

BEFORE THE  
POSTAL REGULATORY COMMISSION

RETAIL ACCESS OPTIMIZATION INITIATIVE

Docket No. N2011-1

**DIRECT TESTIMONY OF  
JOHN P KLINGENBERG  
ON BEHALF OF  
THE PUBLIC REPRESENTATIVE  
PR-T-2**

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1 I. Autobiographical Sketch

2 My name is John P. (JP) Klingenberg. I submit this testimony on behalf of the  
3 Public Representative. I have worked as an Economist for the Postal Regulatory  
4 Commission since 2009. I have a degree in Economics from the Virginia Polytechnic  
5 Institute and State University.

6 II. Purpose and Scope of Testimony

7 The purpose of my testimony is to provide analysis of the Postal Service's retail  
8 network and the Docket No. 2011-1 Retail Access Optimization Initiative (RAOI). The  
9 RAOI proposal has four components: 2825 "Low Workload" offices with less than 2  
10 hours of "earned" workload calculated using the Postal Service's Small Office Variance  
11 tool (SOV) and less than \$27,500 in "Walk in Revenue"<sup>1</sup>; 384 Stations and Branches  
12 with less than \$600,000 in FY2010 revenue located within two miles of at least five  
13 alternative sites; 178 Stations and Branches with less than \$1,000,000 in FY2010  
14 revenue located within a half mile of at least five alternate sites; and 265 Post Offices  
15 currently under closure procedures. Due to data limitations, this testimony generally  
16 focuses on the facet of the proposal for which the most data is available, the "Low  
17 workload" proposal." Based on the selection criteria used by the Postal Service and the  
18 analysis provided in this testimony, it appears the "low workload" Post Offices currently  
19 operate at deficit and provide service to rural Americans.

20 This testimony begins by describing the information provided to date by the  
21 Postal Service in this docket. It then provides a quantitative analysis of the Postal  
22 Service's retail network and germane proposal. Using data provided by witness PR-T-  
23 1, an analysis of the Postal Service's retail network that links census block population to  
24 the closest post office is provided, calculating the straight line distance for that  
25 population to a post office. Finally, a discussion of alternative tactics that the Postal  
26 Service could employ to optimize retail access is provided. This testimony is supported  
27 by one Library References PR-LR-NP2

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<sup>1</sup> Walk in Revenue is generally stamp purchases, and excludes revenue from the permit system used by bulk mailers. The revenue selection criteria is \$10,000 of walk in revenue for Alaskan Post Offices.

1 For Post Office financial and operational information, the library references  
2 supporting this testimony rely on the Postal Service documents. For demographic  
3 information, this testimony relies on census data provided by ESRI, which can be  
4 downloaded at [http://www.esri.com/data/esri\\_data/census-overview.html](http://www.esri.com/data/esri_data/census-overview.html). To link  
5 census data to postal office locations, this testimony relies on LR-PR-1, sponsored by  
6 Public Representative Witness PR-T-1.

7 Unfortunately, the Postal Service, as stated by witness USPS-T-1<sup>2</sup>, did not  
8 review cost, demographic, or operational information before bringing the RAOI proposal  
9 to the Commission. Because the Postal Service has not used this information in its  
10 Direct Testimony, the information available in this docket does not contain  
11 comprehensive details for every Post Office under review as part of the RAOI process.  
12 The Appendix to this testimony details what information is currently available.

13 III. What is the Cost of Operating the Postal Retail Network?

14 In order to determine if the RAOI will have a substantially nationwide affect and  
15 how “optimal” the RAOI is, the Postal Service proposal should be put into the context of  
16 the Postal Service’s retail network. This context has three components: the number and  
17 physical location of Post Offices, the revenue generated by each post office, and the  
18 cost of offering retail service at each post office.

19 The Postal Service lists the number of Post Offices in operation in FY 2010 as  
20 32,528 in its Annual Report.<sup>3</sup> Using the latitude and longitude data provided by the  
21 Postal Service in USPS-LR-NP10, the physical location of 31,320 Post Offices are  
22 mapped below.<sup>4</sup> In this graphic, which displays only the Post Offices located in the  
23 contiguous United States, the offices that will remain open are displayed in light blue.  
24 The offices that are listed in USPS-LR-2 are displayed in red. This graphic shows that  
25 there are Post Offices subject to the RAOI discontinuation process in each of the 48  
26 states displayed.

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<sup>2</sup>Docket No. N2011-1 Transcript #1 at 496.

<sup>3</sup> USPS Annual Report at 37.

