Revenue and Costs in the Retail Network

Table of Contents

Executive Summary

The U.S. Postal Service maintains a network of more than 31,000 post offices, making it the largest retail network in the U.S. by number of physical locations. Each day, the post office network processes an average of 2.2 million customer transactions, providing access to mailing and shipping services, money orders, PO boxes, and passport processing for the American public.

However, over time, customers' use of the post office network has changed. Between fiscal years (FY) 2004 and 2020, customer transactions decreased by a third. Stamp sales at the counter, which was by far the largest source of revenue for post offices, dropped by more than half.

To gain a better understanding about the financial performance of the retail network, the U.S. Postal Service Office of Inspector General (OIG) analyzed financial data, specifically related to revenue and costs, for nearly every post office managed by the Postal Service. The OIG's analysis included the network overall and organized post offices into six categories — based on population density — to explore differences in financial performance between rural and urban areas.

We found that in FY 2019, the retail network generated about twice as much revenue as it cost to operate. However, revenue varied widely across post offices, with rural locations less likely to cover costs. Six out of ten post offices in rural parts of the country did not cover their retail costs, compared to fewer than one in ten in urban areas. Among all post offices, those in suburban and urban areas generated the most revenue relative to their costs.

The OIG's analysis also explored the physical location of each post office and the distance to the nearest post office managed by the Postal Service. We found that one-quarter of post offices that do not cover costs are within three miles of the nearest post office, and that more than half are located within five miles of the nearest post office.

Unlike some foreign posts, U.S. laws do not mandate a minimum number of post offices, and the Postal Service has broad latitude over how many locations it operates. The Postal Service would benefit from a more clearly defined

Highlights

The Postal Service maintains more than 31,000 post offices. While the retail network overall generated more revenue than it cost to operate, 42 percent of post offices did not generate sufficient revenue to cover their retail costs.

The proportion of post offices that covered their costs was closely aligned with population density. In rural areas, 60 percent of post offices did not cover their costs, compared to 7 percent in urban centers.

One quarter of post offices that did not cover their costs are located within three miles of another post office, and more than half are located within five miles of another post office.

There are opportunities for the Postal Service to use its existing retail footprint to reduce costs, bring in additional revenue, or increase post office utility without reducing access to postal services.

minimum number of post offices, as past attempts to close offices were met with resistance. In 2009 and 2011, the Postal Service unsuccessfully attempted to close thousands of locations in an effort to optimize its retail network, resulting in pushback from impacted communities. In 2012, the Postal Service introduced an alternate solution to reduce retail costs without closing rural post offices. The Post Office Structure Plan, or POStPlan, reduced daily operating hours at about 12,400 mostly rural post offices to two, four, or six hours each day based on their workload. Since POStPlan's implementation, the Postal Service has not implemented any further retail optimization measures.

Efforts to optimize the retail network cannot focus solely on the reduction of service hours or closure of offices. The Postal Service has other options to either increase retail network funding or reduce costs. For example, to defray the costs of serving rural areas, USPS could request an already-allowable direct congressional subsidy of $460 million per year. Additionally, the Postal Service could consider increasing the number of outsourced postal retail units — a cost reduction strategy used by some foreign posts.

The Postal Service could also take a different tack and try to increase revenue coming in from its retail network. USPS could expand the number of services it offers at the retail counter, to include broadening the government services it provides, in areas such as identity management, non-bank financial services, and notary services. The Postal Service could also act as a lessor, renting space to government entities or private businesses to provide community services such as telehealth kiosks or broadband towers at post offices. These potential opportunities could help ease the financial challenges of the postal retail network and bring added value to the American public.

Observations

Introduction

For more than 230 years, post offices have played a role in communities across the country, serving as public gathering places and giving residents in big cities and small towns alike access to news and communication. As the country grew in both population and size, the number of post offices increased from just 75 in 1789 to more than 75,000 in 1900.[1] Today, the U.S. Postal Service operates the largest retail network in the country, with more than 31,000 locations.

However, customer use of retail postal products and services changed dramatically over the past 15 years. Stamp sales — which accounted for more than half of post office revenue — decreased by more than 50 percent during that time, and the number of retail counter transactions decreased by a third. Financial challenges are not limited to the retail network. The Postal Service lost $9.2 billion overall in fiscal year (FY) 2020.[2] As the Postal Service makes changes toward a more financially sustainable future, it can consider ways to maximize the value of the retail network.

To better understand the financial performance of the retail network, the U.S. Postal Service Office of Inspector General (OIG) examined the revenue generated by each post office and the retail costs associated with operating each facility. We then analyzed how financial performance differs across the country. For additional details on the OIG's methodology, see Appendix A.

The Postal Service is in a unique position. As an independent agency of the executive branch of the federal government, it does not run off of taxpayer money. Instead, it operates entirely off of revenues from the services and products it offers — namely, mail and package delivery. By law, USPS must provide access to postal products and services to all Americans, while also adhering to other requirements.[3] For example, the Postal Service cannot close a post office just because it operates at a loss.[4] At the same time, the Postal Service is expected to be financially self-sustaining and operate economically and efficiently. Given these competing priorities, there are opportunities for the Postal Service to lower costs, bring in more revenue, or increase the number of services offered within its retail network.

The Postal Service Has the Largest Retail Network in the U.S.

The Postal Service's retail network has a vast footprint. It maintains more than 31,000 post offices, making it the largest retail network in the U.S. by number of physical locations. In fact, the Postal Service operates nearly as many retail locations as Starbucks (8,791), McDonald's (13,846), and Walgreens (9,021) combined.[5]

The Postal Service identified six population density categories, which we used in this report and are described in Figure 1. Based on these categories, more than half of post offices are in rural or very rural areas. These areas tend to feature vast expanses of wilderness, farms, or ranches and are often far from population centers. Some remote post offices are located outside of a town, such as along a highway or near a road junction.[6] Though more than half of

> More than half of post offices are in rural locations, but fewer than one in five people live in these areas.

---

1   Based on OIG analysis of U.S. Postal Service, "Pieces of Mail Handled, Number of Post Offices, and Expenses Since 1789," https://about.usps.com/who-we-are/postal-history/pieces-of-mail-since-1789.htm.
2   U.S. Postal Service, *Fiscal Year 2020 Annual Report to Congress*, https://about.usps.com/what/financials/annual-reports/fy2020.pdf, p. 23.
3   39 U.S.C. § 101(a).
4   39 U.S.C. § 101(a).
5   These numbers represent the number of U.S. retail locations for each company. Starbucks, *Fiscal 2019 Annual Report*, https://s22.q4cdn.com/869488222/files/doc_financials/2019/2019-Annual-Report.pdf, p. 3 and McDonald's, *2019 Annual Report,* https://corporate.mcdonalds.com/content/dam/gwscorp/nfl/investor-relations-content/annual-reports/2019%20Annual%20Report.pdf, p. 16 and Walgreens, "Facts & FAQs," https://news.walgreens.com/fact-sheets/frequently-asked-questions.htm.
6   Within the Postal Service categorization of rurality, 'very rural' includes ZIP Codes with a population density of less than 25 people per square mile, and 'rural' areas include ZIP Codes with between 26 and 125 people per square mile. For the full explanation of the six density classifications used in this paper, see Appendix A.

all post offices are in rural areas, rural residents make up only 16 percent of the total population in the U.S. Thirty-seven percent of post offices are in pre-suburban or suburban parts of the country, which encompass a wide range of areas including larger towns and the middle and outer suburbs of large cities. The majority (65 percent) of Americans live in pre-suburban or suburban parts of the country. Six percent of post offices are in urban or very urban areas, which can include inner suburbs and commercial centers in large cities. Nineteen percent of the American population lives in an urban or very urban area.

Our research has concluded the prevalence of post offices in rural America can be attributed to two factors. First, most of the country's land area is rural. USPS must provide local postal services to these areas, so it makes sense that most post offices would serve rural communities. Second, these post offices can be linked to the Postal Service's past. When much of the post office network was established during the 1800s, there was no home delivery in rural areas. Instead, residents picked up their mail at their local post office. As America's land was settled and demand for mail grew,

Figure 1: Size of the Postal Retail Network by Rurality

SIZING UP THE RETAIL NETWORK BY POPULATION DENSITY

The postal retail network is as varied as the country it serves, with wide disparities in the size and scope of post offices. On average, post offices in very urban areas serve about 30 times as many residents as post offices in very rural areas.

