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BY THE COMPTROLLER GENERAL
**Report To The Chairman,
Post Office And Civil Service Committee
House Of Representatives**
OF THE UNITED STATES

Replacing Post Offices With Alternative Services: A Debated But Unresolved Issue

The Postal Service could save between \$125 and \$150 million annually by 1990 if it replaced about 7,000 limited mail service post offices with publicly acceptable alternative mail services.

The lengthy and complex post office replacement process, however, discourages the Postal Service from realizing these savings. If the Congress chooses to maintain the current replacement process, GAO provides recommendations to strengthen and streamline supporting policies and practices. GAO also discusses some alternative courses of action should the Congress wish to consider changing the current process.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-205205

The Honorable William D. Ford
Chairman, Committee on Post
Office and Civil Service
House of Representatives

Dear Mr. Chairman:

This report, which was prepared in response to your June 22, 1981, request, estimates the Postal Service could save between \$125 and \$150 million annually by 1990 if it replaced 7,000 post offices, currently providing limited, inefficient mail delivery service to the public. These offices can be replaced with either contractor operated community post offices or rural route service.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from the date of the report. At that time we will send copies to interested parties and make copies available to others on request.

We are available to discuss our finding and to provide any further assistance you might need.

Sincerely yours,

A handwritten signature in cursive script that reads "Milton J. Acosta".

Acting Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CHAIRMAN,
POST OFFICE AND
CIVIL SERVICE COMMITTEE
HOUSE OF REPRESENTATIVES

REPLACING POST OFFICES
WITH ALTERNATIVE SERVICES:
A DEBATED BUT UNRESOLVED
ISSUE

D I G E S T

With generally little and often no effect on the quality of mail service, the Postal Service could save between \$125 and \$150 million dollars annually by 1990 if it replaced about 7,000 post offices. In the opinion of 88 percent of the customers affected by recent post office replacements, these types of offices can be successfully replaced with alternative delivery methods.

However, requirements of existing law, current Postal Rate Commission review procedures, and restrictive Service practices have combined to produce a cumbersome and time-consuming post office replacement process which will not readily achieve the potential savings associated with post office replacements. GAO presents alternatives for congressional consideration and makes recommendations to strengthen the current process if the Congress decides to maintain it.

This review was conducted at the request of the Chairman, House Post Office and Civil Service Committee.

POST OFFICE REPLACEMENT: AN
ISSUE WITH A LONG HISTORY

For many years the Service has attempted to reduce costs while maintaining effective service by replacing some of its post offices with alternative types of services, such as postal facilities operated by private contractors or rural routes. (See p. 1.) This effort has consistently met with opposition from those concerned with the effect the replacement would have on the community, specifically the level of postal service and the possible impact on the community. (See p. 3.) GAO has been involved in this issue for the last 18 years, issuing reports to the Congress on three separate occasions. (See p. 4).

MILLIONS COULD BE SAVED IF
LIMITED SERVICE POST OFFICES
ARE REPLACED

While maintaining the quality of mail service, the Service could annually save between \$125 and \$150 million by 1990 if it replaced about 7,000 limited service offices. The majority of these offices provide no home delivery services and serve relatively few patrons. (See pp. 11 and 14.) The Service could replace these post offices with either rural route extensions or private contractor operated facilities (community post offices). (See p. 10.) GAO's savings estimates are based on the conservative assumption that the Service will have to pay for replacing each post office. Historically, however, the Service has incurred no replacement costs in about 34 percent of its actual post office replacements. (See p. 43.) Opportunities also exist to save money if the service replaced other, limited home delivery offices. (See p. 16.)

Postal patrons whose post offices were replaced have been generally satisfied with the alternative mail services. GAO's random sample of patrons in locations which have had their post offices replaced by either a rural route extension or a community post office showed that about 88 percent of these patrons are satisfied with their current service. (See p. 9.)

COMPLEX POST OFFICE
REPLACEMENT PROCESS PRE-
VENTS POTENTIAL SAVINGS
FROM BEING REALIZED

The requirements of existing law, Commission determinations, and the Service's restrictive replacement practices have combined to produce a cumbersome and time-consuming post office replacement process which averages about 19 months to run its course. The result is that, while many limited delivery service offices are replaceable with lower costing delivery alternatives, most of these post offices remain open. (See p. 21.) Through its role as a reviewer of appealed replacement actions, the Commission has significantly influenced the replacement process by rendering opinions of the evidence requirements necessary to affirm a closing or consolidation decision. These evidence requirements have contributed to lengthened processing

times. (See p. 24.) Although the Service has expressed concern over escalating processing costs, the Service is not currently collecting cost data. (See p. 28.)

In addition, the Service limits replacement activity by assigning it low priority and adopting restrictive practices which encourage the consideration of replacements only in situations where the office has a postmaster vacancy or loss of facility. (See p. 29.)

In following this replacement approach, the Service has suspended the operation of some offices for as long as 28 months before allowing formal public comment on a replacement action. As a result, although the formal replacement process emphasizes prompt public notice, the use of extensive suspension periods before the initiation of a formal replacement action may result in long periods of time before the public can comment on a service change. (See p. 31.)

The Service's awareness of congressional resistance to individual post office replacements has also played an important role in reducing the pace of post office replacement actions. (See p. 32.)

FUTURE POST OFFICE
REPLACEMENT EFFORTS:
CONGRESSIONAL OPTIONS

In the continuing public policy debate over the merits of replacing post offices with acceptable alternative services, we believe the Congress has three primary courses of action available. First, the Congress can decide to maintain the current process, encouraging the agencies involved to make adjustments (such as those recommended in chapter 3) designed to increase program efficiency and effectiveness. Second, the Congress can exempt from the current process all replacements accomplished by using community post offices since these changes essentially maintain an identical level of service. Third, the Congress can completely eliminate the current process, making the replacement action an internal Service decision. Each of these courses of action has various advantages and drawbacks. (See p. 36.)

RECOMMENDATIONS

Absent congressional action affecting the post office replacement process, GAO recommends that the Postmaster General:

- Remove the emphasis on requiring either a postmaster vacancy or a loss of quarters before a post office can be actively considered for replacement to encourage a wider application of replacement efforts. (See p. 33.)
- Require Service management to either formally post a replacement proposal, formally advertise a vacancy for the postmaster, or establish a new facility within a specific time frame after initiation of suspension to discourage the extensive use of long suspension periods prior to the initiation of replacement actions. (See p. 33.)
- Work with the Postal Rate Commission to develop cost-efficient investigation and analysis standards. (See p. 34.)
- Periodically determine the level of costs associated with the replacement process to enhance management control. (See p. 34.)

AGENCY COMMENTS AND GAO'S EVALUATION

Both the Service and the Commission had mixed reactions to the report. While the Postmaster General agreed with GAO's recommendations to monitor replacement process costs and to work toward more efficient replacement investigative and analysis standards, he did not agree to tighten suspension controls or to remove the emphasis on considering for replacement only offices with either a postmaster vacancy or a lost facility. In addition, he disagrees with any assessment of individual post offices based solely on comparisons of revenues versus expenses and believes the current mail delivery system would be significantly disrupted by rapidly changing its current structure. (See app. IV.)

GAO continues to believe that tighter controls over post office suspensions are needed and that the replacement process should be guided by overall mail service and efficiency goals, rather than simply reacting to postmaster retirement plans. In addition, GAO's assessment is not based on a comparison of individual post office revenues versus expenses but rather on the goal of providing acceptable levels of mail service to the public at the lowest possible cost. GAO's primary concern is service to the public. (See pp. 10 and 39.) The rate of post office replacements has been strongly influenced by statute. However, if the Congress or the Service decides to accelerate the replacement of limited service offices, GAO does not believe a significant service disruption would occur. These types of offices have been successfully replaced with publicly acceptable alternative services.

Calling the report "thoughtful and well-reasoned," the Commission nevertheless cautioned that the report only "peripherally" considered the nonpostal effects of post offices. The Commission also described its statutorily limited role in the replacement process and offered a legislative proposal which it believes will remove some of the replacement process burden. (See app. V.)

GAO also agrees that the Congress wants the nonpostal effects of post offices to be considered in any review of postal services. However, the definition of nonpostal effects is still evolving. (See p. 26.) Without a clear definition, an aggregate estimate of these effects is not possible. GAO did, however, attempt to recognize these effects by using the community post office (an alternative service designed by the Service to meet community needs) as a replacement alternative. (See p. 39.) GAO also believes that additional information is needed before the Commission's legislative proposal can be fully assessed. (See p. 38.) GAO's response to detailed comments is included in appendix V.



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ABBREVIATIONS

GAO	General Accounting Office
CPO	Community post office
MSC	Management sectional center
PRC	Postal Rate Commission

CHAPTER 1

INTRODUCTION

Historically, the Postal Service has attempted to achieve a delicate balance between providing service to all areas of the country and controlling the expenditures incurred in providing these services. Postal services, particularly in small towns and rural communities, have been an important link between the residents and the outside world. However, the costs of these services, as provided by post offices, have generally been acknowledged to be more than is necessary to provide an adequate level of service for these areas. We reviewed this issue three times in the past, concluding each time that significant savings could be achieved by the Service if post office replacements were accelerated. This review was specifically requested by the Chairman of the House Post Office and Civil Service Committee.

POST OFFICE REPLACEMENT: AN ISSUE WITH A LONG HISTORY

For many years the Service has attempted to reduce costs while maintaining an acceptable level of service by replacing some of its post offices with alternative types of services, such as rural routes or post offices operated by private individuals under contract. Service replacement efforts have been consistently opposed by those concerned with the effect the replacement would have on the community involved, particularly from the standpoint of community identity and the manner in which postal service would be provided. We have been involved in this issue before, issuing reports to the Congress in 1964, 1967 and 1975. 1/

Postal Service has substantially reduced the number of post offices

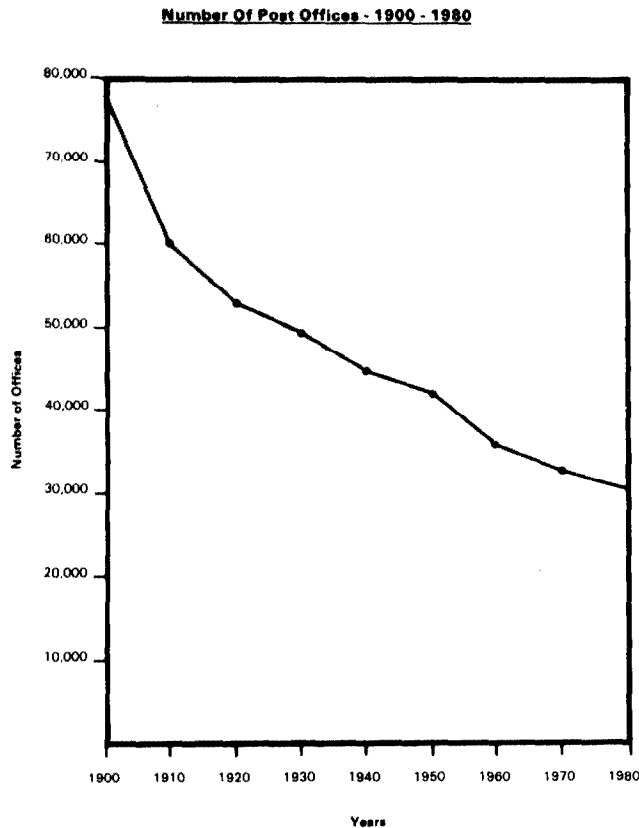
Since 1900, the Service has been generally reducing the number of post offices. Beginning in 1970, however, the Service's efforts in this area have met with increasing opposition.

1/GAO issued three reports, "Inadequate Consideration of Economies Possible Through Consolidating Operations and Reorganizing Service Areas" (B-114874, dated Dec. 9, 1964), "Potential Economies and Improvements In Service Through Modernization of the Postal Field Service" (B-114874, dated Dec. 7, 1967), and "\$100 Million Could Be Saved Annually In Postal Operations In Rural America Without Affecting The Quality Of Service" (GGD-75-87, June 4, 1975).

Large numbers of post offices were established during the 19th century when the Post Office Department's field organization was expanding and many individual post offices were placed in small towns and villages throughout the country. This decentralization was a result of an underdeveloped transportation system, the absence of rural free delivery, and the political nature of individual postmaster appointments. By 1900, the Service had over 76,000 post offices in its field structure.

The Post Office Department which, as a result of the Postal Reorganization Act of 1970 became the Postal Service, has been reducing the number of individual post offices in its operating structure since the turn of the century. The following chart shows the decline of the number of individual post offices since 1900.

NUMBER OF POST OFFICES - 1900-1980



Maintaining post offices is viewed as providing a service to the community where it is located. Each individual post office generally has a specific geographic area for which it has primary

responsibility for delivering and collecting all categories of regular mail, selling money orders, stamps, stamped envelopes and post cards and providing special services, such as insured, certified, or registered mail.

To assure postal service to areas formerly served by an individual post office, the Service has developed a number of alternatives. The Service groups its post office replacement actions into two broad categories: closings and consolidations. A closing is an action in which post office operations are permanently discontinued without providing a replacement facility in the community. Replacement services are provided by a neighboring post office and generally involve establishing rural delivery service, which is the delivery and collection of mail from roadside boxes by Service employees. A consolidation is an action in which a postmaster position is abolished but a postal facility is maintained in the community and is normally designated as a community post office (CPO). Private contractors operate CPOs and usually provide all postal services available at post offices. Although the Service normally replaces post offices with either rural delivery or CPO service, other alternative services are also occasionally substituted. Appendix III contains descriptions of these alternative services.

Making these replacement decisions has historically required the Service to consider a number of service and cost factors. As early as 1967, the Service had formal policies requiring the consideration of cost, delivery service, employee displacement, and political and community opposition. These types of considerations were put into law in the 1976 amendment to the Postal Reorganization Act (39 U.S.C. 404 (b)), which requires the consideration of the effect on the community served, effect on postal employees, economic savings to the Service, responsiveness to community postal needs and other factors determined necessary by the Service.

Congressional concern over replacement actions

One of the major reasons for the recent decline in the rate of post office replacements has been congressional resistance, which has been fueled by adverse public reaction. While the Congress has historically urged the Service to streamline its operations in order to save money, it has also expressed concern that these efforts, particularly efforts aimed at closing post offices, should not result in any deterioration of service to postal patrons.

On several occasions since the creation of the Service in 1970, the Congress has explicitly moved to protect individual post offices from being closed solely for reasons of economy and efficiency. In the Postal Reorganization Act, the Congress provided that:

"No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities."

In 1976, by amending the 1970 Postal Reorganization Act, the Congress reiterated its concern that the Service consider a wide range of factors in reaching a decision on a proposed replacement of an individual post office. As described in chapter 3 of this report, these requirements have significantly broadened the Service's investigative responsibilities, with a resulting slowdown in processing cases. In addition, the Congress placed a moratorium on post office closings from June 1976 to March 1977, which the Service extended to December 1977.

Another indication of congressional concern about streamlining postal operations and public service can be seen through its appropriation process. The 1970 Postal Reorganization Act authorized a special public service appropriation to be used by the Service "for public service costs incurred * * * in providing a maximum degree of effective and regular postal service nationwide in communities where post offices may not be self-sustaining." These funds were to be appropriated for each of the fiscal years 1972 through 1979 at an amount equal to 10 percent (\$920,000,000) of the sum appropriated to the former Post Office Department by the Congress for its use in fiscal 1971. For fiscal years 1980 through 1984, the amount was to be reduced by 1 percent each year to a level of 5 percent. After 1984, the Service may reduce the amount authorized to be appropriated if it finds the amount so determined is no longer required to operate it in accordance with the policies of the act. The Omnibus Budget Reconciliation Act of 1981 amended the Postal Reorganization Act to set the authorized public service appropriation at \$250,000,000 for fiscal year 1982, \$100,000,000 for fiscal year 1983 and none for 1984. However, for each fiscal year after 1984, an amount equal to 5 percent of the fiscal year 1971 appropriation remains authorized unless the Congress acts to change the law.

