OFFICE OF INSPECTOR GENERAL | UNITED STATES POSTAL SERVICE

The Evolution of the Post Office Network

RISC REPORT

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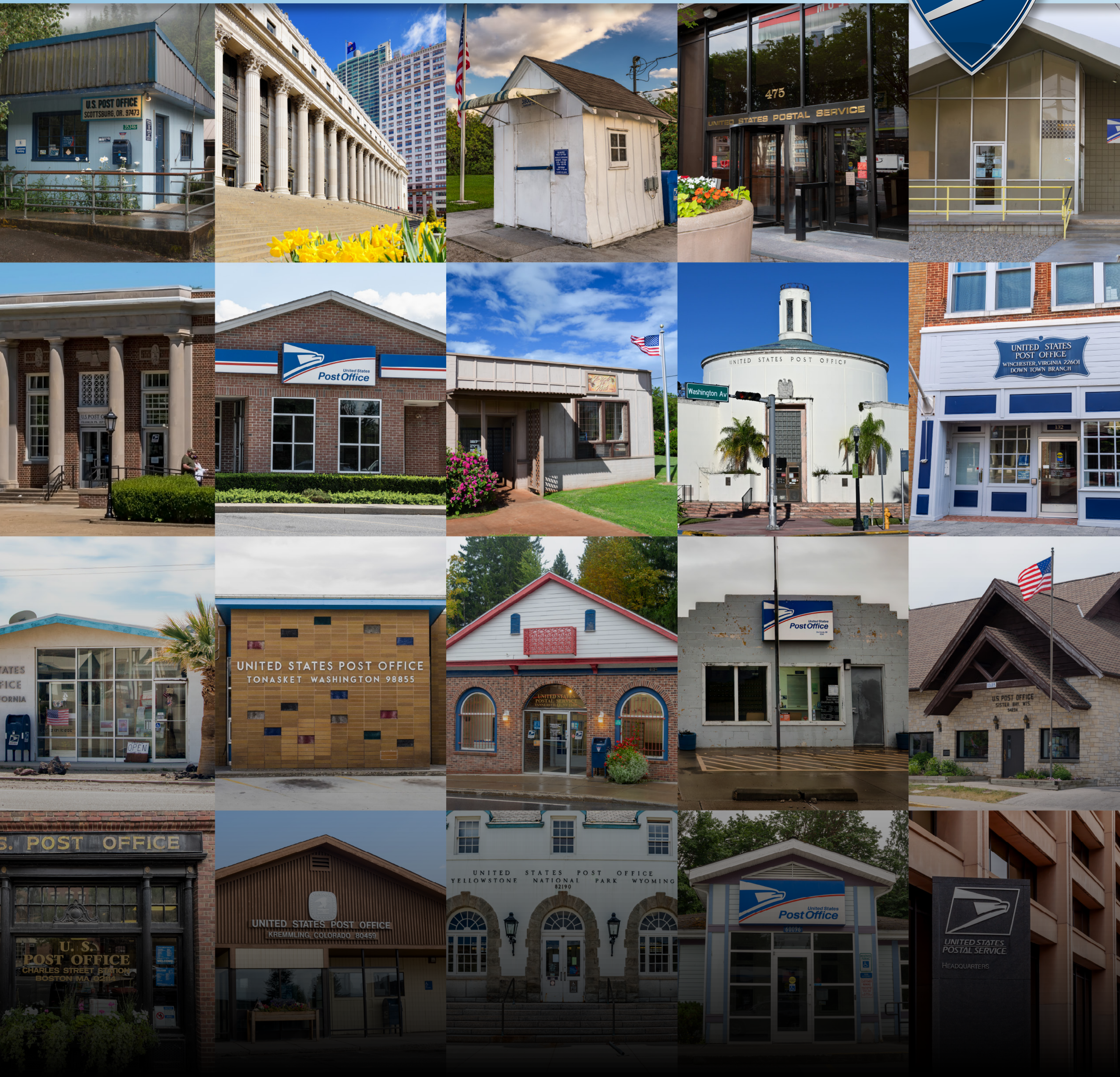

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Executive Summary

Throughout the 250-year history of the Postal Service, local post offices have been one of the most visible parts of the agency and a critical component of binding the nation together. Today, the Postal Service's brick-and-mortar retail network is the largest in the U.S., with over 33,000 locations. The expansive reach of the post office network fulfills the statutory universal service obligation (USO) and is an asset for USPS, allowing for convenient customer access and faster last-mile delivery. The Postal Service's retail network overall covers its costs, generating $9.3 billion in revenue with costs of $6.3 billion in FY 2024. However, more than half of individual locations do not cover their costs and make the dual mandate to provide universal service while being financially self-sustainable more challenging.

This report describes the size and scope of the USPS retail network and how it has changed from FYs 2000 to 2025. To provide a comparison with other posts, many of which face similar challenges to USPS, the report also reviews international approaches to generating revenue, reducing costs, and serving communities through postal retail networks. As letter mail declines and package volume increases, there are opportunities to consider strategies to more effectively balance costs with customer access.

When the Post Office Department became the Postal Service in 1971, Congress mandated that the agency be financially self-sustaining. Congress gave the Postal Service the power to manage its post office network but also established guardrails to protect rural service: a small post office could not be closed simply for being unprofitable. This limitation remains in place today.

Post offices managed directly by the Postal Service, rather than a third party, make up more than 90 percent of the post office network. Since 2000, there has been a 12 percent decline in the overall footprint of the post office network but much more significant declines in both customer use and revenue. Customer visits fell by more than half and walk-in stamp revenue – which once generated over $9 billion per year – fell by two-thirds. At the same time, the Postal Service expanded alternate access channels like usps.com, Self-Service Kiosks, and Approved Shippers. These services increase customer access to postal services, but in recent years, revenue from these channels also declined.

Though the Postal Service has developed and implemented initiatives related to improvement and modernization of its retail network and services, the agency does not currently have a clear and comprehensive strategy to evolve the post office footprint to align with changing populations or shifts in mail demand. Since 2000 the U.S. population grew by about 58 million people, and some states experienced more than 50 percent population growth during that time. Simultaneously, demand for letter mail declined dramatically while package volume exploded due to ecommerce trends. Despite these changes, the nationwide post office network has remained mostly static.

International posts have experienced similar or more dramatic declines in letter mail and growth in parcel volume and they, like the Postal Service, must adjust their retail networks accordingly. International posts commonly have retail access requirements as part of their universal service obligations (USOs) such as a minimum number of retail locations or distance requirements. In the U.S., the USO is defined in broad, qualitative terms that do not stipulate criteria for retail locations. The OIG analyzed retail network strategies of posts in Australia, Canada, France, Germany, Italy, and the U.K. Many international posts have kept the number of post offices relatively stable over the last decade, as legal criteria and demanding procedures limit downsizing. Instead, they have focused on outsourcing their post office functions to third-party retailers or franchisees. Simultaneously, posts have expanded alternate, cost-effective methods of access such as parcel lockers or partnerships with other retailers to offer parcel shops. Finally, almost all the posts studied offer diversified services beyond their postal functions, including financial services, identity services, and partnerships with other government agencies.

Over the years, the Postal Service pursued various initiatives to reduce costs, increase revenue, and serve communities through its retail network. For example, in 2012, the Post Office Structure Plan (POStPlan) reduced operating hours at about 12,400 locations, or 39 percent of USPS-managed locations at the time. However, broader proposals and initiatives to shrink the overall footprint or to outsource more locations were unsuccessful due to multiple factors including strong stakeholder resistance. More recently, the Postal Service's 2021 Delivering for America (DFA) plan stated that USPS would invest $4 billion in its retail network, including refreshed lobbies, new uniforms, and an expansion of self-service options and government services. Thus far, the Postal Service invested $57 million in retail improvements, primarily at the new Sorting and Delivery Centers which are a small fraction of the retail network. According to the Postal Service, retail investments are ongoing.

The Postal Service must provide ready access to essential postal services nationwide and cover its overall costs, while retail revenue has declined and costs have increased. There are potential opportunities USPS and policymakers can consider to help manage these dual mandates:

- **Establish USO criteria for retail access:** Many international posts must adhere to prescribed requirements concerning the size and scope of their retail networks, such as a minimum number or density of post offices. While the USO requires the Postal Service provide ready access to postal services nationwide and it cannot close a post office solely for operating at a deficit, there is not a specific prescription for the number or locations for post offices in the U.S. In this way, current law grants USPS relative freedom to manage its retail network and, as such, USPS could define the criteria under which it fulfills retail access requirements. Establishing clear USO criteria could support the Postal Service in strategically evolving its network to better align with both customer needs and long-term financial sustainability, while ensuring continued access to essential postal services. Additionally, transparent criteria can help the Postal Service more effectively explain and justify network-related decisions, potentially reducing stakeholder concerns and resistance, and contributing to improved understanding and communication with the communities it serves.
- **Expand alternate access:** The Postal Service can evaluate the potential for new or expanded alternate and cost-effective forms of retail access, such as the parcel shop model observed in Europe where a third-party storefront serves as a pickup and drop-off hub for parcels. These new access points could provide customers with greater convenience for picking up and dropping off packages and reduce costs for USPS.
- **Explore broader government service opportunities:** USPS already partners with federal agencies to provide nonpostal services such as passport processing and identity verification. There is the opportunity to expand the scope of these services and explore new partnerships with state, local, and tribal governments to offer community-based services through its retail network, especially in underserved areas. These efforts may help strengthen USPS's role in communities and offer the potential to generate additional revenue and improve cost efficiency.
- **Pursue rural subsidies that could help preserve critical infrastructure:** Legislation allows the Postal Service to request an annual subsidy of $460 million to offset the cost of providing rural service, though the Postal Service has not requested this funding since FY 1982. While the subsidy does not cover the full estimated cost of providing service in rural areas, it could offset costs and preserve service. The total amount foregone since 1982, adjusting for inflation, is $33 billion.