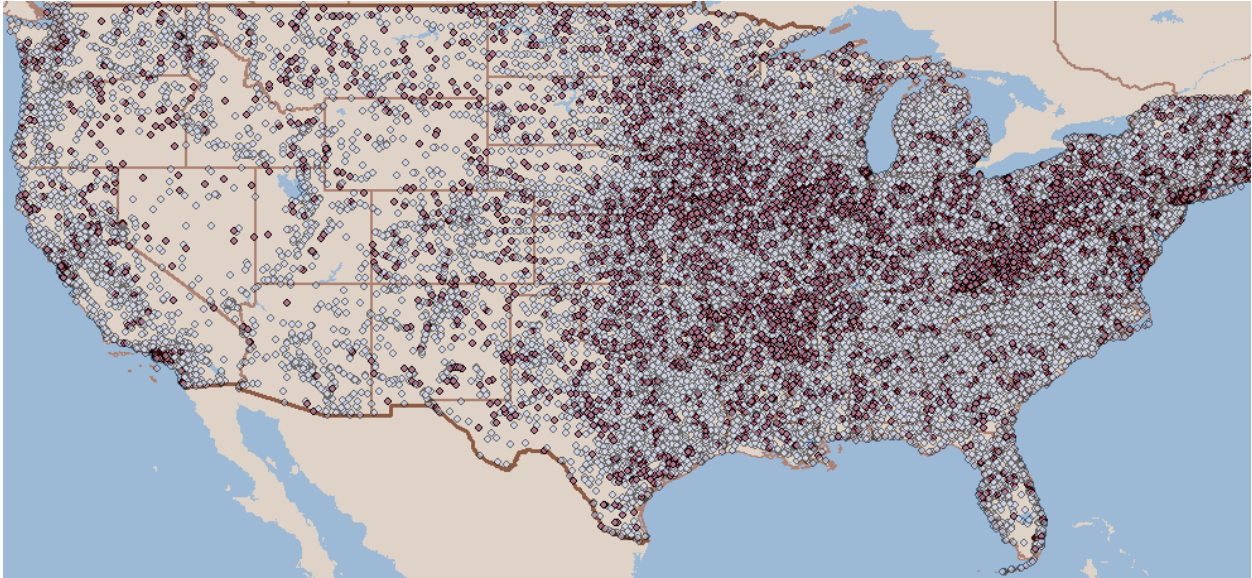
<sup>4</sup> Much of the data provided by the Postal Service regarding Post Office location and operations was derived from the Facilities DataBase (FDB). The GAO report “GAO-08-41,” regarding the FDB “found numerous data reliability problems.”

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**Graphic 1: Contiguous United States Post Offices**

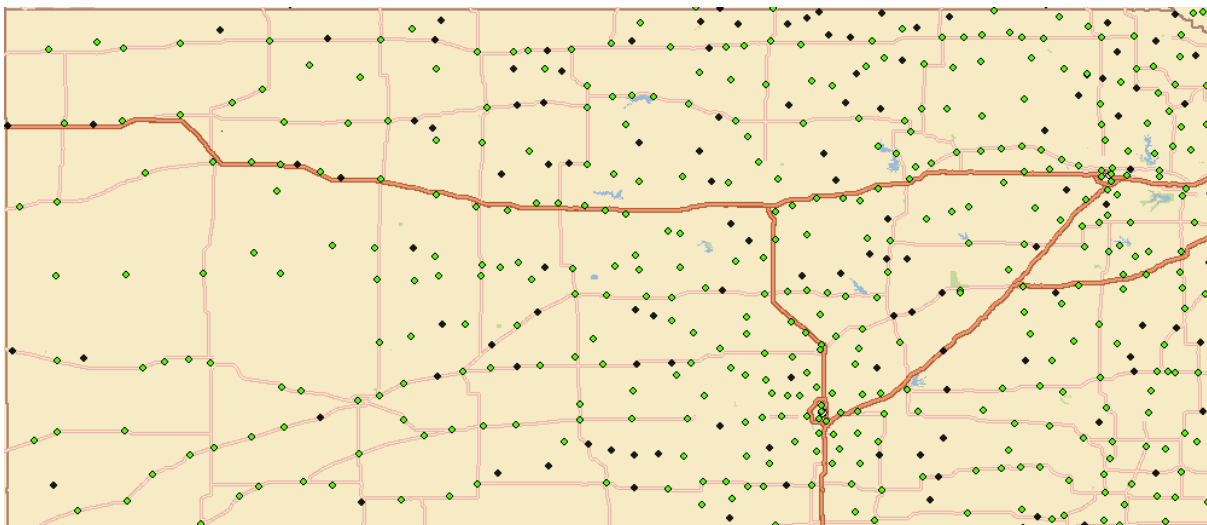


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5 Graphic 2 displays the same information as Graphic 1, but is zoomed to display Kansas.  
6 The testimony of PR-T-1 contains a detail GIS analysis of Kansas Post Offices. In this  
7 graphic, Post Offices listed in USPS-LR-2 are displayed in black, and offices that will  
8 remain open are displayed in vibrant green.

9

**Graphic 2: Kansas Post Offices**



10

1 The Postal Service has provided operating cost and revenue data for 30,466  
 2 Post Offices in the library reference USPS-LR-NP3. The total revenue for these post  
 3 offices was \$65.7 billion in FY2010, roughly 98% of the Postal Service's total revenue in  
 4 FY 2010. The total operating costs for these 30,466 post offices was over \$34 billion in  
 5 FY 2010, or roughly 50% of the Postal Service's total operating costs.<sup>5</sup> The retail  
 6 network is composed of the Post Offices, the Post Office Boxes located in Post Offices,  
 7 and the Postal Service employees that provide retail counter service at those Post  
 8 Offices. \$34 billion is significantly more than the FY 2010 Postal Service expenditure on  
 9 Post Office rents and retail service employee salaries. The Postal Service was unable to  
 10 provide information on operating costs that isolates window service costs from mail  
 11 processing and delivery costs.

12 Since the cost of operating the retail portion of the postal network has not been  
 13 provided in this case, other sources must be consulted to estimate the Postal Service's  
 14 expenditure on this facet of its operations. The FY 2010 Cost Segments and  
 15 Components report provides cost information for Postmasters, Window Service and  
 16 Building Occupancy. Table 1 contains the FY2010 costs for selected cost segments  
 17 and components related to the retail network. Using this approach, the FY2010 total  
 18 cost for operating the postal retail network was \$5.8 billion.