Prior GAO studies

GAO has reviewed and reported to the Congress on this issue in 1964, 1967, and 1975 concluding each time that the Service's costs could be reduced by replacing many small post offices by (1) extending rural delivery routes or (2) establishing CPOs. In our 1975 report, we stated that \$100 million could be saved annually if the Service accelerated its replacement efforts.

OBJECTIVES, SCOPE AND METHODOLOGY

The general criteria, scope, and approach we used are presented on the next page. Greater detail on our scope and methodology is contained in chapter 5.

Objectives

In June 1981, the Chairman, House Post Office and Civil Service Committee requested "that the GAO conduct a study of the possible savings and effects on service that would result from a systematic closing and consolidation of inefficient post offices and their replacement with contractor-operated stations, rural route extensions, and other alternative services." Within this broad request, the Chairman's office specifically asked us to:

- Estimate the savings involved with closing inefficient post offices and replacing them with lower cost, alternative services, and provide examples of inefficient post offices currently in operation.
- Survey the opinions of postal customers who have recently had their post offices replaced with alternative mail services.
- Assess the efficiency and effectiveness of the current post office closing/consolidation process, including a review of the Service's use of the specific reorganization approach known as "area planning."

Scope and Methodology

In order to accomplish the review objectives, we used a variety of evaluation approaches.

To estimate the savings involved with replacing inefficient offices and to provide examples of these offices, we performed work at Postal Service Headquarters in Washington, D.C., and the Service's management sectional centers (MSC) ^{1/} in Poughkeepsie, New York; Lancaster, Pennsylvania; Lehigh Valley, Pennsylvania; Raleigh, North Carolina; Charleston, West Virginia; Merrifield, Virginia; Cincinnati, Ohio; Norfolk, Virginia; St. Louis, Missouri; East St. Louis, Illinois; Salina, Kansas; Denver, Colorado; Stockton, California; Sacramento, California; and San Bernardino, California. These locations were chosen to obtain a geographically diverse set of operations primarily representing states with relatively large numbers of post offices in operation. We obtained and analyzed the Service's computerized data from seven different information systems containing various data reported on individual post offices. At each of our field locations, we developed individual examples.

^{1/}An MSC is a designated postal facility whose manager has full management responsibility for all post offices within the assigned ZIP Code area.

To survey the opinions of postal customers who have recently had their post offices replaced with alternative mail services, we sent questionnaires to a randomly selected sample of these patrons. Followup procedures were employed where necessary.

To assess the efficiency and effectiveness of the current post office closing/consolidation process, we reviewed all the process case files for actions completed from September 9, 1978, to December 31, 1981. In addition, at both the Service's Headquarters and all field locations visited, we interviewed officials and obtained policies and procedures relating to the Service's replacement process. We also reviewed the Postal Rate Commission's (PRC's) case files for all appealed replacement actions acted upon as of December 31, 1981, and interviewed PRC officials responsible for assessing these appeals.

Our attempt to assess the use of the reorganization approach known as "area planning" encountered several problems, making it impossible to meaningfully assess the approach. Area planning, as defined in the 1977 Service study, "The Rural Service," was a systematic attempt to review the postal needs of a specific geographic area and to design the most efficient postal facility network to meet those needs. However, subsequent PRC determinations have emphasized the nonpostal factors to be considered in any actions involving the replacement of any post office. The area planning approach does not include an analysis of these factors. As a result, "area planning" was not officially adopted by the Service and was not in use in any of the 15 field locations we visited, making an assessment of its use in a relevant operational environment impossible. In addition, most of the supporting workpapers for the Service's 1977 study have been destroyed.

Our review was performed in accordance with GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities and Functions."

CHAPTER 2

MILLIONS COULD BE SAVED IF LIMITED

SERVICE POST OFFICES ARE REPLACED

If the Postal Service used alternative forms of delivery service more extensively, it could save millions of dollars while still maintaining its current level of mail delivery service to the public. Thousands of post offices serve few people and do not directly provide home mail delivery service. These types of offices could be effectively replaced with alternative delivery methods, which provide acceptable services in the opinion of 88 percent of the customers we surveyed. We estimate that the Service could save between \$125 and \$150 million annually by 1990 if it replaced about 7,000 of these types of offices with either CPOs or rural route extensions. In addition, opportunities exist to save additional money if the Service replaced other post offices providing home delivery services to relatively few customers. These offices, however, would have to be reviewed and their replacement savings determined on a case-by-case basis, as their delivery responsibilities may require a combination of alternative services to replace.

THOUSANDS OF POST OFFICES PROVIDE VERY LIMITED MAIL DELIVERY SERVICE TO THE PUBLIC

Within the Service's delivery network of over 30,000 post offices, thousands of offices provide very limited delivery service to the public. About 8,000 post offices serve relatively few delivery customers and do not provide these customers with the option of home delivery services. In addition, about 2,000 other relatively small offices have only indirect responsibilities for providing home delivery service to their customers.

In its overall management of individual post office operations, the Service determines the universe of mail delivery services to be provided by offices and establishes the relative importance of each type of service. The delivery service categories used by the Service to describe the types and levels of mail delivery responsibilities include:

General delivery service -An over-the-counter mail pick-up service at the post office, provided primarily for patrons who neither permanently reside in an area nor rent a post office box.

Post office box -Mail is picked up from a rental box at the post office.

Rural box delivery service

-Home delivery and collection service provided to rural areas that have no convenient postal facilities. Mail is delivered to a roadside box by a postal rural carrier.

Highway contract box delivery service (star route)

-Highway box delivery and collection service provided to areas that have no convenient postal facilities or rural delivery service. This service, also known as star route delivery, differs from rural delivery in that it is provided by private contractors and not postal employees. These contract carriers can provide postal patrons with retail services if it is stipulated in their contract.

City delivery service

-Home delivery and collection service provided to areas with either a population of at least 2,500 or 750 possible deliveries.

Using these service categories, at the end of fiscal year 1981, post offices reported their delivery service responsibilities as follows:

<u>Delivery service responsibilities</u>	<u>Number of post offices</u>	<u>Percent of total (note a)</u>
City delivery	6,399	21
Rural and/or highway contract route box delivery	15,844	52
Post office box and/or general delivery only	<u>7,999</u>	<u>26</u>
Total	<u>30,242</u>	<u>100</u>

a/Percentages do not total 100 due to rounding.

Of the nearly 8000 offices reporting only post office box and/or general delivery service, many serve relatively few postal patrons. The following schedule gives the distribution of delivery customers reported for fiscal year 1981.

<u>Customers served</u>	<u>Percent of offices</u>
0-100	41
101-200	26
201-300	12
301+	21

In addition, of the 15,847 post offices reporting rural or highway contract delivery responsibilities, about 2,000 relatively small offices reported having only intermediate home delivery responsibilities (i.e., home delivery is offered in the ZIP Code area of the post office but the service is administratively controlled by another post office). As shown in the following schedule, 88 percent of these offices provide direct services (general delivery and/or post office box) to 200 or fewer customers.

<u>Customers served</u>	<u>Percent of offices</u>
1-100	58
101-200	30
201-300	10
301+	2

POST OFFICES HAVE BEEN REPLACED
WITHOUT HARMING THE QUALITY
OF SERVICES

Postal patrons are generally satisfied with the alternative mail services that have been supplied to them when their post offices were replaced. Our sample survey of patrons in locations which have had either their post offices closed 1/ or converted to CPOs showed that about 88 percent of these patrons are satisfied with their current service or believe it is as good as or better than their prior service. A minority of patrons in some locations reported isolated problems, dealing primarily with mail delivery issues.

Patrons generally satisfied
with replacement mail services

We mailed questionnaires to a sample survey of patrons who had their post offices replaced and found that they are generally satisfied with the replacement service. Our sampling and weighting procedures are described in detail in chapter 5. Sample questionnaires and a compilation of responses are attached as appendix I.

About 88 percent of the patrons affected by closings or consolidations were satisfied with their current service or

1/Closings include all offices replaced by rural or highway contract box delivery, another existing post office, or a combination of these alternatives. No replacements with nonpersonnel units were assessed, as none of these instances fell within our sampling criteria.

believed it was as good as or better than their prior service. 1/ Current service was judged to be about the same or better than prior service by 80 percent of the patrons. 2/ An additional 8 percent were satisfied with their current service, although they believed it was worse than before.

Service quality perceptions do not appear to vary greatly between those who are served by a CPO and those whose offices were closed and are currently being served by either rural or highway contract routes, a nearby post office or a combination of all of these alternatives. Current service was judged to be about the same or better than prior service by 81 percent of CPO patrons and by 79 percent of patrons whose offices were closed. 3/

Some patrons not satisfied
with replacement services

Twelve percent of postal patrons affected by closings or consolidations were dissatisfied with mail service and reported that their service had actually deteriorated. They cited a variety of problems, such as mail security, the sending and receiving of packages, and inconvenient delivery schedules.

In two of the four CPO locations sampled, patrons expanded on concerns about mail security in the comment section of the questionnaire to allege that contractors either practiced garnishment by withholding checks, allowed unauthorized personnel to handle the mail, or suffered from periodic drunkenness. We have referred these allegations to the Postal Inspection Service.

THOUSANDS OF LIMITED SERVICE OFFICES:
PRIME CANDIDATES FOR REPLACEMENT

We conservatively estimate that the Service could save between \$125 and \$150 million annually by 1990 if it replaced about 7,000 offices with either rural route extensions or CPOs. Currently, about 5,000 of these post offices provide no home delivery services to their patrons. In addition, about another 2,000 offices have only limited "intermediate" home delivery responsibilities, meaning that home delivery is offered in their

1/At the 95 percent confidence level, the sampling error is
+ 3 percent.

2/At the 95 percent confidence level, the sampling error is
+ 7 percent.

3/At the 95 percent confidence level, the sampling errors were
+4 and +11 percent respectively.

operational area but the responsibility for the service lies with another post office. Opportunities also exist to save money if the Service replaced other, limited rural delivery, low revenue generating offices.

Between \$86 and \$106 million
could be saved if about 5,000
post offices providing no home
delivery service were replaced

We estimate that between \$86 and \$106 million could be saved annually by 1990 if about 5,000 post offices currently providing no home delivery service were replaced. Each of these offices serves relatively few customers, employs only one career employee, generates relatively little revenue for the Service, and occupies facilities which the Service can easily dispose of either immediately or in the near future. In addition, many of the postmasters involved are at or near the eligible retirement age.

Starting from the position that the Service's primary role is providing efficient and effective mail service to the public, we initially classified all post offices reporting no home delivery service by a variety of service-related characteristics, including the number of customers served, the type of delivery service provided, and revenue level. Using this profile, we began a series of refinements which produced a group of offices reporting the following characteristics:

- provide no home delivery service to the postal patron (i.e., the office has no city, rural or highway contract box delivery responsibility),
- serve 350 or fewer delivery customers, and
- generate relatively low operating revenue.

This group of offices was then reviewed to ascertain their lease status and employee levels. We retained only offices which reported one career employee and a lease the Service can resolve by 1990.

Through this process we identified 5,034 offices reporting no home delivery service, relatively few customers, relatively low revenues, only one career employee and a lease cancellable by 1990. Our methodology is described in detail in chapter 5. A profile of these 5,034 offices reveals:

- Forty-five percent serve 100 or fewer customers and 81 percent serve 200 or fewer.

--Eighty percent have leases which are cancellable immediately.

--Twenty-three percent have postmasters currently eligible for retirement, and by 1990 61 percent will be eligible.

Using the 5,034 identified offices, we estimated the savings associated with replacing these offices using two alternatives-- full replacement by CPOs and full replacement by rural routes. These alternatives were selected because they represent alternatives commonly used by the Service. For each candidate office, we calculated a cost of replacement by constructing a series of average costs per delivery for each alternative and multiplying these averages by the number of customers to be served. The resulting cost was then compared to the actual total fiscal year 1981 operating cost for the office, producing a savings figure for each office. Our methodology is described in detail in chapter 5.

Our analyses showed that using our first alternative, full replacement by CPOs, 5,034 offices could be replaced at an estimated annual savings of \$106.7 million. Using our second alternative, full replacement by rural route, 4,973 offices could be replaced at an estimated annual savings of \$86.8 million. The following chart illustrates these savings over the span of years required for the expiration of existing leases.

SAVINGS ASSOCIATED WITH CPO
AND RURAL ROUTE REPLACEMENT

<u>Year lease eligible for cancellation</u>	<u>Post offices re- placeable with CPOs</u>		<u>Post offices re- placeable with rural route extensions</u>	
	<u>Number</u>	<u>Savings (millions)</u>	<u>Number</u>	<u>Savings (millions)</u>
1981	4,058	\$ 83.1	4,019	\$ 68.8
1982-1985	765	18.2	749	13.9
1986-1990	<u>211</u>	<u>5.4</u>	<u>205</u>	<u>4.1</u>
Total	<u>5,034</u>	\$ <u>106.7</u>	<u>4,973</u>	\$ <u>86.8</u>

To illustrate these types of no home delivery offices, we developed two individual case studies of offices currently in operation.

Case #1

This case illustrates a no home delivery office where an estimated \$22,856 could be saved annually if a CPO were used.

Located in an eastern state, this post office serves approximately 115 customers; 6 general delivery and 109 post office box customers. Window service is provided 6.5 hours daily and 3 hours on Saturdays. Currently the office employs a full-time postmaster and part-time clerk who works 3 hours on Saturdays and serves as the postmaster's relief person. The postmaster has been eligible for retirement since February 1977.

The 418 square foot post office is located on the first floor of a three story building. The Service leases the facility for \$1,200 annually and can cancel the lease with a 30-day notice. Revenue for fiscal year 1981 was \$7,740 while operating expenses were \$25,256. The postmaster's salary, the largest operating expense, was \$22,122.

According to a local MSC official, this office could be replaced by a CPO at an estimated cost of \$2,400. This alternative is desirable because a CPO could provide the same service at a much lower cost than maintaining a post office.

Case #2

This case illustrates a no home delivery office where an estimated \$19,720 could be saved annually if the Service used a rural route extension.

Located in a northeastern state, this post office serves 46 customers; 1 general delivery and 45 post office box customers. During the summer the office serves additional customers at two camps in town. The number of customers has remained constant over the past 3 years.

If this post office was discontinued, the postmaster and one part-time employee would be affected. The postmaster is 58 years old, has 26 years of service, and will be eligible for retirement in 1984. The post office is located on the first floor of a private residence. The Service leases the space for \$660 annually. The lease expires November 30, 1983.

Revenue for fiscal year 1981 was \$6,800, while operating expenses were \$26,828. The postmaster's salary, the largest operating expense, was \$22,122. According to a local MSC official, this post office can be replaced by extension of an existing rural route. This service would cost approximately \$7,108.

Our savings calculations are conservative since we assigned a replacement cost to each office. However, the Service has replaced offices with CPOs at the cost of \$1 and with rural route extension at no additional cost. For example, on September 12, 1980, the Service closed the Trident, Montana, Post Office which serviced 14 post office box customers. The Service estimated net annual savings to be \$9,603, with no additional cost to extend the rural route.