Observations

Introduction

The Postal Service celebrates its 250th anniversary in 2025. Over its history, the Postal Service transformed from a delivery network reliant on horses, stagecoaches, and trains to one where cars, trucks, and airplanes transport billions of mailpieces per year. Mail and packages, once processed by hand, are now rapidly sorted on automated machines at massive processing facilities. Through it all, local post offices remained one of the most visible parts of the Postal Service, facilitating communication and connectivity across the nation. Over time, post offices came to be closely associated with community identity, particularly in small towns throughout America. The ubiquity of post offices helps the Postal Service fulfill its universal service obligation and distinguishes it from other carriers, whose retail networks are much less extensive.

However, mail trends changed dramatically in recent decades. Compared to FY 2000, in FY 2024 the Postal Service delivered 95 billion fewer mailpieces. While package volume exploded during this time due to ecommerce growth, packages make up just six percent of all USPS volume. Letter mail, despite volume declines, continues to generate half of all USPS revenue. Changes in mail use and mail mix impacted the use of local post offices; customers visit post offices less frequently than they once did and the post office network does not generate as much revenue.

Despite significant changes in how people use mail, post offices remain a critical part of American communities, especially in rural areas. Many Americans still depend on the Postal Service to send and receive payments, bills, government forms, and medications. As the Postal Service looks to the future, it is critical that both the Postal Service and its stakeholders consider how to effectively balance the provision of universal service with the mandate to be financially self-sustaining. This complex balance may involve a combination of cost reduction measures, revenue generation, and enhancing the services provided to American communities.

To better understand how the post office network evolved in recent years and how it compares to international posts facing similar challenges, the OIG researched key post office statistics since 2000, including trends in the number of locations, revenue, and customer use. The OIG also researched how several international posts are evolving their retail networks to increase revenue, reduce costs, and serve communities. For additional details on the objectives, scope, and methodology for this paper, see Appendix A.

The Size and Scope of the USPS Post Office Network

The role of post offices evolved over time. Historically, they were where Americans picked up their mail and where mail processing occurred. Today, post offices serve a variety of purposes including retail counters for postal products, hubs for letter carriers, PO Box service, and access points for certain government services such as passports. In addition to traditional brick-and-mortar post offices, customers can also access postal products through alternative channels such as usps.com, Stamps to Go, and Approved Shippers.

The Expansion and Contraction of the Early Post Office Network

In 1789, there were only 75 post offices in the U.S. The Constitution gave Congress the power to establish post roads and post offices, and the number of offices grew rapidly as the country expanded. The number of post offices peaked in 1901 at about 77,000, and then declined significantly as rural free delivery made its way to more and more households.[1] By the time the Postal Reorganization Act (PRA) was passed, in 1970, the number of post offices had fallen to about 36,000 locations.[2]

1 USPS OIG, *Rural and Urban Origins of the U.S. Postal Service*, Report No. RISC-WP-19-007, https://www.uspsoig.gov/sites/default/files/reports/2023-01/RISC-WP-19-007.pdf, p.9 and https://about.usps.com/who/profile/history/pieces-of-mail-since-1789.htm.
2 This is the number of USPS-managed locations in 1970. Third parties operated an additional 7,421 post offices.

Box 1: Postal Reorganization Act Amendments of 1976

STATUTORY CONSIDERATIONS FOR CLOSING A POST OFFICE

The Postal Service, in making a determination whether or not to close or consolidate a post office, shall consider—

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;

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.

-P.L. 94-421, September 24, 1976.

The PRA made significant changes to the Postal Service's business model and influenced management of the post office network. PRA made the Postal Service an independent establishment of the executive branch rather than a cabinet-level department, and the law mandated that the Postal Service be financially self-sustaining, like a business. However, the law also placed restrictions on the Postal Service's management of the post office network in order to preserve rural service. Prior to the passage of PRA, the Postmaster General had broad latitude to close post offices unless the office was located in a county seat. PRA restricted USPS from closing small offices solely because they did not cover their costs. Congress amended PRA in 1976 to mandate certain considerations prior to closing a post office, including requiring USPS to consider the economic savings of closures and offer a public notice period for customers. The full list of current statutory requirements established by the PRA is presented in Box 1. However, PRA did not prohibit post office closures and in fact granted the Postal Service the authority to "determine the need for post offices... and to provide such offices, facilities, and equipment as it determines are needed."[3] From the mid-1970s to 2000, USPS closed fewer offices, suggesting that PRA's guardrails slowed post office closures.

Changes in the Post Office Network Since FY 2000

The post office network over the past 25 years has been marked by a modest decline in the overall post office footprint, sharp declines in use and revenue, increased availability of postal services outside of post offices, and attempts to reduce costs through closure, reducing operating hours, or outsourcing.

USPS-Managed Locations Comprise the Vast Majority of Retail Locations

At the end of FY 2024, the Postal Service had 33,313 post offices: 31,048 post offices managed by USPS and 2,265 locations managed by a third party. Since FY 2000, the number of USPS-managed locations decreased by 2,630 offices, or eight percent. Even with the reduction in the number of offices, the Postal Service continues to operate the largest retail network in the U.S., significantly surpassing the domestic footprint of major retailers like Dollar General (20,586), McDonald's (13,557), and Starbucks (10,158).

The number of USPS-managed post offices decreased, on average, by 110 offices annually though actual decreases varied significantly each year (Figure 1). Post office closures were not offset by new locations. While the Postal Service was unable to provide the exact number of post offices established since 2000, the USPS.com Postmaster Finder lists just eight new locations.[4]

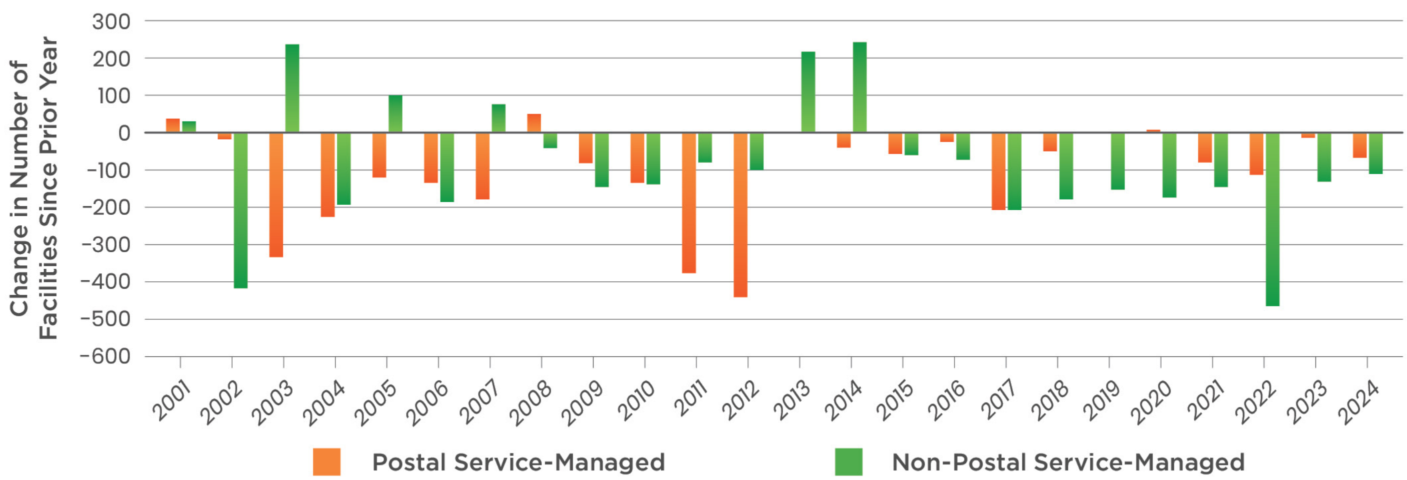
3 Title 39, 404(a)(3).
4 See https://about.usps.com/who/profile/history/postmaster-finder/. The count of new post offices established since 2000 does not include stations and branches which are administratively subordinate to main post offices. In FY 2024, main post offices comprised 84 percent of USPS-owned post offices. The number of new locations also does not include offices that relocated to a nearby location.