	Very Rural	Rural	Pre-Suburban	Suburban	Urban	Very Urban
Post Office Count	8,147	9,547	2,665	8,599	1,102	736
Percent of U.S. Population Served	3%	13%	8%	57%	11%	8%
Percent of U.S. Land Area Served*	63%	25%	5%	7%	0.2%	0.05%
Average Population Served per Post Office	1,565	5,159	11,062	21,404	33,036	46,173

*Excludes uninhabited land not covered by ZIP Codes, such as National Parks.
Note: Rurality calculated using the following ZIP Code-level population densities per square mile: Very rural <25; rural 25-125; pre-suburban 125-250; suburban 250-5,000; urban 5,000-10,000; very urban >10,000.
Sources: OIG analysis of FY 2019 USPS and 2019 Census data.

post offices were established to serve thousands of small rural communities.[7] By 1900, the Postal Service maintained more than 75,000 post offices in the U.S., the vast majority of them rural.[8] In 1896, the Postal Service began to gradually expand home delivery to rural areas, ultimately resulting in the closure of tens of thousands of rural post offices over the next 20 years.[9] The number of post offices continued to decline during the rest of the 20th century and stabilized during the beginning of the 21st century.[10]

---

7 U.S. Postal Service Office of Inspector General, *Rural and Urban Origins of the U.S. Postal Service*, Report No. RISC-WP-19-007, August 2019, https://www.uspsoig.gov/sites/default/files/document-library-files/2019/RISC-WP-19-007.pdf, p. 6.
8 Rural communities were generally served by "fourth class" post offices, which accounted for more than 90 percent of post offices at their height in 1901. Ibid., p. 9.
9 Home delivery was available in cities beginning in 1863. Ibid., pp. 6, 9.
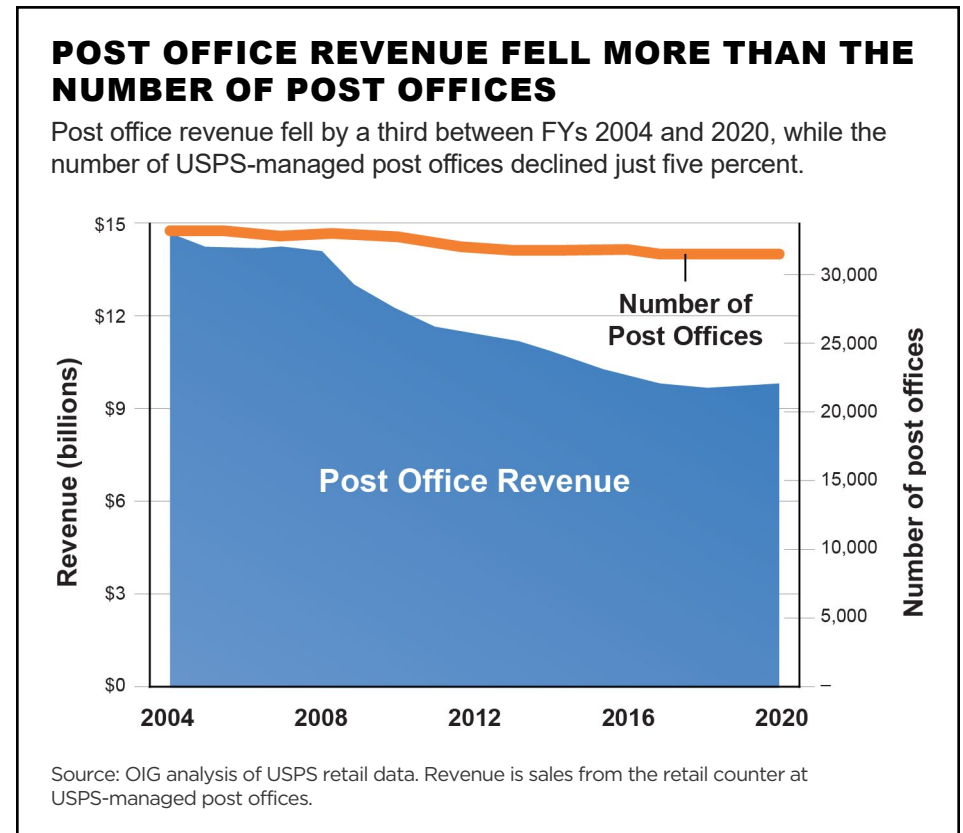10 Based on OIG analysis of U.S. Postal Service, "Pieces of Mail Handled, Number of Post Offices, and Expenses Since 1789," https://about.usps.com/who-we-are/postal-history/pieces-of-mail-since-1789.htm.

Since 2004, the number of open post offices decreased by 1,649, or 5 percent.[11] Some of these post offices had operations suspended due to a lease expiration or damage to the building. In many of these cases, the Postal Service finds other property to rent and moves the post office's location. However, according to postal management, the Postal Service has not decided to close a post office for non-emergency reasons since at least 2012.

The Postal Service's extensive retail network is complemented by alternative access channels, which include usps.com, Click-N-Ship, and self-service kiosks. There also are about 3,100 post offices that private businesses operate in partnership with the Postal Service as well as more than 60,000 retailers (for example, grocery stores and pharmacies) that sell stamps through the Stamps to Go program.[12] These alternative access channels are outside the scope of the cost and revenue analysis in this report, though they provide critical postal services to customers.

Retail Revenue and Customer Visits Have Declined

While the number of post offices has been largely consistent over the past 15 years, Americans use those post offices much less than they used to (Figure 2). Sales at the counter at USPS-managed post offices decreased by a third between FYs 2004 and 2020 to $9.9 billion.[13] The number of transactions also decreased by the same proportion.[14] Despite the declines in revenue and visits, sales at post office counters still accounted for more than three quarters of total USPS retail revenue in FY 2020.[15] The remaining revenue came from alternative access channels, which generated $3 billion in FY 2020, down 9 percent from their peak in FY 2014. Retail revenue was not migrating from post offices to alternative access channels; revenue channels across the network were in decline.

Figure 2: Revenue vs Count of Post Offices

POST OFFICE REVENUE FELL MORE THAN THE NUMBER OF POST OFFICES

Post office revenue fell by a third between FYs 2004 and 2020, while the number of USPS-managed post offices declined just five percent.

Source: OIG analysis of USPS retail data. Revenue is sales from the retail counter at USPS-managed post offices.

The novel coronavirus disease (COVID-19) pandemic may have upended the long-term trend of declining post office revenue. Between April 2020 and December 2020, year-over-year package sales at the retail counter increased

---

11 OIG analysis of the count of post offices managed by USPS listed in the Postal Service's annual reports to Congress.
12 U.S. Postal Service, *Fiscal Year 2020 Annual Report to Congress*, https://about.usps.com/what/financials/annual-reports/fy2020.pdf, p. 26 and U.S. Postal Service, Stamps to Go, https://www.uspsstampstogo.com/.
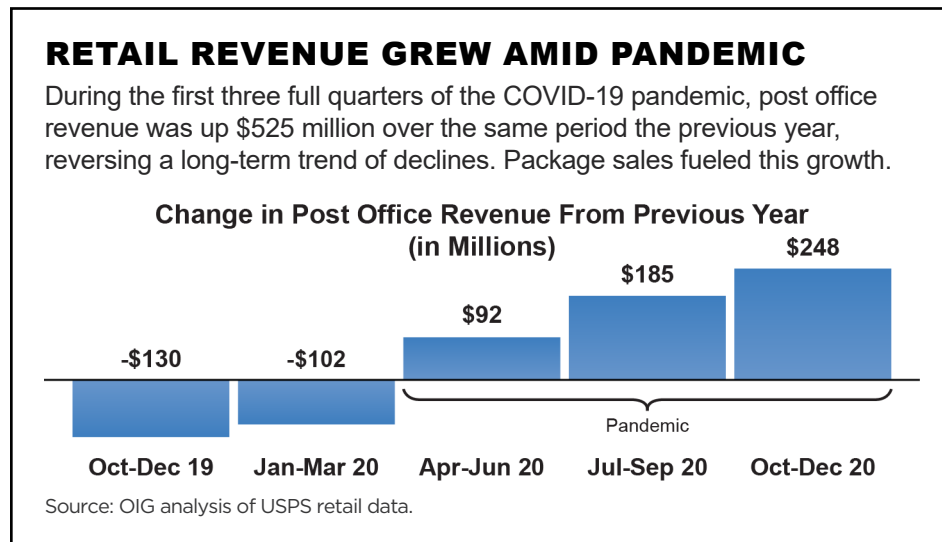13 In this report, 'USPS-managed' locations are operated by the Postal Service and staffed by USPS employees. Revenue and cost analysis in this paper includes only USPS-managed post offices. Retail decline information comes from USPS Alternative Access Revenue reports.
14 OIG analysis of USPS Postal Facts reports. For the most recent Postal Facts report, see https://facts.usps.com/.
15 Revenue from post office counters comprised 77 percent of the Postal Service's total retail revenue in FY 2020. OIG analysis of USPS Alternative Access Revenue Reports.

21 percent.[16] In addition, total post office revenue increased more than half a billion dollars over the previous year, as shown in Figure 3.[17]

Figure 3: Post Office Revenue During COVID-19

RETAIL REVENUE GREW AMID PANDEMIC

During the first three full quarters of the COVID-19 pandemic, post office revenue was up $525 million over the same period the previous year, reversing a long-term trend of declines. Package sales fueled this growth.

Change in Post Office Revenue From Previous Year (in Millions)

-$130 Oct-Dec 19
-$102 Jan-Mar 20
$92 Apr-Jun 20
$185 Jul-Sep 20
$248 Oct-Dec 20

Pandemic

Source: OIG analysis of USPS retail data.

The Retail Network Covered its Costs Overall

The OIG analyzed the revenue and costs of the Postal Service's retail network in FY 2019, the most recent year for which revenue and cost data for individual post offices were available. The OIG's analysis calculated retail operating costs of about $5.3 billion in FY 2019.[18] Total retail revenue — totaling $10.2 billion — was roughly twice as much as total retail costs. Additionally, retail revenue accounted for 14 percent of the Postal Service's total revenue that year.[19] The

bulk of the Postal Service's $71 billion in total revenue came from outside of the retail network.