The rate of the replacement of these offices will be determined to a large degree by the Service's ability to ensure that the employees of these offices are not adversely affected by these replacements. We believe that the majority of these employees could be reassigned to perform similar jobs as vacancies arise in other low revenue offices. During fiscal year 1981, according to Service officials, there were 1,883 postmaster vacancies in low revenue offices. By 1990, 60 percent of the affected postmasters will be eligible for retirement. However, some postmasters who can neither be reassigned nor retired will be adversely affected by these replacements.

Between \$38 and \$46 million
could be saved if the Service
replaced about 2,000 post
offices with intermediate
home delivery responsibilities

The Service could save between \$38 and \$46 million annually by 1990 if it replaced about 2,000 post offices reporting only intermediate home delivery responsibilities. These offices serve relatively few customers, have only one career employee, generate relatively little revenue, and occupy facilities easily disposed of in the near future. In addition, many of their postmasters are either at or nearing retirement age.

Intermediate home delivery responsibility means that home delivery is offered in the ZIP Code area of the post office but administratively controlled by another post office. Intermediate responsibility does not include any responsibilities for route or carrier evaluation or patron complaint resolution.

Following the same basic approach we used for no home delivery offices, our analyses showed that 2,033 offices could be replaced by CPOs at an estimated annual savings of \$46.5 million or that 2,002 offices could be replaced by rural route extensions at an estimated annual savings of \$38.7 million. The chart on the next page illustrates these savings over the span of years required for the expiration of existing leases.

SAVINGS ASSOCIATED WITH
CPO AND RURAL ROUTE REPLACEMENT

<u>Year lease eligible for cancellation</u>	<u>Post offices re- placeable with CPOs</u>		<u>Post offices re- placeable with rural route extension</u>	
	<u>Number</u>	<u>Savings (millions)</u>	<u>Number</u>	<u>Savings (millions)</u>
1981	1,570	\$ 34.5	1,554	\$ 29.3
1982-1985	352	9.0	341	7.1
1986-1990	<u>111</u>	<u>3.0</u>	<u>107</u>	<u>2.2</u>
Total	<u>2,033</u>	\$ <u>46.5</u>	<u>2,002</u>	a/\$ <u>38.7</u>

a/Does not total correctly due to rounding.

As with our no home delivery estimate, we believe this estimate is also conservative. Again, the timing of these replacements would depend on the Service's ability to place the postmasters involved.

The Service has closed post offices with intermediate home delivery responsibilities and replaced the offices with rural/highway contract route extensions and CPOs. For example, on June 13, 1981, the Service closed the Upatoi, Georgia, Post Office which served 16 general delivery, 34 post office box and 108 rural route box delivery customers. Upatoi had intermediate home delivery responsibility for Rural Route 1, Midland, Georgia, and was replaced by a CPO, which retained the intermediate responsibility. The Service estimated CPO replacement cost would be \$5,000, with net annual savings of \$13,757.

We developed the following two cases to illustrate that the Service could save money if it replaced post offices having intermediate responsibility with either rural or highway contract routes.

Case #1

This case illustrates a limited delivery post office with intermediate home delivery responsibility where \$10,291 could be saved annually if the Service used a highway contract route extension.

Located in an eastern state, this post office serves 10 general delivery customers. In addition the post office has intermediate responsibility for a highway contract route carrier who delivers mail to 75 rural boxes within

the post office's service area. The postmaster, the office's only employee, is eligible to retire with approximately 30 years of service.

The 9' x 15' post office is located in an addition to the postmaster's home. The Service pays the postmaster 15 percent of his salary for rental allowance.

Fiscal year 1981 revenue was \$784, while operating expenses were \$10,291. The postmaster's salary, the largest operating expense, was \$8,493. According to a local management sectional center official, this office could be replaced by extending a highway contract route to accommodate the 10 general delivery customers. The Service could provide this service at no additional cost.

Case #2

This case illustrates a limited service post office with intermediate home delivery responsibility where \$4,730 could be saved annually if the Service used a rural route extension.

Located in a western state, this post office serves five general delivery customers. In addition a rural carrier brings mail to the post office, waits for the postmaster to sort the mail, and delivers mail to 10 rural route boxes. The postmaster, the office's only employee, is eligible to retire with 36 years of service.

The post office is located in a small corner of the postmaster's store. The Service pays the postmaster an annual rental allowance of \$514.

Fiscal year 1981 revenue was \$1,063, while operating expenses were \$7,440. The postmaster's salary, the largest operating expense, was \$6,858. According to a local management sectional center official, this office could be replaced by extending a rural route to accommodate the five general delivery customers. The Service can provide this service for \$2,710.

The Service could also save money if it replaced some limited delivery offices

In some instances, the Service could also save money if it replaced post offices with administrative responsibilities for only one rural route carrier. The savings could be estimated only on a case-by-case basis by determining where the rural route responsibility can be reassigned. Our illustrative examples show that, in instances where the responsibilities can be reassigned,

some of these offices may be fully replaced by one or a combination of alternative services at a lower cost to the Service.

Offices having administrative responsibilities for rural route or highway contract box deliveries are recognized by the Service as having a relatively high level of home delivery responsibilities. Rural route administrative responsibilities normally include route evaluations, route adjustments, carrier evaluations, and the resolution of all public complaints about route service. The scope of these delivery responsibilities may vary significantly among these post offices. Individual post office responsibilities may vary from having only one route served by one full-time or part-time carrier to administering many routes and many carriers. Highway contract box route administrative responsibilities are similar to rural route with the one important difference being that the carrier is a private contractor and not a postal employee.

As a part of our evaluative approach, we categorized all post offices by their level of reported delivery service. We found that 3,356 post offices reported no city delivery responsibilities and administrative responsibilities for only one full-time carrier serving fewer than 750 customers. In addition, over 1,000 additional offices reported only one highway contract route, serving fewer than 750 patrons, and originating from their office.

The Service has had some success in replacing these types of limited delivery service offices. However, the alternative services used to replace these offices have varied, with combinations of services being needed on occasion. Of the 255 offices closed or consolidated into a CPO between September 1978 and October 1981, four involved offices with administrative route responsibilities. In these instances, rural route responsibilities were normally shifted to a nearby post office. For example, on January 9, 1981, the Service closed the Brodbecks, Pennsylvania, Post Office, which served 6 general delivery customers and had administrative responsibility for one full-time rural route carrier serving 529 patrons. The carrier was merely reassigned to the nearby Glenville Post Office, which took over administrative responsibility for the route. The Service estimated the net annual cost savings associated with the closing of Brodbecks to be about \$17,000. In another instance, the Service first suspended and then closed the Juniper, Georgia, Post Office, which served 21 general delivery customers and had administrative responsibility for one rural carrier serving 356 families. The rural carrier was reassigned to the nearby Box Springs, Georgia, Post Office at the time of suspension. This arrangement continued when Juniper was formally closed. The Service estimated that about \$16,000 was saved annually by closing the Juniper Post Office.

To illustrate the potential savings associated with reviewing these offices on a case-by-case basis, we developed two examples.

CASE #1

This case illustrates a limited service office where \$22,000 could be saved annually if the Service used rural route service.

Located in a midwestern state, this post office serves 275 customers, 39 general delivery, and 236 rural route delivery customers. This service level has increased slightly since 1980. There are currently three employees at the post office--the postmaster, the postmaster's relief person, and the rural carrier. The postmaster became eligible for retirement in April 1981.

The 216 square foot post office shares a building with a trucking company. The Service has a 5-year fixed term lease which expires in 1985. The annual rental fee is \$480.

Revenue for fiscal year 1981 was \$5,828 while the estimated calendar year 1981 operating costs, less the costs associated with rural delivery, were about \$26,000. The postmaster's salary, the largest operating expense, was \$23,000. If this post office was replaced, according to local MSC officials, the one rural route would be shifted to originate at another existing office 5 miles away. The rural route could be expanded to serve the current 39 general delivery customers at an annual estimated cost of \$1,523. This shift of responsibilities would also upgrade the status of the receiving office from a third to a second class office and thereby increase its postmaster's salary \$2,862 annually. MSC officials estimate an annual savings of about \$22,000, if this office were closed.

CASE #2

This case illustrates a limited service office where \$27,662 could be saved annually if the Service used a combination of alternative services.

Located in midwestern state, this post office served 207 customers in 1981, 4 general deliveries, 52 post office box and 151 rural route deliveries. About half of the rural deliveries are made to another town, about 6 miles away, with an existing post office. This overall level of service has remained about the same for the

last 3 years. The office has three employees, the postmaster, a part-time clerk and a rural carrier. The postmaster became eligible for retirement in October 1979.

The office, with a 12' x 12' lobby, is located in a store front building attached to several other store front buildings which are partially occupied. The postmaster owns the building and rents it to the Service for \$35 a month with a 30-day notice cancellable lease.

Annual operating expenses for fiscal year 1981, less the cost associated with rural delivery, were \$31,662. The postmaster's salary, the largest operating expense, was \$23,507. Revenue for fiscal year 1981 was \$7,762.

According to local MSC officials, this office could be replaced by a CPO costing about \$4,000 annually. This alternative was considered the most desirable, as strong opposition by the community to other service alternatives is probable. The CPO would not handle the current rural delivery responsibilities. These responsibilities would be picked up by another post office. If this post office were replaced, we estimate and MSC officials concur that \$27,662 could be saved annually.

CONCLUSION

The Service could save millions of dollars without adversely affecting its current level of delivery service to the public if it replaced thousands of post offices. The vast majority of postal patrons whose post offices have been replaced are satisfied with their current services. We believe between \$125 and \$150 million can be saved annually by 1990 if about 7,000 post offices are replaced with acceptable alternative mail services. In addition, other savings opportunities exist if other offices are also replaced on a case-by-case basis with resulting savings to the Service.

AGENCY COMMENTS AND OUR EVALUATION

The Postal Service expressed concern over any attempts to assess post office operations from the perspective of profitability and also believes that the maintenance of an efficient and convenient mail delivery system cannot be accomplished by rapidly changing the mail system's structure. We agree that any assessment of post office operations from the profitability perspective is incomplete. As we describe in both chapter 2 and chapter 5

of this report, our analysis is based on identifying offices currently providing limited service to the public and attempting to estimate the savings to be realized by replacing these offices with publicly acceptable alternatives for these offices. We did not assess individual post office profitability.

Regarding the rate of replacing post offices, we believe, as we describe in chapter 3, that current and former statutory requirements have influenced the rate of post office replacement. If the Congress wishes to achieve the savings estimated in this report in the near term, the status quo will not suffice, as it will take nearly 100 years to achieve the estimated savings at the current replacement rate. If either the Congress or the Service decides to accelerate replacements and focuses its efforts on the types of limited service offices used in our analysis, we do not believe a significant service disruption would occur. The alternative services used in our analysis to replace these types of offices have a proven record of successful public service.

The PRC commented that our review only "peripherally" considered the nonpostal effects of post offices. Our estimation approach does not contain any direct quantitative consideration of nonpostal effects because, as we describe in detail in chapter 3, the definition of these effects is still evolving. Without a clear definition of what these effects are, measurement is impossible. Nevertheless, we did attempt to address the issue by considering the replacement of post offices with CPOs, which are specifically designed to minimize community-related effects.

The PRC also commented that our review focuses on mail delivery and that providing for the sale of stamps and special services is also important. We agree that these other services are important, but these types of services can normally be provided by either rural route carriers or community post offices. Our response to the PRC's comments dealing with matters of detail is included in appendix V.

CHAPTER 3

COMPLEX POST OFFICE REPLACEMENT PROCESS

PREVENTS POTENTIAL SAVINGS FROM BEING REALIZED

Requirements of existing law, current Postal Rate Commission (PRC) review procedures, and the Service's restrictive replacement practices have combined to produce a cumbersome and time-consuming post office replacement process, requiring an average of about 19 months to formally replace an office. As a result, many post offices that provide the public with minimal delivery services remain open even though they are replaceable with lower costing delivery alternatives.

Through its role as a reviewer of all appealed replacement actions, the PRC has significantly influenced the replacement process by establishing individual case evidence requirements. These evidence requirements have contributed to lengthening case processing times. In addition, the Service limits its replacement activities by assigning them a low priority and using restrictive replacement criteria which encourage the consideration of replacements only in situations where the office has a vacant postmastership or the post office quarters are no longer available. In addition, the Service's long-standing concern over congressional resistance, fueled by constituent complaints about individual post office replacements, has also played an important role in reducing the pace of post office replacement actions.

POST OFFICE REPLACEMENT PROCESS IS COMPLICATED

The current replacement process is complicated, requiring several layers of review and approval. Normally, a proposed replacement action receives at least 10 levels of review before it becomes a final decision. Assuming an appeal to the PRC, additional processing steps are required.

The post office replacement process is designed to ensure compliance with the 1976 amendment to the Postal Reorganization Act (39 U.S.C. 404 (b)). This act requires that any decision to close or consolidate a post office must take the following into account:

- Effect on community served.
- Effect on postal employees.
- Economic savings to the Postal Service.
- Responsiveness to community postal needs.

--Other factors determined to be necessary
by the Postal Service.

The initiation of the replacement process is normally the responsibility of the Service's MSC managers or their designees. Postmaster vacancies and/or losses of quarters normally trigger the consideration of replacement. If a preliminary decision is made to consider discontinuance, information on all five criteria must be gathered. This initial investigation will generally include conducting a community opinion survey, holding meetings with community members and reviewing the candidate office's delivery statistics.

After considering the results of the initial investigation, a formal proposal addressing each statutory criteria is prepared at the MSC. The draft is forwarded to the appropriate Service Regional Headquarters, which reviews the proposal. In addition, the Service's Government Relations unit in Washington is notified. The formal proposal is then publicly posted. The public must be given 60 days notice of a proposed action in order to enable the persons served by a post office to evaluate the proposal and provide comments. During this period, the MSC may hold public meetings with patrons to discuss the proposal. The MSC will review the comments and revise the proposal where necessary.

If the MSC decides to continue, the proposal and all supporting evidence are forwarded to the district office level where they are reviewed. If the district office approves, the package is forwarded to the regional office, where it is reviewed at four different levels. If the region approves, a final determination is drafted. The draft and all supporting files are then forwarded to Service Headquarters where they are reviewed at five different levels. Once all of the necessary reviews are completed, the final determination is publicly posted for 60 days. If no appeal is made within the first 30 days after the initial posting, the office may be closed on the 60th day. If an appeal is made to the PRC, the Service normally awaits the resolution of the appeal before taking any action.

The PRC has 120 days to consider and decide upon appeals. The PRC may only affirm the determination of the Service or return the matter for further consideration based on the record that the Service puts before it. Any patron may appeal an action.

Throughout the entire process, the closing action is subject to many levels of review, any of which may require revisions to either the content of the proposal or records. Appendix II presents the process in a flow chart format.

THE REPLACEMENT PROCESS PRODUCES
FEW CLOSINGS AND REQUIRES LONG
CALENDAR TIMES TO COMPLETE

Relatively few post offices are currently being replaced. The Service takes an average of about 19 months to initiate and complete an individual replacement action. A significant portion of this time is spent in processing the action after receipt of public comments.

From the lifting of the moratorium on post office closings at the end of 1977 to the end of calendar year 1981, the Service replaced 273 post offices, representing less than 1 percent of their post offices in operation as of the end of calendar year 1981. At this rate of replacement, it will take nearly 100 years to replace the 7,000 offices discussed in chapter 2.

