

Why GAO Did This Study

Since 2006, USPS has accumulated losses of \$25 billion and projects a \$14.1 billion net loss for fiscal year 2012. In September 2011, the Postmaster General testified that USPS needed to reduce its annual costs by \$20 billion, or 27 percent of its projected expenses. One effort to reduce costs includes restructuring, or optimizing, the size of USPS's retail network and workforce. The network includes approximately 32,000 USPS-operated facilities, such as traditional post offices, as well as alternative non-USPS-operated locations that sell its products and services. To optimize this network, USPS plans to evaluate and locate its retail facilities to maximize revenue and minimize costs while still providing access to services.

As requested, this report discusses (1) key actions USPS has taken over the past 5 years to restructure its retail network, (2) concerns raised by stakeholders, and (3) the challenges USPS faces in changing its retail network. GAO analyzed USPS documents, interviewed USPS officials and stakeholders, and observed public meetings on retail facility closures.

What GAO Recommends

GAO makes no recommendations in this report, as it has previously reported on the urgency for Congress to allow USPS to adapt its retail network to changing customer behavior and reduce costs. USPS agreed with GAO's draft report, noting limitations it faces to retail restructuring. It also observed that maintaining the same level of retail services will require solutions to cover the costs of those services.

View [GAO-12-433](#). For more information, contact Lorelei St. James at (202) 512-2834 or stjamesl@gao.gov.

U.S. POSTAL SERVICE

Challenges Related to Restructuring the Postal Service's Retail Network

What GAO Found

Over the past 5 years, the U.S. Postal Service (USPS) has taken several actions to restructure its retail network through reducing its workforce and its footprint while expanding retail alternatives. USPS officials estimated that it had saved about \$800 million from reducing the number of work hours dedicated to retail operations. USPS also closed 631 of its post offices, but it did not have cost-savings estimates for these closures. Most of the facilities closed (500) were in response to a postmaster vacancy or the suspension of operations due to an expired lease or irreparable damage following a natural disaster. Fewer closures (131) have resulted from nationwide reviews that USPS initiated in 2009 and 2011. USPS has also restructured its retail network by expanding alternatives through self-service options as well as partnerships with other retailers.

Members of Congress, the Postal Regulatory Commission (PRC), the USPS Office of Inspector General (OIG), customers, employee associations, and some community residents have raised concerns about USPS's retail restructuring initiatives. The concerns include

- access to postal services, including community residents' ability to obtain retail services, the adequacy of retail alternatives, and changes to delivery services;
- the impact of facility closures on communities;
- the adequacy of USPS analysis of facilities facing closure and the reliability of USPS data, particularly the accuracy of USPS cost savings estimates;
- the transparency and equity of USPS closure decisions;
- the fairness of USPS's facility closure procedures; and
- changes in who can manage a post office.

PRC, USPS OIG, and GAO have recommended improvements to address some of these issues. In particular, GAO has recommended that USPS develop a plan that addresses both traditional post offices and retail alternatives and ensures that USPS has a viable strategy for effectively adapting its networks to changing mail use and maintaining adequate service as it reduces costs. USPS officials have said they are in the process of addressing these recommendations.

USPS faces challenges, such as legal restrictions and resistance from some Members of Congress and the public, that have limited its ability to change its retail network. For example, USPS is supposed to be self-financing, but it is also restricted by law from making decisions that businesses would commonly make, such as closing unprofitable units. Additionally, some Members of Congress and the public have challenged USPS's plans to close retail facilities in their districts or communities. Certain policy issues remain unresolved related to what level of retail services USPS should provide, how the cost of these services should be paid, and how USPS should optimize its retail network. Pending legislation takes differing approaches to addressing these policy issues. If Congress prefers to retain the current level of retail service and associated network, decisions will need to be made about how USPS will pay for these services, including through additional cost reductions or revenue sources.