7-23-2009

Post Office and Retail Postal Facility Closures: Overview and Issues for Congress

Kevin R. Kosar
Congressional Research Service

Follow this and additional works at: http://digitalcommons.ilr.cornell.edu/key_workplace

Thank you for downloading an article from DigitalCommons@ILR.
Support this valuable resource today!
Post Office and Retail Postal Facility Closures: Overview and Issues for Congress

Abstract

[Excerpt] In common parlance, “post office” is used to refer to a wide variety of facilities operated by the United States Postal Service (USPS). In administrative practice, the USPS differentiates among several categories of postal facilities. Regarding one category of its facilities, the USPS announced in May 2009 that it was considering the closure of 3,105 of its 4,851 post office branches and stations. These facilities provide the public with postal services, such as stamp sales, post office boxes, and package shipping. Since the original announcement, the USPS has indicated that the number of possible closures may be more than 3,200.

This report provides (1) information on this recent announcement; (2) historical data on the number of post offices and other retail postal facilities; (3) an explanation of the legal authorities relevant to retail postal facility closures; (4) a review of the retail postal facility closure processes, including data on public appeals of closures, and H.R. 658's proposed alterations to the processes; and (5) a concluding discussion that suggests observations and possible issues for Congress.

The USPS has cited financial duress as a reason for its proposed closure of up to 64% of its 4,851 post office branches and stations. According to the USPS, the post office branches and stations under consideration for closure are located in metropolitan areas. The USPS has not indicated whether any employees would lose their positions. Most postal employees are protected from layoffs by collective bargaining agreements.

As of FY2008, the USPS had 36,065 retail postal facilities, including post offices, post office branches and stations, community post offices, and contract postal units. This is 16.3% fewer than existed in 1970 when the USPS was established as an independent establishment of the executive branch. The closure of 3,105 branches and stations would reduce the current number of retail postal facilities by 8.4%.

By law, the USPS does not rely on appropriations to fund its operations. It must support itself through the sales of postal services. Congress has given the USPS considerable discretion to decide how many post offices to erect and where to place them. The USPS also is obliged to provide the public with adequate access to postal services.

Both federal law and the USPS’s rules prescribe a post office closure process. The U.S. Postal Service must notify the affected public and hold a 60-day comment period prior to closing a post office. Should it decide to close a post office, the public has 30 days to appeal the decision to the Postal Regulatory Commission (PRC). Between FY1998 and FY2007, 25 of the approximately 676 post office closures were appealed to the PRC. The USPS uses an expedited version of this process to close post office branches, stations, and community post offices. On January 22, 2009, Representative Albio Sires introduced H.R. 658, which would require the USPS to employ the more lengthy post office closure process on all retail facility closures, and expand the current statutory public notification requirements.

Federal law requires the USPS to arrange its delivery and service network to most efficiently serve the public. However, the proposed closures may raise a number of issues, including public participation in the closure process, the effects on postal workers, and the possible effects of closures on communities. Congress may wish to consider a variety of measures to address these possible issues.

This report will be updated to reflect significant legislative action.

This article is available at DigitalCommons@ILR: http://digitalcommons.ilr.cornell.edu/key_workplace/639
Post Office and Retail Postal Facility Closures: Overview and Issues for Congress

Kevin R. Kosar
Analyst in American National Government

July 23, 2009
Summary

In common parlance, “post office” is used to refer to a wide variety of facilities operated by the United States Postal Service (USPS). In administrative practice, the USPS differentiates among several categories of postal facilities. Regarding one category of its facilities, the USPS announced in May 2009 that it was considering the closure of 3,105 of its 4,851 post office branches and stations. These facilities provide the public with postal services, such as stamp sales, post office boxes, and package shipping. Since the original announcement, the USPS has indicated that the number of possible closures may be more than 3,200.

This report provides (1) information on this recent announcement; (2) historical data on the number of post offices and other retail postal facilities; (3) an explanation of the legal authorities relevant to retail postal facility closures; (4) a review of the retail postal facility closure processes, including data on public appeals of closures, and H.R. 658’s proposed alterations to the processes; and (5) a concluding discussion that suggests observations and possible issues for Congress.