In certain circumstances, the Postal Service may place post offices in a suspended status, meaning they are not operational but are not officially discontinued.[5] Suspensions can occur for several reasons, such as a natural disaster or lease termination.[6] At the end of FY2024, 444 post offices were suspended.[7] Suspended post offices temporarily reduce customer access to postal services, but the loss of access may become permanent. Suspensions can be resolved by reopening the unit or formally closing it.[8]

Figure 1: Post Office Network FYs 2000-2024

THE NUMBER OF POST OFFICES DECREASED NEARLY EVERY YEAR SINCE FY 2000

In FY 2001, the number of post office locations increased slightly from the year before. Since then, the number of post offices declined nearly every year, including both USPS-managed and outsourced locations. In total, the post office network decreased by 4,747 locations: 2,630 USPS-managed locations and 2,117 outsourced locations.



> Since FY 2000, the number of post offices managed by third parties fell by nearly half, from 4,382 to 2,265 locations. Outsourced post offices made up 7 percent of all locations in FY 2024.

The Number of Contract Units Fell by Nearly Half

In addition to maintaining over 31,000 USPS-managed post offices, the Postal Service outsources some post office operations. An outsourced post office is operated by a third party under a contract with USPS; the operator receives either a fixed payment or a variable payment based on sales. Between FYs 2000 and 2024, the number of outsourced post offices decreased by nearly half, from 4,382 to 2,265 locations; an average decrease of 88 locations per year (Figure 1). The number of contract units decreased at a faster rate than USPS-managed locations, and contract units made up a diminishing share of the retail footprint, from 12 percent in 2000 to 7 percent in 2024.

Brick-and-Mortar Post Offices Are No Longer the Only Option

Since 2000, there has been a proliferation of ‘alternate access’ channels available to retail customers, including usps.com, Approved Shippers, and Stamps to Go. These supplement the traditional retail network and offer postal products at other locations like grocery stores, local businesses, and online. The Stamps to Go program, for example, sells stamps at over 60,000 non-postal businesses across the country, nearly tripling the number of locations

5 Suspended post offices are included in the count of total post offices. They are removed from the total count once they are formally closed.
6 According to the Postal Service’s Handbook 101, suspension justifications include but are not limited to: natural disaster, termination of lease, lack of qualified personnel, building damage when no alternate quarters are available, challenge to the sanctity of the mail, and a lack of adequate measures to safeguard the office or its revenues.
7 Postal Regulatory Commission, FY 2024 Annual Compliance Determination, https://www.prc.gov/sites/default/files/reports/ACD24.pdf, p. 97.
8 The PRC monitors the Postal Service’s management of suspended post offices, reporting the number of suspended, reopened, and closed post offices each year.

where Americans can purchase stamps. In addition, since 2000 the Postal Service expanded self-service options at post offices such as the Self-Service Kiosk (formerly known as the Automated Postal Center) which debuted in 2004. Table 1 describes the Postal Service's alternate access channels.

Table 1: Alternate Access Channels

Channel	Number of Locations	Description
Automated Postal Center/Self-Service Kiosk (SSK)	2,744 kiosks at 2,337 locations[9]	Located almost exclusively in postal facilities, kiosks allow customers to purchase stamps and postage via an automated machine. Some SSKs are available 24 hours a day.
Approved Shipper	3,933[10]	Provides USPS shipping services at third-party retail locations through a license agreement. Many Approved Shippers are in facilities that provide competing shipping services, such as The UPS Store.[11]
Stamps to Go	60,000+	A third-party provider such as a grocery store purchases stamps on consignment from USPS and resells them to customers. Providers can also sell stamps through ATMs.
USPS.com	N/A	Customers can purchase stamps, postage, shipping supplies, and other items via the Postal Service's website. Click-N-Ship is one of the services offered on USPS.com.
Contract Postal Unit (CPUs) Village Post Office (VPOs) Community Post Office (CPOs)	1,600 306 359	CPUs, VPOs, and CPOs are outsourced post offices operated by a third-party provider. They provide selected postal products, and some offer PO Box service.

While alternate access options offer retail customers more choices for accessing postal products, brick-and-mortar post offices continue to play a vital role for commercial customers and USPS operations. More than 60 percent of USPS-managed retail post offices double as delivery units, where postal employees prepare and load mail for last-mile delivery. Mail carriers start their daily routes from the delivery unit and return after the route is complete. An extensive network of delivery units facilitates mail delivery by shortening delivery routes and placing mail closer to its final destination. In addition, mailers can drop certain mailpieces at a delivery unit in exchange for discounted postage. Finally, some post offices include business mail entry units, or BMEUs, where commercial mailers can drop off presorted mail. These functions are not available through alternate access locations.

Post Office Use and Revenue Declined Significantly, While Costs Grew

Customer use of post offices changed dramatically over the past 25 years. From FYs 2001 to 2024, the number of post office visits fell by more than half, from 1.36 billion to 655 million visits per year.[12] This decline aligns with declines in mail volume during the same period.

Like customer visits, retail revenue fell sharply. The Postal Service's retail revenue consists of two components:

- Post office revenue: generated from products and services sold at USPS-managed post offices such as stamps, postage, and passport fees.
- Alternate access revenue: generated from alternate channels like usps.com, self-service kiosks, and contract units.

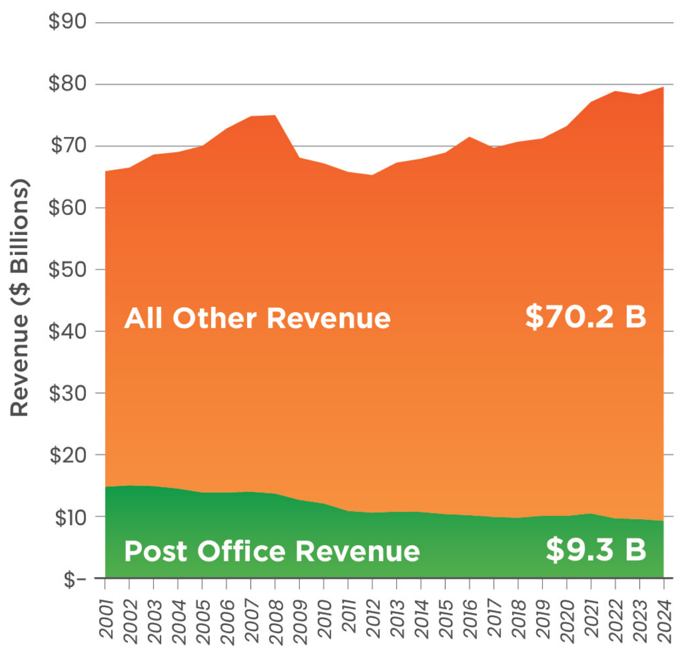
9 Postal Regulatory Commission, *Notice of the United States Postal Service of Filing Its Responses to Questions 1-12 of Chairman's Information Request No. 7 and Application for Non-Public Treatment (USPS-FY24-NP37)*, February 7, 2025, https://prc.arkcase.com/api/prc-dockets/filing/downloadFile?fileId=236394&inline=true.
10 Number of Approved Shippers in FY 2023. Postal Regulatory Commission, *Responses of the United States Postal Service to Questions 1-11, 12.b-21 of Chairman's Information Request No. 6,* January 26, 2024, https://prc.arkcase.com/api/prc-dockets/filing/downloadFile?fileId=194394&inline=true, p. 46.
11 Ibid. p. 49.
12 Retail visits were not available for FY 2000. The count of post office visits includes revenue-generating and non-revenue-generating visits.

From FY 2001 to 2024, post office revenue declined 37 percent, from $14.8 billion to $9.3 billion. This occurred even though postage rates increased and total USPS revenue from all sources rose by $14 billion. Due to declining post office revenue and increasing total revenue, post office revenue became a smaller share of the Postal Service's operating revenue. In FY 2024, post office revenue made up just 12 percent of USPS revenue (Figure 2).

Figure 2: Post Office Revenue

POST OFFICE REVENUE BECOMING A SMALLER SHARE OF TOTAL REVENUE

In nearly every year since FY 2001, post office revenue became a smaller share of overall USPS revenue, decreasing from 22 percent to 12 percent in FY 2024. Post office revenue includes stamps, postage, PO Box rental fees, and other items. It does not include revenue from alternate channels like usps.com, contract postal units, or Stamps to Go.



Source: OIG analysis of USPS annual reports.
Data for FY 2000 not available.

Revenue from alternate access channels is also declining. In FY 2024 alternate channels generated $2.1 billion in revenue, down from $3.2 billion in FY 2016.[13] The alternate access channels with the highest revenue in FY 2024 were Stamps to Go ($700 million), Click N Ship ($394 million), and Self-Service Kiosks ($227 million). Compared to post office revenue, alternate access revenue fell at a much faster rate (-34 percent) than traditional post office revenue (-9 percent) in recent years.

