

ISSUE BRIEF

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Too Small to Fail? The Case for Post Office Closures

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The post office in Hope, Minnesota, is no doubt a quiet place. During a typical business day it sees eight customers, who require a total of seven minutes of service. The Postal Service wants to close the facility, and instead serve the 90 residents of Hope from the adjacent town of Ellendale, 10 minutes away. Home delivery of mail would not change. The closure is being appealed to the Postal Regulatory Commission (PRC).

Coyote, New Mexico, 70 miles from Santa Fe, may also be losing its post office. Open 42 hours per week, the two postal employees in Coyote see on average seven customers a day. The Postal Service wants to close the office, sending its business to the post office in Youngsville, just four miles away. This decision is also being appealed.

It is no secret that the U.S. Postal Service (USPS) is in financial trouble. Its business is shrinking, with first-class mail revenue dropping 25 percent since 2006. As a result, the government-run enterprise is facing a sea of red ink, losing some \$25 billion in the past five years. Losses of up to \$20 billion annually are predicted for coming years.

To stem the tide, USPS is pursuing a wide range of cost-cutting measures. One of these is the closure of underused post offices. Such restructuring, however, would become more difficult under S. 1789, authored by Senators Joe Lieberman (I-CT) and Susan Collins (R-ME), which would further tighten procedural rules for closures while barring any closures until USPS establishes new service standards for mail, effectively delaying action for six months. This goes in the wrong direction. Congress should give the Postal Service more flexibility to reform itself.

Postal NIMBYism. Closing a post office is never a popular move. To some extent, there is a kind of reverse NIMBY (“Not in my backyard”) effect at work: No one wants to lose the perceived benefits of a local post office. For small communities, there is a symbolic benefit to having a post office to call their own.

And for Members of Congress, post offices are perhaps the oldest form of pork. Many Members have been re-elected based on bringing in a post office—which often ends up bearing his or her name. Few see an electoral advantage in closing an obsolete facility.

But despite this political popularity—or perhaps because of it—many of the nation’s 27,000 post offices are simply not needed in order to provide service. Fully 80 percent of post offices lose money.¹

The problem is getting worse. Americans are using their local post offices less than ever before. Electronic alternatives such as stamps.com, as well as sales at supermarkets and other retail stores, have meant fewer trips to the post office. As a result, traffic at America’s post offices dropped 21 percent from 2009 to 2010.²

Cumbersome Processes. The Postal Service, however, lacks the ability to quickly and effectively respond to changing market conditions. In fact, under current law, USPS is barred from closing any small post office because it is losing money. Instead, Postal Service rules and federal law require USPS to weigh four factors in considering possible closures: the effect on postal

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employees, the ability of USPS to provide universal service, the effect on the community and—lastly—the economic savings to the Postal Service.³

USPS's decisions are then subject to a lengthy and cumbersome review process, including a 60-day public comment period and an appeal before the Postal Regulatory Commission. The PRC then has another 120 days to decide the case.

These procedural delays and the attendant cost imposed on the Postal Service by this extended process—plus political pressure from politicians anxious to avoid home state closures—is a significant barrier to necessary restructuring. Despite several previous reform efforts, the number of USPS retail facilities has remained almost unchanged in recent years, declining 1.5 percent from 2007 to 2011.⁴

USPS Restructuring Plans. In its latest restructuring initiative, USPS identifies about 3,700 post offices as candidates for closure. The list includes many rural facilities and many in urban centers. New York City, for instance, has 34 post offices on the list. Washington, D.C., has 19, including several in government

buildings, such as the Capitol and the State Department.⁵

Over three-quarters of the offices are miniscule, garnering less than \$27,500 in customer transactions each year. The remainder are facilities that have at least five alternative postal facilities nearby available to customers.⁶

Similarly, USPS job losses from these measures would be limited: USPS estimates that 4,500 employees would be “affected” by the 3,700 closings, although many of them would be reassigned rather than let go.⁷ Certainly, deep reductions in the postal workforce are necessary to USPS's survival, but they do not come from this initiative.

The stated savings from these closures are deceptively small—only \$200 million under USPS's estimates. But some 15,000 other locations are being considered for possible closure by 2015, and USPS has also identified 264 processing centers for closure for a savings of \$2.1 billion.⁸

The larger number of closures would doubtless involve larger and busier facilities than those identified so far. But few services offered by USPS require an owned-and-operated facility; there are a host of other

alternatives, ranging from automated postal “kiosks” to “approved shippers” for packages to stamp sales at supermarkets and other stores.

These are sensible solutions that could actually improve—rather than just maintain—service for postal customers.

The (Postal) Route Ahead. The future of the Postal Service is being determined now. It could continue as an obsolete, politicized institution doomed to extinction. Alternatively, it could become a taxpayer-supported dinosaur existing on billions in taxpayer funding each year. Or will it be allowed to restructure and innovate, giving it a chance to find a place in today's economy? Congress should support the third of these and give the Postal Service a chance to save itself—and taxpayers—from disaster. That means allowing the Postal Service to adopt reforms, not stopping it.

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6. Postal Regulatory Commission, “Advisory Opinion on Retail Optimization Initiative,” December 23, 2012, p. 15.
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