

GAO

Briefing Report to the Chairman
Subcommittee on the Postal Service
Committee on Government Reform
and Oversight
House of Representatives

March 1997

U.S. POSTAL SERVICE

Information on Post Office Closures, Appeals, and Affected Communities



General Government Division

B-275119

March 11, 1997

The Honorable John M. McHugh
Chairman, Subcommittee on the Postal Service
Committee on Government Reform
and Oversight
House of Representatives

Dear Mr. Chairman:

This briefing report responds to your request for information on the Postal Service's closure of post offices.¹ Local post offices have long been a part of American culture and business, but they have become increasingly expensive for the Postal Service to maintain.² Nevertheless, the Postal Reorganization Act of 1970 provides that no small post office can be closed for economic reasons alone. In 1976, Congress added provisions to the 1970 act to govern whether and how the Service is to close post offices. This report provides information on (1) the Postal Service process for closing post offices, (2) the number of post offices closed since 1970, (3) the number of proposed post office closures appealed to the independent Postal Rate Commission (PRC) and the disposition of those appeals, and (4) selected attributes of affected communities for fiscal years 1995 and 1996.

On February 28, 1997, we briefed the Subcommittee on the results of our work. As requested, this report summarizes the information we presented at that briefing.

Background

The 1970 act states that "No small post office shall be closed solely for operating at a deficit. . . ." (39 U.S.C.101(b)). For several years after the act was passed, Congress appropriated funds to reimburse the Postal Service for "public service costs" incurred in providing postal services in communities where post offices were not self-sustaining. The act provides for reductions in these appropriations over subsequent years. In 1976,

¹A post office closure is when the Service permanently discontinues the operations of an independent post office (IPO), eliminates its concomitant postmaster position, and provides the affected customers with alternative postal services, such as rural route services, community post offices, or highway contract routes (HCR).

²We recently reported (Postal Service Reform: Issues Relevant To Changing Restrictions on Private Letter Delivery, (GAO/GGD-96-129B, Sept. 12, 1996)) that of 39,149 post offices, stations, branches, and other outlets, 17,702 (about 45 percent) reported total annual revenues that were about \$1.1 billion lower than their total expenses in fiscal year 1995. Of these total outlets, about 28,000 were post offices headed by a postmaster and, according to the Postal Service, are subject to the statutory closing restrictions discussed in this report.

Congress amended the act to place a temporary moratorium on further service reductions and specifically prohibited closing post offices that served 35 or more families. While those specific provisions were only temporary, other provisions included in the 1976 amendments remain in effect today, and these affect the Service's decisions to close or consolidate post offices.³ These provisions state that before closing a post office, the Service must (1) consider the effects on the community served, the postal employees affected by the closure, and the government policy to provide effective and regular postal services to all areas of the country, as well as any economic savings to the Service resulting from the closure, and (2) provide customers with adequate notice at least 60 days before the proposed date for the closure and provide them with a written proposal to close the post office and the findings that led to the closure decision. The provisions established PRC as the appeals examiner for post office closures. Specifically, the provisions state that any person served by the post office may, within 30 days after the written notice of the proposed closure is provided, appeal the proposal to PRC. PRC may affirm the proposal or remand the entire matter to the Service for further consideration. Upon remand, the proposed closure is suspended until the Service has completed its reconsideration. The Service is not required to notify PRC of the outcome of its reconsideration. The act requires PRC to rule on the appeal no later than 120 days after receiving it.

Results in Brief

The Postal Service has a detailed process for deciding whether to close a post office and for effecting the closure. The process is to include obtaining and evaluating post office operational and community demographic information, postal service delivery options, and comments from customers who would be affected by the closure of a post office. The Service has closed 3,924 post offices since 1970. PRC received the first appeal of a proposed post office closure in 1978. Since the 1976 amendments, there have been 2,614 post office closures and 296 (11 percent) of these closures were appealed to PRC from 1978 through 1996. PRC affirmed the Service's proposals on 170 (57 percent) of these appeals; determined that it lacked jurisdiction for 31 (10 percent) of these appeals, which allowed the Service to proceed as originally intended; and remanded 58 (20 percent) of these appeals to the Service, usually due to incomplete data. Selected attributes varied in communities where post offices were either closed or were proposed to be closed but were

³A consolidation is the replacement of a post office with a station, branch, or contractor-operated community post office (CPO). Because the amendment's provisions on post office closures and related appeals equally apply to post office consolidations, for purposes of this report, all references to a post office closure may refer to a closure or to a consolidation of a post office.

appealed in fiscal years 1995 and 1996. Attributes of affected communities included population and number of businesses, and attributes of post offices within these communities included level of postal service, postmaster salaries, post office revenues, and annual operating costs. In most cases, the annual operating costs of the closed post offices and those proposed to be closed exceeded their postal revenues.

The Post Office Closing Process

The Postal Service has a detailed process for closing post offices. To assist its managers in deciding whether to close a post office, the Service developed and issued the Post Office Discontinuance Guide (Handbook PO-101), dated January 1, 1994, which provided policy guidance regarding the appropriate procedures for closing a post office. The guide states that three circumstances may prompt the Service to initiate a feasibility study to determine whether to close a post office: (1) a postmaster vacancy; (2) the emergency suspension of the operations of a post office; or (3) special circumstances, such as the incorporation of two communities into one.

According to the guide, under any of these circumstances, postal managers may conduct a study to evaluate the post office workload and the service needs of the community. In addition, postal managers are to

- consult with county or city officials for information on population, area or post office building historical significance, and growth trends within the community;
- consult with managers of the post office under consideration for closure and nearby offices that may provide alternative service;
- analyze and rank alternative postal services in order of practicality, costs, and the maintenance of effective and regular service to the community;
- hold public meetings, poll affected customers using questionnaires, and propose alternative postal services at less cost; and
- give customers written notice of Service proposals, decisions, and appeal rights. (See br. section I.)

The Number of Post Offices Closed

According to Service records, since fiscal year 1970, the Service has closed 3,924 post offices, leaving 28,189 post offices open at the end of fiscal year 1996. These closures averaged 218 per year during the 6-year period (fiscal years 1970-75) before the 1976 amendments, while closures averaged 124 per year for the 21-year period (fiscal years 1976-96) after the amendments. In fiscal year 1995, the Service closed 239 post offices—the

highest number of closures since the early 1970s, when 385 post offices were closed in fiscal year 1974. Service officials identified two conditions that led to the large number of closures in fiscal year 1995. The first condition was the Service's 1992 early-out retirement incentive, which was offered to most of its employees, including postmasters. The second condition was the Service's decision to address the accumulation of post offices whose operations had been suspended due to various emergency situations. Because of a backlog of potential closures stemming from postmaster retirements and emergency suspensions of post offices, there was a delay in closing many of these post offices until fiscal year 1995. Post office closures diminished to 161 in fiscal year 1996.