Individual replacement actions have also taken long calendar times to complete. As discussed in the preceding section, each action goes through several phases within the replacement process. Two important processing milestones are the date of the initial public posting of the original replacement proposal and the date of the formal closing or consolidation of the office. The time between these two points represents all of the calendar processing time used, with the exception of the time spent in pre-proposal investigation and analysis. Our review of the case files showed that for all of the 273 replacement actions completed between 1978 and 1981, an average time of about 16 months elapsed between the original public posting of the proposal and the date of formal closing. The following chart displays the processing times results.

<u>Processing times (proposal to closing)</u>	
<u>Months</u>	<u>Percent</u>
6 months or less	0
7 to 12 months	28
13 to 24 months	63
Over 24 months	9

The time spent in the pre-proposal phase on these cases was not clearly identified in the case files. However, Service training guidance indicates that normally 85 calendar days should be required for pre-proposal activities. Adding these 3 months onto the 16-month average gives a 19-month average processing time from the initiation to the completion of processing activities.

A significant amount of calendar time is spent in processing the case after the receipt of public comments. A distribution of processing times for all 273 cases from the receipt of public comments on the formal proposal to closing is shown in the following chart.

<u>Processing times (receipt of comments to closings)</u>	
<u>Months</u>	<u>Percent</u>
6 months or less	4
7 to 12 months	40
13 to 24 months	51
Over 24 months	5

POSTAL RATE COMMISSION
OPINIONS SIGNIFICANTLY
INFLUENCE REPLACEMENT PROCESS

Through its role as a reviewer of appealed closing actions, the PRC significantly influences the closing process by rendering opinions upon the evidence requirements necessary for it to affirm closing or consolidation decisions. PRC opinions have often found the Service's replacement cases insufficiently developed relative to either legislative or evidence requirements. In reacting to PRC opinions, the Service has had to lengthen its closing process and adopt a more conservative approach toward replacing offices. Although the PRC's impact on process costs has also become a concern, the Service does not collect sufficient processing cost data to make a valid assessment of the PRC's cost impact.

The PRC has remanded many cases

From 1978 through 1981, the PRC reviewed 38 appealed cases (about 10 percent of all post office replacements) and disposed of these cases as follows:

<u>PRC action</u>	<u>Appealed cases</u>	
	<u>Number</u>	<u>Percent</u>
Affirmed	5	13
Remanded to Postal Service	24	63
Dismissed by PRC	5	13
Withdrawn by petitioner	1	3
Withdrawn by Postal Service	<u>3</u>	<u>8</u>
Total	<u>38</u>	<u>100</u>

As shown on the previous page, most of the cases reviewed by the PRC were remanded or sent back to the Service for additional work. The PRC's General Counsel stated that the situation may be improving somewhat, as five recent Service decisions have been upheld by the PRC. The following chart shows the areas the PRC found insufficiently developed in accordance with statutory criteria.

<u>CASE FILE ANALYSIS</u>	
<u>Issue area</u>	<u>Instances cited</u>
Effect on community	24
Effect on employees	2
Maintenance of a "maximum degree of effective and regular postal services"	18
Economic factors	7
Other factors	1

As shown above, the PRC normally cites more than one issue in its remanding actions. The two most common issues cited were insufficient evidence on the effects on the community served and insufficient evidence on the maintenance of effective and regular mail service.

PRC decisions called for broader investigations and analyses of nonpostal community effects

With regard to the replacement's effect on the community, the PRC found that the Service's initial interpretation of this provision was "unduly restrictive" and consequently failed to consider all of the necessary issues. According to the PRC, the Service addressed this issue by primarily considering the level of postal services that would be available to the community after the closing or consolidation and the question of whether the name of the community would remain in use for postal purposes. The "deficiency" in this approach, according to the PRC, was that other "nonpostal" effects upon the community were ignored. As a result, the Service was found to have "misconstrued the law."

According to the PRC, the law, without any words of limitation, requires the Service to also consider effects which are not directly connected with mail service operations. Analyzing the structure of the 1976 amendment and the congressional debate preceding its enactment, the PRC determined that "the Congress has effectively commanded the Postal Service to operate as a guardian

of the public interest as well as a prudent manager of its own operations." As a result, the Service must make a "reasonable effort" to determine what the effects of the proposed closing will be on the community, even if the effects are not concerned with postal operations.

This "reasonable effort," according to the PRC, means that the Service must raise and resolve these issues in its determination, regardless of whether or not community members raise them. In addition, the PRC believes "reasonable effort" must be construed to mean "investigate and analyze" as opposed to merely summarizing existing information. The PRC also encouraged the Service to perform its investigations before the initial proposal is even drafted and to thoroughly address each "reasonable" comment, even if it was believed to be inaccurate or not clearly articulated.

According to the PRC's General Counsel, it is the Service's responsibility to address the nonpostal effects issue and the PRC has urged the Service "to consider with a certain degree of creativity the possible effects of a non-postal character which the closing or consolidation of the office may have." While no comprehensive definition of nonpostal community effects has been developed, the PRC has provided the Service with "illustrative examples" and made individual case rulings which demonstrate the potentially wide breadth of the concept. Included in its "illustrative examples" of areas for possible consideration were:

- The possibility that the absence of a post office might cause patrons to desert existing businesses located in town in favor of those located near a post office.
- The services provided by the postmaster outside the realm of postal business, including assistance with correspondence and with Federal Government business such as tax returns and social security.
- The ability of other existing institutions and structures to keep the community "alive as a distinct social entity" after the closing of the post office.

Other nonpostal issues cited in individual PRC opinions as reasonable subjects for consideration by the Service included:

- The effect the action will have on residents' attitudes towards the Federal Government.
- The effect the action will have on residents' fuel consumption.

- The effect the actions will have on the use of the post office as a shelter for children waiting for the schoolbus.
- The potential effect the action will have on future community growth.
- The effect the action will have on the way residents and nonresidents think about the community.

Another issue involved in the consideration of nonpostal community effect is the definition of a community, particularly in social terms. The PRC supplied no formal definition, leaving the working definition to ultimately evolve through case actions. This situation is reflected in a 1979 memo by an Assistant Postmaster General which states:

"Unfortunately, the Commission has left open to very broad interpretation of who is 'transient' and who 'belongs' to the community, while putting the burden on us of discovering and analyzing relevant impacts * * *. Additionally, Commission comments implied that the service area definition of community membership amounts to unwarranted speculation on our part."

The idea that the affected service area may not coincide with the affected social area is shown in several appeal cases where the number of petitioners exceeded the number of patrons served. For example, in one appealed case, the Service identified 20 patrons served while petitions filed with the PRC contained 137 signatures. In another appealed case, the Service identified the total population served as 34 while the petitions filed with the PRC contained 209 signatures.

PRC decisions emphasized consideration of all comments

Generally, the PRC's problems regarding the Service's treatment of effective and regular mail service issues focussed on the handling of patron comments. In 17 of the 18 cases remanded on this issue, the PRC's primary concern was that the Service's final determinations were not fully addressing each comment received. For example, in the Gulf, North Carolina, case involving an attempt to close a post office serving 89 customers, the PRC found that 7 of the 18 patrons who commented on the action raised the issue of hardship on elderly persons. The Service addressed the issue with a general conclusion, which the PRC judged to be insufficient. In another case, involving an attempt to close the Craigsville, Pennsylvania, Post Office serving 58 families, the PRC found that "a significant number of inquiries were left unaddressed by the Postal Service," including comments regarding treatment of senior citizens, highway problems that may affect delivery

service and the price of post office boxes at a nearby post office. As a result of these omissions, the PRC remanded the case to the Service.

Postal Service has responded to PRC decisions by broadening investigations and attempting to reduce appeals to the PRC

In response to the PRC remandings, the Service revised its post office replacement procedures in early 1980 to reduce the number of appeals as well as strengthen its chances for winning appeals. The revised procedures formalize and broaden the investigative work the Service has previously been doing to include an indepth analysis of the nonpostal effects on the community. The revision notice acknowledged, however, that this will entail additional work when the Service attempts to close an office.

Specifically, the revised procedures include an extensive seven step pre-proposal investigative and analysis phase. This phase includes sending a 5-page customer questionnaire to all people in the community to solicit their views on the value of their post office, analyzing the results of the survey, holding a public meeting with community members and conducting an independent investigation of the community's service needs. According to the training guide distributed by the Service's Western Region, the pre-proposal phase (from the initiation of the internal investigation to the posting of the proposal) should take 85 calendar days.

If a high probability exists that a strong individual or collective appeal will be made to the PRC, a proposed replacement may either be delayed or dropped. For example, at one MSC we visited, Service officials stated that 20 of the 23 proposed replacements they had attempted in the last 5 years were dropped when the potential for community protest became evident. At another MSC we visited, officials stated that 5 recent cases were dropped for similar reasons.

Cost impact of widened investigations remains uncertain

Although the Service, as well as the PRC, has expressed concern about the escalating costs of investigating and processing individual replacement cases, no cost data is currently accumulated by the Service to accurately determine these costs. The Postmaster General noted his concern in his 1980 Comprehensive Statement by stating that the Service "must be careful that the administrative resources committed to processing a case do not grow larger than the inefficiency of retaining an unneeded office." In a recent memo to the Service, a PRC Commissioner

also expressed concern over investigative costs and requested estimates of the administrative costs typically incurred in closing and consolidating small post offices.

While these concerns have been expressed, no accurate data on case processing costs is currently accumulated by the Service. Service officials stated that such an accumulation would be difficult, as these cases are reviewed at many different levels by different people. However, while there are many levels of review, significant final processing steps (such as preparing the final determination) are currently centralized at Service Headquarters and require the accumulation of other significant information generated throughout the process.

The Service did, however, recently respond to the previously mentioned PRC Commissioner's request by developing administrative costs for two recent cases. Described by the Service as "two fairly ordinary cases" which were not based on an "extraordinarily large" administrative record, both cases were appealed to the PRC and originated in the same Service region. In the first case, involving the consolidation of an office serving 90 patrons, the Service reported spending 87 3/4 hours over 9 months at a total cost of \$1,406.75 to achieve an annual estimated savings of \$3,279. In the second case, involving the closing of an office serving 40 patrons, the Service reported spending 126 1/4 hours over 14 months at a total cost of \$2,035.54 to achieve an annual estimated savings of \$3,074. While these two cases may serve as interesting case studies, they may or may not reflect the Service's normal cost experience.

RESTRICTIVE POSTAL SERVICE CLOSING
CRITERIA AND LOW PRIORITY STATUS
ALSO LIMIT REPLACEMENT ACTIVITIES

The Service limits its replacement activities by maintaining restrictive criteria for considering post office closings. Currently, Service guidance encourages field officials to consider the replacement of a post office only when the postmastership is vacant or the facility cannot be retained. In addition, formal replacement activities are normally given a low priority at the field level.

The level of top management attention given an activity can strongly influence the level of emphasis placed on that activity by the rest of the organization. If top management restricts or de-emphasizes an activity, the incentive is absent for lower management to aggressively pursue it.

Postal Service continues to use restrictive criteria when considering replacements

Since 1964, the Service has established restrictions on the post offices that can be considered by field managers for replacement. These restrictions have included considering only offices where the postmastership is currently vacant or the postal facilities are no longer available.

Although Service policies no longer contain restrictions relating to postmaster vacancies or loss of facility, Service guidance to the field continues to emphasize these factors as criteria for considering offices for replacement. For example, a Post Office Discontinuance Training Guide states that field managers should consider discontinuing an independent post office when one or a combination of the following conditions occur:

- (a) Loss of a postal facility due to cancellation of a lease or rental agreement, destruction by fire or natural disaster, severe health or safety hazard in working environment, or similar reasons;
- (b) Postmaster vacancy due to retirement, acceptance of an offer of promotion or reassignment, permanent disability, death, or removal for cause;
- (c) Special local circumstances, such as inclusion of two independent post offices within the boundaries of a single incorporated town or city, or receipt of a petition from a majority of local postal customers for a change of service that makes their post office redundant.

Of the 273 replacements enacted since the lifting of the moratorium in 1977, 215 or 79 percent were preceded by either the retirement, resignation, or death of the postmaster. Consequently, the current approach emphasizes reacting to individual postmaster or facility status, as opposed to a more affirmative action based on an established organization plan aimed at achieving service efficiency goals.

Low priority status given to replacement activities

Although the Service has recently issued additional guidance and provided additional training, post office replacement activities continue to receive a relatively low priority. Service Headquarters officials believe that other Service efficiency efforts achieve more savings than replacing post offices.

In the 15 MSCs we visited, replacement efforts were also given a relatively low priority. Normally, the highly technical investigation and analyses were done on a part-time basis by personnel with other duties. In addition, no effort was made by management to keep track of the time or resources spent on replacement efforts.

LONG PERIODS IN EMERGENCY
SUSPENSION STATUS MAY
PRECEDE PUBLIC NOTICE OF
REPLACEMENT PROPOSAL

Using postmaster vacancies or, in a few cases, lost facilities as a trigger for considering a post office replacement action, management may elect to place a candidate office in emergency suspension status before initiating a formal replacement action. Suspension periods prior to the public notice of replacement actions have run as long as 28 months.

Suspension is an emergency measure in which the Service temporarily discontinues the operation of a post office and substitutes temporary alternative service in the community. Replacement services are provided by one or more neighboring post offices. At this point, the salary component of the savings to be achieved from the possible replacement of the office has already been accomplished and the cost of providing alternative service has been incurred. Currently, MSC management is required to supply the Service Headquarters with information on the reason for suspension within 30 days of its initiation.

Many offices have spent and are continuing to spend significant amounts of time in suspension prior to the public notice of replacement actions. Of the 273 offices replaced from 1978 through 1981, 164 were placed in suspension prior to the initiation of closing actions. However, 109 of these suspensions were during the 1977 moratorium when offices could not be closed. Of the remaining 164 offices we find that 55 (33 percent) were placed in suspension prior to closing. An analysis of these actions shows the average time in suspension before the formal initiation of a closing action to be 7 months, with times ranging from less than 1 to 28 months. In addition, as of March 15, 1982, the Service had 369 other offices in suspension. Their average time in suspension was about 24 months.

During suspension and prior to the initiation of the replacement action, the public may not have any opportunity to express its feelings on the community effects associated with the replacement until possibly over 2 years after the operation of the office had, in fact, ceased. This possibility was raised in a dissenting

opinion by a PRC member on a specific case in which the Service had an office in suspension for several years before a final determination on the closing was made. In one recent example, still pending, the Service posted a proposal for public comment to close a post office which had been torn down 3 years before. Consequently, a suspension can have the effect of achieving immediate savings. However, a lengthy period of time may pass before the Service initiates a formal closing action and confronts the public directly on the issue of community impact.

POSTAL SERVICE CONCERN WITH
CONGRESSIONAL OPPOSITION HAS
SLOWED REPLACEMENT ACTIVITIES

Awareness of strong congressional opposition, fueled by constituent opposition to individual replacements, has also slowed Service efforts.

Since 1964, the Service has cited its fear of congressional opposition as a reason for proceeding slowly with post office replacement efforts. In response to GAO reports in 1964 and 1967, the Service stated that it must retain restrictive replacement efforts because of its fear of arousing strong public and congressional protests. Again, in response to GAO's 1975 recommendation to broaden replacement activities, the Postmaster General cited congressional concern as the primary reason for retaining restrictive replacement activities.

Currently, this concern with congressional reaction continues and contributes to keeping the rate of replacements low. Service Headquarters officials acknowledged that the political effects of a replacement action are considered. The Government Relations unit at Service Headquarters is notified upon the initiation of all replacements proposed by an MSC. In addition, these concerns have been institutionalized in the form of guidance on the number of replacement actions to be initiated. For example, in one MSC we visited, a memorandum from the district manager to all his MSC managers notes

"We have been asked to prepare no more than one proposal in a Congressional district at a time."