The decline in retail revenue was driven by declines in some of the largest retail categories. In 2004, the earliest data available, walk-in stamp sales generated more than $9 billion in revenue, dwarfing revenue from other retail products. By 2024, walk-in stamp sales fell to $3.3 billion, a 64 percent decline (Figure 3). Over the same period total mail volume fell from 208 billion to 112 billion pieces, a 45 percent decrease. Revenue from postage meters and validation now surpasses walk-in stamp revenue.[14]

While retail revenue, including both post office and alternative access revenue, declined since FY 2000, post office costs increased. The Postal Service does not report publicly on the costs associated specifically with post office operations, creating challenges to evaluating post office cost trends over time. However, prior OIG analysis of FY 2019 data provides a benchmark for assessing recent trends.

Table 2: Post Offices Costs and Revenue, FY19 and FY24[15]

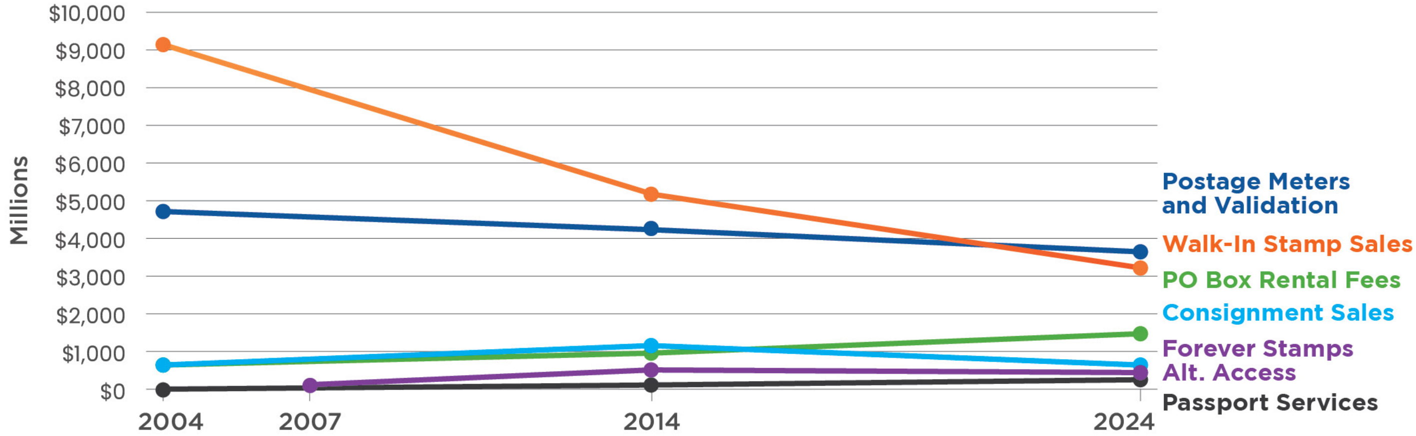
	FY 2019	FY 2024	% Change
Post Office Revenue	$10.2 billion[16]	$9.3 billion[17]	-9%
Post Office Costs	$5.3 billion[18]	$6.3 billion[19]	+19%

13 Prior to FY 2016, the Postal Service categorized PC Postage, an online service to print shipping labels, as alternate access revenue. At the time, PC Postage generated more than $4 billion in annual revenue. In FY 2016 and later, USPS recategorized PC Postage as commercial revenue. The reclassification made it appear as though alternate access revenue fell sharply in 2016, when it did not. Because of this reclassification, we chose to present alternate access revenue trends since FY 2016.
14 Postage meters allow permitted customers to print postage directly onto mail or onto a meter tape.
15 The costs in this table represent only the costs of retail operations at each post office. A majority of post offices still house delivery functions in addition to a retail counter. These figures focus only on the cost of operating the retail portion of each post office and not the cost of delivery-related functions.
16 PRC, *Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 1*, January 16, 2020, https://prc.arkcase.com/api/prc-dockets/filing/downloadFile?fileId=70375&inline=true, p. 3.
17 PRC, *Responses to Questions 1-12 of Chairman's Information Request No. 7 and Application for Non-Public Treatment*, February 7, 2025, https://prc.arkcase.com/api/prc-dockets/filing/downloadFile?fileId=236393&inline=true, p. 3.
18 USPS OIG, *Revenue and Costs in the Retail Network*, Report No. RISC-WP-21-003, April 12, 2021, https://www.uspsoig.gov/sites/default/files/reports/2023-01/RISC-WP-21-003.pdf, p. 6.
19 USPS internal analysis.

Figure 3: Largest Retail Revenue Categories

SIGNIFICANT REVENUE DECLINES IN LARGEST RETAIL PRODUCT CATEGORIES

Since 2004, retail revenue dropped significantly. Walk-in stamp sales, which had previously dwarfed other revenue categories, fell by two-thirds and is now the second-highest source of revenue after postage meters and validation. Stamp revenue declined even though the price of a First-Class stamp increased from 37 cents in 2004 to 68 cents in 2024. Revenue from PO Box rental fees and passport services increased since 2004.



Source: OIG analysis of USPS revenue data.
Revenue data prior to FY 2004 were not available.

In FY 2019, the post office network overall generated a profit, with $10.2 billion in revenue and $5.3 billion in expenses (Table 2). In other words, the post office network generated revenue roughly double that of costs. In FY 2024, post offices generated $9.3 billion in revenue with costs of $6.3 billion. Despite the network covering its costs overall, the revenue-to-cost ratio declined due to falling revenue and rising expenses. Further, USPS estimated that in FY 2024, 58 percent of post offices did not generate enough revenue to cover expenses.

The declining trend in post office use and revenue mirror overall declines in mail volume. The primary contributing factor to volume decline is the continued growth of digital alternatives. Other factors include increasing postage rates, service quality, and general economic conditions. These factors also impact post office revenue. The decline in First-Class Mail volumes has been steeper than the decline in Marketing Mail volumes, and declines have been particularly sharp in First-Class Mail used for personal correspondence. The outsized declines in these segments may affect post office usage and visitation more than declines in other types of mail.[20]

International Posts Take Various Approaches to Evolving Their Retail Networks

USPS is not alone in the challenge of adapting its retail network to meet changing demographics and customer needs. To provide additional context and points of comparison the OIG examined the regulatory environment for access to the postal network and the retail strategies of several international posts including Australia Post, Canada Post, Deutsche Post (Germany), La Poste (France), Poste Italiane (Italy), and Post Office Limited (United Kingdom).[21] While none of these posts share the exact retail and delivery model as the Postal Service, they were selected because they are also subject to a postal universal service obligation or a public service mission and feature a diverse mix of different retail strategies.

Aside from Deutsche Post, which is part of the publicly traded DHL Group, the other posts studied for this report are either fully or primarily state-owned. All

20 USPS OIG, *Analysis of Historical Mail Volume Trends,* Report No. RISC-WP-24-008, September 4, 2024, https://www.uspsoig.gov/sites/default/files/reports/2024-09/risc-wp-24-008.pdf, pp. 7-10.
21 The United Kingdom Post Office Limited, which is state owned and operates the country's post office network, is a separate entity from the country's postal operator, Royal Mail, which is fully privatized and handles mail and package delivery.

of these posts are subject to a universal service obligation (USO), while the posts of Australia Post, La Poste, Poste Italiane, and Post Office Limited have additionally mandated public service obligations.

International Posts Have Defined Criteria for Post Office Locations and Accessibility

The regulatory framework and requirements for each post vary by country, but all the posts studied by the OIG have distance-based criteria for their post office locations (Table 3). Laws and regulations may set a minimum share of the population in a region that must be within a given distance to the nearest post office. For example, Canada Post's charter specifies that 98 percent of Canadians must have a postal outlet within 15 kilometers (km) (9.3 miles), 88 percent within 5 km (3.1 miles), and 78 percent within 2.5 km (1.6 miles). Another requirement may be that in a specific region, for example municipalities, the post must have at least one post office. Some countries have both requirements, and all except Italy and Canada specify a minimum number of total post offices. Additionally, Canada Post has faced a legal moratorium against the closure of rural post offices since 1994.

Table 3: Post Office Network Regulatory Requirements in Selected Countries

Regulatory requirements	Australia	Canada	France	Germany	Italy	UK
Minimum number of post offices	Yes (4,000)	No	Yes (17,000)	Yes (12,000)	No	Yes (11,500)
Distance-based access criteria	Yes In major cities 90 percent of residences must be located within 1.6 miles from the nearest outlet. Outside major cities, 85 percent of residences must be located within 4.7 miles from the nearest outlet.	Yes 98 percent of consumers must have a postal outlet within 9.3 miles; 88 percent within 3.1 miles; and 78 percent within 1.6 miles.	Yes At least one postal outlet for 'municipalities' with a minimum population. Definition of a minimum population coverage within a given distance from nearest outlet for each region ('Département').	Yes At least one "universal service outlet" for 'municipalities' with a minimum population and for every 31 sq miles of rural district. Maximum distance to the next universal service outlet for 'contiguous residential areas'.	Yes Definition of a minimum population coverage within a given distance from nearest outlet. At least one post outlet in a minimum share of 'municipalities'.	Yes Definition of minimum shares of the population within given distances from the nearest outlet. Target shares and distances differ by geographies (national / deprived urban / urban / rural) and postcode districts.
Other requirements	No	No	No	Yes Mobile postal service in all areas that are not covered by a universal service outlet.	Yes Minimum opening hours for single post offices in municipalities.	No
Public funding for retail network and initiatives (not including USO funding)	No	No	Yes, for specific programs. Retail Customer & Digital Services 175 m€ annually. Banking accessibility: 287 m€ annually. France Services access points: 17 m€ in 2022	No	Yes, for post office modernization and digitization and for specific missions. POLIS Project: 800 m€ from 2023-2026.	Yes, Network Subsidy: 50 m£ annually.