We reviewed Postal Service and PRC records for 93 post offices that were either closed or whose proposed closures were appealed in fiscal years 1995 and 1996. Of the 93 post offices, 50 were closed without appeal and 43 were proposed to be closed but were appealed to PRC.⁴ The records showed that the closure process for 91 of the post offices was prompted by postmaster vacancies—retirement, transfer, promotion, or death. For the remaining two post offices, the records showed that the closure process for one was prompted by the post office building's lease expiring and the other was prompted by the post office building burning. (See br. section II.)

The Number of Appeals and Their Dispositions

PRC received the first appeal of a Service proposal to close a post office in fiscal year 1978. Since the 1976 amendments, there have been 2,614 post office closures and 296 (11 percent) of these closures were appealed to PRC in fiscal years 1978 through 1996. Of these appeals, PRC affirmed the Service's proposals in 170 cases (57 percent) and determined that it lacked jurisdiction in 31 cases (10 percent), which allowed the Service to proceed as originally intended. PRC determined that it lacked jurisdiction in these 31 cases because 19 cases were not filed within the 30 days required by law, and 12 cases dealt with issues outside its jurisdiction, such as the relocation of a post office within the same community. PRC remanded 58 cases (20 percent) to the Service, usually because of incomplete Service-provided records or other data deficiencies. Postal Service records did not allow us to readily determine the status of the 58 remanded cases. Of the remaining 37 cases (13 percent), the Service withdrew its proposals

⁴These 43 proposed post office closures resulted in 44 appeals because one proposed closure was appealed twice. Initially, the proposed post office closure was appealed. PRC remanded the first appeal to the Service. Next, the Service proposed to close the post office again. Finally, a second appeal was filed, and PRC affirmed the Service's decision to close the post office.

to close 36 post offices before PRC had ruled on the appeals, and the appellant withdrew the other appeal.

The act requires that PRC use the Service-prepared administrative records to review appeals of Service proposals to close post offices. According to PRC officials, they also used written arguments submitted by the appellants and the Service. Also, we reviewed 44 appeals and found that PRC had made its decision in each of these cases within the 120 days required by law. (See br. section III.)

Selected Attributes of Affected Communities

When information was available from Service records on post office closures and proposed closures that we reviewed, we obtained selected information on postal services provided to and demographic data for the communities affected by these closures or proposed closures. These communities had populations ranging from 30 to 2,143, with an average and median population of 206 and 80, respectively; and businesses ranging in number from 1 to 39, with an average and median of 6 and 5, respectively. At the involved post offices, the communities received from 10 to 44 hours of window service per week, with a weekly average of 28 hours of service. The postmaster salaries for these post offices ranged from \$5,773 to \$31,664 per year, an average of \$13,664 per year. Except for post offices in four communities, the annual operating costs of the post offices exceeded their postal revenues. Also, for each community affected by a closure or proposed closure, records indicated that the Service was to provide it with less costly alternative postal services, such as establishing a contract CPO. (See br. section IV.)

Scope and Methodology

We interviewed Service headquarters and PRC officials responsible for evaluating post office closures and appeals, and we reviewed laws, regulations, policies, and procedures relating to closing post offices. We obtained statistics on the number of post offices, the number closed, and the number of appeals filed with PRC. We did not obtain statistics on the number of closed classified stations, branches, and community post offices because these postal facilities were not covered by the statutory provisions for post office closures.⁵ We reviewed Service and PRC documents on all 43 proposed post office closures that were appealed—1 proposed closure was appealed twice, resulting in a total of 44 appeals—in

⁵The statistics we present in this report on post office closures do not agree with those the Postal Service publicly reported prior to fiscal year 1995 because the Service's statistics on post office closures included not only the total number of closed post offices but also classified stations, branches, and community post offices.

fiscal years 1995 and 1996. In addition to these 44 appealed closures, we randomly selected and reviewed documents related to 50 post offices that were closed without appeal in fiscal years 1995 and 1996. We reviewed Service and PRC decision documents and, when available, obtained selected information on postal services and demographic data for 93 of the affected communities, and financial data for the affected post offices. We also obtained information on the time taken for Service and PRC actions. We did not verify the accuracy of Service and PRC records.

We did our work in Washington D.C., from August through December 1996 in accordance with generally accepted government auditing standards.

Agency Comments

We requested comments on a draft of this report from the U.S. Postal Service and the Postal Rate Commission. We received written comments from the Vice President and Controller of the U.S. Postal Service dated March 6, 1997, and from the Chairman of the Postal Rate Commission on February 27, 1997, which are reprinted in appendixes III and IV, respectively. Both officials generally agreed with the facts presented in the report. Their staffs also provided oral technical comments to clarify, correct, and update some of the information in the report. We have incorporated these comments into the report where appropriate.

We are sending copies of this briefing report to the Ranking Minority Member of your Subcommittee, the Chairman and Ranking Minority Member of the Senate Committee on Governmental Affairs, the U.S. Postal Service, and other interested parties. We will also make copies available to others on request.

The major contributors to this report are listed in appendix V. If you have any questions about this report, please call me on (202) 512-8387.

Sincerely yours,

A handwritten signature in black ink that reads "Michael E. Motley". The signature is written in a cursive style with a large, stylized initial "M" and a flourish at the end.

Michael E. Motley
Acting Director, Government Business
Operations Issues

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Abbreviations

COD	Collect on delivery
CPO	Community post office
FY	Fiscal year
HCR	Highway contract route
IPO	Independent post office
PO	Post office (same as IPO)
PRC	Postal Rate Commission

Background

GAO Briefing Objectives

Provide information on

- The Postal Service process for closing post offices
 - The number of post offices closed since 1970
 - The number of proposed post office closures appealed to PRC and their disposition
 - Selected attributes of affected communities
-

Briefing Objectives

Our objectives were to obtain information on (1) the Postal Service process for closing post offices, (2) the number of post offices closed since 1970, (3) the number of proposed post office closures appealed to the Postal Rate Commission (PRC), and the disposition of those appeals, and (4) selected attributes of the affected communities for fiscal years 1995 and 1996., e.g., information on postal services and demographic data.⁶

⁶A post office closure is when the Service permanently discontinues the operations of an independent post office (IPO), eliminates its concomitant postmaster position, and provides the affected customers with alternative postal services.