Additionally, post office retail costs made up about seven percent of the Postal Service's total operating costs in FY 2019.[20] Across all the Postal Service's operations, labor is the largest component of costs, and retail operations is no exception.[21] The costs of staffing post office retail windows totaled $4.1 billion, or 78 percent of all retail costs in FY 2019.[22] Other retail costs include portions of retiree health benefits, administrative costs, rent, and utilities.

Each retail unit generated average revenue of about $330,000 in FY 2019 and incurred average retail costs of about $176,000. While the retail network overall covered its costs, revenue and costs at individual post offices varied widely in different parts of the country.

Retail Revenue and Costs Aligned with Population Density

In addition to analyzing revenue and cost data for the retail network overall, we also examined the revenue generated by individual post offices and the retail costs associated with running each facility in FY 2019. Our analysis concluded that post offices in rural parts of the country generated the least retail revenue and also incurred the lowest costs. Urban post offices had higher revenue and costs but were more likely to generate sufficient revenue to cover their costs.

For this white paper, we use the term 'cost-covering' to refer to post offices that generate retail revenue greater than their retail costs and 'underwater' to refer to post offices where costs exceed revenue. However, in the larger scheme, the Postal Service must cover more than just retail costs with the revenue derived from its retail network. Additional costs include transportation, mail processing,

---

16 OIG analysis of the USPS Financial Performance Report for April-December 2020.

17 OIG analysis of the USPS Alternative Access Revenue Report.

18 The costs described in this white paper represent only the costs of retail operations at each post office. Most post offices house delivery functions in addition to a retail counter. This paper focuses only on the cost of operating the retail portion of each post office and not the cost of delivery-related functions.

19 Based on OIG analysis of FY 2019 retail revenue and U.S. Postal Service, *FY2019 Annual Report to Congress*, https://about.usps.com/what/financials/annual-reports/fy2019.pdf, p. 1.

20 Ibid.

21 In addition to retail, Postal Service operations include mail processing, transportation, and delivery. U.S. Postal Service Office of Inspector General, *A Closer Look at Postal Labor Costs,* RISC-WP-20-001, https://www.uspsoig.gov/sites/default/files/document-library-files/2019/RISC-WP-20-001.pdf, p. 1.
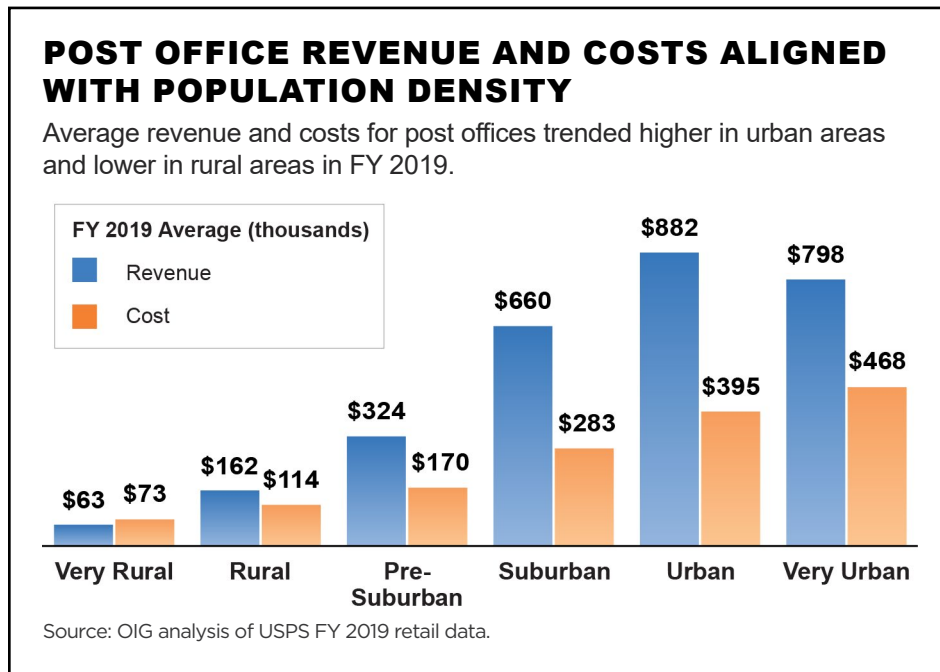
22 OIG analysis of USPS retail cost and revenue data. The following Labor Distribution Codes (LDCs) are included in this analysis: 45 – Window Services, 46 – Vending Equipment, 47 – Miscellaneous, and 48 – Customer Services – Administrative/Miscellaneous. LDCs identify the type and hours of work an employee performs.

and delivery. These functions are also paid for by the sale of retail products and services.

Rural Post Offices Generated the Least Retail Revenue but had the Lowest Costs

Retail revenue aligned closely with population density (Figure 4). For example, post offices in very urban areas generated more than 12 times the average revenue as the very rural post offices in FY 2019.

Figure 4: Average Revenue and Costs by Rurality in FY 2019

POST OFFICE REVENUE AND COSTS ALIGNED WITH POPULATION DENSITY

Average revenue and costs for post offices trended higher in urban areas and lower in rural areas in FY 2019.

FY 2019 Average (thousands)
- Revenue
- Cost

Very Rural: $63 $73
Rural: $162 $114
Pre-Suburban: $324 $170
Suburban: $660 $283
Urban: $882 $395
Very Urban: $798 $468

Source: OIG analysis of USPS FY 2019 retail data.

Suburban post offices, which comprise 28 percent of all post offices, generated $5.7 billion in revenue in FY 2019, accounting for more than half of all post office revenue. As referenced previously in Figure 1, more than half of Americans (57 percent) live in ZIP Codes that meet the "suburban" criteria. In contrast, rural post offices generated 15 percent of total retail revenue, with about a third of
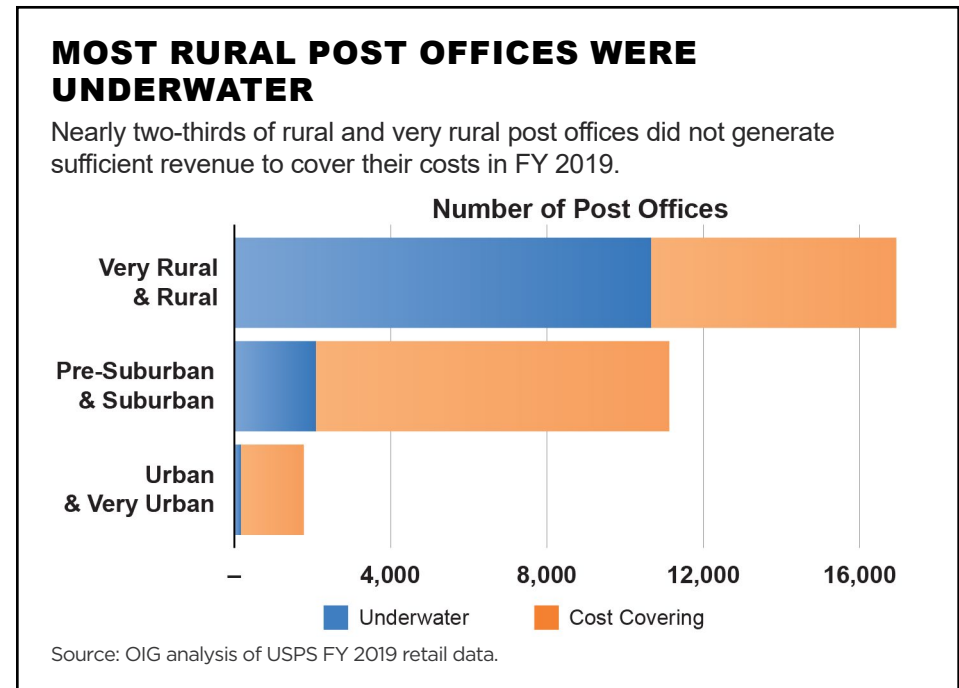
all post offices located in rural areas. On the cost side, very rural areas had the lowest average post office costs ($73,470), while costs at very urban post offices were about six times higher ($468,213).