The USPS has cited financial duress as a reason for its proposed closure of up to 64% of its 4,851 post office branches and stations. According to the USPS, the post office branches and stations under consideration for closure are located in metropolitan areas. The USPS has not indicated whether any employees would lose their positions. Most postal employees are protected from layoffs by collective bargaining agreements.

As of FY2008, the USPS had 36,065 retail postal facilities, including post offices, post office branches and stations, community post offices, and contract postal units. This is 16.3% fewer than existed in 1970 when the USPS was established as an independent establishment of the executive branch. The closure of 3,105 branches and stations would reduce the current number of retail postal facilities by 8.4%.

By law, the USPS does not rely on appropriations to fund its operations. It must support itself through the sales of postal services. Congress has given the USPS considerable discretion to decide how many post offices to erect and where to place them. The USPS also is obliged to provide the public with adequate access to postal services.

Both federal law and the USPS’s rules prescribe a post office closure process. The U.S. Postal Service must notify the affected public and hold a 60-day comment period prior to closing a post office. Should it decide to close a post office, the public has 30 days to appeal the decision to the Postal Regulatory Commission (PRC). Between FY1998 and FY2007, 25 of the approximately 676 post office closures were appealed to the PRC. The USPS uses an expedited version of this process to close post office branches, stations, and community post offices. On January 22, 2009, Representative Albio Sires introduced H.R. 658, which would require the USPS to employ the more lengthy post office closure process on all retail facility closures, and expand the current statutory public notification requirements.

Federal law requires the USPS to arrange its delivery and service network to most efficiently serve the public. However, the proposed closures may raise a number of issues, including public participation in the closure process, the effects on postal workers, and the possible effects of closures on communities. Congress may wish to consider a variety of measures to address these possible issues.

This report will be updated to reflect significant legislative action.
The Post Office Closure Announcement

The USPS Announces Branch and Station Closures

In a May 15, 2009, letter to the American Postal Workers Union, AFL-CIO (APWU), the U.S. Postal Service (USPS) wrote,

As you know, the Postal Service has responded to dramatic decreases in mail volume, but more needs to be done.... Like mail volume, window transactions at our retail units have substantially declined. The Postal Service is considering consolidating operations in our larger stations and branches…. These offices have experienced serious volume, transaction, and revenue declines. The Postal Service will be using the current procedures that are in place for studying the activities of an office for possible discontinuance. Many factors including impact on employees, service standards, cost savings, customer access, environmental impact, real estate values, and long-term needs of the service would be taken into account during the reviews. We would expect these local manager reviews to result in a significant increase in the number of lease terminations and/or facility disposals.¹

The USPS enclosed with the letter an 87-page list of 3,105 post office branches and stations.² (As explained further on page 5, post office branches and stations greatly resemble post offices. These USPS-operated facilities provide the public with postal services, such as stamp sales, post office boxes, and package shipping.) Subsequently, the APWU has said that the USPS is considering 3,243 post office branches and stations for possible closure.³

The U.S. Postal Service has not indicated whether any employees would lose their positions. Most postal employees are protected from layoffs by collective bargaining agreements. The APWU, whose members would be affected by this action, has not expressed any concerns over the possibility of layoffs as Article 6 of its contract with USPS largely forbids involuntary reductions in force.⁴

The USPS has said that no closures will occur before October 2, 2009.⁵

GAO Urges Retail Facility Reductions

Five days after the USPS contacted the APWU, Phillip Herr of the Government Accountability Office (GAO) testified before the House Committee on Oversight and Government Reform’s

² To access this list, see ibid.
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia. He reported that the USPS had “made progress in expanding the alternatives to traditional post offices and retail postal branches,” which the Postal Accountability and Enhancement Act of 2006 encouraged (PAEA; P.L. 109-435; 120 Stat. 3221). As of February 2008, customers could access stamps and postal services at 71,555 grocery stores, retail outlets, and self-serve kiosks. The USPS earned approximately 25% of its retail revenue through these retail outlets.

However, Herr said that the USPS had not reduced its number of retail postal facilities sufficiently:

Rightsizing [the] USPS’s retail and mail processing networks is needed to eliminate excess capacity, improve efficiency that is critical to maintaining affordable postal rates, and facilitate streamlining [the] USPS’s workforce, which generates close to 80 percent of its costs. Excess capacity has grown with unprecedented declines of mail volume, which are projected to continue through fiscal year 2010... [A]s its mail volumes decline, [the] USPS does not have sufficient revenues to cover the growing costs of providing service to new residences and businesses while also maintaining its large network of retail and processing facilities.

