs. Please also note that only two MPFRs are in progress in Tennessee, for the Chattanooga Processing & Distribution Center (P&DC) and the Knoxville P&DC. There is currently no MPFR in progress for the Johnson City P&DC. Originating mail operations were moved from that facility to the Knoxville P&DC in 2013.

As you know, the Postal Service provides a vital service to its customers in Tennessee and across the nation and does so solely by the sales of its products and services. The Postal Service has been contending with a broken business model better suited to the year 2000 when mail volume was abundant than today when 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 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—since the 2008 recession and the obvious realization that the 2006 reforms were causing rather alleviating systemic challenges—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.

Unlike earlier efforts, 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 here in Tennessee, make it logical and cost efficient.

The Knoxville and Chattanooga Processing and Distribution Centers are Not Closing and are Being Modernized

Importantly, I would like to dispel any misconception that the MPFRs will result in closing the Knoxville or Chattanooga facilities or any career employee layoffs. In every reasonable scenario, the facilities will continue to be a needed network node 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 opposing any and all consolidations would consign our customers there to deteriorating service provided by an obsolete network. The initial results of the MPFR support the business case for modernizing the Processing and Distribution Centers as Local Processing Centers with simplified processes and standardized layouts.

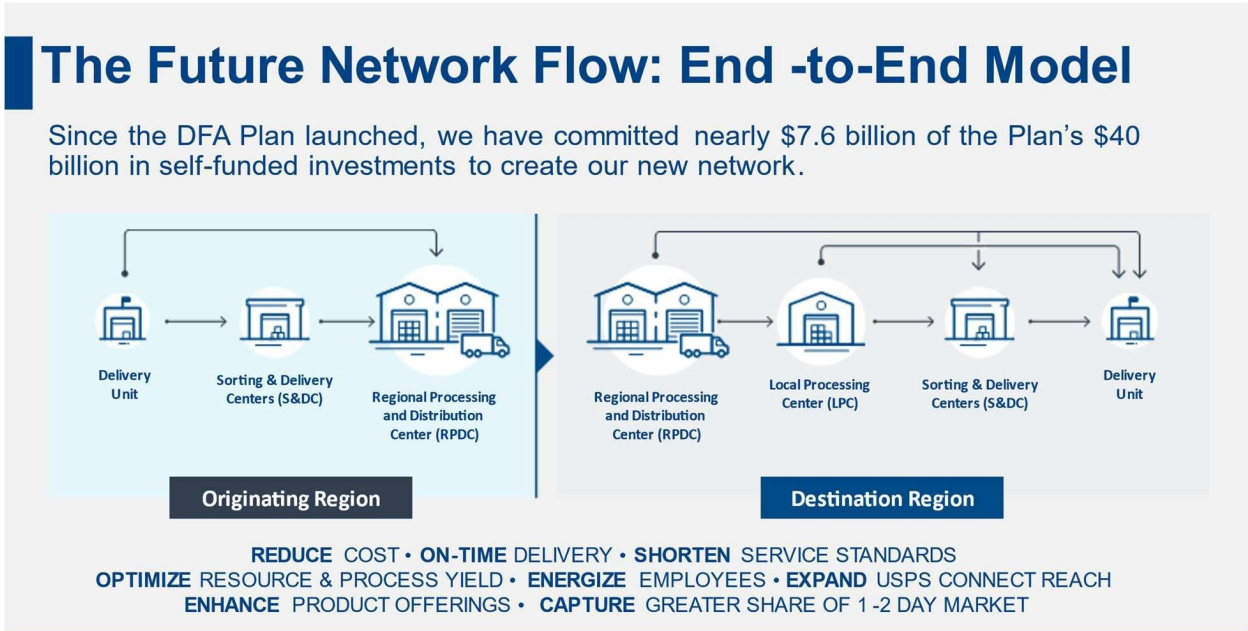
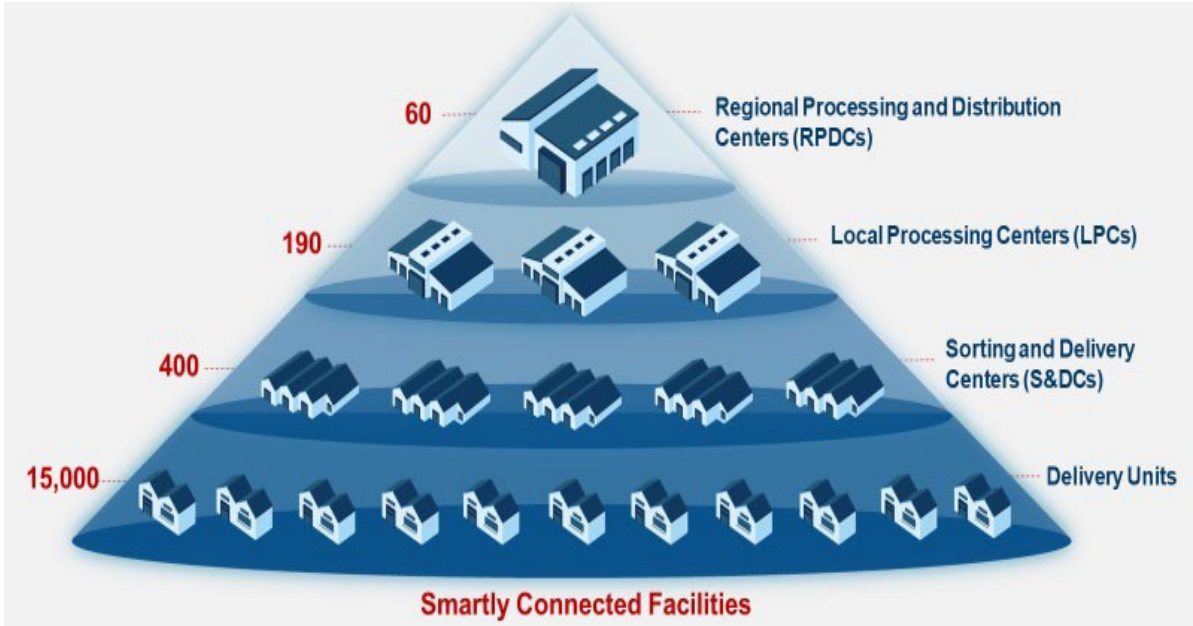
Addressing an Outmoded Delivery Network