Urban Post Offices Were More Likely to Cover Their Costs

Forty-two percent of post offices did not generate sufficient retail revenue in FY 2019 to cover the cost of operations. While more than half of post offices covered their retail costs, the top quarter of post offices generated 56 percent of the total retail revenue and accounted for 36 percent of retail costs. The bottom quarter of post offices brought in two percent of the revenue but comprised 10 percent of total costs. In other words, a relatively small portion of post offices generated most of the Postal Service's retail revenue.
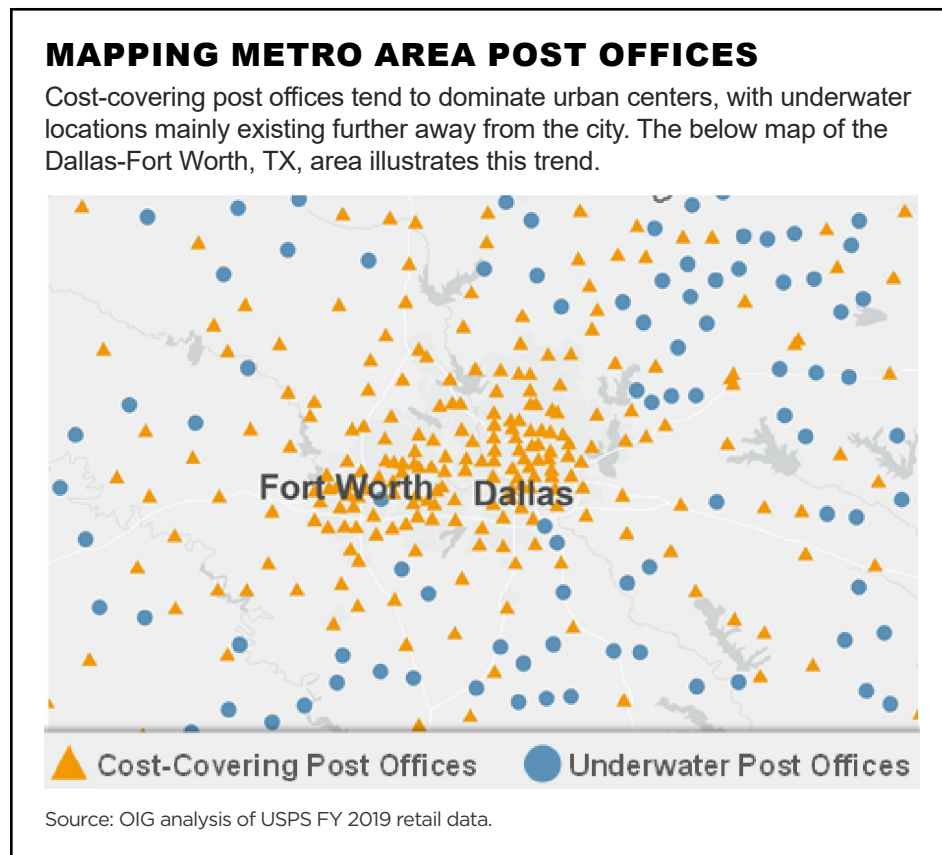
> Forty-two percent of post offices did not generate sufficient revenue to cover their costs.

Figure 5: Count of Cost-Covering Post Offices in FY 2019

MOST RURAL POST OFFICES WERE UNDERWATER

Nearly two-thirds of rural and very rural post offices did not generate sufficient revenue to cover their costs in FY 2019.

Number of Post Offices

Very Rural & Rural
Pre-Suburban & Suburban
Urban & Very Urban

(axis: —, 4,000, 8,000, 12,000, 16,000)

- Underwater
- Cost Covering

Source: OIG analysis of USPS FY 2019 retail data.

As with individual post offices' retail revenue and retail costs, disparities in cost coverage were strongly linked to population density. As shown in Figure 5, rural post offices were much more likely than suburban and urban post offices to be financially underwater, with six out of ten rural locations generating insufficient revenue to cover their costs in FY 2019.[23] In contrast, only seven percent of post offices in urban and very urban areas were underwater. Rural post offices made up a disproportionate share of the number of underwater post offices, accounting for 83 percent.

Figure 6: Map of Dallas-Fort Worth

MAPPING METRO AREA POST OFFICES

Cost-covering post offices tend to dominate urban centers, with underwater locations mainly existing further away from the city. The below map of the Dallas-Fort Worth, TX, area illustrates this trend.

▲ Cost-Covering Post Offices   ● Underwater Post Offices

Source: OIG analysis of USPS FY 2019 retail data.

Because of the disparity in how many post offices in urban areas cover their costs compared to rural areas, cost-covering post offices tend to be concentrated in urban cores and closer suburbs, surrounded by a mix of cost-covering and underwater post offices in more rural areas. Figure 6 demonstrates the concentration of cost-covering post offices in the Dallas-Fort Worth, Texas region; we observed a similar pattern in several of the country's metro areas.

While most urban post offices covered their retail costs, not all urban post offices did well financially. In very urban areas, the ten facilities with the largest gap between their revenue and costs lost a collective $4.7 million in FY 2019. Similarly, not all post offices in rural areas performed poorly. Among very rural post offices, the 10 facilities with the highest financial surplus generated revenue that was $11 million greater than their costs.

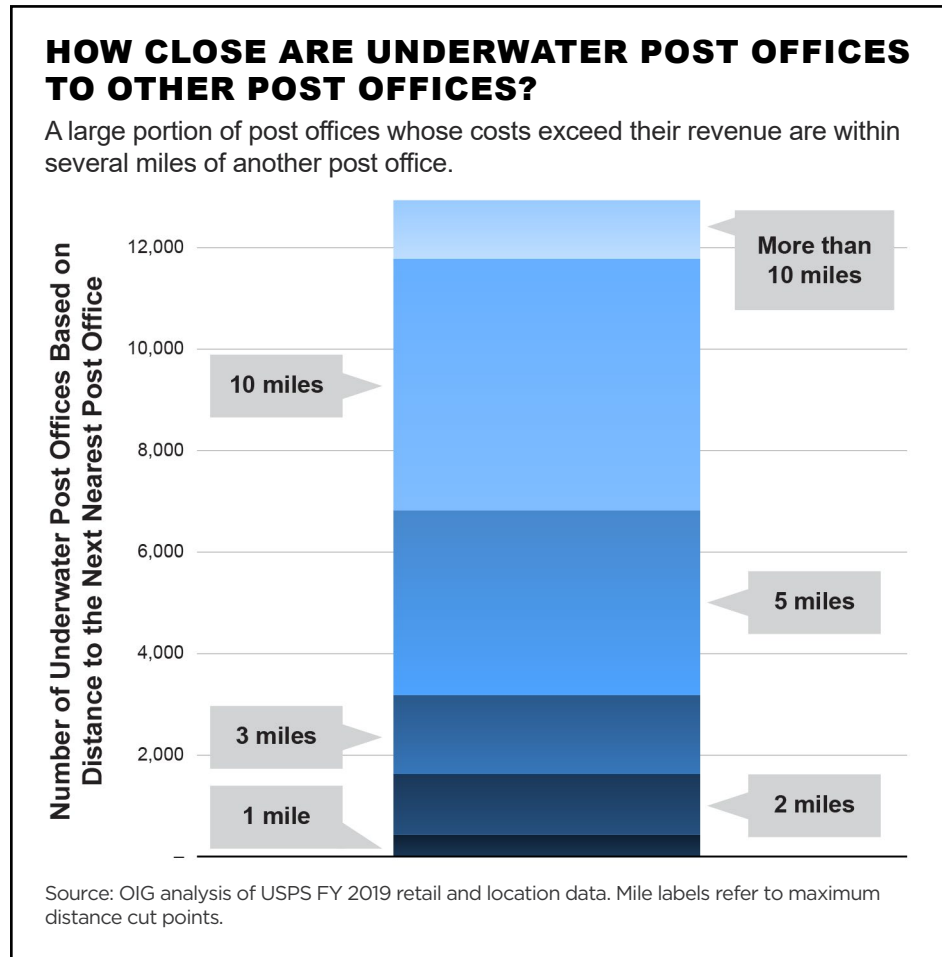## Many Post Offices are Located Close to Another Post Office

In addition to analyzing the retail financial performance of every post office, the OIG studied the geographic coordinates of each location and identified the nearest post office, the distance to the nearest neighboring post office, and whether the nearest post office covered its retail costs.

Post offices are located an average of 4.7 miles from the closest neighboring post office, with strong alignment between population density and distance to the nearest post office. Post offices in very urban ZIP Codes are, on average, 0.8 miles from the nearest post office, and post offices in very rural areas are 8.1 miles from the nearest post office.

Underwater post offices are often located within a few miles of another post office. Among nearly 13,000 underwater post offices, one-quarter are within three miles of another post office and more than half are within five miles (Figure 7). This highlights that in some rural areas, customers may have options for accessing postal products and services.

23 For four percent of rural post offices, there was not enough data to determine whether they were underwater or cost-covering. Post offices are not required to cover their costs.

Figure 7: Distance to Nearest Post Office

HOW CLOSE ARE UNDERWATER POST OFFICES TO OTHER POST OFFICES?

A large portion of post offices whose costs exceed their revenue are within several miles of another post office.

Source: OIG analysis of USPS FY 2019 retail and location data. Mile labels refer to maximum distance cut points.

For 59 percent of underwater post offices, the next closest post office is also underwater, indicating that these locations tend to be clustered together. Similarly, 68 percent of cost-covering locations have another cost-covering post office as the next-nearest location. In other words, underwater post offices tend to be clustered together and cost-covering post offices tend to be near other cost-covering post offices.