**Table 1: Estimate of the Cost of Operating the Retail Network**

	<b><u>Cost Component</u></b>	<b><u>FY 2010 Total Cost</u></b>
		<b><u>(Thousands)</u></b>
<b>Postmasters EAS 23 &amp; Below</b>	1.1	\$ 2,180,999
<b>Postmasters EAS 24 &amp; Above</b>	1.2	\$ 58,605
<b>Window Service</b>	2.2	\$ 215,833
<b>Window Services</b>	3.2	\$ 2,415,573
<b>Clerks CAG K Offices</b>	4.1	\$ 3,317
<b>Rents</b>	15.1	\$ 959,926
<b>Total Cost of the Retail Network</b>		\$ 5,834,253

19  
 20 By allocating all Postmaster and Rent costs to the retail network, this estimate  
 21 may overstate the cost of operating the retail network.

<sup>5</sup> The Postal Service total operating cost was \$75.6 billion in FY 2010.

1 Another estimate of the cost of operating the retail network can be found in “The  
2 cost of Universal Service in the U.S., and its impact on competition.” This paper  
3 estimated that the cost of the “counter” function was 6% of the Postal Service’s FY1999  
4 total costs.<sup>6</sup> Updated for FY2010 total operating cost, this estimates the cost of the retail  
5 network at \$4.5 billion.

6 IV. Economic Analysis of the RAOI Proposal

7 a. Data Availability Limits Analysis of the RAOI Proposal

8 As explained in the Appendix, unique post office information verifiable across the  
9 variety of library references provided by the Postal Service is available for only 2909 of  
10 the 3652 postal retail locations identified in USPS-LR-2. Of the 2909 offices for which  
11 cost data was provided, 2642 are “low workload” post offices. Thus, cost information is  
12 not available for 179 of the 2825 “Low Workload” Post Offices and 571 of the 827 post  
13 offices identified using the other three facets of the RAOI process. As such, a  
14 meaningful cost analysis cannot be developed for the station and branches or those  
15 facilities “currently undergoing closure procedure” facets of the RAOI proposal.<sup>7</sup>

16 b. The Operating Cost of the 2646 “Low-Workload” RAOI Offices for Which  
17 Data is Available was Under \$210 Million in FY 2010

18 The Postal Service provided operating costs for Post Offices in USPS-LR-NP3.  
19 The operating costs contained in this library reference include all space and employee  
20 related costs for all postal functions, not only costs incurred exclusively by offering retail  
21 service. As such, the “Operating Cost” as provided by the Postal Service in USPS-LR-  
22 NP3 overstates the cost of operating a retail facility for any facility co-located with  
23 delivery functions, administrative functions, mail processing functions, and even Bulk  
24 Mail Entry Unit (BMEU) functions. However, a low-revenue post office is less likely to  
25 be co-located with any postal functions other than retail service (including Post Office  
26 box functions). As such, the cost data provided by the Postal Service can be used to

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<sup>6</sup> “The cost of universal service in the U.S. and its impact on competition” Cohen, Robinson, Waller, and Xenakis. 2002. at 3.

<sup>7</sup> The FY 2010 operating cost for the 256 stations and branches for which unique data can be identified was \$127,372,998. The FY2010 operating revenue was \$100,695,739.

1 develop an informative upper bound on the current cost of operating a retail locations  
 2 (and potential savings due to closing). Table 2 contains analysis of 2646 RAOI Post  
 3 Offices for which data is available.

<b>Table 2</b>			
<b>Financial Analysis of the "Low-Workload" Post Offices</b>			
	<b>Unprofitable</b>	<b>Profitable</b>	<b>Total</b>
<b>Cost Data Available</b>	2611	35	2646
<b>Walk in Revenue</b>	\$ 41,900,298	\$ 495,900	\$ 42,396,198
<b>Operating Revenue</b>	\$ 48,792,873	\$ 1,922,702	\$ 50,715,575
<b>Operating Cost</b>	\$ 207,995,584	\$ 1,109,679	\$ 209,105,263
<b>Operating Loss</b>	\$ (159,202,711)	\$ 813,023	\$ (158,389,688)
<b>Average Revenue</b>	\$ 18,687	\$ 54,934	\$ 19,167
<b>Average Cost</b>	\$ 79,661	\$ 31,705	\$ 79,027
<b>Lease Amount</b>	\$ 11,527,804	\$ 112,683	\$ 11,640,487
<b>Average Lease Amount</b>	\$ 4,415.09	\$ 3,219.51	\$ 4,399.28
<b>Average Distance to Nearest Office</b>	9.9	7.5	9.9

4  
 5 The 2646 “Low Workload” offices were unprofitable, with a total operating deficit  
 6 of over \$158 million and an average operating deficit per office of over \$59 thousand.  
 7 The total FY2010 “operating cost” for these 2646 offices was just under \$210 million. Of  
 8 the \$210 million, \$11.6 million was spent on building leases. The 35 profitable offices  
 9 provide an opportunity for data quality review. According to the numbers provided by  
 10 the Postal Service, of the 35 profitable offices, 5 offices had a negative operating cost in  
 11 FY2010. Fifteen additional offices cost less than \$20,000 to operate, even with a retail  
 12 window open, on average 8 hours per day. One “profitable” office had a lease amount  
 13 of \$3,480 and an operating cost of \$2,933. Most importantly, the average operating  
 14 revenue for these 35 offices was \$54,934, nearly double the \$27,500 “Walk in Revenue”  
 15 selection criterion.

16 c. “Low-Workload” RAOI Post Offices Operational Data

17 Table 3 presents operational data provided by the Postal Service in USPS-LR-  
 18 NP13 and USPS-LR-NP6 for the RAOI offices with “Low Workload”.