The subcommittee is to further examine the USPS’s proposed closure of retail postal facilities in a hearing scheduled for July 30, 2009.

The USPS’s Financial Challenges

The USPS is experiencing significant financial challenges. It lost $5.3 billion in FY2007 and $2.8 billion in FY2008 (Figure 1). This fiscal year, the USPS’s operating costs have exceeded revenues by $2.3 billion thus far. These operating income shortfalls are a result of significantly increased operating costs, which are attributable in part to the Postal Accountability and Enhancement Act of 2006. These losses also are the product of flattening operating revenues, the result of a drop in mail volume and attendant postage purchases.

---


8 Ibid., pp. 3-4.


The USPS’s statutory debt limit is $15 billion (39 U.S.C. 2005(a)(2)(C)). Between FY2005 and FY2008, the USPS’s debt rose from $0 to $7.2 billion. The USPS has said it may run out of cash in September 2009.13

The USPS’s Request for an Advisory Opinion

The USPS has asked the Postal Regulatory Commission (PRC) for an advisory opinion to determine whether its proposed closure of the post office branches and stations “would constitute “a substantially nationwide change in the nature of postal services, within the meaning of 39 U.S.C. 3661(b).”14 This portion of federal law reads,

When the Postal Service determines that there should be a change in the nature of postal services which will generally affect service on a nationwide or substantially nationwide basis, it shall submit a proposal, within a reasonable time prior to the effective date of such proposal, to the Postal Regulatory Commission requesting an advisory opinion on the change (39 U.S.C. 3661(b)).

The USPS’s request does not make clear precisely how many branch and station post offices will be considered for possible closure. It states that the retail facilities under review constitute “approximately two-thirds of the universe of over 4,800 postal stations and branches nationwide,” which would be 3,168.15

---

15 Ibid., p. 6.
The PRC has initiated Docket No. N2009-1 “to provide a public hearing and issue an advisory opinion on the national service implications” of the USPS’s proposed closures. According to 39 U.S.C. 3661(c), the PRC’s hearing permits participation by “the Postal Service, users of the mail, and an officer of the Commission [PRC] who shall be required to represent the interests of the general public.” Those who wish to participate must file a request by July 28, 2009.

**Historical Data on the Number of Retail Postal Facilities**

**What Is a Post Office?**

Colloquially, the term “post office” often is employed to refer to any place where stamps are sold and postal services are provided. Post offices, branches, stations, and community post offices all offer to the public a range of postal services. They are where many individuals go to buy stamps and ship packages.

The USPS, however, administratively differentiates the types of retail postal facilities that conduct these same activities:

- **main post office** - The basic organizational unit of the USPS. Generally, each post office has primary responsibility for collection, delivery, and retail operations in a specific geographic area. [Also called post office.]

- **post office branch** - A unit of a main post office that is outside the corporate limits of the city or town of the main post office. [Also called classified branch.] 

- **post office station** - A unit of a main post office that is within the corporate limits of the city or town of the main post office. [Also called classified station].

The USPS also provides postal services to customers through privately operated facilities:

- **community post office** - A contract postal unit that provides service in small communities where independent post offices have been discontinued. [It] bears its community’s name and ZIP Code as part of a recognized address.

- **contract postal unit** - A postal unit that is a subordinate unit within the service area of a main post office. It is usually located in a store or place of business and is operated by a contractor

---


17 For further details, see Postal Regulatory Commission, “Notice and Order Concerning a Postal Service Request for an Advisory Opinion on a Plan to Optimize the Retail Network,” July 10, 2009, at http://www.prc.gov/Docs/63/63656/Order_No_244_Final.pdf.

who accepts mail from the public, sells postage and supplies, and provides selected special services (for example, postal money order or registered mail).^{19}

For the purpose of this report, the term “USPS retail postal facilities” will encompass all five of the aforementioned postal facilities—post offices, post office branches, post office stations, community post offices, and contract postal units.