GAO Statutory Provisions for Post Office Closures

The 1970 Act requires that no small post office be closed solely for operating at a deficit.

The 1976 amendments imposed conditions on post office closures:

- The Service must consider effects on community served, postal employees, and postal services, and economic savings to the Service; and
 - The Service must provide customers with its written proposals and findings.
 - Customers may appeal the closure to PRC.
-

**Statutory Provisions for
Post Office Closures**

The Postal Reorganization Act of 1970 (39 U.S.C. 101(b)) states that “No small post office shall be closed solely for operating at a deficit. . . .” In 1976, Congress amended the act to place a temporary moratorium on further service reductions and specifically prohibited closing post offices that served 35 or more families. While these specific provisions were only temporary, other provisions included in the 1976 amendments, which remain in effect today, affect the Service’s decisions to close or consolidate post offices.⁷

Under the 1970 act as amended, when considering whether to close a post office, the Service must assess the impact on the community served, the postal employees, and the postal services as well as any economic savings to the Postal Service that would result from the closure. The Service must notify affected customers at least 60 days before the proposed date for the closure and provide them with its written proposal and findings. Any person served by the post office involved may file an appeal with the independent Postal Rate Commission (PRC) within 30 days after the Postal Service provides written notice that it proposes to close the post office.

⁷A consolidation is the replacement of a post office with a station, branch, or contractor-operated community post office (CPO). Because the amendment’s provisions on post office closures and related appeals equally apply to post office consolidations, for purposes of this report, all references to a post office closure may refer to the closure or the consolidation of a post office.

GAO Statutory Provisions for Appeals of Post Office Closures

The 1976 amendments established PRC as the PO closure appeals examiner

- PRC is authorized to
 - affirm the proposed post office closure, or
 - remand matter to the Service for further consideration
 - PRC is to use Service-prepared administrative record when ruling on an appeal
-

**Statutory Provisions for
Appeals of Post Office
Closures**

The 1976 amendments established PRC as the appeals examiner for the closure of a post office. These amendments provided that PRC may affirm the proposal or remand the entire matter to the Service for further consideration. In doing so, PRC must use the information in the Postal Service's prepared administrative record, which contains the analyses, comments, and other justification for each proposed post office closure. PRC is required to rule on the appeal within 120 days from the date the appeal is filed with PRC.

GAO Service Guidance on When a Post Office May Be Considered for Closure

The Post Office Discontinuance Guide specifies three circumstances that may prompt a study to consider whether to close a post office:

- A vacancy in the postmaster position
 - An emergency suspension of a post office's operations
 - Special circumstances
-

**Service Guidance on When
a Post Office May Be
Considered for Closure**

The Post Office Discontinuance Guide (Handbook PO-101) specifies three circumstances that may prompt Service officials to initiate a study to determine whether a post office should be closed. These circumstances are (1) a vacancy in a postmaster position arises due to promotion, transfer, retirement, or death; (2) an emergency suspension of a post office's operations occurs due to circumstances such as a natural disaster, sudden loss of the post office building lease when no suitable alternative quarters are available, or severe damage to or destruction of the post office building; or (3) special circumstances, such as the incorporation of two communities into one.

GAO Postal Service Process for Closing Post Offices

In January 1994, the Postal Service issued the Post Office Discontinuance Guide, which

- provides policy guidance on the appropriate procedures for investigations; public notifications of proposals and decisions; and the process for reaching decisions and appealing closures.

Service documentation for each proposed post office closure is to become the administrative record in the event of an appeal.

**Postal Service Process for
Closing Post Offices**

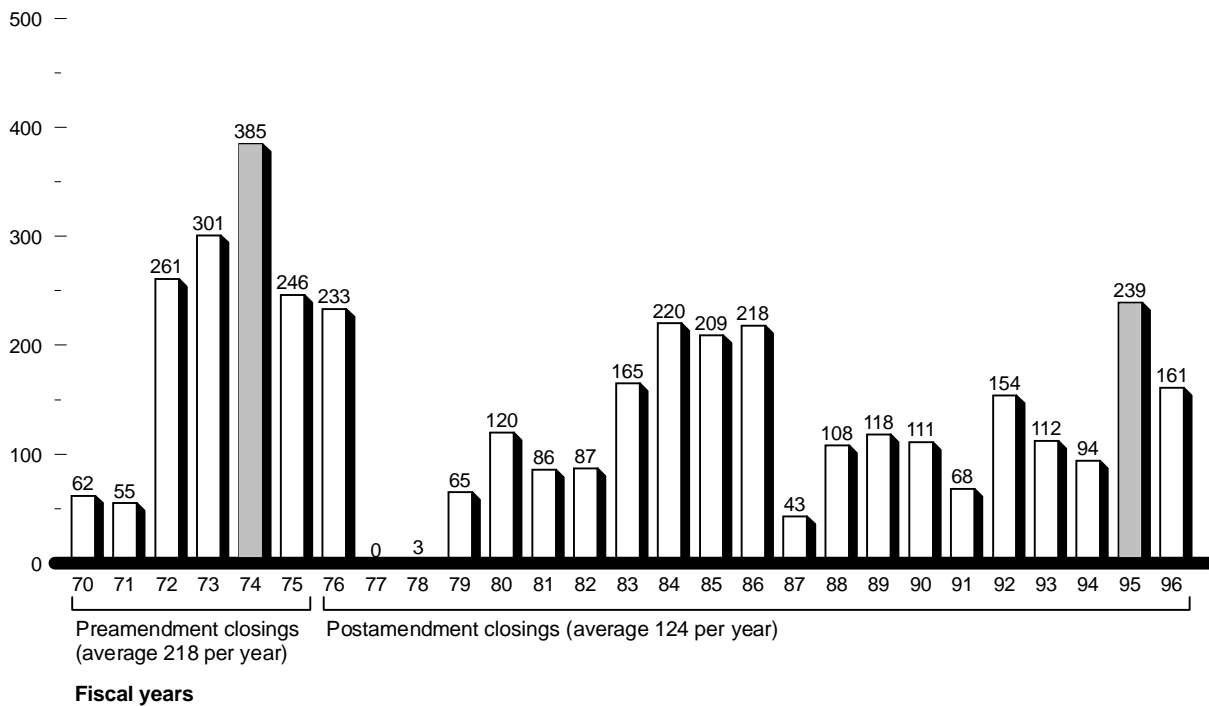
In January 1994, the Service issued its Post Office Discontinuance Guide. According to Service officials, the guide is to help ensure that Service procedures are followed, uniform processes are used, and consistent documentation is prepared for each post office closure. The guide is also to be used as a training tool and to assist postal field personnel responsible for reviewing the status of post offices in their districts.