<b>Table 3: 'Low-Workload' Operational Data</b>	
<b><u>Low-Workload' Operational Data Available</u></b>	2611
<b><u>Post Offices with BMEU Operations</u></b>	40
<b><u>Post Offices with Rural Delivery Operations</u></b>	968
<b><u>Post Office Boxes Rented</u></b>	191,588
<b><u>Total Retail Windows Open</u></b>	2625
<b><u>Average Retail Windows Open</u></b>	1.005

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The Operational data provided by the Postal Service highlights a few important details. Out of the 2611 “Low Workload” offices, 99% are staffed by only one employee. This means that Postal Service management does not have the flexibility to use fewer employees to better match employee workhours to earned workload. Over 37% of the “Low Workload’ offices are nodes in the Postal Service’s rural carrier network. Closing these offices will have an impact on the transportation network that the Postal Service uses to get mail to rural carriers, and the closure of these offices may have an impact on the rural carriers that use these offices. Nearly 200,000 postal customers currently rent Post Office Boxes at these locations. The importance of the location of the retail unit that houses Post Office Boxes to customers has been well documented in the A cases processed by the Commission. Further, it is unclear whether a “Village Post Office” (VPO) alternate access site will provide adequate alternative access for these customers. Finally, 40 of these sites are listed as co-located with a BMEU. These locations currently act as an entry point for bulk mail, and mailers may have chosen to locate their businesses near these locations to allow for easy induction of their mail into the postal network.

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V. The “Low-Workload” Selection Criteria Identifies Rural Offices that Operate at a Deficit

a. Low-Workload Means Low-Revenue

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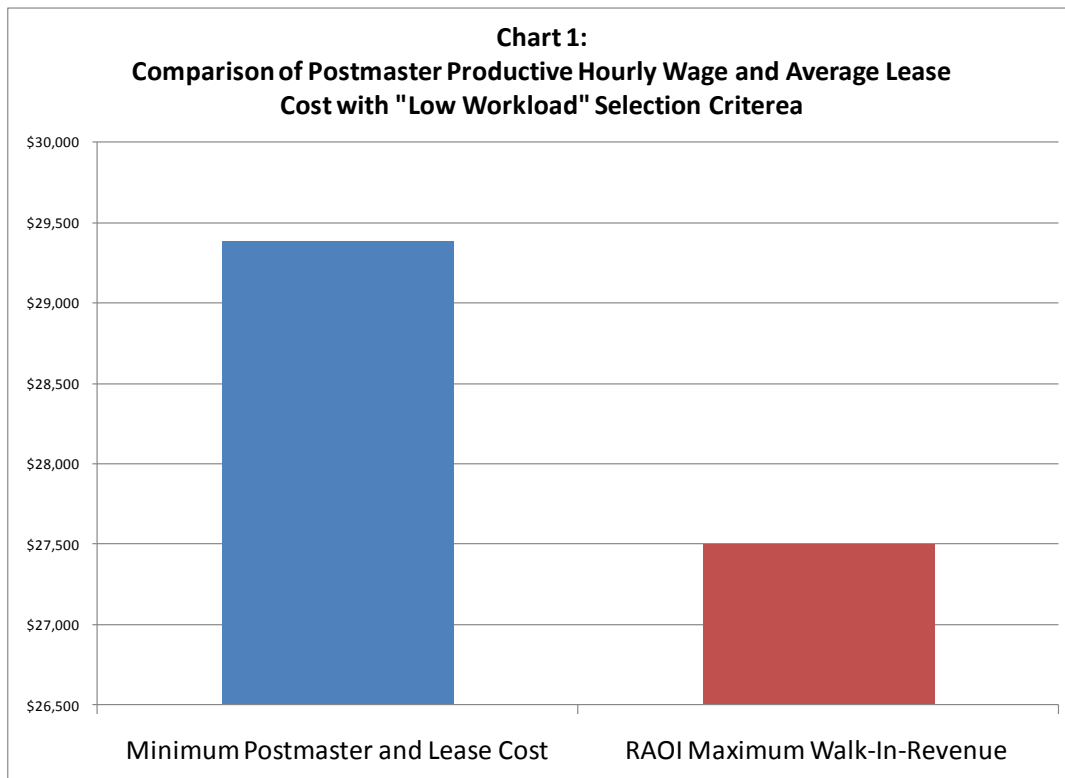
23

The “low workload” facet of the RAOI had 2 selection criteria: offices for which earned workload amounted to less than two hours per day and annual walk in revenue amounted to less than \$27,500 (\$10,000 for Alaskan offices). Of the individual criteria,



1 4823 offices had an earned workload of less than 2 hours per day,<sup>8</sup> and 5543 offices  
2 had annual walk in revenue of less than \$27,500. While the Postal Service has not  
3 provided data on the 4823 offices with Small Office Variance (SOV) workload under 2  
4 hours, analysis of the 5543 offices with under \$27,500 in walk in revenue shows that  
5 98% had operating costs greater than operating revenue.<sup>9</sup>

6 The lowest earned workload category for a post office is 2 hours of workload, as  
7 estimated by the SOV tool.<sup>10</sup> The cost of operating a retail counter for 2 hours per day  
8 and 6 days a week for 52 weeks at the average hourly wage of a Postmaster in FY2010  
9 and the average lease amount for “Low Workload” offices<sup>11</sup> was \$29,387, as shown in  
10 chart 1.