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



Consistent with these objectives, Tennessee may be among the first places to benefit from the DFA’s processing modernization. For the average Tennessee postal customer, these 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.

Please see the following responses to the specific questions in your letter:

1. When do you plan to make a final decision about the future of the Knoxville, Chattanooga, and Johnson City mail handling centers?

As noted, there is no MPFR in progress for the Johnson City P&DC. We anticipate a decision on the Knoxville and Chattanooga facility reviews in 30 to 90 days.

2. What impact will the proposed changes to the mail processing facilities in Knoxville, Chattanooga, and Johnson City have on the delivery standards in East Tennessee?

There will be no service impacts because of the proposed changes.

3. What equipment changes are needed to the Knoxville, Chattanooga, and Johnson City facilities to improve service for postal customers?

The final results of the MPFRs will determine the necessary equipment changes. The Postal Service regularly reviews its processing and delivery network footprints to ensure that facilities and services are best aligned to provide increased service reliability to customers and a better workplace experience for employees.

4. Recently, in Chattanooga, mail volume was so high USPS could not process outgoing mail and then sent it to Nashville. Nashville could not handle the mail volume and sent it to Atlanta, GA, where they had over 200 trailers waiting to enter the facility. What plans are in place to prevent these delays and added transportation costs? What are the "projected savings" in this business model?

The recent situation in Chattanooga was not related to the MPFR process. The Chattanooga P&DC was experiencing employee availability issues and simultaneously received an unexpected, large volume of "non-machinable" mail, which are parcels or mailpieces that, because of size, weight, or other characteristics, cannot be sorted by automatic mail processing equipment and must be handled manually. Excess volume was immediately sent to the Atlanta Regional Processing and Distribution Center, which has the capacity to process over 30,000 packages per hour. Excess volume was not sent to the Nashville P&DC, and reports that "200 trailers" were waiting outside of the Atlanta facility are false.

- 5. In the MPFR for Knoxville, USPS estimated a net decrease of 28 craft and 4 management positions. In the public meeting on November 30, 2023, postal representatives estimated a net decrease of 63 craft and 9 management positions in the Knoxville facility. Do you know why there is a discrepancy?**

There is not a discrepancy. Rather, the Postal Service provides two different measures of the estimated complement changes during an MPFR. The Net Employee Impacts number provided in the Initial Findings document accounts for combined impacts at the Knoxville facility and the facility gaining functions. This impact is the number of positions reduced at the Knoxville site, minus the number of additional positions at the gaining site. Conversely, the Career Craft Impacts number shared during the public input meeting measures only the impact on the Knoxville facility and does not account for the needs of the gaining site. This impact is the number of career craft positions (by craft), minus the number of pre-career employees (by craft), in Knoxville. Please also note that estimates regarding clerk and mail handler positions are fluid because of flexible workforce staffing (i.e., varying numbers of pre-career employees) during review and upon implementation, if the decision is made to proceed. Please be assured that any reduction in positions and placement of impacted employees will be made in accordance with the respective collective bargaining agreement.

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 such as in the case of the Knoxville and Chattanooga facilities, 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 about the exciting and very positive changes currently underway. Please let me know if I can assist with any other postal matters.

Sincerely,



James D. Reedy
Government Relations Representative