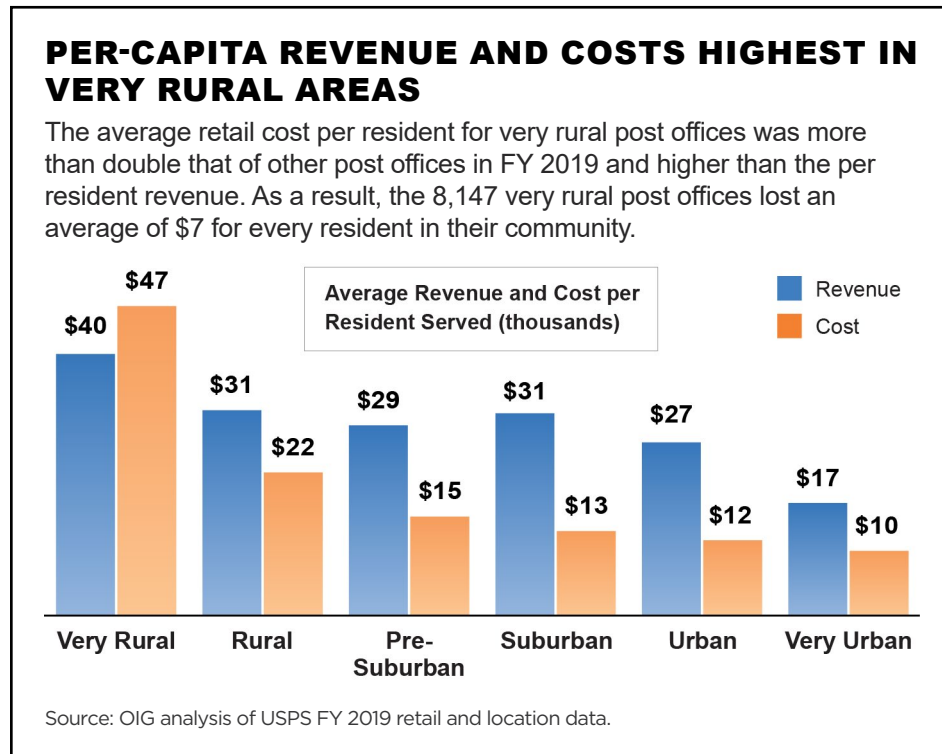### Fewer Potential Customers Drives Financial Challenges for Rural Post Offices

The challenge of covering costs at rural post offices is not due to a lack of use among rural Americans. In fact, relative to the number of people in the communities they serve, rural post offices generate more revenue per person than suburban or urban post offices do. This is true even though 58 percent of rural locations operate just two to six hours per day.[24]

Similarly, the financial challenges for rural post offices do not stem from a lack of cost control initiatives. As mentioned previously, labor accounts for the bulk of retail expenses, and the reduced hours at most rural post offices help lower labor costs. This is a reason rural post offices cost much less to operate compared to suburban and urban locations, as shown previously in Figure 4.

A challenge for rural post offices is that each location serves far fewer residents than suburban or urban locations, as referenced previously in Figure 1. This makes rural post offices by far the most expensive to operate relative to the number of people they serve, as shown in Figure 8. Most rural locations simply cannot generate enough revenue from their small base of customers to cover the costs of operating the facilities. In very rural areas, post offices lost an average of $7 in FY 2019 for every resident in the community they served.

---

24 OIG analysis of USPS retail data on the number of Remotely Managed Post Offices and Part-Time Post Offices in rural and very rural areas in FY 2019.

Figure 8: Per-Resident Costs by Rurality

PER-CAPITA REVENUE AND COSTS HIGHEST IN VERY RURAL AREAS

The average retail cost per resident for very rural post offices was more than double that of other post offices in FY 2019 and higher than the per resident revenue. As a result, the 8,147 very rural post offices lost an average of $7 for every resident in their community.

Average Revenue and Cost per Resident Served (thousands)

■ Revenue
■ Cost

Very Rural	Rural	Pre-Suburban	Suburban	Urban	Very Urban
$40 / $47	$31 / $22	$29 / $15	$31 / $13	$27 / $12	$17 / $10

Source: OIG analysis of USPS FY 2019 retail and location data.

The Universal Service Obligation

The Postal Service's Universal Service Obligation (USO) is a collection of legal requirements and regulations that ensures all of its customers receive a minimum level of postal services at an affordable price.[25] The USO guides the Postal Service's obligations related to geographic scope, range of products, access to services and facilities, delivery frequency, affordable and uniform pricing, and service quality.[26] However, many key aspects of the USO — including retail services — are not well-defined and are subject to interpretation.[27]

In contrast, some foreign posts maintain USOs that clearly specify the geographic scope and accessibility to postal services and facilities. France, Germany, and the United Kingdom require their posts to provide a minimum number of postal outlets nationally, while Australia mandates both a national minimum and a rural minimum of 2,500 posts.[28] Additionally, the USOs in Australia, France, Canada, and the United Kingdom specify that retail postal services be located a specific distance from customers to ensure accessibility. For example, Canada Post is required to provide 98 percent of citizens an outlet within about nine miles of their home, 88 percent within about three miles, and 78 percent within about a mile and a half.[29]

There are no such requirements in the U.S.[30] Instead of communicating specific guidance for retail services, U.S. law requires the Postal Service to provide services and products to all areas and communities throughout the U.S. and

> Some foreign posts have prescriptive requirements for the size and scope of their post office networks. USPS does not.

---

25 U.S. Postal Service Office of Inspector General, *Reevaluating the Universal Service Obligation,* Report No. RISC-WP-20-004, May 6, 2020, https://www.uspsoig.gov/sites/default/files/document-library-files/2020/RISC-WP-20-004.pdf, p. 1.

26 Ibid., p. 4 and Postal Regulatory Commission, *Report on Universal Postal Service and the Postal Monopoly,* December 2008, https://www.prc.gov/docs/61/61628/uso%20report.pdf, p. 18.

27 The exception to this is the Postal Service's obligation to deliver mail six days each week in most areas of the country. U.S. Postal Service Office of Inspector General, *Reevaluating the Universal Service Obligation,* pp. 3-4 and U.S. Postal Service Office of Inspector General, *Guiding Principles for a New Universal Service Obligation*, Report No. RARC-WP-15-001, November 17, 2014, https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-15-001_0.pdf, p. 5.

28 U.S. Postal Service Office of Inspector General, *Maintaining Rural Retail Networks: Best Practices Abroad and their Implications for the U.S. Postal Service*, https://www.uspsoig.gov/sites/default/files/document-library-files/2020/RISC-WP-20-003.pdf, p. 4 and House of Commons Library, "Post office numbers," No. 2585, March 4, 2020, https://researchbriefings.files.parliament.uk/documents/SN02585/SN02585.pdf, p. 3 and Australia Post, *Everyone Matters: Statement of Corporate Intent 2019/20 – 2022/23*, 2019, https://auspost.com.au/content/dam/auspost_corp/media/documents/statement-of-corporate-intent-2019-20-to-2022-23.pdf, p. 9.

29 Canada Post, "Canadian Postal Service Charter," https://www.canadapost.ca/cpc/en/our-company/about-us/financial-reports/2019-annual-report/corporate/service-charter.page.

30 U.S. Postal Service Office of Inspector General, *Maintaining Rural Retail Networks: Best Practices Abroad and their Implications for the U.S. Postal Service*, Report No. RISC-WP-20-003, p. 6.

its territories.[31] The law specifically protects postal services in rural areas by prohibiting the Postal Service from closing small post offices just because they operate at a deficit.[32] However, the law also gives the Postal Service broad discretion over post office operations, stating that USPS has the power "to determine the need for post offices… and to provide such offices… as it determines are needed."[33] The juxtaposition of the Postal Service's broad authority over post offices with restrictions on closing certain locations underscores the USO's lack of clarity, and it leaves interpretation up to debate. Under this ambiguity, the Postal Service has unsuccessfully attempted to close large numbers of post offices. In order to define the USO more clearly — which would help the Postal Service make better strategic decisions about its retail network — the Postal Service would need to work with Congress and the Postal Regulatory Commission (PRC).

Postal Optimization Efforts

Though the Postal Service has broad discretion over the number and location of retail post offices, USPS has encountered legal hurdles and pushback from unions, legislators, and the public when attempting to close post offices. In addition, the Postal Service is obligated to notify the public and hold a public comment period prior to closing or consolidating a post office.[34] Public comments can be highly contentious, with organized groups fueling the public pushback. Despite these constraints, the Postal Service made three attempts to optimize its retail network between 2009 and 2014, with limited success. These optimization initiatives are described below and are summarized in Figure 9.

Figure 9: Timeline of Optimization Efforts

Sources: Postal Regulatory Commission, Government Accountability Office, USPS, and OIG.
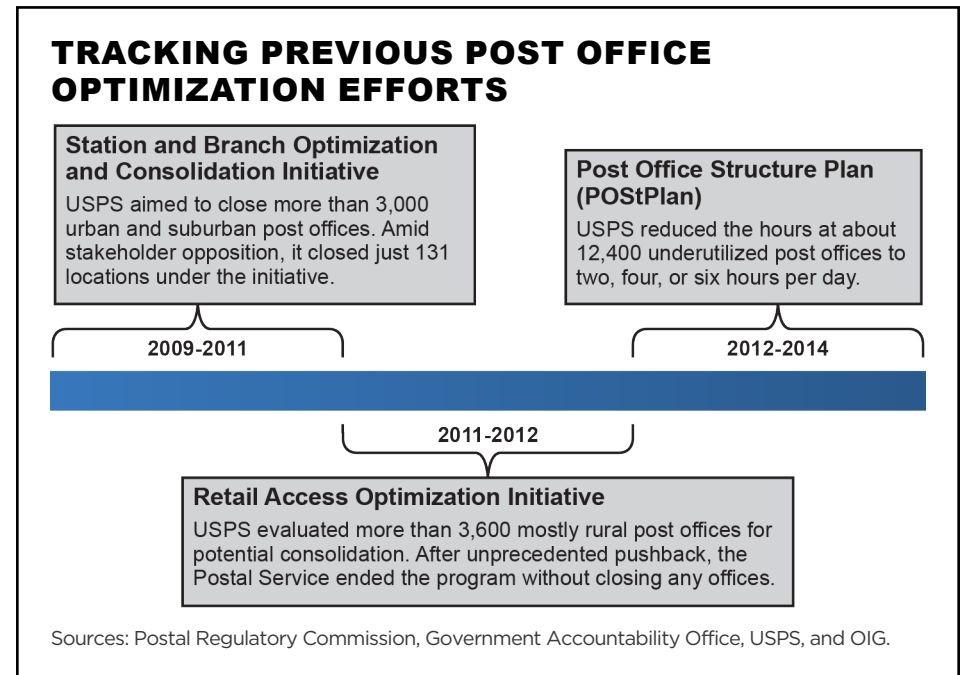
Station and Branch Optimization and Consolidation Initiative