The Number of USPS Retail Postal Facilities

The USPS’s annual reports contain tabulations of the number of USPS retail postal facilities in existence at the end of each fiscal year. Data on the number of facilities from the FY1970 through FY2008 annual reports are presented in Figure 2. Over time, the USPS has altered the terms used to refer to some of these facilities. Additionally, the USPS’s annual reports have disaggregated post office branches from post office stations only since FY2004. Hence, Figure 2 and Table 1 present the retail postal facilities data as compiled into three categories: post offices (POs), post office branches and stations (POBs and POSs), and community post offices and contract postal units (CPOs and CPUs).

Figure 2. The Number of USPS Retail Postal Facilities, FY1970-FY2008


Figure 2 and Table 1 indicate that the total number of USPS retail postal facilities has declined steadily. In FY1970, the USPS had 43,112 retail facilities; in FY2008 it had 36,065—16.3% fewer.^{20} The number of POs has dropped 14.9%; and the number of CPUs and CPOs has declined 45.0%. Meanwhile, the number of POBs and POSs has increased 25.4%.


^{20} These data should not be interpreted to mean that customer access to postal services has declined. Customer access to postal services depends on many variables. For example, these data exclude non-USPS retail outlets that provide postal services, such as grocery stores that sell postage stamps.
Table 1. The Number of USPS Retail Postal Facilities, FY1970 vs. FY2008

<table>
<thead>
<tr>
<th>Retail Postal Facility Type</th>
<th>1970</th>
<th>2008</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post Offices</td>
<td>32,002</td>
<td>27,232</td>
<td>-14.9%</td>
</tr>
<tr>
<td>Post Office Branches and Post Office Stations</td>
<td>3,869</td>
<td>4,851</td>
<td>25.4%</td>
</tr>
<tr>
<td>Community Post Offices and Contract Postal Units</td>
<td>7,241</td>
<td>3,982</td>
<td>-45.0%</td>
</tr>
<tr>
<td>Total</td>
<td>43,112</td>
<td>36,605</td>
<td>-16.3%</td>
</tr>
</tbody>
</table>


Figure 3 depicts the magnitude of the USPS’s possible closure of 3,105 branches and stations.21 Were the USPS to close all 3,105 facilities, it would amount to a 64% reduction in POBs and POSs, from 4,851 to 1,746.

Additionally, such a reduction would lower the number of retail postal facilities 8.4%, from 36,605 to 33,500. The closure of 3,105 post office branches and stations also would be a dramatic increase from the number of closures in recent years. According to the USPS, it closed a total of 96 post office branches and stations between FY2005 and FY2008, an average of 24 per year.22

---

21 As noted above, the USPS may consider more than 3,168 or 3,243 facilities for possible closure, so Figure 3 may understate the magnitude. In its filing with the PRC, the USPS stated that it was “unable to estimate the number of targeted stations and branches that may eventually experience a discontinuance of operations as a result of this initiative.” Foucheux, “Request for an Advisory Opinion on Postal Services,” p. 6.

Relevant Legal Authorities

The USPS: A Self-Supporting, Independent Entity

The USPS was established in 1971 by the Postal Reorganization Act (PRA; P.L. 91-375; 84 Stat. 725). Hitherto, postal services had been provided by the U.S. Post Office Department (USPOD), a government agency that received annual appropriations from Congress. Members were involved in many aspects of the USPOD’s operations, including the selection of managers (e.g., postmasters) and the pricing of postal services. Under this configuration, the Post Office had operational difficulties and developed a reputation for incompetence and corruption.23

PRA abolished USPOD and replaced it with the U.S. Postal Service, an “independent establishment of the executive branch” (39 U.S.C. 201). The USPS is a marketized government agency that has far greater freedom to run its operations than the former Post Office Department.24 It does not rely on appropriations for its operating revenue.25

Congress assigned the USPS the “general duty” to “maintain an efficient system of collection, sorting, and delivery of the mail nationwide” (39 U.S.C. 403(b)). In order to carry out this obligation, the law gives the USPS the “specific powers” to

- “provide for the collection, handling, transportation, delivery, forwarding, returning, and holding of mail, and for the disposition of undeliverable mail” (39 U.S.C. 404(a)(1)); and
- “determine the need for post offices, postal and training facilities and equipment, and ... provide such offices, facilities, and equipment as it determines are needed” (39 U.S.C. 404(a)(13)).26

The USPS’s Public Service Obligation

In enacting the PRA, Congress sought to establish the USPS as a financially self-sufficient governmental entity, but one that also would serve the public satisfactorily. The USPS’s public service obligations are located in the PRA’s chapters on “postal policy” (39 U.S.C. 101) and the USPS’s “general authority” (39 U.S.C. 403).