In another MSC we visited, a memorandum from the regional office to all district managers notes

"Only one posting per month in each Congressional district is permitted, however this policy (emphasis added) does not preclude simultaneous investigations or preparation of proposals for offices within the same Congressional district."

CONCLUSIONS

The current post office replacement process significantly limits the Service's management discretion and normally takes 19 months to process a case to completion. The Service also must affirmatively address the nonpostal effects associated with each replacement action to satisfy the applicable standards for reviews by the PRC of proposed replacements. In addition, the Service has limited its actions by assigning a low priority to the activity and adopting restrictive replacement criteria. The Service's awareness of congressional resistance to individual post office replacements has also reduced the pace of post office replacement actions.

Adjustments to the current process must be addressed from two perspectives--should major changes be made to the process to accelerate replacement action and what improvements can be made under the existing process to make it more efficient and workable? The final decision on major changes rests primarily on the relative value placed by the Congress on the Service quickly achieving the savings associated with replacement activities. This is discussed in chapter 4.

Assuming the Congress takes no action to modify the existing closing process, the Service can take several actions to streamline and strengthen the process. Specifically, replacement criteria can be broadened to encourage the initiation of replacement actions in situations where a postmaster vacancy does not exist or the Service has not lost its quarters, use of suspensions can be better controlled to eliminate long suspension periods before replacement action is taken, a cost monitoring procedure can be established to provide management with the information needed to assess the process' cost efficiency, and efforts can be made to establish standard investigative and analytical requirements to cut down the current large number of supervisory reviews required for each case.

RECOMMENDATIONS

Absent congressional action to modify the post office replacement process, we recommend that the Postmaster General:

- Remove the emphasis on requiring either a postmaster vacancy or a loss of quarters before a post office can be actively considered for replacement to encourage a wider application of replacement efforts.
- Require Service management to either formally post a replacement proposal, formally advertise a vacancy for the postmaster, or establish a new facility within a specific time frame after initiation of suspension to discourage the extensive use of long suspension periods prior to the initiation of replacement actions.

- Work with the Postal Rate Commission to develop efficient investigation and analysis standards.
- Periodically determine the level of costs associated with the replacement process to enhance management control.

AGENCY COMMENTS AND OUR EVALUATION

The Service agreed with two of our recommendations while disagreeing with the other two. The Service agreed to open a dialogue with the PRC to develop more efficient investigative standards and to emphasize the determination of costs associated with the current replacement process.

The Service disagreed with our recommendation to broaden its consideration of offices as candidates for replacement beyond those where there is an impending postmaster vacancy or loss of quarters. Considering that the Service's primary goal in any closure is postal efficiency, we continue to believe that both the Service and the public are best served by a replacement process guided by overall service and efficiency expectations, rather than a process which reacts to individual postmaster retirement preferences or lessors' wishes.

The Service disagreed with our recommendation to place additional controls on the emergency suspension process, citing 1980 instructions limiting suspensions to 30 days before the community is informed of the Service's plans for replacement service. The Service also asserted that many of the long running suspensions were caused by the 1976 moratorium on post office replacements. As we describe in chapter 3, our analysis shows that a significant number (55) of long suspensions took place after the 1976 moratorium was lifted. In addition, as of March 15, 1982, the Service had 369 offices in emergency suspension for an average of 24 months. Enough time has certainly elapsed since the moratorium was lifted in December 1977 for the Service to have communicated its replacement plans to those communities affected by the loss of their post office. Considering the large number of offices in suspension and the length of time they have been in that status, it appears to us that the criteria mentioned by the Service in its comments have been less than effective.

The PRC's comments stressed that statutory requirements dictate its actions within the replacement process and that its review role is limited. In addition, PRC stated that it believes the Service must take the lead in defining the concept of "non-postal" effects and in shaping efficient investigative standards.

We agree that the requirements of existing law are a major factor shaping the current replacement process. However, while the formal PRC role may be limited, the PRC's decisions have significantly shaped the scope of the Service's investigative effort. This significant influence will continue under current legislation, which necessitates PRC's cooperation if efficient investigative standards are to be set. Our response to the PRC's comments on matters of detail is included in appendix V.

CHAPTER 4

FUTURE POST OFFICE REPLACEMENT

EFFORTS: CONGRESSIONAL OPTIONS

In the continuing public policy debate over the merits of replacing thousands of post offices with acceptable alternative services, we believe the Congress has three primary courses of action available. First, the Congress can decide to adjust the current process, encouraging the agencies involved to make changes (such as those recommended in ch. 3) designed to increase program efficiency and effectiveness. Second, the Congress can completely eliminate the current process, making the replacement action an internal Service decision. Third, the Congress can change the process to operate on an exception basis only, exempting from the current process all replacements accomplished by using CPOs. Each of these courses of action has various advantages and drawbacks.

ADJUST THE CURRENT PROCESS

Adjusting the current process will ensure a relatively slow realization of the savings associated with the replacement of inefficient post offices.

As discussed in the preceding chapters, several factors will continue to keep replacements at their current relatively low rates (86 for fiscal year 1981). As recommended in chapter 3, efforts should be made to streamline the current process through clarifying investigative criteria, such as more explicitly defining the relevant nonpostal effects and the community membership to be considered.

The clarification of investigative criteria, while retaining the rest of the process, may have two positive effects. First, the level of risk associated with an individual closing would be reduced, possibly encouraging managers to attempt more closings. Second, communities would continue to be afforded extensive protection against any unwarranted replacement efforts.

On the other hand, there are two drawbacks associated with adjusting the current process. First, the significant potential savings associated with replacing post offices will not be realized in the near term. Even assuming that the fiscal year 1981 rate of closings were tripled due to streamlining to about 250 a year, only about 2,000 offices would be replaced by 1990.

In addition, streamlining the current process will be almost impossible without close cooperation between the Service and the PRC. The historical relationship between these two agencies has not always been harmonious.

ELIMINATE THE CURRENT REPLACEMENT PROCESS

The elimination of the current replacement process could accelerate the rate of actions and allow the Service to more quickly realize the savings associated with these actions.

The primary strength of this approach is the timely realization of a significant portion of the possible savings associated with replacement actions. The rate of replacement would probably be determined by the Service's ability to find positions for the postmasters whose offices have been replaced.

The primary concern about this approach is that the post office replacement process would again become an internal Service decision which raises the possibility that the Service's desire to reduce operating costs may make it less responsive to legitimate community concerns.

EXEMPT REPLACEMENTS USING COMMUNITY POST OFFICES

An alternative to the current process would be to distinguish among alternative delivery services by exempting replacements using CPOs from the current process. This exemption could provide the Service with an incentive to use the CPO mechanism, which is specifically designed to ensure little or no effect on the community as a result of the replacement.

CPOs lessen the degree of change perceived in the community, and they are being successfully used by the Service to replace post offices. CPOs normally provide all of the services of a regular post office. Fewer than 15 percent of the CPO patrons we sampled expressed dissatisfaction with the level of service being provided. The problems identified by the minority of dissatisfied patrons appear easily correctable by the Service.

The approach of exempting replacements using CPOs would allow the Service to make unilateral decisions and may therefore lead to more replacements being attempted. The processing of these individual actions would also be accelerated.

There are two weaknesses with this approach which may effect its ability to achieve an accelerated replacement rate. First, CPOs require contracting, described in a general sense as one of the most technical processes in the entire Service operation.

In addition, CPOs do not use postal employees, a fact which may (1) cause postal employee groups to resist the widespread use of this mechanism and (2) lessen the Service's control over postal operations.

AGENCY COMMENTS AND OUR EVALUATION

Although the Service made no comments on our discussion of options for future congressional action, the PRC suggested an additional option for consideration. Specifically, the PRC would recast the current replacement process "to require the current procedures only when, following adequate public notice, one or more patrons requests that the Postal Service follow the current statutorily required procedure and issue a written decision." The PRC states that "if a clear, intelligible notice of intention to close or consolidate an office (including a statement of the type of service that would be substituted) did not elicit any request for the current, more formal procedures, then the Postal Service could simply close the office as planned without formal hearings, and any appeal rights of the patrons would be eliminated." The PRC believes this revision would result in a savings of time and money.

We believe this proposal should be assessed in connection with a consideration of the wide range of other alternatives available to the Congress. The PRC's prediction that an "appreciable" number of cases would be affected by their proposal rests primarily on its experience with appeals, which they admit has been limited.

We believe two issues require additional development before a full assessment of the PRC proposal can be made. First, the new process would significantly relieve administrative burden only if formal closure proceedings and appeals are exceptional occurrences. While appeals to the PRC are rare, these appeals take place after the Service has had an opportunity to respond to initial public comments. Would moving the decision point to invoke formal closing proceedings improve the situation? Even if patrons have no intention of appealing to the PRC, they may still elect to request the formal closing procedures and to insist upon the development of a full evidentiary record by the Service. To the extent that formal closing proceedings are required, the current administrative burden would not be significantly relieved. Second, significant savings could be achieved if the rate of replacement can be accelerated. Would this change accelerate the rate of replacement or would other changes also be needed?

CHAPTER 5

SCOPE AND METHODOLOGY

Since the use of statistical sampling and computer analysis was integral to this review, we are presenting in this chapter, details of our scope of work and methodology used, including limitations and interpretive comments. The scope of our work was divided into three major segments. First, we developed an approach to estimate the savings that would result from the systematic closing or consolidation of post offices and their replacement by contractor-operated stations, rural route extensions, or other forms of alternative services. Included in this approach was the development of individual examples of post offices currently in operation which could be replaced. Second, we surveyed the opinions of a random sample of postal patrons who have recently had their post offices replaced with alternative mail services. Third, using a standardized data collection instrument, we reviewed the case files of all recent post office closings to assess the efficiency of the current closing/consolidation process.

ESTIMATING POSSIBLE SAVINGS

Starting from the premise that the Service's primary role is to provide adequate postal services to the public at the least cost, we used a multistep approach to initially identify post offices currently in operation but providing only limited delivery service to the public. For these offices, we then calculated, where feasible, the possible savings associated with their replacement by either a rural route extension or private contractor operated community post office. We also developed individual examples of offices which could be replaced with an acceptable alternative form of service at a cost savings.

Initial identification of low service offices

In order to estimate the possible savings associated with the replacement of post offices, we first had to define the characteristics of an inefficient post office. We believe the Service's primary mandate is providing the general public with efficient and effective mail service. Using service to the public as our initial identification criteria, we started our analysis by classifying all post offices by a variety of service-related characteristics, including the type of delivery service provided, the number of customers served, and revenue levels. Those offices consistently exhibiting low service levels, such as serving few patrons, were our initial candidates for full replacement.

Using Service data (specifically the 1981 Post Office Profile Survey, which reports each post office's operating data), we separated all post offices into five customer service categories--general delivery, post office box, city delivery, rural delivery and highway contract (known as star) delivery. These categories are the same as those used by the Service as it considers closing or consolidating post offices.

Using these service categorizations, we began a refinement process. First, we eliminated from consideration all offices currently involved in providing city delivery services, because these offices provide extensive service to the public and we believe their wholesale replacement is not feasible. Second, we eliminated all offices reporting administrative responsibilities for rural or highway box delivery because we believe that the replacement of their diverse customer service responsibilities (such as route complaint resolution and carrier evaluation) are best considered on a case-by-case basis. Third, because post offices currently in suspension normally provide no service, we did not consider them.

After our initial elimination of offices reporting extensive customer service responsibilities, we reviewed the remaining offices for exceptional situations which require a case-by-case examination to better determine whether the office responsibilities could be replaced. From this review we specifically eliminated all offices reporting extensive revenues, which we defined as offices categorized in the Service's Cost Ascertainment Groupings A through G (revenue greater than \$162,000) and all offices reporting exceptionally high levels of general delivery or post office box responsibilities. We used 350 total post office box and general deliveries as our cutoff point, as the Service has already replaced offices at these service levels.

At this point in our analysis, our refinement process produced a group of offices providing relatively low levels of postal service to the public. Specifically, all of our remaining offices reported the following characteristics:

- provide no city delivery service,
- administer no rural or highway contract box service,
- serve 350 or fewer post office box and/or general delivery customers in total, and
- fall in the Service's Cost Ascertainment Groupings H through L (revenue less than \$162,000).

Operational refinements

Two other operational considerations involved in service replacement are the status of the postal employees affected and the status of facilities occupied by the Service. If the number of postal employees affected is extensive or if the Service cannot quickly get out of its leasing arrangements, the replacement of the service provided becomes more difficult.

In order to consider these issues, we obtained selected computerized employee and facility status information from the Service for each post office within our refined grouping. Regarding postal employees, our concern was to minimize the impact of replacement service; we therefore also eliminated all offices reporting a staff of more than one career employee. Regarding facilities, we eliminated all offices which reported they did not have leases cancellable by 1990. We also eliminated offices where incomplete information prevented analysis.

These refinements, combined with identifying low service offices, produced a list of offices providing low levels of service to the public, employing few workers, and occupying facilities with arrangements that can be readily cancelled in the near term. These offices became the input into our savings estimation calculation.

Savings estimate

In order to estimate the savings associated with replacing low service post offices, we obtained information from the Service on the fiscal year 1981 costs of these offices and then estimated the cost of replacing them with some form of alternative service. For estimating savings we selected full replacement by community post office service or rural route box service as the two alternatives to be considered because they represent alternatives commonly used by the Service and have been generally found acceptable by the postal patrons receiving the service. While other alternative services are available, their acceptability to the public remains unproven.

To estimate the cost of substituting contracted community post office service for each of our selected offices, we first identified the total cost (contract price) and the total number of delivery customers for all community post offices within each management sectional center for fiscal year 1981. We calculated the average cost per delivery customer served for each of the Service's five regions, which would reflect any significant differences attributable to geographic variations. In making our calculation, we identified and eliminated from our average process any exceptionally high or low individual observations.

In estimating costs of replacement by rural route, we also attempted to reflect geographic differences by calculating an average cost per rural delivery for each management sectional center for fiscal year 1981. Using computerized Service data, we identified the total rural route carrier salary and benefits and equipment maintenance costs for each MSC. We further refined this cost, including only offices in Postal Service Cost Ascertainment Group categories H-L, in an attempt to exclude suburban offices whose relatively low cost per delivery might result in an inflated savings estimate.

Once the computer calculated the community post office and rural delivery savings estimate for each office, it totaled each class of savings for our separate community post office and rural delivery savings estimates.

We also considered the potential increases in costs due to the possible optional retirement of some postmasters as a result of accelerated post office replacements. From the perspective of costs to the Service, there would be no increase in costs since retirement outlays are not made by the Service but rather from the Civil Service Retirement and Disability Fund. According to Service officials, annual operating costs would actually decrease, as required biweekly Service contributions would be lowered. However, if the replacements resulted in postmasters retiring sooner than normally expected, an increase in Federal outlays (actuarial loss) from the Fund may result. An estimate of this loss requires a set of assumptions about the number of early, optional retirements (as opposed to reassignments) involved and the future salary levels of the potential retirees. Since significant levels of reassignment possibilities are present, assumptions made about the number of early, optional retirements are arbitrary. Nevertheless, even assuming that all affected postmasters who are eligible to retire elect optional retirements by 1990, we believe there will be no substantial outlays from the Fund, as the high 1981 average age of these postmasters indicates that there will probably be little difference between actual and expected retirements as a result of accelerated replacement activities. As a result, we believe no adjustment to our estimate is necessary.