11

<sup>8</sup> Responses Of United States Postal Service Witness Boldt To Valpak Interrogatories VP/USPS-T1-4 and 12 (September 21, 2011) at 3.

<sup>9</sup> The Walk in Revenue information provided by the Postal Service did not include finance ID numbers, as such the accuracy of the analysis involving revenue and cost information could be improved by more detailed information.

<sup>10</sup> See USPS-T-1 at 3.

<sup>11</sup> The Average Postmaster hourly wage was \$40.04 in FY2010. The average lease amount for an RAOI office was \$4,399, as provided in Table 2 “Lease Amount: Total.”

1                   b. Low-Workload and Low-Revenue Means that Only 35 of 2825 “Low-  
2                   Workload” Offices Operated at a Profit in FY2010

3                   Given that the costs of a postmasters wage and the building lease are, barring  
4                   exceptional circumstances, greater than the walk-in-revenue generated by the “Low-  
5                   Workload” selection criteria, it is not surprising that 99% of the “Low-Workload” offices  
6                   have operating expenses greater than operating revenue. A detailed evaluation of the  
7                   data provided for these 35 offices shows that it is possible that some offices had  
8                   revenue in excess of costs due to revenue from sources other than walk-in-revenue  
9                   (such as presort First-Class mail, Standard mail, or Periodicals). Table 4 contains a  
10                  detailed analysis of these 35 offices. Because actual labor payments were not provided  
11                  by the Postal Service, expected wage was computed by multiplying retail hours by the  
12                  average wage of a Postmaster.

<b>Table 4: Detailed Analysis of "Low Workload: offices with Operating Revenue that Exceeded Operating Costs</b>		
	<b>Offices with Under \$37.5k in Operating Revenue</b>	<b>Offices with Over \$37.5k in Operating Revenue</b>
<b>Number</b>	21	14
<b>Average Walk In Revenue</b>	\$ 12,180	\$ 17,152
<b>Average Operating Revenue</b>	\$ 14,030	\$ 116,291
<b>Average Retail Hours</b>	4.9	8.2
<b>Hourly Wage</b>	\$ 40.44	\$ 40.44
<b>Expected Wage Amount</b>	\$ 124,659	\$ 206,220
<b>Average Lease Amount</b>	\$ 2,730	\$ 3,954
<b>Expected Operating Cost</b>	\$ 127,388	\$ 210,175
<b>Actual Operating Cost</b>	\$ 7,022	\$ 68,729
<b>Expected Profit</b>	\$ (113,358)	\$ (93,884)
<b>Actual Profit</b>	\$ 7,008	\$ 47,561

13  
14                  There are two clear types of profitable offices, those with operating revenue  
15                  comparable to walk in revenue, and those with operating revenue more than \$10,000 in  
16                  excess of walk in revenue. For the offices with under \$37,500 in operating revenue, the  
17                  average operating cost, as provided by the Postal Service in USPS-LR-NP3, was  
18                  \$7,008, or \$4,293 after lease costs. With an average of nearly 5 open retail hours per  
19                  day, the Postal Service would have needed to pay the 21 employees who staffed these

1 21 offices \$2.79 an hour on average to realize an average actual operating cost of  
 2 \$7,022 in FY 2010. The operating cost for these 21 offices may not be accurate. For  
 3 the 14 offices with operating revenue in excess of \$37,500, the average operating  
 4 revenue was \$116,291, or nearly \$90,000 above the \$27,500 walk in revenue selection  
 5 criteria. These offices may act as entry point for commercial mail, which is not  
 6 accurately accounted for by either the SOV workload criteria or the walk in revenue  
 7 criteria.

8 c. Low-Workload Means that the Nearest Post Office is a Driving Distance of  
 9 10.3 Miles away

10 The RAOI post offices, on average, are a driving distance of 8.9 miles from the  
 11 nearest post offices. As table 5 shows, over 35% of the “low workload” offices are more  
 12 than 10 miles from the nearest post office.

**Table 5: Driving Distance to Nearest Post Office**

Distance to Nearest Office	RAOI Offices		"Low Workload" Offices	
	Offices	Percent	Offices	Percent
<b>Greater than 20 miles</b>	287	8.1%	267	9.7%
<b>Between 10 and 20</b>	736	20.7%	684	24.9%
<b>Between 5 and 10</b>	1208	34.0%	1075	39.1%
<b>Between 2.5 and 5</b>	716	20.1%	530	19.3%
<b>Between 0 and 2.5</b>	607	17.1%	196	7.1%
<b>Total Offices with</b>				
<b>Information Provided</b>	3554		2752	

13  
 14 The Station and Branches facets of the RAOI proposal, as expected given the  
 15 distance selection criteria, are close to other postal retail facilities. However, customers  
 16 that do not have access to vehicles may not consider a 2 mile walk to the Post Office  
 17 “close.” The customers of the 10% of “Low Workload” offices which are over 20 miles  
 18 from the nearest post office are unlikely to consider the alternative postal access  
 19 “close.” Two of the Post Offices identified using the “low workload” selection criteria,  
 20 Cliff Island and Matinicus Maine, are located in areas only accessible by boat. Postal

1 Customers will be unable to drive or walk to the nearest postal facility if these locations  
 2 are closed.

3 VI. Analysis of the RAOI Proposal using Geographic Information

4 a. The Current “As the Crow Flies” Distance to the Nearest Post Office

5 Using census data found at [http://www.esri.com/data/esri\\_data/census-](http://www.esri.com/data/esri_data/census-overview.html)  
 6 [overview.html](http://www.esri.com/data/esri_data/census-overview.html) and ArcGIS software, each census block can be associated with the  
 7 nearest post office.<sup>12</sup> Calculating the straight line distance from the center of a census  
 8 block to the nearest post office provides a rough estimate of the distance between the  
 9 population and the local post office. Table 6 contains the straight line distance (or as  
 10 the crow flies) for the United States population to a Post Office, both with and without  
 11 the RAOI Post Offices as network nodes.<sup>13</sup>