The nation’s postal policies contain language relevant to the issue of retail postal facilities:

23 The view of USPOD as an agency riddled with patronage and scandal began long ago. For example, Joseph L. Bristow, who served as an assistant postmaster general from 1897 to 1905, provides accounts in his book, Fraud and Politics at the Turn of the Century (New York: Exposition Press, 1952).
24 The term “marketization” refers to the redesign of a government agency in order to make it provide goods and services in the manner of a private firm. On marketization as an alternative to privatization, see CRS Report RL33777, Privatization and the Federal Government: An Introduction, by Kevin R. Kosar, pp. 23-29.
25 Congress does provide an annual appropriation to the USPS to compensate it for the revenue it forgoes in providing, at congressional direction, free mailing privileges to the blind and overseas voters. For further information on the USPS and the appropriations process, see CRS Report RL34523, Financial Services and General Government (FSGG): FY2009 Appropriations, coordinated by Garrett Hatch, pp. 58-61.
26 Similarly, Congress requires the USPS in “selecting modes of transportation, the Postal Service shall give highest consideration to the prompt and economical delivery of all mail” (39 U.S.C. 101(f)).
Congress has underscored the USPS’s duty to serve less densely populated areas by including a provision in annual appropriation laws that reads, “none of the funds provided in this Act shall be used to consolidate or close small rural and other small post offices in [this] fiscal year.”  

Post Office Closures and the Public

Federal postal law sets forth the basic rules by which the USPS may proceed to close a post office. The USPS must “provide adequate notice of its intention to close or consolidate such post office at least 60 days prior to the proposed date of such closing or consolidation to persons served by such post office to ensure that such persons will have an opportunity to present their views” (39 U.S.C. 404(d)(1)).

In deciding whether to close a post office, the USPS must consider

(i) the effect of such closing or consolidation on the community served by such post office;

(ii) the effect of such closing or consolidation on employees of the Postal Service employed at such office;

(iii) whether such closing or consolidation is consistent with the policy of the Government... that the Postal Service shall provide a maximum degree of effective and regular postal

---

27 For example, see P.L. 110-161; 121 Stat. 2013.
services to rural areas, communities, and small towns where post offices are not self-sustaining;

(iv) the economic savings to the Postal Service resulting from such closing or consolidation; and

(v) such other factors as the Postal Service determines are necessary (39 U.S.C. 404(d)(2)(A)).

If the USPS decides to move forward with the closure, it must notify the persons served by the post office of its decision and the findings used to arrive at this decision. The USPS must wait at least 60 days before proceeding with the closure, and any person served by the post office slated for closure may appeal the closure to the PRC, which has 120 days to consider the appeal.

The PRC may fault the USPS’s decision to close a post office only if the PRC finds the decision to be “(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law; (B) without observance of procedure required by law; or (C) unsupported by substantial evidence on the record” (39 U.S.C. 404(d)(5)). The PRC may require the USPS to reconsider its decision, but the ultimate authority to close a post office rests with the USPS.

The USPS’s Retail Facilities Closure Processes

The USPS’s Post Office Closure Process

The general public probably does not see much difference between the various types of retail postal facilities. Indeed, in her filing with the PRC, the USPS’s Alice Vangorder wrote the following of the USPS’s differentiation between post offices and other retail postal facilities:

These important facility designations and administrative relationships often do not matter to members of the general public. In the common vernacular, virtually every postal facility offering retail services is referred to as a ‘post office.’ And the Postal Service does not always clearly communicate these differences.28

The USPS’s administrative differentiation of these retail postal facilities has at least one major consequence to the USPS’s customers—the closure process differs. The USPS uses one closure process for post offices, and another for other retail postal facilities.