We also made no adjustments to our cost savings estimate for either severance pay, resulting from a postmaster losing his job, or relocation costs, resulting from a postmaster being reassigned. Although severance is a possibility, it must be preceded by an extensive effort to reassign these employees. While we do not know the individual skill levels of each of these employees, we believe that to assume a number of statistically significant severance actions would be both unreasonable and unsupported by historical experience. In addition, we also believe that an assumption of significant relocation costs is questionable, as current Service

policy heavily emphasizes relocations to areas close to the postmaster's current work location.

Limitations

Our savings estimation methodology has several important limitations inherent in its design. First, we relied heavily on information reported by individual post offices into a number of Service data systems. Recognizing this, we performed a reliability assessment of selected data elements which included verification of a small sample of data to its source and interviews with all identified significant data users. In addition, as we matched data systems against one another in the refinement process, we eliminated any offices reporting inconsistent data. Although we identified no significant problems associated with the data, neither we nor the Service can guarantee that all 30,000 postmasters filled out every data collection form correctly. Consequently, our results should be used as an aggregate estimate only.

A second limitation of our data is that, by design, our savings estimates are based on the conservative assumption that the Service will have to pay for replacing each post office. This has not always been the case in actual practice. For example, our review of the 273 offices closed since the beginning of fiscal year 1978 showed 93 offices were replaced without any cost to the Postal Service.

SURVEY OF PATRONS

In order to survey the opinions of postal patrons who recently had their post offices closed or consolidated, 1/ we identified the population of all post offices closed or consolidated from January 1, 1980, to June 30, 1981. From this initial population we eliminated all locations where the closing or consolidation was preceded by a period of suspended operations, as these extensive suspensions could dim patron perceptions of the services provided by their old post office. In addition, we eliminated all administrative consolidations, as these actions normally involve no change in the mail service other than the removal of the postmaster.

As a result, our refined universe consisted of 40 closed offices and 8 offices consolidated into community post offices. From this universe, we randomly selected 10 closed post offices and four community post offices using probability proportional

1/Closings and consolidations are the two categories used by the Service to group replacement actions. Consolidations involve maintaining a postal facility at the location while closings do not.

to size. That is, if one post office has twice as many postal patrons as a second post office, then the first had twice the chance of selection as the second.

Once the post offices were chosen, a sample of postal patrons was selected randomly to receive mailed out questionnaires seeking their opinions. The table below presents the location number, its stratum, universe size, sample size, and responses.

PATRON SAMPLE CHARACTERISTICS AND RESULTS

<u>Location</u>	<u>Stratum</u>	<u>Universe</u>	<u>Sample</u>	<u>Returned as under-liverable</u>	<u>Returned but patron cannot be counted (note a)</u>	<u>Valid returns</u>
1	closed	532	150	0	7	133
2	closed	2	2	0	0	2
3	closed	8	8	0	0	8
4	closed	43	43	1	3	35
5	closed	13	13	0	1	10
6	closed	33	33	2	0	27
7	closed	8	8	0	0	8
8	closed	22	22	0	0	19
9	closed	56	56	0	3	45
10	closed	25	25	0	0	19
11	CPO	226	120	3	7	91
12	CPO	102	75	3	2	56
13	CPO	139	139	0	4	97
14	CPO	68	68	1	9	48

a/In these instances, patrons moved into the location subsequent to the closing/consolidation. Consequently, they have not observed service levels before and after the service change.

As shown above, we have a stratified sample, designed to provide estimates at the 95 percent confidence level with a maximum sampling error of about 8 percent. Two mailouts were used to obtain the responses reported.

The results of our sample were also weighted so as to project to

- all closed post office patrons,
- all conversions to community post office patrons, and
- the total number of patrons in both categories.

Each questionnaire was given a statistical weight which was composed of two parts. The first part of the weight was to project our patron responses from individual locations to all patrons that were serviced by each office. The second part of the weight was to project all our patron responses at the 14 sample locations to all patrons serviced by the 40 locations in our refined universe. This part of the weight also reflects the fact that the post offices were selected with probability proportional to the number of postal patrons, that is, a post office which had 100 patrons had twice the chance of being selected as a post office with 50 patrons.

ANALYSIS OF CLOSING/CONSOLIDATION PROCESS

In addition to reviewing the procedures followed for closing and consolidating post offices and interviewing Service and Postal Rate Commission officials, we analyzed the entire inventory of closings or consolidations which took place between September 9, 1978, and December 31, 1981. In our work we used a set of standard data collection instructions for each of our analyses. We specifically collected data on case processing times, closing/consolidation reported savings, and replacement costs.

To analyze the data collected, we entered all of the data collected into a computer system. After conducting appropriate verification checks, we performed a number of computerized, aggregate analyses of the data, including case processing agings and a variety of frequency distributions of selected variables.

SURVEY OF POSTAL PATRONS WHOSE POST OFFICE
WAS REPLACED BY EITHER RURAL ROUTE BOX
SERVICE OR COMMUNITY POST OFFICE

Reprinted on the next few pages are facsimiles of the questionnaires we used to survey the postal patrons level of satisfaction with their replacement services. The questionnaire on page 47 combines our results for all respondents. The questionnaire on page 50 presents the results for respondents whose post office was replaced by rural route box service. The results for respondents whose post office was replaced by community post office are on page 53.

U. S. General Accounting Office
 Survey of Postal Patrons Whose Post Office
 Was Replaced By Either Rural Route Box Service
 Or Community Post Office



Introduction

The purpose of this questionnaire is to get your opinions about the quality of your current Postal Service.

We are interested in your opinions because your community has recently experienced a change in service.

Your responses will be kept confidential. The questionnaire is numbered only to aid in our follow-up efforts. The number will be removed from the questionnaire as soon as we take your name off our follow-up list. No one outside of GAO will be told how you answered our questions.

Throughout the questionnaire there are numbers in parentheses to assist our keypunchers in coding responses for computer analyses. Please disregard these numbers.

Please return your completed questionnaire in the enclosed postage-paid envelope within 5 days, if possible.

Thank you for your help.

1. The Morton, WY Post Office (zip code 82522) was closed on or about January 25, 1980. Did you live at your current address before the date of the closing of this Post Office? (Check one.)

94.8 1. Yes (6)
 a/ 5.2 2. No -If no, skip to question 7.

2. Which of the following best describes the type of postal service you got before the closing of this Post Office?(Check one.)

28.7 1. I picked up my mail at the post office (General Delivery). (7)
 47.3 2. I rented a lock box in Post office lobby or other approved place.
 22.5 3. The carrier delivered the mail to or near my address.
 1.6 4. Other. (Please specify.) _____

3. About how many miles was the Post Office that was closed from your address? (Enter number of miles; if less than one mile enter 1/2, 1/4 etc.) b/

1.6 Miles (average) (8-9)

a/The people who indicated they did not live in the area prior to the change were excluded from the remaining analysis.

b/This question was asked only of post offices that were replaced by rural route service.

4. What kind of postal service have you had since the closing of this Post Office? (Check one.) (10)

- 4.6 1. I pick up my mail at the post office (General Delivery).
- 48.8 2. I rent a lock box in Post office lobby or other approved place.
- 45.6 3. The carrier delivers the mail to or near my address.
- 0.9 4. Other. (Please specify.) _____

5. Overall, do you feel your current service is better, worse, or about the same as the service you got before the Post Office closing? (Check one.) (11)

- 8.4 1. Much better
 - 5.7 2. Somewhat better
 - 65.5 3. About the same
 - 16.1 4. Somewhat worse
 - 4.5 5. Much worse
- } Skip to Question 7.

6. Which of the following reasons explain why you feel your Postal Service is now worse than it was before the closing? (Check all that apply.) (12)

- 63.8 1. It is not as convenient to buy stamps as it was before. (13)
- 41.8 2. I feel my mail is not as safe as it was before. (14)
- 39.5 3. I get my mail later in the day than I did before. (15)
- 11.6 4. I do not get my mail as often as I did before. (16)
- 47.2 5. The nearest Post Office is too far. (17)
- 69.3 6. It is not as convenient to send or get packages as it was before. (18)
- 23.6 7. Other reason(s)-Please specify. _____

7. How satisfied or dissatisfied are you with each of the following aspects of your current postal service? (Check one box for each.)

	Very satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	
	1	2	3	4	5	
1. The number of times your mail is delivered per week. (19)	39.9	36.0	19.9	2.7	1.5	
2. The time of day your mail arrives. (20)	32.8	40.5	21.7	3.6	1.4	
3. Security of your mail. (21)	29.9	35.3	24.7	2.9	7.1	
4. Convenience in buying stamps or postal services. (22)	28.0	32.7	23.5	7.9	7.7	
5. Your ability to get and send out packages. (23)	25.2	32.2	26.7	6.7	9.2	
6. Other(s) (Please specify.) (24)	Note: Less than 5 percent of the patrons responded to this part of the questions.					
	49.1	6.2	0.0	3.3	41.4	

8. Overall, how satisfied or dissatisfied are you with your current postal service? (Check one.) (25)

- 25.6 1. Very satisfied
- 45.0 2. Generally satisfied
- 20.1 3. Neither satisfied nor dissatisfied
- 6.6 4. Generally dissatisfied
- 2.7 5. Very dissatisfied

9. How much importance, if any, do you place on each of the following functions a post office can provide? (Check one box for each.)

	Very Great Importance	Great Importance	Moderate Importance	Some Importance	Little or no Importance
	1	2	3	4	5
1. Post Office helps give community an identity (name). (26)	35.0	15.5	19.5	9.1	20.9
2. Post Office is a symbol of America. (27)	31.5	17.1	11.3	8.2	31.8
3. Post Office can serve as an informal meeting place. (28)	18.1	9.2	13.9	9.7	49.1
4. Post Office can provide mail lock boxes. (29)	17.8	17.8	18.7	6.4	19.3
5. Other(s) Please specify. (30)					
	66.4	2.6	0.0	2.6	28.4

10. Which of the following best describes your mailing address? (Check one.)

- 80.8 1. Private residence (31)
- 12.3 2. Place of business
- 2.0 3. State/local government facility
- 1.4 4. Church or non profit organization
- 3.4 5. Other. Please specify.

11. How long have you been at this address? (Check one.)

- 1.0 1. Less than 1 year (32)
- 8.1 2. 1-2 years
- 17.2 3. 3-5 years
- 16.3 4. 6-9 years
- 57.4 5. 10 years or more

12. About how many miles is it from your address to the nearest Post Office? (Enter number of miles, if less than one mile enter 1/2, 1/4 etc.) a/

6.6 Miles (average) (33-34)

13. If you have any other comments about the Post Office that was closed or the service you have received since the change in service please enter them below or on the back. (35)

a/This question was asked only of post offices that were replaced by rural route service.

U. S. General Accounting Office
 Survey of Postal Patrons Whose Post
 Office Was Replaced by Rural
 Route Box Service



Introduction

The purpose of this questionnaire is to get your opinions about the quality of your current Postal Service.

We are interested in your opinions because your community has recently experienced a change in service.

Your responses will be kept confidential. The questionnaire is numbered only to aid in our follow-up efforts. The number will be removed from the questionnaire as soon as we take your name off our follow-up list. No one outside of GAO will be told how you answered our questions.

Throughout the questionnaire there are numbers in parentheses to assist our keypunchers in coding responses for computer analyses. Please disregard these numbers.

Please return your completed questionnaire in the enclosed postage-paid envelope within 5 days, if possible.

Thank you for your help.

1. The Gregory, NC Post Office (zip code 27940) was closed on or about February 20, 1981. Did you live at your current address before the date of the closing of this Post Office? (Check one.)

(6)

96.7 1. Yes

a/3.3 2. No -If no, skip to question 7.

2. Which of the following best describes the type of postal service you got before the closing of this Post Office?(Check one.)

(7)

43.0 1. I picked up my mail at the post office (General Delivery).

17.0 2. I rented a lock box in Post office lobby or other approved place.

37.6 3. The carrier delivered the mail to or near my address.

2.5 4. Other. (Please specify.) _____

3. About how many miles was the Post Office that was closed from your address? (Enter number of miles; if less than one mile enter 1/2, 1/4 etc.)

1.6 Miles (average) (8-9)

a/The people who indicated that they did not live in the area prior to the change in service were excluded from the remaining analysis.

4. What kind of postal service have you had since the closing of this Post Office? (Check one.) (10)

- 2.6 1. I pick up my mail at the post office (General Delivery).
- 17.7 2. I rent a lock box in Post office lobby or other approved place.
- 78.1 3. The carrier delivers the mail to or near my address.
- 1.6 4. Other. (Please specify.) _____

5. Overall, do you feel your current service is better, worse, or about the same as the service you got before the Post Office closing? (Check one.) (11)

- 7.1 1. Much better
- 4.3 2. Somewhat better
- 67.2 3. About the same
- 17.8 4. Somewhat worse
- 3.6 5. Much worse

Skip to Question 7.

6. Which of the following reasons explain why you feel your Postal Service is now worse than it was before the closing? (Check all that apply.) (12)

- 77.9 1. It is not as convenient to buy stamps as it was before. (13)
- 28.3 2. I feel my mail is not as safe as it was before. (14)
- 55.4 3. I get my mail later in the day than I did before. (15)
- 3.0 4. I do not get my mail as often as I did before. (16)
- 74.8 5. The nearest Post Office is too far. (17)
- 88.4 6. It is not as convenient to send or get packages as it was before. (18)
- 20.9 7. Other reason(s)-Please specify. _____

7. How satisfied or dissatisfied are you with each of the following aspects of your current postal service? (Check one box for each.)

	Very satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	
	1	2	3	4	5	
1. The number of times your mail is delivered per week.	42.4	35.3	19.5	1.3	1.4	(19)
2. The time of day your mail arrives.	32.7	40.4	23.0	2.8	1.0	(20)
3. Security of your mail.	30.2	36.9	25.7	1.8	5.4	(21)
4. Convenience in buying stamps or postal services.	25.5	33.3	23.2	8.6	9.4	(22)
5. Your ability to get and send out packages.	20.5	31.8	28.8	7.3	11.5	(23)
6. Other(s) (Please specify.)	Note: Less than 5 percent of the patrons answered this part of the question.					(24)
	42.8	0.0	0.0	2.4	54.7	

8. Overall, how satisfied or dissatisfied are you with your current postal service? (Check one.) (25)

- 25.1 1. Very satisfied
- 52.0 2. Generally satisfied
- 17.3 3. Neither satisfied nor dissatisfied
- 4.0 4. Generally dissatisfied
- 1.5 5. Very dissatisfied

9. How much importance, if any, do you place on each of the following functions a post office can provide? (Check one box for each.)

	Very Great Importance	Great Importance	Moderate Importance	Some Importance	Little or no Importance
	1	2	3	4	5
1. Post Office helps give community an identity (name). (26)	34.5	17.1	15.1	8.5	24.8
2. Post Office is a symbol of America. (27)	29.8	18.2	11.0	10.2	30.8
3. Post Office can serve as an informal meeting place. (28)	21.5	10.9	10.6	6.6	50.4
4. Post Office can provide mail lock boxes. (29)	29.9	16.5	19.3	6.7	27.6
5. Other(s) Please specify. (30)	27.1	0.0	0.0	3.1	69.8

11. How long have you been at this address? (Check one.)

- 1.6 1. Less than 1 year (32)
- 7.2 2. 1-2 years
- 13.5 3. 3-5 years
- 12.8 4. 6-9 years
- 65.0 5. 10 years or more

12. About how many miles is it from your address to the nearest Post Office? (Enter number of miles, if less than one mile enter 1/2, 1/4 etc.)

