



March 26, 2025

The Honorable Rand Paul
Chairman, Senate Homeland Security
and Governmental Affairs Committee

The Honorable James Comer
Chairman, House Committee on Oversight
and Government Reform

The Honorable Gary Peters
Ranking Member, Senate Homeland
Security and Governmental Affairs
Committee

The Honorable Gerald Connolly
Ranking Member, House Committee on
Oversight and Government Reform

Dear Committee Leaders:

In effort to stay true to the commitment to transparency that was expressed in the letters of our former Postmaster General on March 13 and March 17, this is a follow-up letter regarding the scope of the Postal Service's interactions with representatives of GSA/DOGE. In the spirit of those previous letters, we intend to continue to keep you informed of our engagement with GSA/DOGE, and in that regard, we want to inform you specifically about two additional initiatives where we have requested assistance from the GSA/DOGE representatives.

Below is a description of those two additional initiatives on which the GSA/DOGE representatives have been asked to engage. They represent areas where the Postal Service has been focused on cutting costs and gaining efficiencies, but where we have limited flexibility for substantial reformation primarily due to statutory and other parochial constraints that impede our progress in our efforts to be financially viable. This is particularly disheartening because without these impediments we are confident that these initiatives could be effectuated while maintaining sufficient service and access.

- **Construction Contracts:** As a major focus of DFA, the Postal Service embarked on a journey to improve and modernize our facilities to make them better working environments for our employees and to redesign them for the work we intend to do. This follows years of significant deterioration, including over \$20 billion of deferred capital expenditures. We have spent \$3 billion since 2024 in the redesign and modernization of our processing network and have made massive improvement in the condition and suitability of our facilities. We started the launch of our new processing network, which will consist of 60 Regional Processing and Distribution Centers or Campuses (RPDCs) and 190 Local Processing Centers (LPCs) featuring clean, spacious, and well-lit employee working environments fully equipped for modern day postal operations. We engineered standardized layouts with adequate space to support more consistent and efficient operations. To accommodate the

surge in package volumes during the COVID-19 pandemic, as well as our initiatives to reduce manual package sortation and grow our share of the package delivery market, we deployed over 450 package conveyor systems. This dramatically boosted daily package processing capabilities. Additionally, we made significant investments to refurbish and renovate facilities that suffered from years of deferred maintenance. Addressing deferred maintenance, “fit to function” work is underway or completed at more than 30 processing facilities, and more than 140 Sorting and Delivery Centers.

While this is largely a good news story for the organization, our facility construction and renovation costs are high. We started this work during the pandemic, when space in the marketplace was tight, building supplies were tight, and costs were rising. In fact, several projects did not go forward because of the expenses they would have required us to incur, and we had to narrow our approach to prioritize investment on projects the most critical to operational functionality, or where the health and safety of our employees or customers were potentially implicated. Unfortunately, however, our high costs continue to this day.

There are many reasons for this, including inflation, the magnitude of the damage we need to repair caused by the years of deferred maintenance, and the necessary pace of repair that we must pursue to be competitive. We are also encumbered by the Davis-Bacon Act (DBA), imposed on us by Congress and administered by the Department of Labor. The DBA effectively requires landlords to treat their property as “government” property if the Postal Service is the tenant. It makes doing business with the Postal Service unattractive, and it has made it difficult to transfer or in-source operations on leased property which comprises 74 percent of Postal facilities. Moreover, the Miller Act, which requires payment and performance bonds for all construction projects over \$100,000, likewise increases the costs of our construction budget each year, despite that fact that we rarely leverage those bonds since we work with known and well-vetted suppliers who are financially viable. It would be logical and cost effective to give the Postal Service the latitude to make the decision on which construction contracts require such bonds, based upon the criteria and risk profiles that we develop.

These are long-term, system wide initiatives, and our condition and goals necessitate us to move fast and thereafter review outcomes and adjust. As such, we recently authorized a benchmarking study prior to the GSA/DOGE engagement to further understand how our practices impact our costs as we experience market changes, supply chain constraints, and manage to bureaucratic requirements concerning our projects. For this reason, we also asked the GSA/DOGE team for their help, and we have provided the GSA/DOGE representatives access to our construction contracts to assist in this review and to make recommendations for process improvement and better cost containment.