The Postal Operations Manual (POM) “sets forth the policies, regulations, and procedures of the Postal Service governing retail, philatelic, collection, mail processing, transportation, delivery, and vehicle operations.”29 It contains many of the rules that the USPS has adopted to implement federal postal laws.30

The *POM*’s Section 123.6 provides the process for closing a post office. It requires the USPS to provide public notice, and to receive public comments for 60 days. The USPS then must review the comments and issue a decision, after which anyone who is regularly served by the post office in question may appeal the proposed closure to the Postal Regulatory Commission.\(^{31}\) The PRC has 120 days to determine the merits of the appeal.\(^{32}\)

![Figure 4. The USPS's Post Office Closure Process](source: Reproduced from U.S. Postal Service, *Postal Operations Manual*, Section 123.12, p. 12.)

### The USPS’s Expedited Closure Process for Other Retail Postal Facilities

Section 123.611 of the *POM* on “post office discontinuance” states that the above process only applies to “any proposal to replace a Post Office with a community Post Office, station, or branch by consolidation with another Post Office and any proposal to discontinue a Post Office without providing a replacement facility.”\(^{33}\)

In contrast, Section 123.8 of the *POM* treats “station, branch, and community post office discontinuance.”\(^{34}\) It does not require public notification or provide an appeals process. Instead, a

\(^{31}\) This process is for non-emergency closures of post offices. Section 123.7 of the *POM* provides the USPS’s approach to the emergency suspension of service at a post office.

\(^{32}\) For an example of the types of documents used in the post office closure process, readers may download 444 pages of paperwork related to the proposed discontinuance of the Washburn, Iowa, branch at http://www.prc.gov/Docs/63/63562/Washburn_all_REDACTED.pdf.


\(^{34}\) It is unclear whether this policy applies to the closure of contract postal units.
USPS district manager must produce written justification to the USPS’s vice president for delivery and retail, who may approve or disapprove the decision. According to the POM, the process concludes with the filing of PS Form 1362, Post Office Status Change Report, a document that the USPS forwards to its accounting service center in St. Louis, Missouri.

It is unclear whether section 123.8 of the POM should be interpreted to mean that the USPS does not believe that 39 U.S.C. 404(d) on post office closures applies to post office branch and station closures.

Nevertheless, the USPS appears to have developed an expedited closure process for post office branches, stations, and community post offices. In one of its submissions to the PRC, the USPS has said that it “has in place a longstanding process through which District offices routinely initiate studies and submit proposals to [USPS’s] Headquarters for the discontinuance of operations in a particular retail station or branch.”35 This document carries a “process flowchart” that indicates the USPS provides the public with a 20-day comment period, and that no appeals are permitted.36

Similarly, the APWU has made publicly available a June 2009 USPS document stating that an affected community is given 20 days to comment on a proposed post office branch or post office station closure, but that no appeal is permitted.37 This document suggests that the post office closure process typically takes 100 days (if no appeal is filed), and that the discontinuance of other USPS retail facilities takes only 60 days.

**Post Office Closure Appeals**

Appeals of post office closures are rare. According to the PRC, it received 25 appeals between FY1998 and FY2007. The number of post offices dropped from 27,952 to 27,276 during this period, so the USPS closed at least 676 post offices.38 This means that at most 3.7% of post office closures were appealed to the PRC.

When it receives an appeal, the PRC may dispose of it in three ways; it may

1. affirm the USPS’s proposed closure as in accordance with the law;
2. dismiss the case for lack of jurisdiction; or
3. remand the case to the USPS for reconsideration.

The appellant also may withdraw the case, thereby relieving the PRC of making a determination.

**Figure 5** indicates that the PRC remanded the proposed closure for reconsideration by the USPS in three instances.

---

36 Ibid., p. 12.
38 As noted earlier, data on the number of post offices closed and opened each year are unavailable. If the USPS opened any new post offices between FY1998 and FY2007, then the number of closures would be higher than 676.
Figure 5. PRC Disposition of Post Office Closure Appeals, FY1998-FY2007

Source: Postal Regulatory Commission.

Disposal of a Closed USPS Retail Postal Facility

By law, the USPS may

enter into and perform contracts, execute instruments, and determine the character of, and
necessity for, its expenditures.... acquire, in any lawful manner, such personal or real
property, or any interest therein, as it deems necessary or convenient in the transaction of its
business; to hold, maintain, sell, lease, or otherwise dispose of such property or any interest
therein.... [and] to construct, operate, lease, and maintain buildings, facilities, equipment, and
other improvements on any property owned or controlled by it (39 U.S.C. 401(3)-(6)).