The guide covers the closure of IPOS. It provides policy guidance on the appropriate (1) procedures for investigations to be undertaken, public meetings to be held to inform customers of the Service's plans, and customer feedback to be obtained; (2) requirements for public notification of Service proposals and decisions; (3) the Service's process for reaching decisions to close post offices; and (4) the appeal process and how the Service is to respond to an appeal. The guide also provides samples of necessary forms and reports that need to be prepared. The entire Service documentation for each proposed post office closure is to become the administrative record that PRC is required to use, as well as written arguments submitted by appellants and the Service, when ruling on an appealed proposed closure.

Number of Post Offices Closed

GAO Number of Post Office Closures, Fiscal Years 1970-96

Number of post office closures



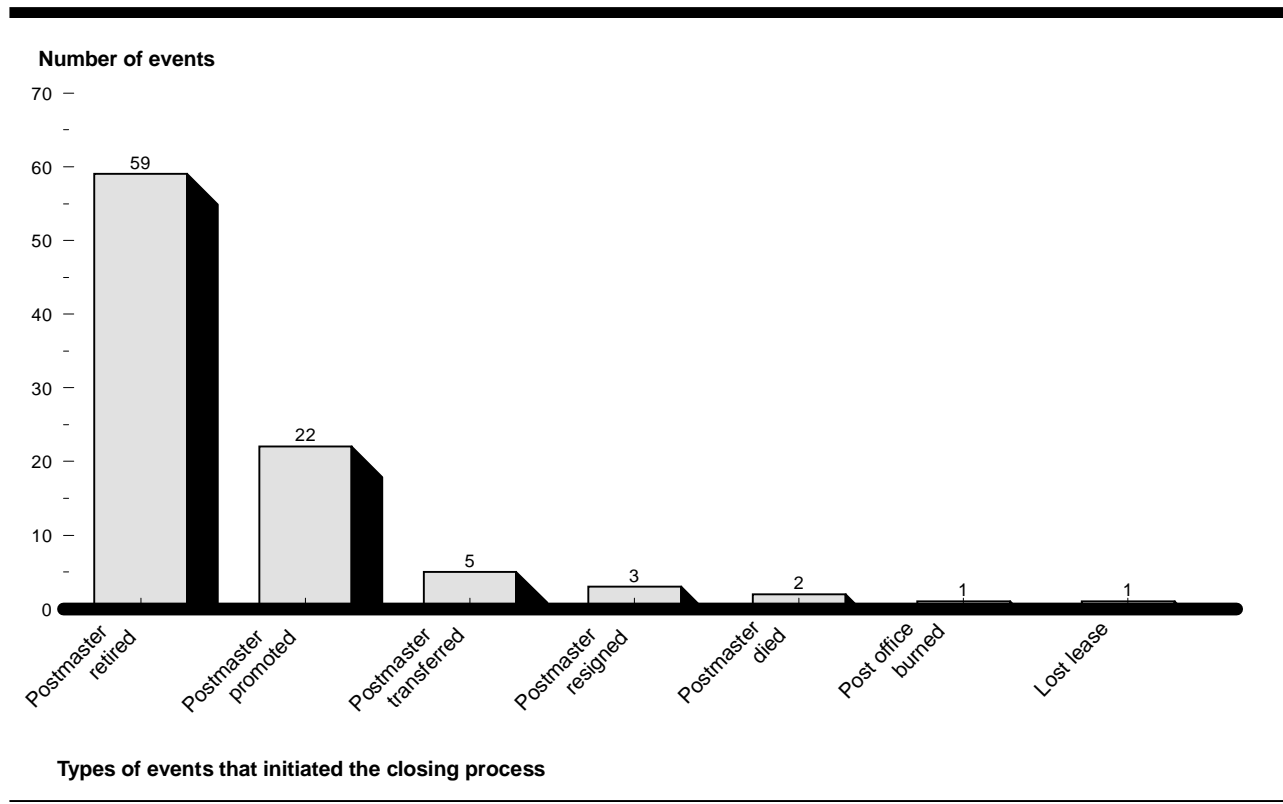
Source: Postal Service data.

**Number of Post Office
Closures, Fiscal Years
1970-1996**

Through fiscal year 1996, the Service had closed 3,924 post offices, leaving 28,189 post offices open at the end of the fiscal year. Since 1970, the Service has closed an average of 145 post offices each year. The number of post offices closed during the 6-year period (fiscal years 1970-1975) before the 1976 amendments averaged 218 per year, while closures for the 21-year period (fiscal years 1976-1996) after the amendments averaged 124 per year.

In fiscal year 1995, the Service closed 239 post offices—the highest number of closures since the 1970s, when 385 post offices were closed in fiscal year 1974. Service officials identified two conditions that led to the large number of closures in fiscal year 1995. The first condition was the Service's 1992 early-out retirement incentive, which was offered to most of its employees, including postmasters. The second condition was the Service's decision to address the accumulation of post offices whose operations had been suspended due to various emergency situations. These postmaster retirements and emergency suspensions of post offices had caused a backlog in the post office closing process. As a result, many of the affected post offices were not closed until fiscal year 1995. In fiscal year 1996, post office closures declined to 161.

GAO Events Prompting the Service to Initiate Its Closing Process, FYs 1995-96



Source: Postal Service and PRC data.