6.6 Miles (average) (33-34)

13. If you have any other comments about the Post Office that was closed or the service you have received since the change in service please enter them below or on the back. (35)

10. Which of the following best describes your mailing address? (Check one.)

- 81.6 1. Private residence (31)
- 14.7 2. Place of business
- 0.9 3. State/local government facility
- 0.8 4. Church or non profit organization
- 1.9 5. Other. Please specify.

U. S. General Accounting Office
 Survey of Postal Patrons Whose Post Office
 Was Replaced by Community Post Office



Introduction

The purpose of this questionnaire is to get your opinions about the quality of your current Postal Service.

We are interested in your opinions because your community has recently experienced a change in service.

Your responses will be kept confidential. The questionnaire is numbered only to aid in our follow-up efforts. The number will be removed from the questionnaire as soon as we take your name off our follow-up list. No one outside of GAO will be told how you answered our questions.

Throughout the questionnaire there are numbers in parentheses to assist our keypunchers in coding responses for computer analyses. Please disregard these numbers.

Please return your completed questionnaire in the enclosed postage-paid envelope within 5 days, if possible.

Thank you for your help.

1. The Benton, CA Post Office (zip code 93512) was converted to a Community Post Office on or about October 3, 1980. Did you live at your current address before the date of this change in postal service? (Check one.)

(6)

92.1 1. Yes

a/ 7.9 2. No -If no, skip to question 6.

2. Which of the following best describes the type of postal service you got before the the conversion to a Community Post Office? (Check one.)

(7)

8.7 1. I picked up my mail at the post office (General Delivery).

89.7 2. I rented a lock box in Post office lobby or other approved place.

1.3 3. The carrier delivered the mail to or near my address.

0.4 4. Other. (Please specify.) _____

97(8-9)

a/The people who indicated they did not live in the area prior to the change were excluded from the remaining analysis.

APPENDIX I

3. What kind of postal service have you had since the conversion to a Community Post Office? (Check one.) (10)

7.5 1. I pick up my mail at the post office (General Delivery).

92.4 2. I rent a lock box in Post office lobby or other approved place.

0.1 3. The carrier delivers the mail to or near my address.

0.0 4. Other. (Please specify.)

4. Overall, do you feel your current service is better, worse, or about the same as the service you got before the conversion to a Community Post Office? (Check one.) (11)

- 10.1 1. Much better
- 7.6 2. Somewhat better
- 62.9 3. About the same
- 13.7 4. Somewhat worse
- 5.7 5. Much worse

Skip to Question 6.

5. Which of the following reasons explain why you feel your Postal Service is now worse than it was before the conversion? (Check all that apply.) (12)

41.8 1. It is not as convenient to buy stamps as it was before. (13)

62.8 2. I feel my mail is not as safe as it was before. (14)

14.8 3. I get my mail later in the day than I did before. (15)

25.1 4. I do not get my mail as often as I did before. (16)

4.2 5. The nearest Post Office is too far. (17)

39.6 6. It is not as convenient to send or get packages as it was before. (18)

27.8 7. Other reason(s)-Please specify. _____ (18)

APPENDIX I

6. How satisfied or dissatisfied are you with each of the following aspects of your current postal service? (Check one box for each.)

	Very satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	
	1	2	3	4	5	
1. The number of times your mail is delivered per week.	36.6	36.9	20.3	4.6	1.6	(19)
2. The time of day your mail arrives.	33.0	40.6	19.8	4.8	1.8	(20)
3. Security of your mail.	29.6	33.2	23.4	4.4	9.3	(21)
4. Convenience in buying stamps or postal services.	31.6	32.0	24.0	7.0	5.4	(22)
5. Your ability to get and send out packages.	31.5	32.7	23.9	5.9	6.0	(23)
6. Other(s) (Please specify.)	Note: Only 5 percent of the patrons answered this part of the question.					(24)
	54.1	11.1	0.0	3.9	30.9	

7. Overall, how satisfied or dissatisfied are you with your current postal service? (Check one.) (25)

26.4 1. Very satisfied

35.0 2. Generally satisfied

24.1 3. Neither satisfied nor dissatisfied

10.2 4. Generally dissatisfied

4.4 5. Very dissatisfied

8. How much importance, if any, do you place on each of the following functions a post office can provide? (Check one box for each.)

	Very great importance	Great importance	Moderate importance	Some importance	Little or no importance
	1	2	3	4	5
1. Post Office helps give community an identity (name).	35.6	13.4	25.5	9.9	15.6
2. Post Office is a symbol of America.	34.0	15.6	11.8	5.5	33.1
3. Post Office can serve as an informal meeting place.	13.4	6.9	18.6	14.0	47.2
4. Post Office can provide mail lock boxes.	48.8	19.6	17.8	6.1	7.8
5. Other(s) Please specify.					
	93.4	4.4	0.0	2.2	0.0

(26)
(27)
(28)
(29)
(30)

10. How long have you been at this address? (Check one.)

- 0.2 1. Less than 1 year
- 9.4 2. 1-2 years
- 22.4 3. 3-5 years
- 21.1 4. 6-9 years
- 46.8 5. 10 years or more

97 (33-34)

11. If you have any other comments about the Post Office conversion or the service you have received since the change in service please enter them below or on the back.

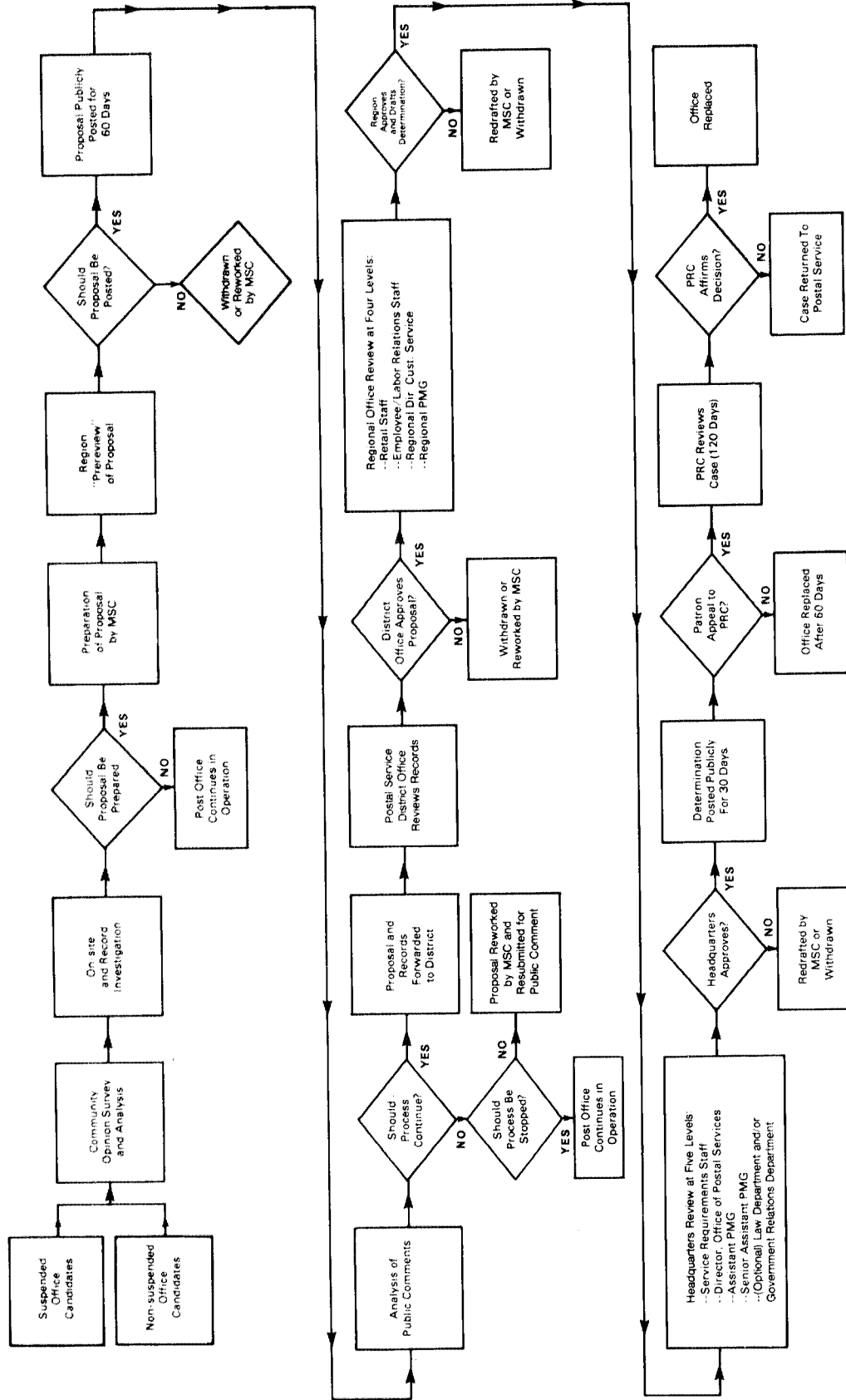
(35)

9. Which of the following best describes your mailing address? (Check one.)

- 79.6 1. Private residence
- 8.9 2. Place of business
- 3.6 3. State/local government facility
- 2.2 4. Church or non profit organization
- 5.6 5. Other. Please specify.

(31)

Flowchart-Post Office Replacement Process



LISTING OF ALTERNATIVES USED
TO REPLACE INDIVIDUAL POST OFFICES

- Rural delivery service - A rural route operated primarily to deliver and collect mail from roadside boxes owned and maintained by residents. The mail is delivered by a Service employee who can also perform most service-related retail functions postal patrons desire.
- Community Post Office (CPO) - An office operated by a private contractor. A member of the community is awarded the contract as a result of bidding. All postal services previously available at post offices are available at CPOs. In addition, the community normally maintains its name, ZIP Code and identity by a listing in the Directory of Post Offices.
- Rural branch non-personnel facility - Postal services are provided by a rural carrier through post office boxes maintained in a facility by a rural carrier. The carrier will remain at the unit a minimum of 15 minutes each day to provide personalized service to meet postal patrons needs.
- Highway contract box service (star route) - A route served by a private contractor who primarily delivers and collects mail from highway boxes owned and maintained by residents.
- Service from nearby existing post office - Complete postal service is offered to patrons from an existing nearby post office.
- Neighborhood delivery and collection box unit service - A centralized unit of more than eight individually locked compartments for the delivery and collection of mail. The unit is served by a carrier.
- Branch/station service - Complete postal service offered by a unit of a main post office rather than a post office. A branch is located outside the corporate city limits while a station is located within corporate city limits. If the unit is staffed by Service personnel it is categorized as classified while units staffed by contractors are categorized as contract units.



THE POSTMASTER GENERAL
Washington, DC 20260-0010

August 5, 1982

Dear Mr. Anderson:

This letter refers to your proposed report entitled, "Realized Savings Through Replacing Post Offices - An Issue Much Debated But Not Resolved".

While we agree that some small post offices can be replaced by alternative delivery methods or retail service points that cost less and are generally acceptable to most customers, we also believe strongly in preserving the mail delivery system. In our view, it is clearly in the public's interest to maintain an effective and convenient universal service and, this is not accomplished by rapidly changing the structure of our mail system as the GAO report indicates.

Further, in our view, attempting to determine whether any particular segment of postal operations is generating revenues greater or lower than its expenditures is likely to be misleading because each segment is but one, indistinguishable part of a universal service from which all other segments derive benefits. There are post offices which, viewed in isolation, appear to generate revenues which are lower than costs. However, it is not possible to say that these post offices are unprofitable because they deliver mail which originates in urban and suburban areas, but collect none of the revenues for such mail.

I do not share the view that small post offices and other characteristics of our universal system, such as uniform rates, six-day delivery and the like, are obviously uneconomic or inefficient because they must be viewed in the broader context of a viable system and not simply isolated for simple economic analysis.

We do agree that the existing replacement process is time consuming and has been further complicated by interpretations of legislation by the Postal Rate Commission, over which the Postal Service has no control.

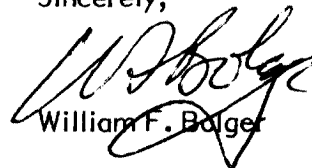
-2-

As for the four specific recommendations you address to the Postal Service.

1. We believe that we should continue to focus our primary replacement efforts on those offices where there is an impending vacancy or loss of quarters. Replacement action in such circumstances is operationally more urgent and slightly less difficult to effect.
2. Congressional action imposed a moratorium on post office closings in July 1976 and was in effect until the new post office closing regulations were published in December 1977. This contributed to a backlog of cases and extensive use of long suspension periods. We are now discouraging the extensive use of long suspension periods prior to the initiation of replacement action. Instructions were issued to our regions in January 1980 advising them to develop plans for newly suspended offices within 30 days of the date service is terminated and to advise community residents of the plans. These instructions have been reinforced through periodic discussions with our Regional Postmasters General.
3. We will contact the Postal Rate Commission and request them to specify for their appellant review only those factors which are directly related to the post office closing and to exclude consideration of factors which may only be indirectly related to the delivery of mail or the furnishing of other postal services.
4. We will place added emphasis on the determination of all costs which are associated with the activities necessary to close or replace a post office under current law.

Thank you for the opportunity to comment on this proposed report.

Sincerely,



William F. Balger

Mr. William J. Anderson
Director, General Government Division
U.S. General Accounting Office
Washington, D. C. 20548

POSTAL RATE COMMISSION
Washington, D.C. 20268

Janet D. Steiger
CHAIRMAN

August 6, 1982

Mr. William J. Anderson
Director, General Government Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Anderson:

This responds to your request for comments on your draft report entitled "Realizing Savings Through Replacing Post Offices--An Issue Much Debated But Not Resolved." The report concludes that thousands of post offices could be replaced at substantial savings to the Postal Service.

As a response to the request for a study of possible savings and effects on service that would result from the systematic closing and consolidation of inefficient post offices, the GAO has produced a thoughtful and well-reasoned report. When considering this report it is important to take into account the limitations in the scope of the study. The report addresses only peripherally the significance of the nonpostal effects of these offices. Congress thought them of sufficient importance to direct, by statute, that the Postal Service consider them, on an equal footing with operational and financial issues, in its decisionmaking.

With regard to the service provided, the report focuses on delivery. While delivery is one of the most important services provided a community, dispatch of outgoing mail and providing for the sale of stamps and special services are also important. Providing an adequate level of these services is sometimes more difficult than the provision of delivery service.

Statutory Requirements. As the report states, the statute lists five factors which the Postal Service must consider in its decisionmaking process: the effect on the community, the effect on adequate service, the effect on employees, economic savings, and any other factors the Postal Service finds necessary. Beginning with the 1970 Reorganization Act, the statute has directed the Postal Service to consider more than potential savings when deciding whether to retain smaller offices. See 39 U.S.C. § 101(b).

From the time of the enactment of the section 404(b) procedural requirements, the Postal Service has acknowledged, by

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its actions--including particularly its regulations--that the effect-on-community consideration included more than the effect on the community caused directly by the level of postal services. Indeed such a limited interpretation would effectively read that factor out of the statute, since the Postal Service is required to consider the effect on postal services as another factor.

PRC's limited review. In the early cases, the PRC did not issue an exhaustive list of possible effects on the community, but rather discussed those relevant issues which the affected patrons had raised. This course of action simply recognizes that the statute vests authority in this area in the Postal Service. The statute, although placing certain legal restrictions on the Postal Service, has given it the authority to operate its system of post offices as it sees fit. It is the Postal Service which must make the first judgment on what issues must be considered in which circumstances. That the Postal Service's first attempts to comply with the statute were unsuccessful does not mean that the PRC should assume the Postal Service's responsibilities by directing, in elaborate detail, how the statute should be administered. It would be no more proper for the PRC to compile a complete list of effect-on-community issues than to issue a list of which post offices should be replaced.