The first optimization effort began in April 2009, in the wake of the Great Recession and as mail volumes first began to decline. The Postal Service introduced the Station and Branch Optimization and Consolidation initiative (SBOC) which proposed closing post office stations and branches that provided redundant services primarily in urban and suburban communities.[35] After reviewing 3,600 post offices, the Postal Service identified 759 for potential

---

31 Postal Regulatory Commission, *Report on Universal Postal Service and the Postal Monopoly*, p. 23.
32 39 U.S.C. § 101(b).
33 39 U.S.C. § 404(a).
34 U.S. Postal Service, *Handbook PO-101: Post Office Discontinuance Guide*, August 2004, https://www.prc.gov/Docs/63/63880/Handbook%20PO%20101.pdf, Section 121a.
35 There are several subcategories of post offices which generally reflect how the post office is managed. Stations and branches are two subcategories of post offices. Stations are located within the corporate limits or city carrier delivery area of the city or town in which a managing post office is located. Branches are located outside of this area. The general public would not notice a difference between different types of post offices. For this white paper, "post office" refers to all USPS-managed post offices regardless of subcategory. Postal Regulatory Commission, *Advisory Opinion Concerning the Process for Evaluating Closing Stations and Branches*, Docket No. N2009-1, March 10, 2010, https://www.prc.gov/Docs/67/67174/Advisory_Opinion_031010.pdf, p. 14.

closure.[36] Stakeholders opposed the initiative, and the PRC issued an advisory opinion in March 2010, which stated that the Postal Service's methodology required significant modifications to ensure uniform provision of postal services on a nationwide basis.[37] The PRC also stated that the initiative did not comprehensively review all post offices to ensure communities did not lose their access to essential mail services. The Postal Service ended the SBOC in 2011, with closures of 131 post offices.[38]

Retail Access Optimization Initiative

The second optimization effort, the Retail Access Optimization Initiative (RAOI), began in July 2011. Under RAOI, the Postal Service reviewed 3,650 post offices located primarily in rural areas.[39] Many stakeholders — including customers, labor unions, and congressional representatives — opposed RAOI because they believed it specifically targeted rural post offices for closure.[40] The PRC Commissioner at that time said the RAOI "generated more comments and complaints from patrons, and more questions about what the future of people's business dealings with their Postal Service would be, than any other Advisory Opinion request this Commission had ever received."[41] As with SBOC, the PRC issued an advisory opinion that identified multiple deficiencies in the RAOI.[42]

After multiple senators intervened, the Postal Service instituted a six-month moratorium on the closure or consolidation of post offices in late 2011.[43] The Postal Service hoped the pause on consolidations would help facilitate the enactment of postal reform legislation, which was being actively considered in both the House of Representatives and Senate at the time.[44] When the moratorium expired and no reform had passed into law, the Postal Service ended the RAOI initiative without closing any post offices.[45]

Post Office Structure Plan

With the potential closures proposed under SBOC and RAOI, customers raised concerns over the long distances they would need to travel to access postal services.[46] However, there remained the challenge that many post offices did not generate enough business to justify being open full-time. To control costs while maintaining access to post offices, the Postal Service proposed its third optimization plan, the Post Office Structure Plan, or POStPlan, in 2012.

With POStPlan, the Postal Service sought to congregate transactions within a community to one high-volume location. The Postal Service looked at clusters of post offices in an area to identify which location should function as a full-service hub, and which post offices could operate as smaller, satellite locations.[47] The

36 U.S. Postal Service Office of the Inspector General, *Stations and Branches Optimization and Consolidation Initiative*, Report No. EN-AR-10-005, August 17, 2010, https://www.uspsoig.gov/sites/default/files/document-library-files/2015/EN-AR-10-005.pdf, pp. 6-7.
37 Ibid., p. 15 and Postal Regulatory Commission, *Advisory Opinion Concerning the Process for Evaluating Closing Stations and Branches*, Docket No. N2009-1, p. 35.
38 U.S. Government Accountability Office, *Challenges Related to Restructuring the Postal Service's Retail Network,* Report No. GAO-12-433, https://www.gao.gov/assets/600/590170.pdf, April 17, 2012, p. 9.
39 Ibid.
40 Ibid., pp. 16, 20.
41 Postal Regulatory Commission, *Advisory Opinion on Post Office Structure Plan*, Docket No. N2012-2, August 23, 2012, https://www.prc.gov/docs/85/85013/N2012-2_Adv_Op_082312.pdf, Concurring Opinion of Commissioner Hammond.
42 Postal Regulatory Commission, *Advisory Opinion on Retail Access Optimization Initiative*, Docket No. N2011-1, December 23, 2011, https://www.prc.gov/Docs/78/78971/N2011-1_AdvisoryOP.pdf, pp. 44-114.
43 U.S. Postal Service, "Statement on Delay of Closing or Consolidation of Post Offices and Mail Processing Facilities," media release, December 13, 2011, https://about.usps.com/news/national-releases/2011/pr11_1213closings-v2.pdf.
44 U.S. House of Representatives, *H.R.2309-Postal Reform Act of 2012,* 112th Congress, https://www.congress.gov/bill/112th-congress/house-bill/2309 and U.S. Senate, *S.1625-Postal Reform Act of 2011,* 112th Congress, https://www.congress.gov/bill/112th-congress/senate-bill/1625.
45 As a practical matter, the moratorium is still in place, as the Postal Service has not chosen to close any post offices since the moratorium expired, according to postal representatives.
46 U.S. Government Accountability Office, *Challenges Related to Restructuring the Postal Service's Retail Network*, Report No. GAO-12-433, p. 11.
47 Internal information provided by the Postal Service from its Retail POStPlan FY 2019 evaluation report, August 2020.

Postal Service reduced operating hours at the smaller post offices to two, four, or six hours per day based on their workloads.[48]
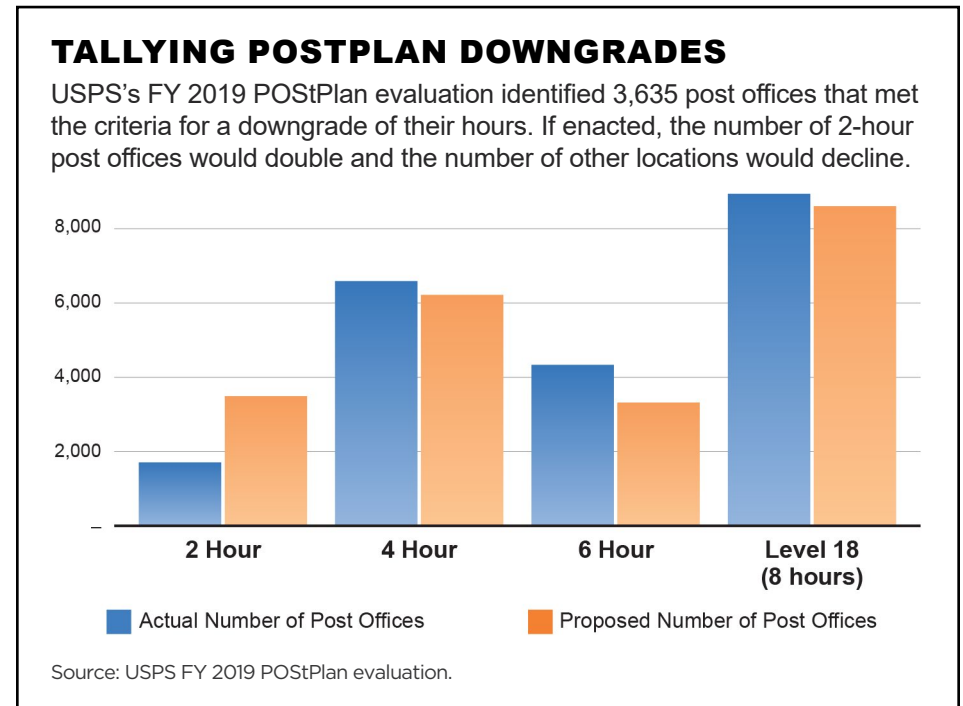
POStPlan aimed for the Postal Service to balance its service obligations with its financial and operational limitations. Under POStPlan, the Postal Service reduced the hours of operation at about 12,400 locations, 83 percent of which were in rural areas.[49] About 4,300 (35 percent) of these were open for six hours per day, 6,500 (52 percent) were open for four hours, and 1,600 (13 percent) were open for two hours. The Postal Service completed initial hourly reductions in 2014, with an expected annual savings of $337 million.[50]

Future Optimization

When the Postal Service presented POStPlan to the PRC, it was described as an ongoing initiative. The Postal Service indicated that after it completed the initial round of hourly adjustments in 2014, it would perform an annual reevaluation of POStPlan post offices and adjust hours based on the previous year's retail workload.[51] Post offices that saw an increase in activity could, for example, be upgraded from a four-hour post office to a six-hour post office. Likewise, post offices that saw a decline in activity could be downgraded from an eight-hour "Level 18" post office, for example, to a six-hour office.[52]

Since FY 2016, the Postal Service has performed this evaluation each year identifying specific post offices that could be upgraded or downgraded. With overall post office revenue declining, the number of proposed downgrades has significantly exceeded the proposed upgrades.[53] In FY 2019, for example, 3,635 post offices were identified for an hourly reduction and 87 identified for an hourly increase (Figure 10).