Of the six countries studied for this report, two made significant changes to their post's universal service obligation in the last five years. The German government allowed Deutsche Post to replace certain post offices with automated post offices beginning in 2024. These automated offices must be approved by the country's postal regulator after consulting with the municipality where they are located. In a more minor change, Australia introduced new regional definitions for its maximum distance to a post office requirement to include different categories for post offices "In/Not in major cities."

While all six posts examined for this report provide public notice before closing any post office, Canada, France, Germany, and Italy have defined legal procedures for making changes to their postal operator's postal networks. Canada Post, Deutsche Post, and Poste Italiane are legally required to inform and consult with the public before closing any post office. The legal procedure for La Poste to close any post office is more stringent and it must justify any planned changes to commissions at both the regional and national level which monitor compliance with the public service mission.

Among these posts La Poste, Poste Italiane, and Post Office Limited receive government subsidies to support their public service missions fulfilled through their post office networks. These contributions are less than 10 percent of the revenues of La Poste in France and Poste Italiane in Italy, but equal to almost one-third of the revenue generated by Post Office Limited In the UK in 2024. However, it should be noted the UK government's investment funding is set to decrease from £130 million in 2024 to just £20 million by 2026 and that Post Office Limited operates on a different business model than other postal operators. Post Office Limited only provides retail services and is separate from Royal Mail, the UK's privatized parcel and letter delivery service.

Some Posts Reduce Costs and Expand Access Through Outsourcing and Partnerships

Postal retail networks, especially those staffed by the post itself, result in high, mostly fixed, costs, which has led posts to either downsizing or outsourcing their retail networks. In many European countries, the reduction of post office networks took place before 2010, and since then, outsourcing of post offices has been the primary retail strategy. In contrast, the size of Canada's post office network has continued to decrease. In 2018 Canada Post reported 6,137 post offices, but by 2024 that figure dropped to 5,716 offices, a seven percent decrease.

Four of the six posts studied outsource a significant portion of their retail networks, while Canada Post does not currently publish figures that differentiate between directly managed and franchised postal outlets:

- Deutsche Post: 91 percent
- La Poste: 61 percent
- Australia Post: 86 percent
- Post Office Limited: 99 percent

Figure 4: A La Poste (France) Parcel Shop Located in A Supermarket

Italy's Poste Italiane is an outlier in this group and directly manages all its post offices rather than outsourcing. Poste Italiane delivers its financial and insurance services through its nationwide post office network, with many locations also serving as financial hubs.

In addition to their post office networks, some postal operators have developed a separate network of parcel shops located in and managed by retail partners to expand their ability to handle e-commerce parcels. These parcel shops are extremely light-asset pick-up and drop-off (PUDO) points that handle parcel deliveries and returns using handheld equipment and offer no other postal counter services. In Italy, these shops now significantly outnumber the total number of post offices, while in Germany and France there are nearly as many parcel shops as post offices. Both Post Office Limited and Canada Post have also started to develop parcel shop networks.

All of the posts studied by OIG sought to expand their network of parcel locker stations in recent years.[22] In 2003, Deutsche Post was the first European post to introduce parcel lockers as a collection and delivery option and, by 2019, operated about 3,700 parcel lockers. That number increased rapidly to about 14,200 locations by 2024, all of which are accessible 24/7. To further increase the availability of parcel lockers, posts may partner with other retail businesses or existing parcel shop locations. For example, Poste Italiane has partnered with DHL to expand its parcel locker network in addition to placing parcel lockers within some of the previously mentioned parcel shops, and Canada Post has partnered with the large retailer Canadian Tire to offer parcel lockers.

Many Posts Have Diversified Retail Offerings

With the exception of Deutsche Post, all posts studied for this report offer a diverse scope of services beyond their postal products, though the extent of their cooperation with external partners for providing these services varies. Australia Post, La Poste, and Poste Italiane offer insurance services and various other government services, while all except for Deutsche Post offer some form of financial services. Australia Post, Canada Post, and Post Office Limited only offer non-postal services through partnerships with third parties, while Poste Italiane and La Poste provide their own financial services throughout their post office network. Poste Italiane even offers their own telecommunications services through their subsidiary PosteMobile, while La Poste offers cell phone subscriptions in their post offices.

Box 2: Case Studies – Posts Providing Government Services in France and Italy

LA POSTE AND FRANCE SERVICES

La Poste offers a wide variety of government services through “France Services” access points which launched in 2020 with the goals of improving access to and simplifying public administrative services from multiple government entities. About 2,800 France services access points are located throughout the country, with about 400 of them in post offices. These access points offer services from eleven major government agencies including applications for social benefits, personal finance and tax services, support for job-seekers, and ID-card issuance. Services are also available via video call or in-home via mobile delivery teams.

POSTE ITALIANE AND THE POLIS PROJECT

Poste Italiane launched its POLIS project in 2022 as part of Italy’s National Recovery and Resilience Plan with the objectives of promoting the economic, social and territorial cohesion of the country and overcoming the digital divide in small towns and inland areas; as well as accelerating the digital transformation of citizens and the Public Administration. The project involves almost 7,000 post offices in municipalities with under 15,000 residents and covers nearly 40 million rural residents in total. These offices provide identity services, judicial certificates, social security certificates, and regional services. The project also includes a “Spaces for Italy” initiative to provide a national network of co-working and training spaces as well as upgrades to post offices including the addition of 4,000 digital services terminals and 7,000 ATMs.

The range of government services provided at post office locations varies from post to post. Australia Post focuses on identity and document verification services, which are funded through contracts with government agencies rather than public

22 Post Office Limited does not operate parcel locker stations; however, Royal Mail began to develop a network of parcel locker locations in 2024.

appropriations. Post Office Limited offers similar services and additionally supports access to social benefits and tax payments, also funded through agency agreements.

In contrast, Poste Italiane and La Poste provide a more comprehensive suite of government services. Poste Italiane offers identity verification, certified digital communications, and a range of e-government services. La Poste facilitates access to public administration services from nearly a dozen government agencies. These more comprehensive service offerings are supported through a combination of contractual arrangements and government funding.

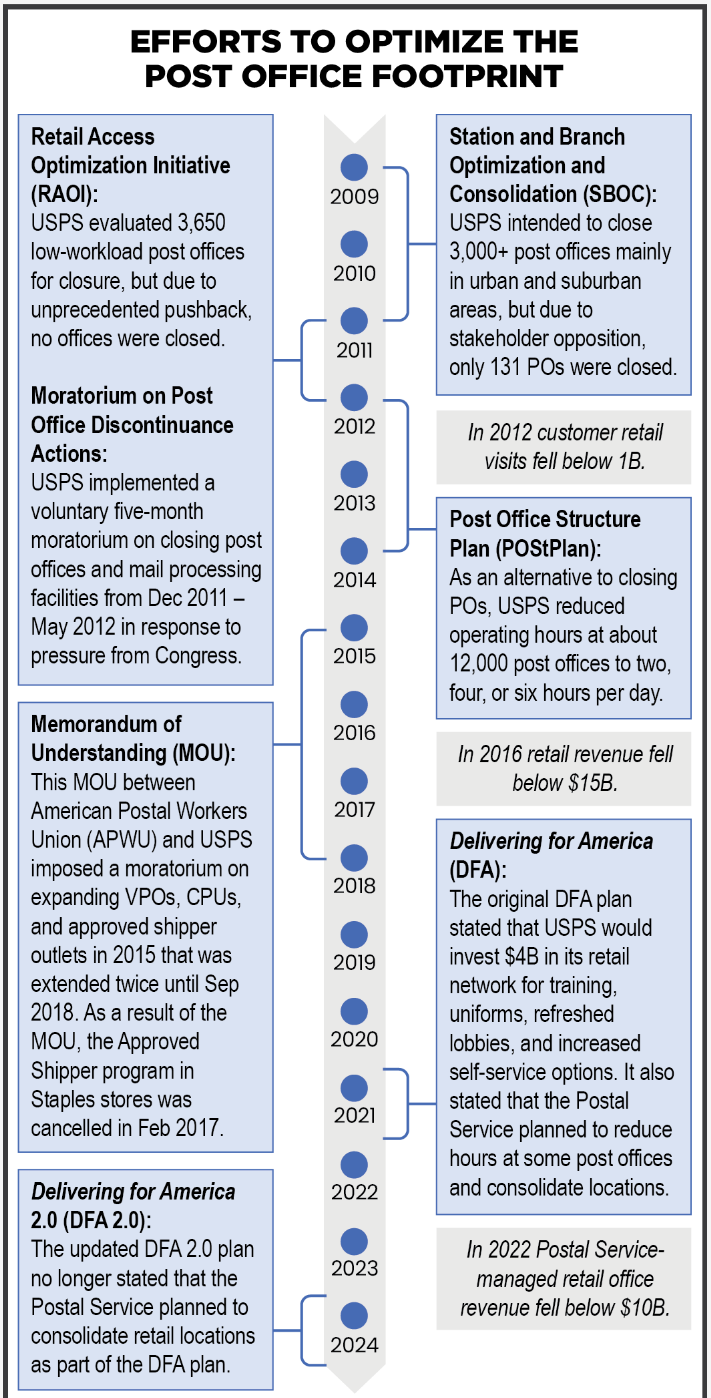
USPS Strategies for Evolving the Post Office Retail Network