<b>Table 6: Straight-Line Distance From Census Block Center to Post Office</b>				
<b>Total United States Population</b>				
	<b>Before RAOI</b>		<b>After RAOI</b>	
<b>Distance (Miles)</b>	<b>Population</b>	<b>Percent of Population</b>	<b>Population</b>	<b>Percent of Population</b>
<b>More than 20 Miles</b>	252,088	0.08%	314,398	0.10%
<b>Between 15 and 20</b>	415,466	0.13%	460,524	0.15%
<b>Between 10 and 15</b>	1,536,653	0.49%	1,787,840	0.57%
<b>Between 5 and 10</b>	17,098,606	5.49%	18,026,707	5.79%
<b>Between 4 and 5</b>	13,817,934	4.44%	14,211,258	4.57%
<b>Between 3 and 4</b>	26,002,103	8.36%	26,499,064	8.51%
<b>Between 2 and 3</b>	51,288,326	16.48%	52,779,998	16.96%
<b>Between 1 and 2</b>	99,242,719	31.89%	100,168,932	32.19%
<b>Less than 1 Mile</b>	101,558,963	32.63%	96,964,137	31.16%
<b>Total Population</b>	<b>311,212,858</b>		<b>311,212,858</b>	
<b>Average Distance (Miles)</b>		<b>2.00</b>		<b>2.06</b>
<b>Increase in Average Distance</b>				<b>3.08%</b>

12

<sup>12</sup> The Postal Service provided information regarding the geographic location of Post Offices in USPS-LR-15 on September 16, 2011. Due to time limitations, the straight line distance was calculated. ArcGIS software is capable of calculating driving distances, and this calculation would allow for a more detailed and accurate analysis of actual distance to a Post Office. When evaluating Post Office closings, analysis of driving distance proximity would be more informative, given fewer time constraints.

<sup>13</sup> Developed using geographic information contained in USPS-LR-NP15 and information provided by PR-T-1.

1           Currently, 93.8% of the 311 million people living in the United State reside within  
 2 5 miles of a Post Office. There are 2.5 million people, or .8% of the population, more  
 3 than 10 miles from a post office. If the RAOI offices are closed, the average person will  
 4 be 3% further away from a post office. As the next sections describe, focusing on the  
 5 customers currently served by RAOI offices provides a better understanding of the  
 6 impact of the proposal.

7           b. The Impact of the RAOI Proposal

8           The Postal Service has selected 3652 offices for discontinuance procedures as  
 9 part of the RAOI proposal, roughly 10% of the Postal Services retail network. However,  
 10 the RAOI offices are the nearest post office for only 5% of the United States population.  
 11 There are two reasons for this. One is demographic; 77% of the RAOI offices are low-  
 12 workload and low revenue, and these offices are predominantly located in rural or  
 13 suburban areas. As such, the population dependent on these offices is lower than the  
 14 national average. The other is operational; the other 23% of the RAOI offices are  
 15 stations and branches, and the population near these offices can be linked to other  
 16 nearby offices, such as the main post office. Table 7 contains details regarding the  
 17 straight line distance to postal offices for people who are closest to an RAOI facility.

<b>Table 7: Population Dependent on All RAOI Post Offices</b>				
<b>Straight-Line Distance From Census Block Center to Post Office</b>				
	<b>Before RAOI</b>		<b>After RAOI</b>	
<b>Distance (Miles)</b>	<b>Population</b>	<b>Percent of Population</b>	<b>Population</b>	<b>Percent of Population</b>
<b>More than 20 Miles</b>	25,967	0.16%	88,277	0.54%
<b>Between 15 and 20</b>	32,835	0.20%	77,893	0.48%
<b>Between 10 and 15</b>	120,659	0.74%	371,846	2.29%
<b>Between 5 and 10</b>	901,814	5.56%	1,835,710	11.32%
<b>Less than 5 Miles</b>	15,137,849	93.33%	13,845,398	85.36%
<b>Total Population</b>	<b>16,219,124</b>		<b>16,219,124</b>	
<b>Average Distance (Miles)</b>		<b>1.74</b>		<b>2.92</b>
<b>Increase in Average Distance</b>				<b>67.98%</b>

18  
 19           Before any RAOI office is closed by the Postal Service, 93.8% of the 16.2 million  
 20 people who live near RAOI offices are within 5 miles of a Post Office, nearly the same  
 21 proximity as the national average. If every office on the RAOI list is closed, over 2

1 million people will be more than 5 miles from a post office (lowering the percentage of  
 2 the population within 5 miles to 85). Nearly 250,000 more people will find themselves  
 3 further than 10 miles from a post office if every office on the RAOI list is closed. The  
 4 average distance to a post office for people who are currently closest to an RAOI facility  
 5 will increase by 68% to nearly 3 miles.

6 The RAOI related closures will impact the distance of people who live nearest a  
 7 “low workload” office the most. Table 8 contains details regarding the straight line  
 8 distance to postal offices for people who are closest to a “low workload” RAOI facility.