**Events Prompting the
Service to Initiate Its
Closing Process, Fiscal
Years 1995-96**

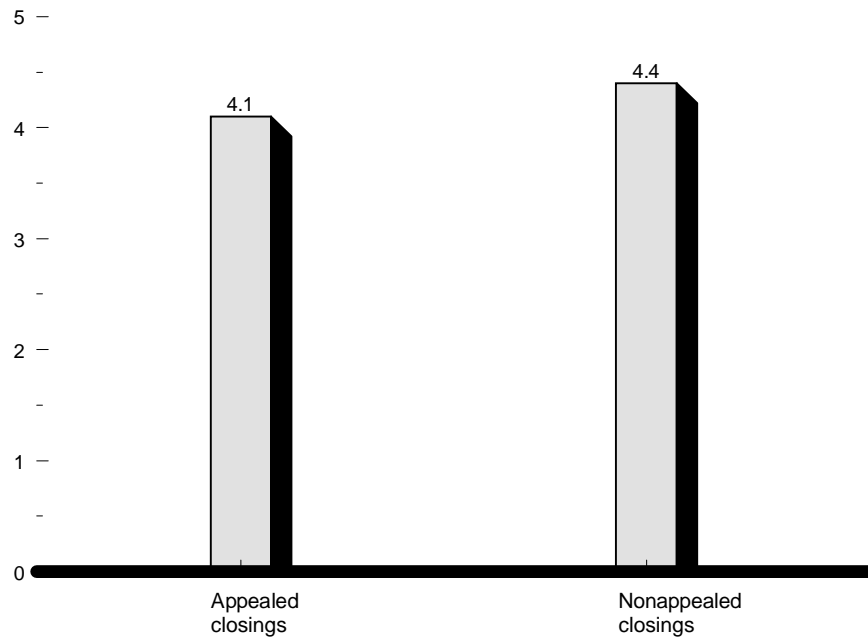
We reviewed Service and PRC records for 93 post offices that were either closed or whose proposed closures were appealed in fiscal years 1995 and 1996. The records indicated the Service initiated its closing process after the following events:

- Postmaster vacancies: vacancies included 59 retirements, 22 promotions, 5 transfers, 3 resignations, and 2 deaths; and
- Emergency suspensions: suspensions included one post office building with a terminated lease and another post office building severely damaged by fire.

Postmasters may apply for other positions within the Service, including other postmaster positions created by vacancies. Postmasters at small post offices, such as the ones we reviewed, can apply for promotions to larger post offices.

GAO Average Time the Service Took to Close POs, Fiscal Years 1995-96

Number of years from the event that initiated the closing process to the closure



Appealed and nonappealed closures

Source: Postal Service and PRC data.

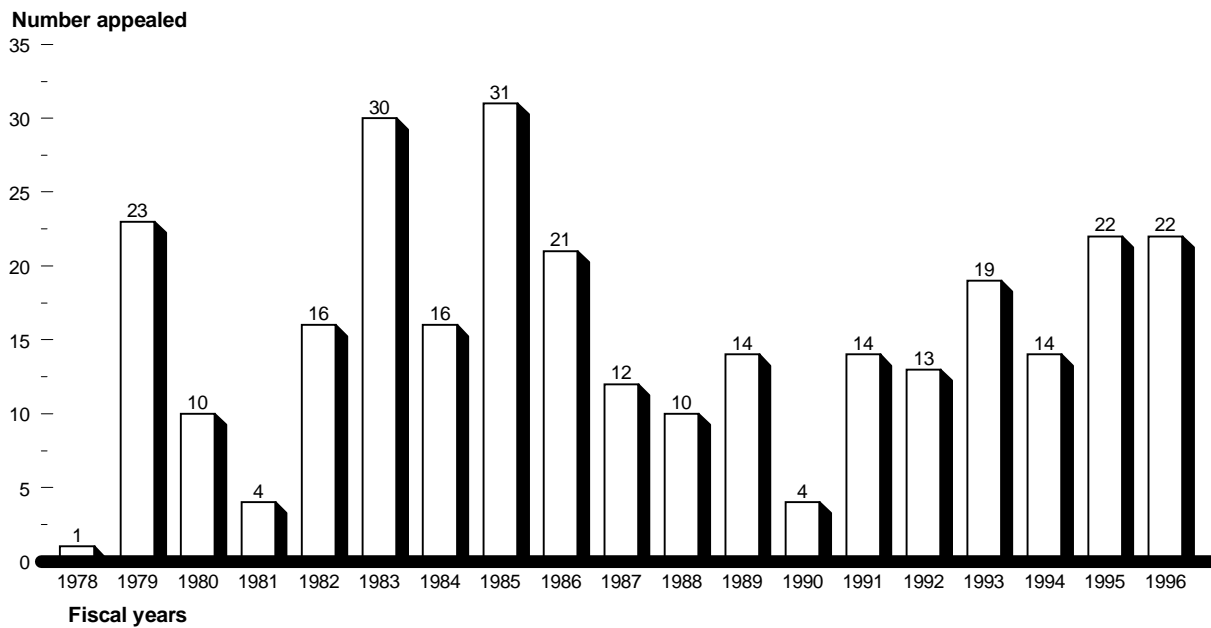
**Average Time the Service
Took to Close Post Offices,
Fiscal Years 1995-96**

Of the 44 Service proposed closures that were appealed in fiscal years 1995 and 1996, 19 had been closed at the time of our review. Data available for 18 of the 19 closures indicated that the process had taken an average of 4.1 years, ranging from 2.7 years to 9.8 years. For the 50 post office closures we reviewed for the same period that were not appealed, the closing process had taken an average of 4.4 years, ranging from 1.2 years to 13.6 years. These times measure the closing process from when a postmaster vacancy occurred or an emergency suspension of a post office took effect to when the Service publicly announced the closure in the Postal Bulletin.

A detailed analysis of the time taken by the Service to close post offices was not within the scope of our review. However, we noted that the Service's procedures required numerous steps to be completed before a post office was closed. Postal managers were to conduct a feasibility study to determine whether to close a post office, which was to include an evaluation of the post office workload and the service needs of the community. Postal managers were also to consult with county or city officials for information about population, area or post office building historical significance, and growth trends within the community; consult with managers of the post office under consideration for closure and with nearby offices that may provide alternative service; analyze and rank alternative services in order of practicality, costs, and the need to maintain effective and regular service to the community; hold public meetings; poll affected customers using questionnaires; propose alternative postal services; and give written notice of Service proposals, decisions, and appeal rights.