- **Transportation Contracts:** Our biggest contracted spend is for air and ground transportation exceeding \$10 billion in total in 2021. Our transportation practices were also the area where we had the most room for improvement, and as such, it is where we immediately focused our efforts as a part of the DFA Plan. In the past

several years, we have dramatically improved our approach to transportation contracting, including improving the quality of our suppliers, improving safety, improving performance, adopting best practices in technology for transportation management, and substantially reducing cost by almost \$2 billion. And, as the Postmaster General noted in prior letters, we have plans for substantially more savings, through the implementation of Regional Transportation Optimization (RTO) and the continued rollout of our restructured processing network.

In this area, we are encumbered by the Service Contract Act (SCA). During the pandemic, we filed an appeal with the Department of Labor (DOL) to relieve of us this archaic process, which is not easily managed by private highway contractors, but DOL denied our appeal. The imposition of the SCA on the Postal Service requires our suppliers to treat drivers hauling mail differently from drivers hauling virtually any other kind of freight, and it exposes them to economic and recordkeeping burdens and risks that they do not face when they perform work for any of our competitors. The SCA makes the cost of moving mail unfairly high in comparison with other types of freight. For decades, the SCA has stood as a barrier to entry to many of the leading transportation companies in the United States, as they avoid bidding on Postal Service opportunities because of the burdens and risks posed by the law, and which are unnecessary to ensure that truck drivers are compensated fairly.

We have asked the GSA/DOGE representatives to look at our transportation contracts for two reasons. First, we would like to see if they can help eliminate unnecessary mandates that impose cost and unnecessary bureaucracy and that inhibit our ability to enter optimal contracts with optimal suppliers. Second, while we have made great improvement in our practices, the sheer magnitude of our cost warrants another look to see whether there are additional opportunities for efficiency gains that might be identified by the GSA/DOGE team. We have again asked the team to make recommendations for process improvement and better cost containment.

As discussed in earlier letters from former PMG DeJoy, we have requested assistance on a discrete set of initiatives where we believe the GSA/DOGE representatives can be of assistance and where they have offered to help. We will provide access only to the data and information necessary to assist with these initiatives and the ones described in prior letters, as well as regarding any future initiatives upon which we might mutually agree. As also discussed, these efforts are in furtherance of the Delivering for America Plan and are consistent with our statutory obligation under Title 39 to be financially self-sufficient while fulfilling our public service mandate to provide high quality service to the nation to every delivery address in the country at least six days per week.

In addition, we have heard the concerns some of you have expressed that in agreeing to the GSA/DOGE presence at the Postal Service to help us with some of our long-standing problems outlined in the DFA Plan that we have somehow compromised our independence. We can assure you, without reservation, that we are very cognizant of our status as an independent agency, and we have consciously and thoughtfully decided that engaging in this constructive manner could be helpful to the Postal Service because the efficiency and cost-cutting goals of the GSA/DOGE team is aligned with our goals as expressed in the DFA Plan, and because we believe the GSA/DOGE team has the

potential to help us to achieve them. Moreover, throughout this engagement, all parties have fully recognized our independent agency status and as such we have carefully organized our relationship in a fashion to ensure that the authority of the Postmaster General and the Postal Service Board of Governors will be preserved and protected.

In that regard, you can have confidence that all parties to the relationship between the Postal Service and the GSA/DOGE team understand and respect the applicable rules and are fully prepared to uphold the law and to maintain our independence consistent with the statutory structure and governance model of the Postal Service as we work together to solve some of the big, intractable problems that we face. Indeed, our agreement with GSA/DOGE fully conforms to the legal boundaries, and the work we have requested assistance on from the GSA/DOGE team is consistent with those legal concepts and in furtherance of hard to solve initiatives that are a part of the DFA Plan. Of course, if anything changes in that regard, which to be clear we do not expect, we will certainly keep Congress fully informed in the unlikely event such developments occur.

Our efforts to cut costs and be more efficient in our operations, along with our revenue generation efforts, are critical to our ability to sustain our universal service mission. We welcome the support of the GSA/DOGE team as we pursue these critical initiatives that are vital to the nation.

Thank you for your continued support of the United States Postal Service.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter R. Pastre". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter R. Pastre