Under the law, the PRC's involvement in post office closings and consolidations is limited. The PRC is involved only if a patron appeals the Postal Service's Final Determination within 30 days of its posting. The PRC may only compare the decision issued, and the record compiled, by the Postal Service with the statute to ascertain whether the decision is:

- (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(b)(5).

The PRC thus has essentially the role of a court reviewing agency action under the Administrative Procedure Act; it cannot make its own findings on the Postal Service's record, nor may it modify the Postal Service's determination. Using the standards of review found in the statute, the PRC may only affirm the determination or return the entire matter to the Postal Service. The PRC's returning a determination to the Postal Service does not mean that the Postal Service may not replace the office at issue, but rather that it must follow the statute before replacing it.

Recent cases. The decisions in recent cases appealed to the PRC indicate that the Postal Service, in the exercise of its

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primary authority, has been able to adjust its process so that it is consistent with the dictates of the statute. In a recent case the PRC stated, "The Act was amended to give patrons a voice in this decisionmaking process and we believe the Postal Service's actions were in accordance with that intent. We therefore affirm the Final Determination to close the West Barnet post office." PRC Op. A82-3, pp. 23-24.

We have distinguished at length between the separate roles the statute gives the Postal Service and the PRC because it is important to keep in mind that PRC review is not another layer of management-type review. The Postal Service provides amply for that type of internal review. The PRC's function is a limited and independent review which occurs only in a small percentage of replacement actions. In addition, because of its limited scope of review, the PRC is not free (as management would be) to call for reconsideration because it thinks a different determination would be superior; it must find actual inconsistency with the law or affirm the Postal Service's determination.

We believe that Congress was correct in its judgment that post office closings and consolidations should be considered on a case-by-case basis. The circumstances in each community must be examined before anyone can determine that "a maximum degree of effective and regular postal services" will be provided, as required by law, after a community's post office is closed or consolidated.

A fourth option for consideration. In Chapter 4, dealing with Congress's options in revising the post office replacement process, we believe GAO has omitted discussion of a workable and promising alternative. The draft report considers (i) retaining the existing process, with adjustments; (ii) eliminating it, making the decision an internal Postal Service matter, unreviewable except in the courts, see Rossford v. Klassen, 359 F. Supp. 1036 (N.D. Ohio 1973); and (iii) creating an exemption from the current process where a community post office (CPO) is to be substituted. We would suggest that a fourth option, directed to reducing the incidence of the current procedures from what may be perceived as an unnecessarily high level, could turn out to be the most productive.

Section 404(b) of the Act as it now stands is an "action-forcing" statute; that is, it requires the Postal Service to engage in analytical, publicly-oriented decisionmaking with a narrative decision containing at least minimal findings of fact and law, in every case. The requirements are the same whether or not the affected community opposes, favors, or views with indifference the proposed post office closing or consolidation. If one views the essential purpose of § 404(b) as insuring thorough analysis by the Postal Service, regardless of the existence of local public concern, this makes sense; however, there is good reason to believe that Congress's real intent was to allow the affected patrons a meaningful hearing, and then

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appeal rights if they felt the need of them. In other words, it is possible to view the legislative purpose as protection of the rights of postal patrons, rather than as requiring a certain level of management and legal analysis in the abstract.

If this is so, then it would appear that a good deal of the administrative burden could be removed from the Postal Service (and to a smaller extent, from the Commission) by recasting § 404(b) to require the current procedures only when, following adequate public notice, one or more patrons requests that the Postal Service follow the current statutorily required procedure and issue a written decision. If a clear, intelligible notice of intention to close or consolidate an office (including a statement of the type of service that would be substituted) did not elicit any request for the current, more formal procedures, then the Postal Service could simply close the office as planned without formal findings, and any appeal rights of the patrons would be eliminated. We have provided such a revised § 404(b), in legislative format, as Appendix A.

The effect of this revision would be to segregate, at the outset, those cases where no affected patron cares to contest the proposed closing or consolidation. Those cases could be disposed of by whatever administrative process the Postal Service chooses to employ. Only those where a patron made a demand for hearing rights and a "written determination" (a term which in the proposed language would have a specific technical meaning and would be distinguished from a general "determination" to close or consolidate an office) would be handled using the current procedures. Considering the relatively small proportion of closings and consolidations that are appealed to the Commission, we think it reasonable to predict that an appreciable number would not elicit any demand for hearing under the revised procedure. Thus the revision would result in a clear saving of time and money for both postal agencies, without diminishing the rights, substantive or procedural, of those affected patrons who care to assert them.

The following comments deal with matters of detail. We have keyed them to page and paragraph (paragraph references count a partial paragraph at the top of a page as "1").

Page 6, para. 3. That the Postal Service has a statutory duty to consider non-postal effects in no way precludes it from using area planning to ascertain which offices should be retained and which replaced, from the purely postal point of view. Consideration of nonpostal effects could be combined with an area planning exercise before a replacement proposal takes final shape.

GAO Response: As described in the report, (See.p.6.) "area planning" was aimed at designing efficient postal facility networks to serve the postal needs of specific geographic areas. The implementation of these designs would require the elimination of some existing post offices. The requirements to consider the nonpostal effects of post office replacement actions would reduce the value of "area planning." Adding the consideration of nonpostal effects to "area planning" is also not currently feasible, as a clear definition of these effects has yet to evolve. (See p. 26.)

Page 7, para. 1. The introduction to this section of the report appears to speak only of delivery service. Rural patrons, like patrons elsewhere, also need service to send mail as well as to purchase stamps and special services such as registry. Our experience suggests that many patrons would like rural delivery service if they could also retain the convenience of the community's post office for other services.

GAO Response: While our report emphasizes delivery service, we also recognize that other services may be important. Both of the alternative replacement options we use in our analysis normally provide a full range of mail services in addition to delivery. (See p.57.) We also recognize that in some instances only a combination of alternative services may be an appropriate replacement for an office. (See pp. 16 and 17.)

Page 24, para. 2. The evidence requirements are established by the statute. The PRC can neither broaden nor narrow them. The Act requires that a Postal Service determination be supported by "substantial evidence on the record"--a widely-employed standard in the review of administrative agency decisions. 39 U.S.C. § 404(b)(5)(C).

GAO Response: The report recognizes that legislative requirements play a role in contributing to the current state of the replacement process. (See p.24.) Regardless of their origin, the fact remains that these requirements made the Service broaden its replacement investigative effort. (See p.28.)

Page 25, para. 3. We agree with this summary of the PRC's result; however, it may be of interest to outline the reasoning underlying it in slightly more detail. The PRC began by looking at the statutory language of the effect-on-community consideration. The statute says the Postal Service is to consider the effect on the community if a post office is closed or consolidated. The PRC considered an argument which would have, in effect, added the words "caused by changes in mail service patterns" to the statute. The PRC analyzed the structure of the section 404(b) amendment and determined that, since Congress also directed the Postal Service to consider the level of postal services, the effect-on-community consideration was intended to include effects in addition to those causally linked to the change in postal service. PRC Op. A79-1, et al., pp. 10-13. The PRC also examined the legislative history to determine whether Congress had intended limitations on the effect-on-community consideration. Id. at 13-16.

GAO Response: We believe our current summary adequately and fairly describes the PRC's position. (See pp. 25 and 26)

Page 27, para. 2. It is the statute that gives the Postal Service primary jurisdiction and requires it to make the original analysis in post office replacements. The memo the report quotes was written in 1979; however, according to recent cases, the Postal Service has been able to make its procedures consistent with the law.

GAO Response: While the Service may be required to make the "original analysis" in replacement cases, the report amply illustrates that PRC opinions significantly affect the Service's investigative approach toward post office replacements. (See p.28.) We also recognize that the Service recently had several cases upheld by the PRC. (See p.25.) However, to characterize these limited successes as a significant change in the situation would be premature.

Page 27, para. 4. The problems in identifying the number of patrons served may arise because the Postal Service counts only persons receiving delivery service from the post office, but persons who regularly use the post office for services such as the purchase of stamps may consider themselves patrons.

GAO Response: While problems determining the number of postal patrons may be present, most of the PRC's cases (including the two cited as our examples) involve the consideration of nonpostal issues raised by the petitioners. (See p.25.)

Page 28, para. 3. The work done in the pre-proposal stage can reduce the work needed subsequently. The responses to the survey and the statements made at the public meeting usually, in our experience, cover all the issues. Therefore, any appropriate modifications to the plan can be made before the proposal goes through the various levels of internal review. Additionally, issues concerning the particular circumstances involved in the individual post offices can be addressed in the proposal.

GAO Response: No data currently exists directly measuring the influence of an extensive pre-proposal phase on the rest of the investigative process.

Page 28, para.4. It appears from some very recent cases that when the Postal Service finds strong opposition to its plan to close an office, it may decide to convert the post office to a CPO rather than close it. E.g. Sessums, Mississippi, Docket No. A82-9; Snyderstown, Pennsylvania, Docket No. A82-8.

GAO Response: Because of its limited appeal role, the PRC's position is based on exposure to a very small number of appealed cases. Our position is based on a broader perspective which shows that a strong appeal possibility discourages any replacement action. (See p. 28.)

Page 29, para. 2. In addition to the deficiency of cost data for the entire replacement procedure there is also no breakdown for types of costs. It appears that many of the costs are those which must be incurred any time a change of that type is made in the intricate and interdependent system the Postal Service operates.

GAO Response: Our major point is that no processing cost information is currently collected. Decisions as to the proper classification of these costs must await an initial effort to collect basic functional cost data. (See p. 28.)

Page 33, para. 1. The statute, in our view, does not so much limit the Postal Service's discretion as formalize its exercise and ensure that the public has an opportunity to be heard. The statute also lists the factors that Congress has decided must be considered by the Service. Most of these would clearly have to be considered in any management analysis of a post office replacement (adequacy of service, financial savings, and effect on employees). Also, the Postal Service is free to consider factors not listed.

GAO Response: The presence of statutory requirements and PRC reviews, particularly in the area of assessing nonpostal community effects, has reduced the Service's previous level of unilateral management discretion. Significant changes in Service replacement investigative approaches are directly attributable to statutory and PRC requirements. (See p. 28.)

Page 37, para. 1. We believe that streamlining the current procedure can be achieved by separate initiatives by the Postal Service and the PRC (each maintaining a due respect for the other's role); cooperation in the literal sense is not required. The statute gives the Postal Service and the PRC separate roles and procedures. The Postal Service could take steps to streamline its procedure independently of the cooperation of the PRC, as the PRC's sole role is to assure consistency with the statute. Currently, the Postal Service is free to make any changes it chooses, as long as it meets the statute's provisions. That the statute requires the relationship between the Postal Service and the PRC to be arms-length limits the amount of direct cooperation possible.

GAO Response: Any effort by the Service to unilaterally change investigation procedures would be subject to the PRC's review in appeal cases. In the past, the PRC has shown a willingness to advocate changes in any Service approaches it disagreed with. These disagreements were emphasized in PRC case remands. (See pp. 24, 25 and 26) As a result, there can never really be any "separate initiatives" on the part of the Service.

Page 39, para. 2. The statute requires that "The Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining."

GAO Response: While problems determining the number of postal patrons may be present, most of the PRC's cases (including the two cited as our examples) involve the consideration of nonpostal issues raised by the petitioners. (See p.25.)

Page 28, para. 3. The work done in the pre-proposal stage can reduce the work needed subsequently. The responses to the survey and the statements made at the public meeting usually, in our experience, cover all the issues. Therefore, any appropriate modifications to the plan can be made before the proposal goes through the various levels of internal review. Additionally, issues concerning the particular circumstances involved in the individual post offices can be addressed in the proposal.

GAO Response: No data currently exists directly measuring the influence of an extensive pre-proposal phase on the rest of the investigative process.

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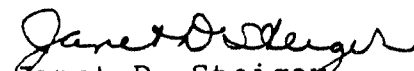
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GAO Response: Our major point is that no processing cost information is currently collected. Decisions as to the proper classification of these costs must await an initial effort to collect basic functional cost data. (See p. 28.)

We appreciate you giving us an opportunity to comment in advance on this report.

Sincerely,


Janet D. Steiger
Chairman

Attachments

GAO Note: Page numbers have been changed to correspond to the final report.

GAO Response: Similar statutory language is specifically cited in the report. (See p. 4.)

Page 40 , para. 4. The criteria listed for identifying inefficient post offices do not take into account any local conditions that might make replacement infeasible or expensive. For example, there may be no rural route near enough to take over delivery service in a cost-effective manner or the local economy may be such that no one would be interested in operating an office unless he or she is given a postmaster appointment.

GAO Response: The scenario developed by the PRC is largely hypothetical. Nevertheless, should a specific situation actually occur, the Service has other alternative services which may better serve the unique needs of that particular situation. (See p. 57.),

Page 43 , para. 3. It may be of interest that the average of the Postal Service's cost savings estimates in the records of the appealed cases, excluding one low figure due to unusual circumstances, is about \$8,700 per year. This includes a mix of replacements by rural delivery and retail facilities other than post offices.

GAO Response: The average for appealed cases may or may not reflect an accurate picture of replacement activity, as appeals represent only about 10 percent of all cases. (See p. 24.)

Appendix A

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

(E) such other factors as the Postal Service determines are necessary.

Any such written determination shall be made available to persons served by such post office.

~~(3) Any determination of the Postal Service to close or consolidate a post office shall be in writing and shall include the findings of the Postal Service with respect to the considerations required to be made under paragraph (2) of this subsection. Such determination and finding shall be made available to persons served by such post office.~~

(4) The Postal Service shall take no action to close or consolidate a post office until 60 days after its a written determination required under subsection (b)(2) is made available to persons served by such post office.

(5) A written determination of made by the Postal Service under subsection (b)(2) to close or consolidate any post office may be appealed by any person served by such office to the Postal Rate Commission within 30 days after such written determination is made available to such person under paragraph (3). The Commission shall review such written determination on the basis of the record before the Postal Service in the making of such written determination. The Commission shall make a determination based upon such review no later than 120 days after receiving any appeal under this paragraph. The Commission shall set aside any written determination, findings, and conclusions found 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.

Appendix A

POSSIBLE AMENDMENTS TO 39 U.S.C. § 404(b)

(b)(1) The Postal Service, prior to making a determination under subsection (a)(3) of this section as to the necessity for the closing or consolidation of any post office, shall 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 insure that such persons will have an opportunity to request an opportunity to present their views and a written determination. Such notice shall include a description of the service and facilities proposed to be substituted for the office concerned.

(2) If within 20 days of the provision of notice under subsection (b)(1) hereof, any person served by such post office makes written request on the Postal Service for an opportunity to present views and for a written determination, the Postal Service shall provide such public opportunity for presentation of views and shall prepare a written determination with regard to the proposed closing or consolidation.

(3) The Postal Service, in making a written determination pursuant to subsection (b)(2) hereof whether or not to close or consolidate a post office, shall consider, and include findings and conclusions respecting--

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

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

(C) whether such closing or consolidation is consistent with the policy of the Government, as stated in section 101(b) of this title, that the Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining;

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Appendix A

The Commission may affirm the written determination of the Postal Service or order that the entire matter be returned for further consideration, but the Commission may not modify the written determination of the Postal Service. The Commission may suspend the effectiveness of the written determination of the Postal Service until the final disposition of the appeal. The provisions of section 556, section 557, and chapter 7 of title 5 shall not apply to any review carried out by the Commission under this paragraph.

(223220)