Proposed Post Office Closures That Were Appealed

GAO Proposed Closures Appealed to PRC in Fiscal Years 1978-96



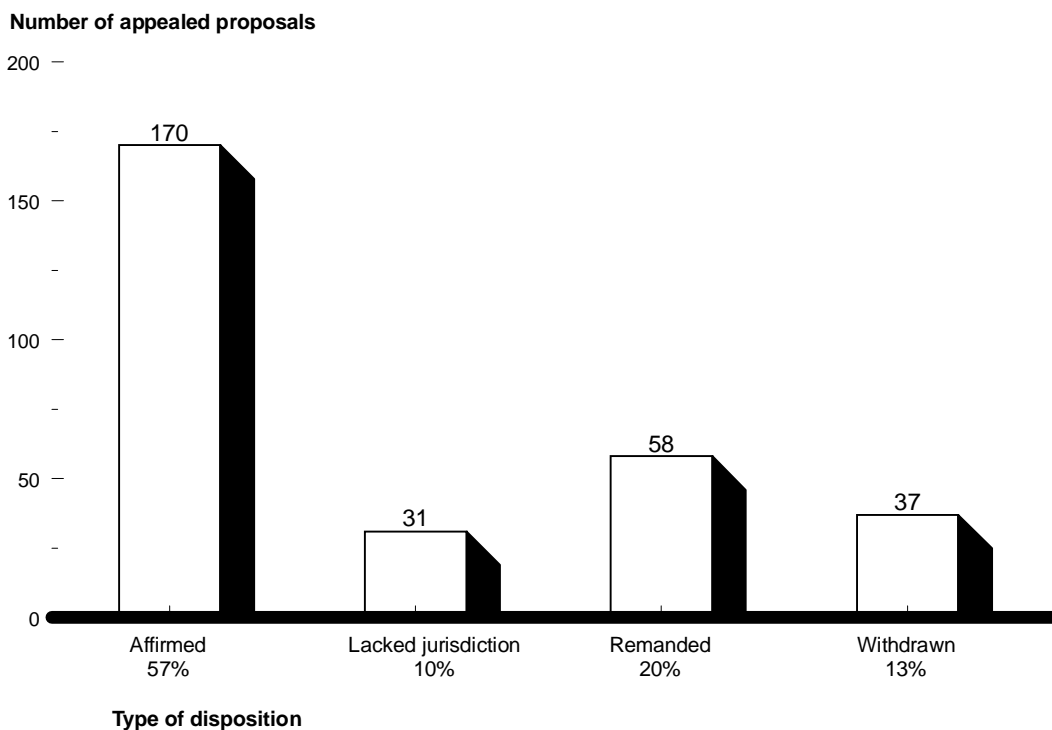
Source: PRC data.

**Briefing Section III
Proposed Post Office Closures That Were
Appealed**

**Proposed Closures
Appealed to PRC in Fiscal
Years 1978-96**

The first appeal of a Postal Service proposal to close a post office was filed in fiscal year 1978. Since the 1976 amendments, there have been 2,614 post office closures, and 296 (11 percent) of these closures were appealed to PRC from fiscal years 1978 through 1996. When considering appeals, the 1970 act, as amended, requires that PRC use the Service-prepared administrative record. PRC officials told us that they also use written arguments submitted by the appellant and the Service when ruling on an appeal.

GAO Appeals of Proposed Closures and Disposition of Appeals, FYs 1978-96



Source: PRC data.

**Appeals of Proposed
Closures and Dispositions
of Appeals, FYs 1978-96**

PRC's dispositions of the 296 appeals filed through fiscal year 1996 are as follows:

Affirmed: PRC did not take exception with the Postal Service on 170, or 57 percent, of the appealed closure proposals. PRC ruled that the Service complied with the requirements of the law and could proceed with the proposed closures.

Lacked jurisdiction: PRC determined that it lacked jurisdiction for 31, or 10 percent, of the appealed proposed closures. PRC found that 19 of these appeals were not filed within the 30 days required by law. PRC also found that the remaining 12 appeals dealt with issues outside its jurisdiction, such as a Service decision to relocate a post office within the same community, a suspension of service, or a study of the feasibility of closing a post office. PRC's lack of jurisdiction regarding these appeals allowed the Service to proceed as originally intended.

Remanded: PRC took exception with the Postal Service on 58, or 20 percent, of the appealed proposed closures. PRC ruled that the Service did not comply with the requirements and suspended the proposed closure. Postal Service records did not allow us to readily determine the status of these remanded cases.

In remanded cases, the Postal Service may decide to withdraw a proposed closure and not close the post office or correct the PRC-noted deficiency in the record and proceed with closing actions. The Postal Service is not required to go back to PRC and show that it corrected the deficiency before closing the post office. (See app. I for a case study of a closure that was appealed twice.)

Withdrawn: PRC did not rule on 37, or 13 percent, of the appealed proposed closures because the Service withdrew its proposals to close 36, and the appellant withdrew the other appeal.

Selected Attributes of Affected Communities, Fiscal Years 1995 and 1996

GAO Community Demographics, Fiscal Years 1995-96

	Data range		
	Low	High	Average
Demographics			
Population size (23 communities)	30	2,143	206
Number of businesses (77 communities)	1	39	6

Source: Postal Service and PRC data.

**Community Demographics,
Fiscal Years 1995-96**

We reviewed Service and PRC records for 93 communities where post offices were either closed or whose proposed closures were appealed to PRC in fiscal years 1995 and 1996. According to data available for 23 of these communities, resident population size ranged from 30 to 2,143, and averaged 206. The median population size was 80. Data available for 77 communities showed that the number of businesses ranged from 1 to 39, and averaged 6. The median number of businesses was 5.

GAO Postal Services Provided to the
 Communities, Fiscal Years 1995-96

Type of service	Data range		
	Low	High	Average
Window hours per week (93 post offices)	10	44	28
Transactions per day (84 post offices)	1	157	13
General delivery customers (56 post offices)	1	52	13

Source: Postal Service and PRC data.

**Postal Services Provided to
the Communities, Fiscal
Years 1995-96**

The hours of window service provided to the communities by the 93 post offices that were either closed or proposed for closure and subsequently appealed in fiscal years 1995 and 1996 ranged from 10 to 44 hours per week, with an average of 28 hours per week. Retail services provided during window service hours included the sale of stamps and money orders; special services, such as registered, certified, insured, collect-on-delivery (COD) and Express Mail; the acceptance and dispatch of all classes of mail; and services to permit mailers and postage meter customers.

Postal transaction data were available for 84 post offices. The number of transactions per day for the post offices ranged from 1 to 157, with an average of 13 transactions per day. The number of general delivery customers for 56 post offices ranged from 1 to 52, and averaged 13.

**GAO Post Office Financial Data, Fiscal
 Years 1995-96**

	Data range		
	Low	High	Average
Type of data (92 post offices)			
Postmaster salary	\$5,773	\$31,664	\$13,644
Revenue	420	58,891	8,827
Operating costs	7,706	47,731	19,656
Gain (Loss)			(\$10,829)

Source: Postal Service and PRC data.