Since 2000, the Postal Service has developed several strategic initiatives to reduce costs and increase revenue across its retail network, though not all have been implemented. Currently, the Postal Service is working to transform existing locations through expansion of self-service options and government services. However, these efforts have not been guided by a comprehensive strategy for optimizing the physical retail footprint. Specifically, the Postal Service does not currently have clear, data-driven criteria for deciding where to open, close, or relocate post offices to align with changing customer demand, population shifts, or operational efficiency goals.

Efforts to Optimize the Post Office Footprint Had Mixed Results

The size and cost of the USPS post office retail network has been a contentious issue for decades. Though the size of the post office network shrank considerably since its peak around 1900, optimally balancing customer access and financial viability continues to be a challenge. In particular, rural post offices – which represent 57 percent of all locations – often do not generate enough revenue to cover their costs.[23] However, these offices provide universal service in parts of the country where a profit-driven business likely would not serve, and the law in part specifically protects small post offices from closure just for operating at a loss.

Figure 5: Timeline of Initiatives to Optimize the Post Office Network



Sources: Postal Regulatory Commission, Government Accountability Office, American Postal Workers Union, USPS, and OIG.

23 USPS OIG, *Revenue and Costs in the Retail Network,* Report No. RISC-WP-21-003, April 12, 2021, https://www.uspsoig.gov/sites/default/files/reports/2023-01/RISC-WP-21-003.pdf, p. 4.

Since 2000, USPS pursued several major efforts to optimize its retail network and reduce costs, including post office closures, reduced operating hours, and outsourcing partnerships, with mixed success. However, the following examples illustrate the operational, political and labor-related complexities involved in making significant changes to the retail footprint.

In 2009, the Postal Service proposed the Station and Branch Optimization and Consolidation Initiative (SBOC), a plan to consolidate more than 3,000 post office locations in urban and suburban areas. Ultimately, USPS closed only 131 locations as part of SBOC. Two years later in 2011, USPS requested a PRC advisory opinion for the Retail Access Optimization Initiative (RAOI). Under RAOI, USPS would evaluate 3,650 low-workload post offices for closure. The plan received substantial stakeholder pushback due in part to the perception that the initiative targeted rural areas.[24] Ultimately, the Postal Service placed a temporary moratorium on post office closures while Congress debated postal reform legislation and did not close any post offices under RAOI.

As an alternative to closing post office locations, in 2012 USPS proposed reducing operating hours at thousands of post offices based on workload. The PRC issued a favorable advisory opinion and USPS reduced operating hours at about 12,400 locations, or 39 percent of USPS-managed locations at the time. However, hours have not been reduced at any additional locations since the initial implementation. The next year in 2013 the Postal Service expanded its use of outsourcing by partnering with Staples, a national office supply retailer to place postal retail counters staffed by Staples employees in Staples stores. The arrangement sparked backlash from the American Postal Workers Union (APWU), who claimed that the partnership violated the collective bargaining agreement and threatened the security of the mail. The APWU brought its case to the National Labor Relations Board who sided with the APWU in late 2016. As a result of the ruling, the Postal Service ended its partnership with Staples.

To Date, DFA Investment in Post Offices Has Been Limited to Select Locations

The 2021 Delivering for America plan stated that the Postal Service would invest $4 billion in its retail network for training, uniforms, refreshed lobbies, and increased self-service options. In addition, the Postal Service planned to reduce hours at some post offices and consolidate locations.

Figure 6: Retail Modernization

RETAIL MODERNIZATION FOCUSES ON SELF-SERVICE AND GOVERNMENT SERVICES

The Postal Service's Retail Modernization initiative increases the availability of self-service options and expanded government service offerings for customers. Retail Modernization is occurring primarily at Sorting and Delivery Centers, like this one in Athens, GA.

Source: USPS

So far, the Postal Service has invested $57 million in retail improvements including expanded government services, such as passport acceptance, and self-service options like Rapid Dropoff Stations.[25] Most of this investment occurred at Sorting and Delivery Centers (S&DCs), a new type of postal facility. S&DCs across the country will consolidate delivery operations from local post office ("spokes") into one centralized ("hub") location. As of March 2025, there were only 95 S&DCs representing less than half a percent of the retail footprint.[26] Other retail

24 USPS OIG, *Revenue and Costs in the Retail Network,* Report No. RISC-WP-21-003, April 12, 2021, https://www.uspsoig.gov/sites/default/files/reports/2023-01/RISC-WP-21-003.pdf, p. 12.
25 Rapid Dropoff Stations allow customers to print shipping labels using a QR code and deposit parcels into an adjacent parcel drum.
26 The Postal Service initially funded retail modernization at 12 S&DCs, followed by funding for an additional six sites in February 2025. The total investment for these 18 sites was $44 million. This represents just one percent of the planned $4 billion investment. The Postal Service is also piloting retail modernization at one non-S&DC site in Los Angeles, CA.

investments include, among others, the installation of 120 Rapid Dropoff Stations and 665 parcel lockers at existing post offices. However, thousands of USPS retail facilities have not yet benefited from DFA-related post office improvements. According to the Postal Service, DFA retail investment is ongoing.

The original DFA plan stated that the Postal Service would close and consolidate some post office locations, but the updated DFA 2.0 plan – released in September 2024 – stated that USPS no longer plans to do so. While the Postal Service does not currently plan to close or consolidate post offices as part of DFA, DFA efforts will change how some post offices are used. As previously mentioned, delivery operations from some local post offices will be consolidated to a single, larger S&DC. This consolidation, however, may result in empty space at spoke post offices after routes move to the larger facility. According to the Postal Service, as of March 2025, delivery operations at 214 post offices nationwide had been entirely consolidated and relocated to an S&DC, leaving only retail services at the original location. The Postal Service aims to eventually consolidate 1,384 delivery units as part of the DFA plan. When only retail services remain at the original post office location, the Postal Service may have excess space that previously housed delivery operations, creating potential opportunities to use that space in alternative ways. However, each post office is different and there is no single solution that will work in every scenario. Prior OIG work recommended that the Postal Service develop and implement procedures for space utilization at offices impacted by S&DC consolidation to maximize the benefits of consolidating delivery routes to an S&DC.[27]

USPS Maintains a Network of Outsourced Post Offices

The Postal Service currently outsources seven percent of all retail locations and the number of outsourced post offices decreased by about half since FY 2000. Outsourcing is a common strategy used by international posts to reduce costs in their retail networks, but has both benefits and drawbacks. It can be a way to reduce costs since the Postal Service does not have to pay salary, rent, and other operating expenses to sustain a retail location. Outsourcing can also offer flexibility since locations are easier to open and close compared to USPS-managed locations, where closure processes are outlined in both statute and USPS policy. In contrast, there are no statutory requirements for closing contract units. See Appendix B for a comparison of the closure process for USPS-managed and contracted retail locations.

However, the downside of this flexibility is that contract units can close at any time at the request of USPS or the supplier, potentially leaving customers with reduced access. In addition, postal labor unions have previously opposed efforts to expand outsourcing, such as the previously discussed partnership with Staples. Additionally, both the Postal Service and the OIG have acknowledged challenges with oversight of outsourced locations.

The Post Office Network Remained Static Despite Population Shifts and Changing Mail Demand

The Postal Service manages a legacy network of post offices that evolved over more than two centuries. Throughout the network's evolution, there has not been a clear, overarching strategy for managing the size and distribution of the network – such as setting a minimum number of locations, or establishing quantitative criteria for when to close, open, or move locations. As a result, the footprint has not adapted to population shifts or to changes in mail and package volume.