The USPS has sited retail facilities in spaces that it leased from other parties as well as on its own
properties. After the USPS closes a facility in a rented space, it clears out its property and
terminates its lease. After the USPS shuts down a retail postal facility on property that it owns,
“Postal Service policy is to dispose of excess real property under the terms and conditions that
provide the greatest value to the Postal Service. Disposition may be by sale, exchange, outlease,
sublease, or by other means determined to be in the best interest of the Postal Service.”39

Recent Legislation

On January 22, 2009, Representative Albio Sires introduced H.R. 658, which would alter the
statutory post office closure process. As of July 24, 2009, 74 Members of Congress have
cosponsored H.R. 658. The bill was referred to the House Committee on Oversight and
Government Reform’s Subcommittee on Federal Workforce, Post Office, and the District of
Columbia.

H.R. 658 would reduce the USPS’s discretion to close retail postal facilities. In effect, the bill would require the USPS to apply the POM’s section 123.6 post office discontinuance process to post office branches, stations, and other USPS-operated retail postal facilities. H.R. 658 also would expand the public notification provisions by requiring the USPS to

- notify the affected public of the possible closure of a facility via newspapers and mail, and invite public comment for 90 days;
- conduct a study prior to the closure of a facility, and in the event of a decision to proceed with a closure, publish the results of this study in the facility under consideration, and notify affected members of the public of this posting via mail; and
- post a copy of its decision in the post office under consideration, and in the event of a decision to discontinue a facility, notify the public via mail of its rights to appeal the decision to the PRC.

H.R. 658 also would strike the requirement in 39 U.S.C. 404(d)(2)(A)(4) that the USPS consider in its decision to close a post office “the economic savings to the Postal Service resulting from such closing or consolidation.”

H.R. 658 is a revision of a bill from the 110th Congress—H.R. 6217, which Representative Sires introduced on June 9, 2008. One hundred Members cosponsored that measure.

**Issues and Possible Options for Congress**

As noted earlier, Congress established the USPS as

> a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution ... and supported by the people. The Postal Service shall... provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities (39 U.S.C. 101(a)).

Intending the USPS to operate as a financially self-supporting commercial entity, Congress authorized it to arrange its delivery and service network to most efficiently serve the public. Yet, Congress also assigned the USPS the duty to offer “prompt, reliable, and efficient postal services to all communities.”

The USPS’s recent financial challenges have illuminated the inherent tension in this model for delivering public services. In an attempt to balance its flattening operating revenues and increasing operating costs, the USPS has undertaken a variety of cost-cutting measures. For example, the USPS has reduced its total employment by nearly 41,000 persons in the past five years, from 805,796 (FY2004) to 765,088 (FY2008). The USPS now is considering more

---

40 U.S. Postal Service, *Annual Report 2008* (Washington: USPS, 2008), p. 64. Additionally, the USPS recently reported that efforts to “match work hours to reduced volume have resulted in a work-hour decline of 58 million hours—the equivalent of a reduction of 33,000 full-time employees—in the first half of FY2009, despite an increase in the number of delivery points by 1.1 million from the same period last year.” U.S. Postal Service, “Postal Service Ends Second Quarter with $1.9 Billion Loss,” at http://www.usps.com/communications/newsroom/2009/pr09_047.htm.
significant reductions to its overhead, including the closure of at least 3,105 post office branches and stations.

The USPS’s proposed closure of 3,105 or more post office branches and stations prompts a number of observations and suggests some possible issues that Congress may wish to examine.

- To directly address possible public discontent over retail postal facility closures, Congress has at least two direct policy options.\(^\text{41}\) It could either amend law to forbid the closures, or it could enact permanent appropriations to cover the cost of keeping open all or some portion of the USPS’s retail postal facilities. Both of these measures would be substantial departures from current postal law and policy, which designed the USPS as an independent and financially self-sustaining entity.

- Congress also may devise other policies to avert retail postal facility closures. If the root cause for the USPS’s movement to shutter branches and stations is its financial troubles, Congress might take actions to ameliorate the USPS’s deficits, thereby relieving the Postal Service of the need to shutter retail postal facilities. GAO has suggested a handful of cost-cutting suggestions, such as reducing the frequency of mail delivery from six to five days, raising the USPS’s statutory debt cap, and lowering the USPS’s annual payment to its future retiree health benefits fund.\(^\text{42}\) Additionally, the PRC has found that the USPS carries some types of mail at postage rates that are below their costs.\(^\text{43}\) Congress may wish to examine the reasons for these disparities and consider policies to ameliorate them.