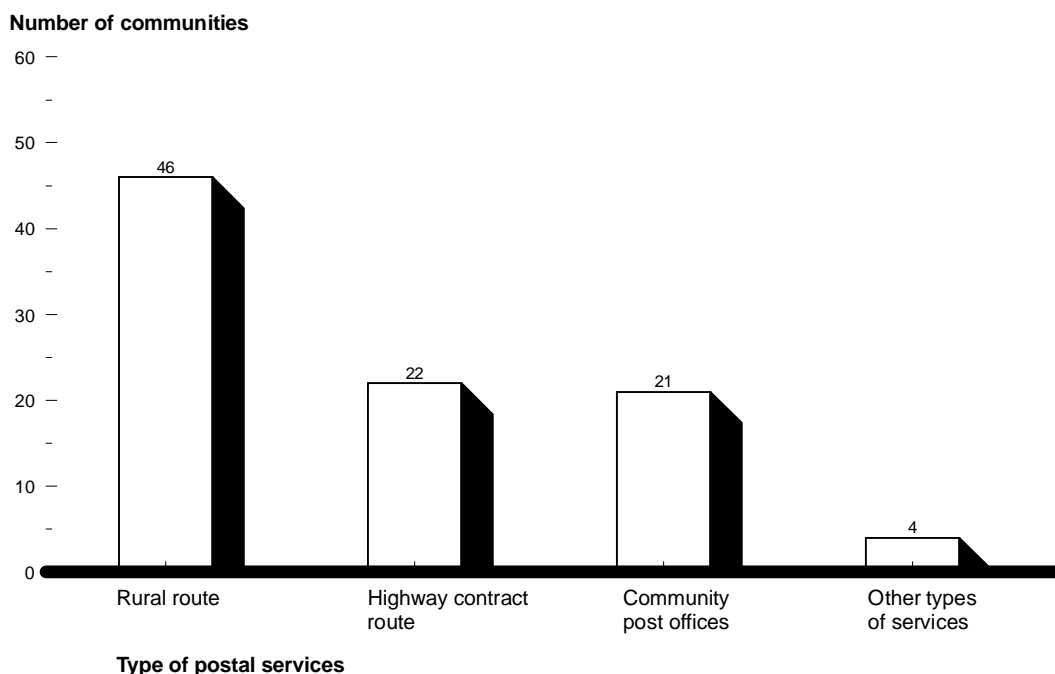
**Post Office Financial Data,
Fiscal Years 1995-96**

We found complete revenue and operating costs⁸ for 92 of the 93 post offices in the affected communities. The postmaster salaries for these 92 post offices ranged from \$5,773 to \$31,664 per year, an average of \$13,644 per year. Postmasters' salaries were determined by the service level at the post office they were in charge of operating.

Except for post offices in four communities, the annual operating costs of the post offices exceeded their postal revenues. The revenue for the 92 post offices ranged from \$420 to \$58,891 per year, an average of \$8,827 per year. Revenue included receipts from the sale of postage stamps and other services. Operating costs, which included the postmaster's salary, fringe benefits, and rental fees, ranged from \$7,706 to \$47,731 per year, an average of \$19,656 per year. The total yearly loss to the Service for operating these 92 post offices was \$996,314—an average loss of \$10,829 per post office.

⁸Operating costs included postmaster salaries.

GAO Alternative Postal Services to Be Provided, Fiscal Years 1995-96



Source: Postal Service data

The Service proposed to provide less costly alternative postal service to all 93 communities with post offices that were either closed or whose proposed closures were appealed that we reviewed. According to Service and PRC records, 46 communities were to receive rural route service or rural route service with a cluster box unit. Twenty-two communities were to receive service via a highway contract route (HCR). Twenty-one communities were to receive community post offices (CPO). Four

communities were to receive other forms of service, including classified stations, and a combination of HCR delivery and CPOS.

A rural route provides delivery and retail services to customers in rural areas. Service is usually provided to roadside mailboxes installed by customers on the mail carrier's line of travel. The carrier provides retail services normally provided at post offices. Most transactions do not require the customer to meet the carrier at the mailbox. Stamps by Mail and Money Order application forms are available from the carrier for customer convenience. Carriers will accept packages at the mailbox without a customer being present, provided the postage is fully prepaid. Special services such as certified, COD, and Express Mail may be obtained from the carrier by leaving a note in the mailbox, along with appropriate payment. Some rural routes provide service to neighborhood delivery and collection box units⁹ rather than roadside mailboxes.

A CPO is a postal operation within a small community that is established on a contractual basis where an IPO has been closed. A CPO provides the same services as an IPO (a post office operated by a postmaster) except that a CPO does not accept permit mail or set postage meters. The CPO bears its community's name and ZIP Code as part of a recognized mail address.

An HCR is similar to a rural route except that service is provided by a contract employee rather than a career postal employee. A classified station or branch is operated by a career postal employee, not a postmaster, and provides the same services as an IPO, including accepting permit mail and setting postage meters.

⁹Neighborhood delivery and collection box units are secure, free standing units of individually locked mail compartments installed and maintained by the Service at no cost to the customer.

Two Case Studies Involving Appealed and Nonappealed Proposals to Close Post Offices

The following case studies include an appealed decision to close a post office in Idaho after the postmaster had been promoted, and a nonappealed decision to close a post office in Nebraska after the death of the postmaster.

Case Study 1: An Appealed Decision to Close the Post Office in Clarkia, ID

In April 1993, the Postal Service promoted the postmaster at Clarkia, ID, a community of approximately 60 residents, to another position. The postmaster vacancy triggered a review of Clarkia's postal needs by the Service. After holding a community meeting and polling customers by questionnaire, the Service made its decision, known as a Final Determination, to close the Clarkia post office. The Service posted its Final Determination at the Clarkia and three nearby post offices on March 6, 1995.

The Service was to provide less costly alternative service in Clarkia via a contractor-operated community post office (CPO). The CPO would offer the same retail services as the post office, except that it would not accept permit mail or set postage meters. The number of service hours would remain the same—24 per week. By closing the post office and establishing a CPO, the Service estimated that it would save \$8,299 annually.