**Table 8: Population Dependent on Low Workload Post Offices**  
**Straight-Line Distance From Census Block Center to Post Office**

Distance (Miles)	Before RAOI		After RAOI	
	Population	Percent of Population	Population	Percent of Population
<b>More than 20 Miles</b>	25,904	0.79%	85,612	2.61%
<b>Between 15 and 20</b>	28,604	0.87%	70,466	2.15%
<b>Between 10 and 15</b>	100,858	3.07%	319,338	9.73%
<b>Between 5 and 10</b>	761,110	23.19%	1,498,868	45.68%
<b>Less than 5 Miles</b>	2,364,979	72.07%	1,307,171	39.84%
<b>Total Population</b>	<b>3,281,455</b>		<b>3,281,455</b>	
<b>Average Distance (Miles)</b>		<b>4.13</b>		<b>6.81</b>
<b>Increase in Average Distance</b>				<b>64.82%</b>

9  
 10 Currently, 72% of the 3.2 million people who live near RAOI offices are within 5 miles of  
 11 a Post Office, well below the national average. If all RAOI “low workload” offices are  
 12 closed, only 40% will be within 5 miles. Over 200,000 more people will be equal to or  
 13 farther than 10 miles from a post office. The average distance to a post office for these  
 14 3.2 million customers will increase by more than 2 miles, from 4.13 miles to 6.81 miles.

15 c. International Perspective On Proximity to Postal Outlets

16 U.S.C Title 39 does not contain any specific language requiring the Postal  
 17 Service to maintain postal retail access at a specific distance. Many foreign posts,  
 18 however, operate under strict legal requirements to provide access within specified

1 geographic proximity. Table 9 contains details regarding the legal requirements of  
 2 foreign posts to offer retail access.<sup>14</sup>

<b>Table 9: Foreign Proximity Requirements</b>	
<b>Australia</b>	
	85% of rural population within 4.7 miles
	95% of urban population within 1.6 Miles
<b>Canada</b>	
	98% of population within 9.3 miles
	88% of population within 3.1 miles
	78% of population within 1.6 miles
<b>France</b>	
	90% of population within 3.1 miles

3

4 Currently, the United States Postal Service does not provide retail access that  
 5 meets all the criteria for any one of the listed countries. Table 10 provides cumulative  
 6 percentages of population for a given distance. For example, 81.0% of Americans live  
 7 within 3 miles of a Post Office, currently. If all RAOI offices are close, 80.3% will live  
 8 within 3 miles of a Post Office.

<b>Table 10: Cumulative Distance to a Post Office</b>		
<b>Percentage of Population</b>	<b>Before RAOI</b>	<b>After RAOI</b>
<b>Within 9 Miles</b>	99.03%	98.88%
<b>Within 5 Miles</b>	93.80%	93.38%
<b>Within 3 Miles</b>	81.00%	80.30%
<b>Within 1 Mile</b>	32.63%	31.16%

9

10 d. Low Workload Offices Provide Service to Rural Americans

11 The census block information contains valuable data for persons or institutions in  
 12 search of what defines rural and what locations qualify under that definition.<sup>15</sup> Due to  
 13 data limitations, as discussed in the appendix, only 2059 “low workload” offices can be  
 14 identified by Postal ID and linked to census blocks. Of these offices, 99.6% serve at

<sup>14</sup> <http://www.ft.com/intl/cms/s/0/78e0d982-c284-11d9-866a-00000e2511c8.html#axzz1Z2EMd6xS> ,  
<http://auspost.com.au/about-us/community-service-obligations.html>,  
<http://www.tc.gc.ca/eng/mediaroom/infosheets-canadapost-1770.htm>,  
<http://courierexpressandpostal.blogspot.com/2011/09/ensuring-access-to-retail-services.html>

<sup>15</sup> Census blocks with fewer than 500 people per square mile are defined as rural. See  
<http://www.justice.gov/ndic/pubs27/27612/appenda.htm>.

1 least 1 rural census block. Table 11 contains details regarding the census blocks near  
2 “low workload” RAOI offices.

	<b>Low Workload Offices</b>
<b>Low Workload Offices Identified</b>	2059
<b>Offices Serving Rural Census Blocks</b>	2051
<b>Offices Serving Rural Areas</b>	99.6%
<b>Total Census Blocks</b>	3106
<b>Total Rural Census Blocks</b>	2971
<b>Percent Rural</b>	95.7%

3

4 VII. The Postal Service Should Consider Important Demographic, Operational, and  
5 Geographic Information Data When Developing Selection Criteria

- 6 a. 10,000 Post Offices Cost Less Than \$825 Million to Operate in FY2010, or  
7 Less than 1.1% of USPS Total Operating Costs

8 The Postal Service has recently made statements regarding future plans for  
9 closing post offices; however, it is unclear that the Postal Service could save significant  
10 costs by reducing its retail presence. As detailed on page 3, USPS-LR-NP3 provides  
11 costing information that, at best, overstates the potential savings from closing post  
12 offices and fails to account for any possible reduction in revenue that would result from  
13 such closings. Using this data however, can provide specific insight into the accuracy of  
14 numerous economic studies. These studies state that the smallest 10,000 post offices  
15 cost 1% of the Postal Service’s total operating expenditure.<sup>16</sup> Including costs unrelated  
16 to retail services, such as bulk mail acceptance and delivery operations, the least  
17 expensive 10,000 offices cost the Postal Service under \$825 million to operate in FY  
18 2010, roughly 1.1% of the Postal Services total operating costs.