Figure 10: FY 2019 POStPlan Evaluation Results

TALLYING POSTPLAN DOWNGRADES

USPS's FY 2019 POStPlan evaluation identified 3,635 post offices that met the criteria for a downgrade of their hours. If enacted, the number of 2-hour post offices would double and the number of other locations would decline.

Source: USPS FY 2019 POStPlan evaluation.

Postal Service management indicated they have the legal authority to implement these reclassifications unilaterally and without additional review by the PRC, so long as it follows the criteria spelled out under POStPlan.[54] Although the Postal Service has performed this evaluation every year since 2016, no hourly adjustments (increases or decreases) to post offices have been implemented based on the results.

---

48 Ibid.
49 OIG analysis of Postal Service retail data.
50 U.S. Government Accountability Office, *U.S. Postal Service: Post Office Changes Suggest Cost Savings, but Improved Guidance, Data, and Analysis Can Inform Future Efforts*, GAO-16-385, April 29, 2016, https://www.gao.gov/products/GAO-16-385, pp. 15-17.
51 Postal Regulatory Commission, *Direct Testimony of Jeffrey C. Day on Behalf of the United States Postal Service (USPS-T-1)*, May 25, 2012, http://www.prc.gov/Docs/82/82766/Day%20Testimony.pdf, p. 16.
52 Level 18 post offices are small-to-medium-sized facilities that offer full-time retail service and are managed by postmasters. U.S. Postal Service Office of Inspector General, *Postmasters and Supervisors Performing Bargaining Unit Work*, HR-MA-16-004, May 10, 2016, https://www.uspsoig.gov/sites/default/files/document-library-files/2016/HR-MA-16-004_0.pdf, p. 12.
53 OIG analysis of USPS annual POStPlan evaluations for FYs 2016-2019.
54 Interview with postal management and Postal Regulatory Commission, *United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services*, Docket No. N2012-2, https://www.prc.gov/docs/82/82765/request%20final.pdf, pp. 8-9.

Additional Opportunities in the Retail Network

In addition to refining the USO and optimization efforts, there are other opportunities to consider for maximizing both the value of the retail network and the customer experience.

We have identified several potential paths forward the Postal Service might consider in conjunction with its optimization efforts. However, these opportunities are not without challenges for the Postal Service to navigate; depending on the service or nature of the partnership, legislative action may be required.[55]

Requesting Rural Service Reimbursement

For much of U.S. history, the government used taxpayer dollars to cover postal deficits, prioritizing better service over the necessity of covering costs.[56] However, the Postal Service became largely self-funded after the Postal Reorganization Act of 1970.[57] When this shift was codified, Congress recognized that the Postal Service would need to keep open rural post offices in order to continue to meet the USO. To help the Postal Service achieve this, Congress provided the Postal Service the legal authorization to request an annual $460 million rural-service reimbursement.[58]

However, the Postal Service has not requested this reimbursement since FY1982.[59] When adjusted for inflation, the Postal Service has foregone a total of $25 billion in appropriations between FYs 1982 and 2019. In a recent audit, the OIG suggested the Postal Service could reconsider the subsidy request, given

the financial relief the agency sought in response to COVID-19.[60] Additionally, a 2020 OIG white paper identified four international posts that received a direct government subsidy to help fund their USOs. The same white paper found that the subsidy model is becoming more widely used internationally.[61]

Outsourcing Postal Retail Services

Outsourcing more retail services is another option worth further exploration. Many international posts have cut costs by outsourcing post office operations to existing third-party retailers — such as grocery or bookstore chains — that offer postal services in addition to selling their own merchandise. International outsourcing tends to be more widespread in rural areas.[62] Outsourcing can help keep costs down by eliminating the need to directly maintain, operate, and staff post offices.

A 2020 OIG white paper found that Deutsche Post (Germany) outsources all of its postal retail outlets, and Post Office (United Kingdom) outsources 98 percent of its retail outlets. In contrast, the Postal Service outsources about 3,100 locations, or nine percent, of its entire network.[63]

Expanding Counter Services

Expansion of non-postal services and increasing partnerships with other federal, state, and local agencies could enable the Postal Service to further connect with communities. Post offices already offer non-postal government services, such as money orders and the intake of passport applications. There have been numerous calls for the Postal Service to expand its non-postal service

---

55 Under the Postal Accountability and Enhancement Act, the Postal Service may only sell non-postal products or services to the public that were offered at the time the law was enacted (or January 1, 2006), and that the Postal Regulatory Commission authorized to continue. 39 U.S.C. § 404(e).

56 U.S. Postal Service Office of Inspector General, *Maintaining Rural Retail Networks: Best Practices Abroad and their Implications for the U.S. Postal Service,* Report No. RISC-WP-20-003, March 25, 2020, p. 8.

57 *Postal Reorganization Act,* Public Law 91-375, August 12, 1970, https://www.govinfo.gov/link/statute/84/719?link-type=pdf.

58 Specifically, the law states, "As reimbursement to the Postal Service for public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining," it is authorized to request up to $460 million annually. See 39 U.S.C. § 2401(b)(1).

59 U.S. Postal Service, Fiscal Year 2020 Budget Congressional Submission, https://www.prc.gov/docs/108/108499/USPS%20FY2020%20Congressional%20Submission.pdf, p. I-1. Postal Service management told the OIG that the Postal Service does not request the funds for several reasons. First, the organization prefers to be financially self-sustaining, and has sought legislative and regulatory changes to make that possible. Second, the Postal Service indicated that "(t)here is no guarantee that Congress would provide (the funds) in full or in part." Lastly, the Postal Service states that $460 million would not be enough to cover the total costs of providing rural customers with sufficient access to the postal network. U.S. Postal Service Office of Inspector General, *Maintaining Rural Retail Networks: Best Practices Abroad and their Implications for the U.S. Postal Service*, Report No. RISC-WP-2020-03, p. 8 and U.S. Postal Service Office of Inspector General, *Uncompensated and Undercompensated Services*, Report No. 20-208-R21, April 5, 2021, https://www.uspsoig.gov/sites/default/files/document-library-files/2021/20-208-R21.pdf, p. 8.

60 See U.S. Postal Service Office of Inspector General, *Uncompensated and Undercompensated Services*, Report No. 20-208-R21, April 5, 2021, p. 9.

61 U.S. Postal Service Office of Inspector General, *Reevaluating the Universal Service Obligation*, Report No. RISC-WP-20-004, May 6, 2020, pp. 11-12.

62 U.S. Postal Service Office of Inspector General, *Maintaining Rural Retail Networks: Best Practices Abroad and their Implications for the U.S. Postal Service*, Report No. RISC-WP-2020-03, March 25, 2020, p. 9.

63 U.S. Postal Service, *Fiscal Year 2020 Annual Report to Congress*, p. 26.

footprint in areas such as identity management, notary services, merchandise pick-up lockers, hunting and fishing licenses, non-bank financial services, and public Wi-Fi.[64]

The Postal Service already leverages some post offices to support partnerships with other federal agencies. For example, in 2018, USPS began a pilot program to offer fingerprinting services at post offices in partnership with the Federal Bureau of Investigation.[65] According to media reports, the Postal Service plans to expand fingerprinting services to as many as 4,000 post offices through a January 2021 agreement with a private identity services company.[66] The Postal Service also partners with the General Services Administration to offer credentialing services for federal employees and contractors at select post offices.[67] Partnership opportunities like these can be advantageous for the Postal Service, the partner agency, and the customers they serve.

The Postal Service as a Lessor

Expanding leasing services is another potential opportunity area for the Postal Service. Through leasing agreements, the Postal Service could help telecommunications and healthcare providers extend their reach, providing significant value to underserved communities.

Previous OIG research identified opportunities for the Postal Service to leverage its retail network with partnerships supporting infrastructure development through the colocation of towers, antennas, and other communications equipment necessary to deploy 5G, or fifth generation cellular wireless.[68] Compared to previous generations of wireless technology, achieving 5G's bandwidth-intensive benefits will require many more antennas densely distributed throughout cities. Tower infrastructure companies and cellular carriers are potential lessees that could use postal facilities for 5G deployment. In fact, as of 2020, the Postal Service already has existing agreements with tower companies to lease space for wireless towers at 62 postal facilities accounting for $1.4 million in annual revenue.

The Postal Service could also consider using post offices to support public health efforts in partnership with other government agencies or private companies. With a strong presence in rural areas, some post offices could serve as hubs for telemedicine kiosks or storage and distribution centers for COVID-19 vaccines.[69] These services could help alleviate the need for rural Americans to travel long distances to access healthcare services, which is a contributing factor to disparities in health outcomes for rural Americans.[70]

Leasing opportunities would serve as more than just a potential revenue generator. These partnerships could leverage the Postal Service's physical network to add value to communities outside of traditional postal product and service offerings. However, pursuing some of these partnerships may require legislative reform.[71]

---

64 Government Accountability Office, *U.S. Postal Service: Expanding Nonpostal Products and Services at Retail Facilities Could Result in Benefits but May Have Limited Viability*, GAO-20-254, March 2020, https://www.gao.gov/assets/710/705230.pdf, p. 28 and U.S. Postal Service Office of Inspector General, *Providing Non-Bank Financial Services for the Underserved*, Report No. RARC-WP-14-007, January 27, 2014, https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf, pp. 9-14.