On April 3, 1995, Clarkia residents appealed the Service proposal to close the Clarkia post office to PRC. PRC remanded the proposal to the Service because it found that the administrative record was incomplete and failed to adequately address all of the residents' concerns. Specifically, the administrative record did not include copies of the initial questionnaire sent to customers and an analysis of the responses.

On October 28, 1995, the Service issued a revised Final Determination for Clarkia and posted it at the post office from October 28 to November 27, 1995. Residents again appealed that determination to PRC on November 24, 1995. On March 21, 1996, PRC affirmed the Service's decision. The Service officially closed the post office by publishing a notice to that effect in the Postal Bulletin of September 12, 1996.

Case Study 2: A Nonappealed Decision to Close the Post Office in Octavia, NE

The postmaster at Octavia, NE, a community of 132, died on November 16, 1994. Pending a review of the postal needs of the community, the Postal Service continued to provide postal service at the post office by using a temporary clerk from another post office. After holding a community meeting and polling customers by questionnaire, the Service posted its

**Appendix I
Two Case Studies Involving Appealed and
Nonappealed Proposals to Close Post
Offices**

Final Determination, proposing to close the post office on December 28, 1995.

The Service proposed to provide delivery and retail services to Octavia via rural route administered from a nearby post office. By closing the post office and providing the alternative rural route service, the Service estimated that it would save \$13,019 annually.

No one appealed the Service's decision to close the post office during the 30-day appeal period following the Service's posting of the proposal. Subsequently, the Service officially closed the Octavia post office by publishing notice to that effect in the Postal Bulletin of September 12, 1996.

Post Office Closures and Proposed Closures Appealed, Fiscal Years 1995-96

The following table shows the post office closures—appealed and nonappealed—that we reviewed for fiscal years 1995-1996. At the time of our review, all 50 of the proposed closures that were not appealed had been closed, along with 19 of the appealed closures.

Post office	Closed	Appealed	Post office	Closed	Appealed
Alcock, KY	x		Moriah, NY		x
Austinville, IA	x		Morrill, KY	x	
Benedict, MN	x	x	Morrison, IA		x
Bingham, NM	x		New Almelo, KS	x	
Boggs, WV	x		Numa, IA	x	x
Bovina Center, NY	x		Oak, NE	x	x
Bruington, VA		x	Octavia, NE	x	
Burkhart, KY	x		Oil Center, NM	x	
Burr, NE	x	x	Oquossoc, ME		x
Cauthornville, VA	x		Oven Fork, KY	x	
Clarkia, ID ^a	x	x	Pearson, WI	x	
Colburn, IN	x		Plank, KY	x	
Cotesfield, NE	x	x	Prosser, NE	x	x
Cottle, KY	x		Regina, VA	x	
Culver, MN	x		Rodman, IA	x	x
Cundiff, KY	x		Roscoe, MN	x	
DeGraff, MN	x	x	Rowletts, KY	x	x
Eagle Harbor, NY		x	Salem, NE		x
Eckhart Mines, MD		x	Sargentville, ME		x
Erwin, SD	x	x	Saum, MN	x	
Estill, KY	x		Sedan, MN		x
Filer City, MI		x	Shade, OH	x	x
Forest Grove, MT		x	Shiloh, VA		x
Frazer, KY	x		Silver Star, MT	x	
Garrattsville, NY	x		So. Westerlo, NY	x	x
Gypsy, KY	x		Sodus Center, NY	x	
Harlan, KS	x		Spring Lick, KY	x	
Haynesville, ME	x		St. Joseph, KY	x	
Hazelgreen, WV	x		Strang, NE	x	x
Hetland, SD		x	Taintor, IA	x	x
Hightown, VA	x		Tanner, WV	x	
Hubbell, NE	x		Tapoco, NC	x	
Huntley, NE		x	Thousand Island Park, NY	x	

(continued)

**Appendix II
Post Office Closures and Proposed Closures
Appealed, Fiscal Years 1995-96**

Post office	Closed	Appealed	Post office	Closed	Appealed
Kemp, OK		x	Toronto, IA	x	x
Kinross, IA		x	Trevett, ME		x
Lakeview, CA	x		Trio, SC	x	
Lamb, KY	x		Twin Brooks, SD		x
Lamero, KY	x		Valley Home, CA	x	x
Leith, ND	x		Walnut Grove, KY	x	
Lewiston, NE		x	Walters, MN		x
Lynch, MD	x	x	Welty, OK	x	
Macon, VA		x	West Rushville, OH		x
Manchester, WI	x	x	Westervelt, IL	x	
Maryneal, TX		x	Weston, MI		x
Max, MN	x		Whitfield, MS	x	
Millbrook, MI	x		Wind Cave, KY	x	
Mira, LA	x				

^aThis proposed closure was appealed twice.

Source: Postal Service and PRC data.

Comments From the United States Postal Service

M. RICHARD PORRAS
VICE PRESIDENT, CONTROLLER



March 6, 1997

Mr. Michael E. Motley
Acting Director, Government Business
Operations Issues
United States General Accounting Office
Washington, DC 20548-0001

Dear Mr. Motley:

Thank you for providing us an opportunity to comment on the draft report entitled, U.S. POSTAL SERVICE: Information on Post Office Closures, Appeals, and Affected Communities.

We are in general agreement with the facts as presented in the report. At the request of your staff, we reviewed an earlier version of the draft report and suggested some changes. On February 25, Mr. Kenneth Hollies of our General Counsel's staff met with Mr. Gerald Barnes to discuss those changes in detail. Our comments and suggested changes were procedural or technical in nature and intended to increase the report's accuracy and balance. We appreciate GAO's willingness to incorporate various of our suggested changes into the final version of the report.

If we can provide any further assistance, my staff is available at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "M. Richard Porras".

M. Richard Porras

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-5200
202-268-5272
FAX: 202-268-4791

Comments From the Postal Rate Commission

POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

EDWARD J. GLEIMAN
CHAIRMAN

February 27, 1997

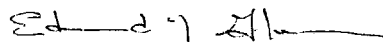
Mr. J. William Gadsby
Director, Government Business
Operations Issues
GAO
441 - G Street, NW, Rm. 2037
Washington, D.C. 20548

Dear Mr. Gadsby:

Thank you for the opportunity to review the draft of your report entitled U.S. Postal Service: Information on Post Office Closures, Appeals, and Affected Communities.

Our staffs have had several discussions concerning technical aspects of the report and, as a result, I am pleased to advise you I am in general agreement with its contents.

Sincerely,



Edward J. Gleiman

EJG:pm

Major Contributors to This Report

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