- At the time of the publication of this report, the USPS has not publicly released the addresses of the branches and stations under consideration for closure.\(^\text{44}\) Congress may wish to ask the USPS to release this information as Members of Congress, the public, and employees of these facilities all may have an interest in knowing which facilities may close.

- The USPS has cited financial duress as an impetus for the possible closure of 3,105 post office branches and stations. However, the USPS has said that it would not close any of these facilities before October 2, 2009—after the start of FY2010. It would appear, then, that these closures will not ameliorate the USPS’s FY2009 cash shortage. The USPS also has not said how much money it may save from this undertaking. Congress may wish to ask the USPS what its projected savings are and when these savings might be realized.

- The USPS has not said whether any employees at closed retail facilities will lose their jobs. Most, however, probably will be offered positions at new facilities. It


\(^{44}\) The USPS materials released by the APWU list the facilities by metropolitan area, and the testimony filed with the PRC list the cities with facilities under consideration (but not the number within said cities).
is unclear how many employees will want to accept these transfers. For example, an employee may be reassigned to a facility that is located a great distance from his former post office branch or station. Also, it is unclear whether these transfers might create collective bargaining issues. Congress may wish to solicit the opinions of the USPS and the leaders of affected employees on these matters.

- Whenever the USPS moves to close a retail postal facility, there is the potential for public concern over a decline in the adequacy of postal services. Additionally, some members of the public may view their post offices as an integral part of their communities, and they may turn to their Members of Congress to ask for the protection of their postal facilities from closure. Both Congress and the USPS may wish to devise steps to prepare for public inquiries. Furthermore, the USPS might wish to provide affected communities with clear standards for what constitutes adequate retail service under federal law, and indicate how the USPS will meet those standards after closing retail facilities. In addition, Congress may wish to require the USPS to provide it with periodic reports to show that the USPS is providing adequate service to areas affected by postal facility closures.

- The USPS suggests that much of the public probably does not understand the difference between post offices and other retail postal facilities, and the differing processes for their closure and options for public participation. Thus, should the USPS’s large scale postal facility closure proposal go forward, there may be public confusion and duress. Congress and the USPS may wish to consider whether the USPS should be permitted to continue to use two different retail postal facility closure processes.

- The small number of appeals of post office closures between FY1998 and FY2007 may indicate that the public is unaware of the right to appeal, or that some significant barrier is impeding public appeals. Congress may wish to solicit the USPS’s and PRC’s opinions on why so few post office closures have been appealed.

- Should the post office branch and station closure initiative go forward, affected members of the public may grow concerned about the fate of the properties occupied by the USPS. As noted earlier, the current USPS real estate disposition policy is to “dispose of excess real property under the terms and conditions that provide the greatest value to the Postal Service.” Whether the USPS’s interest here coincides or collides with the interests of communities affected by post office closures is unclear. Persons in affected communities may worry about blight, and local governments may express the desire to acquire discontinued post offices for the purpose of redeveloping them. Congress may wish to consider whether a policy should be developed to assist communities affected by closures.

- Inherent to the current postal law is the assumption that some portions of the United States provide profitable markets for postal services, while others do not.


46 Alternatively, should the USPS’s proposed closures elicit a large public response, both the USPS and the PRC may have to allot additional resources toward handling a spike in closure appeals.

and that the former should subsidize the latter. Thus, current law forbids the USPS from closing “small post offices solely for operating at a deficit,” and it requires the USPS to “provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining (39 U.S.C. 101(b)). The law does not forbid closures of large facilities located in suburban and metropolitan places. The USPS’s present facility closure proposal may steer clear of the law’s prohibitions. However, the USPS’s selection of facilities in metropolitan areas for closures may raise equity concerns in affected areas, especially if these urban areas already are subsidizing more rural places. The USPS and Congress may wish to devise some means to address possible complaints about equity.

Author Contact Information

Kevin R. Kosar
Analyst in American National Government
kkosar@crs.loc.gov, 7-3968