65 Federal Bureau of Investigation, "Pilot Program Allows Electronic Fingerprint Submissions for IdHSCs at Select Post Offices," October 15, 2019, https://www.fbi.gov/services/cjis/cjis-link/pilot-program-allows-electronic-fingerprint-submission-for-idhscs-at-select-post-offices.

66 IDEMIA, "IDEMIA National Security Solutions (NSS) Provides United States Postal Service with New In-Person Proofing Capabilities," Press Release, January 12, 2021, https://www.prnewswire.com/news-releases/idemia-national-security-solutions-nss-provides-united-states-postal-service-with-new-in-person-proofing-capabilities-301206433.html and Jory Heckman, "USPS Biometrics Program Leans on its Biggest Asset: A Post Office in Every Neighborhood," Federal News Network, January 12, 2021, https://federalnewsnetwork.com/big-data/2021/01/usps-biometrics-program-leans-on-its-biggest-asset-a-post-office-in-every-neighborhood/.

67 U.S. Postal Service, "Locations, Locations: USPS, GSA Team on Credentialing Services," February 16, 2021, https://link.usps.com/2021/02/16/locations-locations/.

68 U.S. Postal Service Office of Inspector General, *Next Generation Connectivity: Postal Service Roles in 5G and Broadband Deployment,* Report No. RISC-WP-20-007, September 14, 2020, https://www.uspsoig.gov/sites/default/files/document-library-files/2020/RISC-WP-20-007.pdf, pp. 1-2.

69 U.S. Postal Service Office of Inspector General, *Partnering for Health: Potential Postal Service Roles in Health and Wellness,* Report No. RISC-WP-21-001, March 11, 2021, https://www.uspsoig.gov/sites/default/files/document-library-files/2021/RISC-WP-21-001.pdf, pp. 8-9.

70 Centers for Disease Control and Prevention, "About rural health," https://www.cdc.gov/ruralhealth/about.html.

71 The Postal Service is currently authorized to provide services to other government agencies, but not to private businesses. 39 U.S.C. § 411.

Conclusion

Overall, the Postal Service's vast retail network generated more revenue than it cost to operate in FY 2019. However, a large portion of post offices did not individually cover their costs, especially in rural areas. A challenge for these post offices is that they serve fewer customers than suburban and urban post offices, making them relatively underutilized. Yet, post offices still serve a critical role in American communities.

The Postal Service has pursued several optimization initiatives in the past 12 years in an attempt to drive efficiencies in retail operations. The Postal Service annually reevaluates post offices for potential cost savings. As the Postal Service continues to explore opportunities to optimize its retail network, these efforts should not focus solely on the reduction of service hours or post office consolidations, but also on the expansion of services to promote financial stability, service to Americans, or both. Legislative reform could help better define the requirements for the Postal Service's retail network; however, the Postal Service will always have to balance the financial aspects of the retail network with the value of service to the communities they serve.

Appendices

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Information

Objectives, Scope, and Methodology

The objectives of this white paper were to 1) examine the revenue generated by each postal retail unit and the costs associated with operating each facility, 2) analyze differences in the revenue/costs ratios for retail units across the country, and 3) provide insights for optimizing the retail network.

The scope of this white paper is fiscal years 2018 and 2019. For historical context, we analyzed the number of post offices and retail revenue since 2004 and also studied the Postal Service's retail optimization efforts since 2009.

To meet our objectives, the OIG analyzed FY 2019 cost and revenue data for 30,828 post offices.[72] To analyze post office cost and revenue data for different areas of the country, we used population density to organize post offices into six rurality categories. Our categorizations were: Very Rural (≤25 people per square mile); Rural (26-125 people per square mile); Pre-Suburban (126-250 people per square mile); Suburban (251-5,000 people per square mile);

Urban (5,001-10,000 people per square mile); Very Urban (>10,000 people per square mile).[73]

The OIG also interviewed key Postal Service representatives with knowledge of the retail network and the calculation of retail costs and revenue. The purpose of these interviews was to gather information on past retail optimization efforts, learn more about how retail costs and revenue are calculated, and gather information about why the Postal Service has not acted to reclassify POStPlan post offices since the initial implementation.

We also reviewed documents, policies, legislation, and other relevant documentation related to retail operations and past optimization efforts.

We conducted this work in accordance with the Council of the Inspectors General on Integrity and Efficiency, Quality Standards for Inspection and Evaluation. We discussed our observations and conclusions with management on March 19, 2021 and included their comments where appropriate.

---

72 The analysis included post offices located in the 50 states, the District of Columbia, and Puerto Rico. We excluded carrier annexes, carrier sections, and delivery distribution centers with no retail revenue. Of the 30,828 post offices in the analysis, 841 were missing retail cost data and 72 were missing both retail cost and retail revenue data.
73 These categorizations are used by the Postal Service in its internal retail network analysis.

Prior Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
Maintaining Rural Retail Networks: Best Practices Abroad and Implications for the U.S. Postal Service	To understand how other postal operators are preserving their networks of rural post offices amid mounting financial pressures.	RISC-WP-20-003	3/25/2020	N/A
Addressing the Diverse Needs and Wants of Rural America: Opportunities for the U.S. Postal Service	The objectives focused on three questions: 1) What value does the Postal Service have in rural communities? 2) How do rural customers currently use specific postal products and services? 3) What products or services could the Postal Service consider offering to rural America?	RISC-WP-19-009	9/16/2019	N/A
Customer Retail Experience	To evaluate key factors affecting the customer experience at U.S. Postal Service retail units and identify opportunities to enhance the overall customer experience.	SAT-AR-18-001	9/28/2018	N/A
Billions Served: Foot Traffic at the Post Office	To estimate retail foot traffic, to analyze how foot traffic differs across various types of post offices, to examine the characteristics of people who visit post offices, and to explore best practices from the private sector.	RARC-WP-17-012	9/11/2017	N/A
Barriers to Retail Network Optimization	To examine the obstacles and barriers that prevent the Postal Service from developing an optimal modern retail network.	RARC-WP-11-005	9/9/2011	N/A

Appendix B: Management's Comments

ANGELA H. CURTIS
VICE PRESIDENT, RETAIL & POST OFFICE OPERATIONS
HEADQUARTERS

UNITED STATES POSTAL SERVICE

April 6, 2021

TO: **Jennifer Mykijewycz**
Director, Operations Central, Research and Insights Solution Center

SUBJECT: **Revenue and Costs in the Retail Network** (Project Number: 2020RISC016)

Thank you for the opportunity to respond to White Paper Revenue and Costs in the Retail Network (Project Number: 2020RISC016). While there were no findings or recommendations associated with this draft, Postal Management would still like to comment on the content.

Management found the synopsis interesting and the suggestions informative regarding how the Postal Service could offset costs while still efficiently servicing all parts of the nation. The US Postal Service has in fact, already incorporated many of the tactics outlined in the draft where the number of residents continues to be depleted by urbanization and the overall letter volume is in decline. However, some of the suggestions made in the White Paper may not be applicable - or even feasible - for the USPS to implement within the applicable statutory constraints.

Under PAEA, the PRC evaluated non-postal services in existence on December 20, 2006 to determine whether those services should continue, taking in to account the public need for a service and the ability of the private sector to meet that public need.[1]

Postal Management appreciates that the White Paper recognized how the USPS has embraced and optimized other services and continues to increase its partnerships with federal, state, and local agencies while benefiting the communities it serves. Government services, such as money orders are offered at all retail locations and approximately 4,800 Post Offices serve as Passport Acceptance Facilities intaking passport applications. The draft likewise cites the Postal Service's ongoing pilot that offers fingerprinting services in partnership with the Federal Bureau of Investigation (FBI) and the effort where USPS has partnered with General Services Administration (GSA) in credentialing services for federal employees and contractors at select post offices.

The Universal Service Obligation (USO) in the United States requires the Postal Service to provide access to the postal network in all areas and communities throughout the U.S. and its territories. The law protects postal services in specific areas by prohibiting the Postal Service from closing small post offices just because they are operating at a deficit. The US Postal Service is bound to follow the guidelines set by the USO and defined by the Postal Regulatory Commission (PRC) and Congress - and ultimately the constraints of those parameters. Indeed, the Postal Service cannot make such changes unilaterally, as the White Paper suggests, "the Postal Service would need to work with Congress and the [PRC]" to define the USO more clearly.

The Postal Service is obligated to function like a corporation to meet its operational goals within its budgetary constraints, it annually reviews and balances the financial aspects of the retail network and adjusts staffing and resources based on the previous year's workload. It annually reevaluates

---

[1] PRC Order No. 154, Review of Non-postal Services Under the Postal Accountability and Enhancement Act, Docket No. 2008-1 (Dec. 19, 2008) at 1. *See* 39 U.S.C. § 404(e)(3).

post offices for potential cost savings and opportunities to optimize its retail network. In the end, Postal Management is always eager to consider models that could be of benefit in maintaining a comprehensive and financially sustainable postal network.

E-SIGNED by ANGELA.H CURTIS
on 2021-04-06 17:50:03 CDT

_____

Angela H. Curtis
Vice President, Retail and Post Office Operations

OFFICE OF
INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

We conducted work for this white paper in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation (January 2012).