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<sup>16</sup> <http://dmjuice.desmoinesregister.com/article/20110906/ALTOONA01/309060012> ,  
<http://www.postalreporternews.net/2011/05/17/postmasters-president-closing-small-offices-is-a-measure-to-make-senior-usps-managers-look-good/> , [http://www.nypostmasters.org/Legislative\\_Issues.html](http://www.nypostmasters.org/Legislative_Issues.html) ,  
<http://www.postmasters.org/publications/pmadvocate/Postal%20Facts,%20Not%20Myths.pdf> ,  
<http://www.federaltimes.com/article/20101128/ADOP06/11280306/1040/ADOP06> , “The cost of Universal Service in the U.S. and its impact on competition,” Cohen, Robinson, Waller, and Xenakis, 2002, at 6.



1           b. The RAOI Proposal Does Not Lead to a Pareto Dominant Result. Can the  
2           Postal Service Spend Less on its Retail Network and Achieve a Pareto  
3           Dominant Result?

4           If the Postal Service closes the RAOI offices, upwards of 16 million Americans  
5           will have less postal access, which is not a pareto dominant result. The Postal Service  
6           is facing a significant financial crisis, and certainly needs to reduce costs where  
7           possible. Is there a method that could lead to improved retail services and reduced  
8           costs? Within the last two years, the Postal Service OIG has put forth three ideas  
9           involving significant financial improvements. Report Number MS-AR-10-004, Efficiency  
10          of Retail Customer Service Operations, found that the Postal Service could save over  
11          \$600 million by matching retail workhours with retail workload at CAG A-J offices where  
12          more than one employee is working and management has flexibility, a situation very  
13          different than the “low workload” proposal in this docket.<sup>17</sup> Report RARC-WP-11-009  
14          details how the Postal Service could further pursue its Delivery Unit Optimization (DUO)  
15          strategy.<sup>18</sup> The report “Analyzing the Postal Service’s Retail Network Using an  
16          Objective Modeling Approach,” Report-RARC-WP-10-004, details how the Postal  
17          Service could both minimize cost and, perhaps most importantly, maximize revenue.<sup>19</sup>

18          A 2009 Gallup poll found that 88% of Americans opposed closing their local  
19          office as a method of USPS cost cutting.<sup>20</sup> Recent (less scientific) polls in locations  
20          currently served by ROAI offices have re-iterated this finding.<sup>21</sup> The Postal Service has  
21          not yet provided its estimate of savings from implementing the RAOI process in this  
22          docket, but it has publicly stated it might be \$200 million.<sup>22</sup> If RAOI is instituted and all  
23          3652 RAOI offices are closed, 16.2 million citizens would face a longer drive to the post  
24          office, which continues to hold a monopoly on letter mail. As a hypothetical, if 16.2  
25          million people drove an additional 1.18 miles (2.36 miles round trip) once a week to drop

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<sup>17</sup> [http://www.uspsoig.gov/foia\\_files/MS-AR-10-004.pdf](http://www.uspsoig.gov/foia_files/MS-AR-10-004.pdf)

<sup>18</sup> [http://www.uspsoig.gov/foia\\_files/RARC-WP-11-009.pdf](http://www.uspsoig.gov/foia_files/RARC-WP-11-009.pdf)

<sup>19</sup> [http://www.uspsoig.gov/foia\\_files/RARC-WP-10-004.pdf](http://www.uspsoig.gov/foia_files/RARC-WP-10-004.pdf)

<sup>20</sup> <http://www.gallup.com/poll/121268/americans-fewer-mail-days-fix-postal-budget.aspx>

<sup>21</sup> [http://abc.daytonsource.com/shared/newsroom/poll/poll\\_results\\_5885.shtml](http://abc.daytonsource.com/shared/newsroom/poll/poll_results_5885.shtml) ,

<http://www.dailyfreeman.com/articles/2011/07/28/news/doc4e314d8274903280234941.txt>

<sup>22</sup> [http://money.cnn.com/2011/07/26/news/economy/post\\_office\\_closings/index.htm](http://money.cnn.com/2011/07/26/news/economy/post_office_closings/index.htm)

1 a letter off or pick up mail from their P.O. Box, the cost to society would be \$232  
 2 million.<sup>23</sup> This would not be a desirable financial result for society at large, much less an  
 3 optimal result for postal customers.

4

5

### Appendix

6

Appendix table 1 contains information regarding the number of Post Offices that  
 7 can be linked between the various sources of information provided by the Postal  
 8 Service in Docket no. N2011-1. These library references utilize no less than 3 forms of  
 9 postal identifier, and in many instances the same postal identifier is used for multiple  
 10 offices.

10

<b>Appendix: Data Consistency Issues</b>	
	<b># of Post Offices</b>
<b>RAOI</b>	3,652
<b>RAOI Offices in NP5</b>	3,656
<b>USPS-LR-NP1</b>	30,531
<b>Unique NP5 RAOI Offices in NP1</b>	2,902
<b>USPS-LR-NP3</b>	30,461
<b>Unique NP5 RAOI Offices in NP3</b>	2,896
<b>USPS-LR-NP6 and NP13</b>	41,614
<b>Unique NP5 RAOI Offices in NP6 and NP13</b>	2,888
<b>RAOI Offices in USPS-LR-NP7</b>	3,554
<b>Unique NP5 RAOI Offices in NP7</b>	2,833

11

12

There are no two library references that contain comparable information, say  
 13 post office boxes rented and operating cost, for unique RAOI offices. The number of  
 14 postal retail facilities is not consistent across the library references.

15

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<sup>23</sup> 16.2 million x 2.36 miles x \$3.50 per gallon /30 miles per gallon x 52 weeks.