

Initial Findings Document

Mail Processing Facility Review

Iron Mountain P&DC in Kingsford MI

2/1/2024

As part of a \$40 billion investment strategy to upgrade and improve the Postal processing, transportation, and delivery networks, the U.S. Postal Service announced that it is conducting an evaluation of current operations and potential future uses of its Iron Mountain Processing and Distribution Center (P&DC) facility in Kingsford, MI.

The USPS ten-year Delivering for America (DFA) plan includes initiatives to improve organizational and operational processes and actively make the Postal Service an efficient, high-performing, world class logistics and delivery provider. Improvements to Postal operations will enhance the level of service provided to the public; drive innovation and enable a broader array of postal products and services; enhance organizational competitiveness; improve efficiency and lower the cost to operate; and provide better workplaces and careers for Postal Service employees.

This specific facility review will inform the best allocation of resources and strategies to improve customer service and to achieve significant cost savings through operational precision and efficiency. Business mail entry, Post Office, station, and branch retail services are not expected to change, and delivery services will be unaffected throughout this review. The evaluation is a first step in the Postal Service review and investment process in this facility and will not result in this facility's closure or career employee layoffs.

This ongoing review was initiated to evaluate what role the facility will take in the redesigned postal network and to assess potentially moving some of the mail processing operations from the Iron Mountain P&DC to the Green Bay P&DC in Green Bay, WI.

Below are initial findings from the study:

Facility Future

The initial results of the facility review support the business case for keeping the Iron Mountain P&DC open and modernizing the facility as a Local Processing Center (LPC) with simplified processes and standardized layouts. The Iron Mountain LPC will be a critical node to 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 USPS employees.

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

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

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 (DBCS)
- 1 DBCS Input Output Subsystem (DIOSS)
- 1 Automated Flat Sorting Machine 100 (ASFM 100)
- 1 Single Induction Package Sorter (SIPS)

The improvements for this facility will result in \$2.5 million in investments for modernization efforts and deferred maintenance investments.

New mail and Processing equipment investments totaling \$1.25M:

- 1 Single Induction Package Sorter (SIPS)

On the 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.

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 world.

The facility will feature evolving USPS 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.

The Postal Service plans to invest between \$3M and \$5M into the Iron Mountain LPC to prepare for a long future as an important contributor to operations in today's economy.

Postal Employees

NOTE: There will be no career employee layoffs as part of this initiative. The numbers presented here reflect data available as of October 6, 2023, and are subject to change until the completion of the facility review. 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 may require additional employment positions which could mitigate some of the reductions identified below.

Due to the transfer of outgoing operations, an estimated net decrease of 5 craft and 0 management positions are projected once the initiative is completed. All bargaining employee reassignments will be made in accordance with the respective collective bargaining agreements.

The Postal Service has made a commitment to ensuring there is a clear path for our pre career employees to obtain fulltime positions, as evidenced by our newly negotiated contract provisions and making automatic conversions to stabilize our workforce. This has culminated in 165,798 pre career employees being converted to career over the past three years. Our pre career workforce is a valuable employee category that provides us necessary operational flexibility leading to efficiencies. Like all employers who have a flexible employee category, there is a higher turnover rate with these employees, providing us the opportunity to both capture savings by rightsizing our workforce when making long overdue operational changes and avoiding any career layoffs.

Estimated Cost Savings

Proposed savings in the draft MPFR analysis are ultimately projected to be \$1.1M - \$1.5M annually once the initiative is completed. Below is a breakdown of this savings estimate:

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|----------------------------------|-----------------|
| ▪ Annual Transportation Savings | \$780K - \$1.0M |
| ▪ Annual Maintenance Savings | \$300K - \$400K |
| ▪ Annual Mail Processing Savings | \$60K - \$80K |
| ▪ Annual Management Savings | \$0 |

Local Customer Considerations

- Retail and other services currently available will not change
- Business mail acceptance will remain the same
- A local postmark will continue to be available at retail post offices
- Delivery times of mail to residences and businesses should not change because of the MPFR

Commercial Mailers

- Mailers who presort mail will continue to receive appropriate postage discounts
- Mailers who drop ship to a Destination Sectional Center Facility (DSCF) can expect no changes, if the MPFR is approved

Please go to <https://www.surveymonkey.com/r/mpfr-iron-mountain-mi> to submit written comments. All written comments must be received by February 23, 2024.