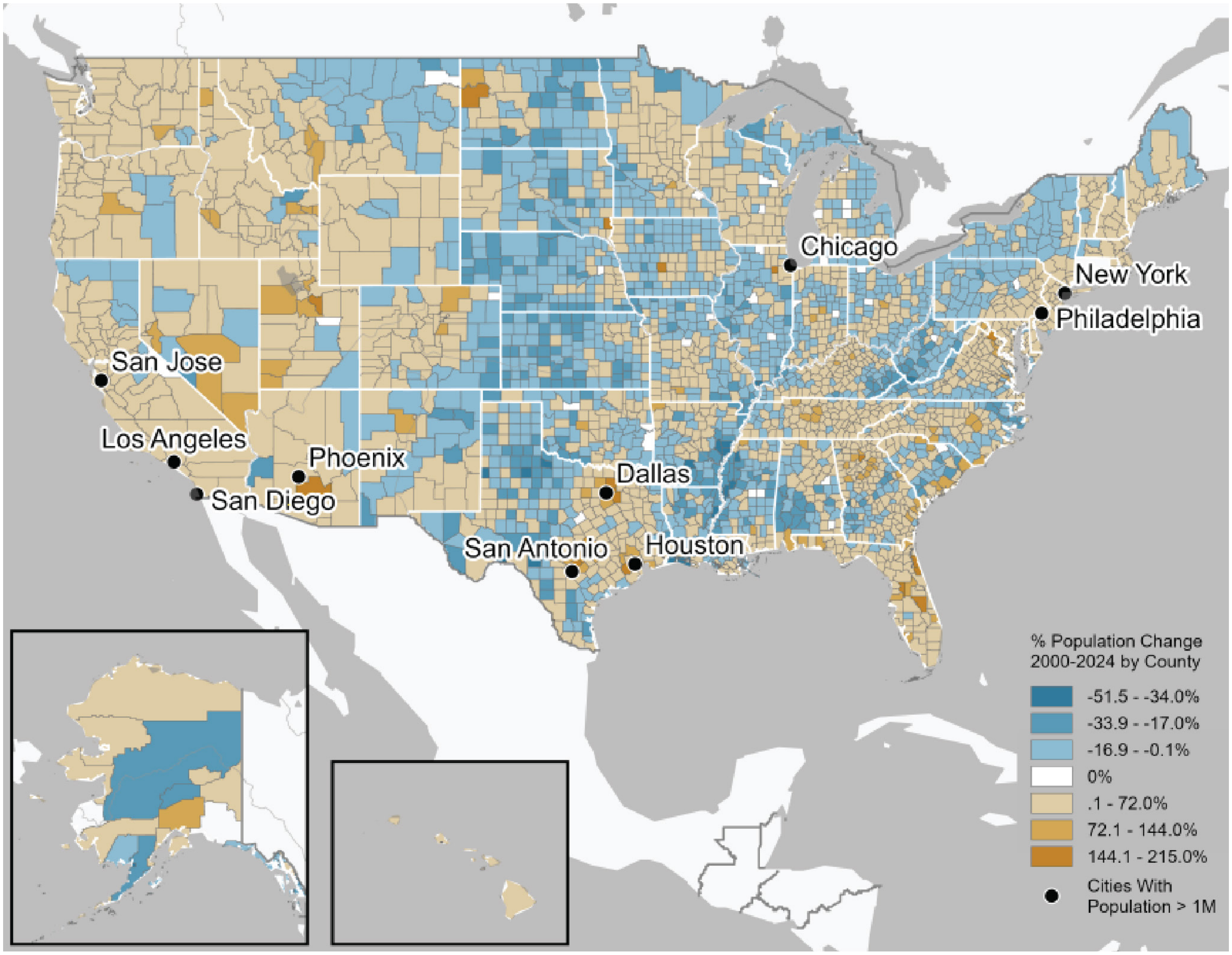
Since 2000, the U.S. population grew about 58 million people, with the southern and western parts of the country experiencing more growth than other regions (Figure 7). Six states, Utah, Texas, Arizona, Idaho, Florida, and Nevada all experienced population growth of around 50 percent or more, but the post office footprint has not significantly changed to reflect this significant demographic shift. As previously discussed, since FY 2000 the Postal Service closed about 2,600 USPS-managed retail units and opened very few new ones.

27 Based on information provided by USPS, the OIG closed this recommendation in February 2025. USPS OIG, *Network Modernization: The Changing Role of Postmasters*, Report No. 24-025-R24, May 22, 2024, https://www.uspsoig.gov/sites/default/files/reports/2024-05/24-025-r24.pdf, p. 7.

Figure 7: U.S. Population Growth 2000-2024

CITIES IN THE SOUTH AND WEST GREW SIGNIFICANTLY

Since 2000, the U.S. population grew by about 58 million people. While counties in certain areas of the country such as the Great Plains lost residents, some parts of the country grew significantly. For example, cities in the south and west like Salt Lake City, Atlanta, and Houston all experienced high rates of growth. During the same time, the post office footprint remained largely static despite these population shifts.

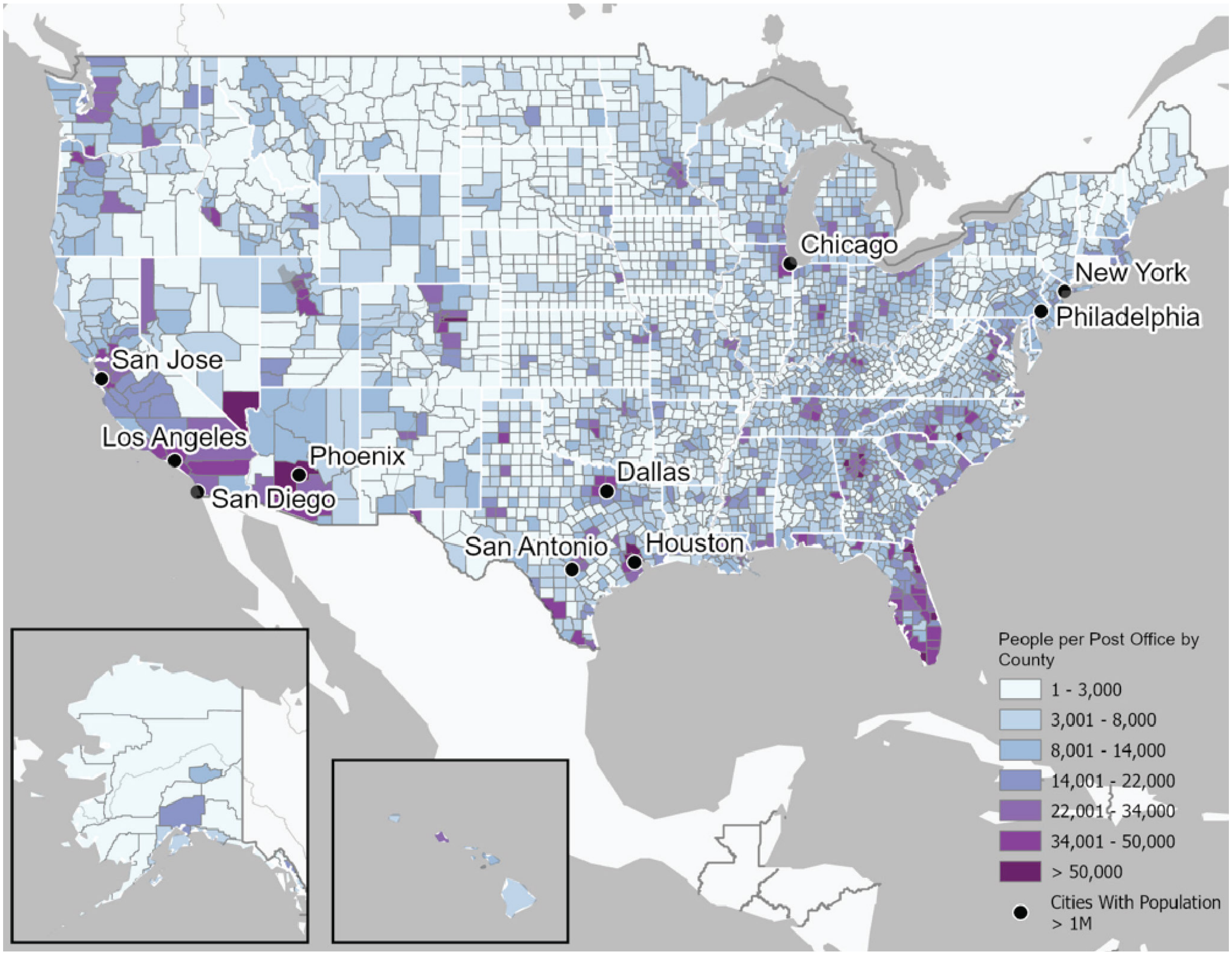


Source: OIG analysis of U.S. Census data.

Figure 8: Average People Served per Post Office

THERE ARE SIGNIFICANT NATIONAL VARIATIONS IN THE NUMBER OF PEOPLE SERVED PER POST OFFICE

Nationally, there is approximately one post office for every 11,000 people but there are significant variations across the country. In some parts of the country such as Vermont and South Dakota, each post office serves roughly 3,000 people. In other areas, such as Arizona and Florida, each office serves an average of 25,000 people. Establishing access criteria for post offices such as a minimum population or population density thresholds can help the Postal Service better optimize its post office network.



Data includes USPS-managed post office locations only.
Source: OIG analysis of USPS Facilities Database.

These changes in populations without corresponding changes in the postal network have resulted in uneven access to postal retail services across different regions of the country. A comparison of two states provides an illustrative example. The average post office in the U.S. serves approximately 11,000 people, with a significant variance in average people served on a state-by-state basis. For example, a post office in a larger western state may serve as the nearest location for ten times more people than a post office in a small northeastern state on average. Figure 8 shows the average number of people served by each post office in counties across the U.S. Population characteristics such as density or distance to the nearest postal location can be important criteria in planning a more optimized retail network.

The network has also not adjusted its footprint in response to significant changes in mail use and demand over the past 25 years. Total mail volume, including letters, flats, and packages, decreased from 208 billion pieces in FY 2000 to 112 billion in FY 2024. First-Class Mail, which includes personal correspondence, government communication, and transaction mail like bills, declined from 104 billion to 44 billion pieces, a 58 percent reduction. Mail decline has led to reduced retail transactions and revenue. While, since FY 2000, package volume increased significantly due to the growth of ecommerce, packages still represent a smaller share of total mail volume. Although in recent years, the Postal Service introduced parcel-related amenities at post offices such as Label Broker and Smart Lockers to meet increasing package demand, it has not established clear criteria to optimize its retail footprint based on changing usage patterns or demand for specific postal products. With mail volumes projected to continue declining, sustaining a large and fixed network of retail locations is likely to become increasingly challenging.[28]

Considerations to Balance Broad Access and Financial Sustainability in the Postal Retail Network

The approaches used by international posts in evolving their retail networks can inform potential strategies the Postal Service can adapt to reduce costs and increase revenue, while continuing to serve communities.

Defined Retail Access Criteria Could Support Future Efforts to Optimize the Post Office Network

In the U.S., while the USO requires widespread access to post offices, there are no specific or quantified criteria for postal retail access such as standards for the minimum number of post offices, their geographic distribution, or guidelines for their financial performance. Although this lack of standards may appear to grant USPS broad latitude to manage its retail footprint, in practice it has often had the opposite effect. Over time, post offices in the U.S. have become closely linked to community identity, especially in rural areas. As a result, efforts to close or consolidate locations, even temporarily, frequently face significant local opposition and mobilization to restore service. When USPS tried to streamline its retail network through initiatives such as the Station and Branch Optimization and Consolidation (SBOC) and Retail Access Optimization Initiative (RAOI), these efforts were met with resistance from postal unions, constituents, and members of Congress. While closing a post office is unlikely to be a popular decision, establishing clear and transparent network management criteria could help the Postal Service explain and justify its decisions. In addition, providing a consistent and publicly understandable framework would also enhance trust and communication with the communities it serves.

Prior research by the OIG, the U.S. Treasury, and GAO highlighted the potential benefits of more specifically defining the USO, including retail access criteria.[29] While congressional action is required to define some parts of the USO, Congress has given the Postal Service the discretion to determine the number and location of post offices, including the legal authority to close them under certain circumstances. Title 39, which outlines Postal Service operations, grants the agency the authority to "determine the need for post offices, postal and training facilities and equipment, and to provide such offices, facilities, and equipment as it determines are needed."[30]

In addition to a lack of access criteria for the post office network, there is no clear definition of which retail products and services are essential to fulfilling the USO.[31] Further, it remains unclear whether alternate access channels that offer selected postal

28 USPS OIG, *Projecting Mail Volume: Future Trends and Implications for the Postal Service,* Report No. RISC-WP-25-003, June 2, 2025, https://www.uspsoig.gov/sites/default/files/reports/2025-06/risc-wp-25-003_1.pdf.

29 Department of the Treasury, *United States Postal Service: A Sustainable Path Forward*, December 4, 2018, https://home.treasury.gov/system/files/136/USPS_A_Sustainable_Path_Forward_report_12-04-2018.pdf, p. 42; GAO, *U.S. Postal Service: Congressional Action is Essential to a Sustainable Business Model,* Report No. GAO-20-385, May 2020, https://www.gao.gov/assets/gao-20-385.pdf, p. 30.

30 39 U.S.C. Sec. 404(a)(3).

31 39 U.S.C. Sec. 403(b)(3) states that the Postal Service has the responsibility to "establish and maintain postal facilities of such character and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services."

products should be factored into evaluations of USO fulfillment. For the Postal Service and its stakeholders, there are important questions to consider, including:

- What service or suite of services should be considered essential and consistently offered at every post office?
- At what distance must essential retail services be accessible to most Americans to satisfy universal service expectations?
- To what extent do alternate access channels like usps.com, Approved Shippers, and Stamps to Go contribute to fulfillment of the USO? Does the ability to purchase stamps online or at 60,000 non-postal locations help to achieve the USO?
- In rural areas, where rural letter carriers can sell stamps and provide other postal services, could the provision of these services be considered a way to fulfill the constitute universal service in certain parts of the country?

Clarifying the access criteria for the post office network, the scope of essential services and the role of alternative access channels in fulfilling the USO could help determine whether network changes align with the goals of universal service, communities are adequately served, and that the retail USO framework reflects how Americans access postal services today.

New Types of Access Points Can Expand Service at a Lower Cost

By installing self-service technology like Rapid Dropoff Stations and Smart Lockers, the Postal Service is leveraging its existing retail network to make it easier to send and receive packages. There are opportunities to further expand these services. For example, the Postal Service can consider adopting the parcel shop model observed in Europe to partner with local businesses to serve as pickup or drop-off locations for prepaid parcels. The Postal Service could also consider the introduction of unstaffed locations, similar to Germany's Packstations, that allow customers to send and receive parcels. Mobile vans can also provide postal services in selected communities; in the UK, vans visit 250 villages on set days and times to provide almost all postal services.

Expanding Government Partnerships Could Help Grow Retail Revenue and Strengthen the Post Offices' Role in Communities

USPS already provides some nonpostal services to federal agencies, ranging from passport services to FBI fingerprinting and facilitating access to government programs. USPS could explore the opportunity to expand the range of nonpostal services it provides to federal agencies and pursue partnerships with state, local, and tribal governments to deliver community-based services through its extensive retail network, especially in underserved areas.[32] Expanding these nonpostal government services could help generate new revenue streams and spread fixed costs across more services. This would strengthen USPS's role as a public service provider, while improving the financial sustainability of its retail infrastructure. The OIG is currently reviewing the Postal Service's role in providing government services in a separate white paper.

Using Rural Subsidies Would Support USPS in Preserving Critical Infrastructure

Even though post office use and revenue declined substantially since FY 2000, post offices remain a critical part of communities, especially in rural areas. As previously mentioned, many rural post offices do not cover their costs, increasing the tension between providing universal access and financial self-sustainability. However, prior legislation authorized the Postal Service to request an annual appropriation of $460 million to cover "public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining."[33] USPS has not requested the subsidy since 1982. The subsidy, which does not adjust for inflation, would not fully cover the current annual estimated net cost of maintaining rural post offices, which the PRC estimated to be $744 million

32 The Postal Service Reform Act of 2022 authorized expansion of nonpostal services to all levels of government as long as they add public value, do not interfere with postal operations, and cover costs.
33 39 U.S.C. Sec. 2401(b)(1).

in FY 2023.[34] While Congress is not obligated to appropriate the funds if requested, since 1982 the total subsidy forgone, adjusting for inflation, is $33 billion.

Conclusion

The Postal Service manages a vast network of post offices that have developed over more than two centuries of operations. These post offices are a critical component of the Postal Service's universal service obligation, providing communities with local access to postal products and services and often serving as carrier hubs for last-mile delivery. However, balancing financial sustainability with universal service – especially in rural areas where many post offices operate at a loss – has been a longstanding challenge. Over the past 25 years, post office usage and revenue have declined significantly, while costs have continued to rise. These trends are expected to continue, driven by further declines in mail volume and increases in labor and operational expenses.

Since 2000, broader efforts to control retail costs through post office closure, consolidation, or outsourcing have encountered strong resistance from stakeholders, limiting the Postal Service's ability to adjust its footprint. While the POStPlan initiative reduced operating hours at more than 12,000 locations, the overall number and distribution of post offices have remained largely unchanged despite significant shifts in population trends and a 50 percent decline in post office foot traffic. Currently, the Postal Service's retail efforts are focused on expanding parcel services and exploring opportunities to offer government services at post offices. Looking ahead, the Postal Service will need a forward-looking strategy to manage this extensive legacy network. Developing transparent criteria to guide the network evolution and defining which postal products are essential to fulfilling the USO could be important steps towards developing a comprehensive retail strategy that meets the evolving needs of the public and positions the Postal Service' post office network for long-term sustainability.

Summary of Management's Comments

The Postal Service provided additional context about its retail network, including the profitability of the retail network overall; the dual functions of many post offices as both retail and delivery units and how their location is driven by operational requirements and not just demand; caution over comparing USPS to international posts, and the ongoing nature of Delivering for America retail investments. The Postal Service stated that the OIG did not provide enough context to reflect the realities of the USPS retail network.

Evaluation of Management's Comments

The OIG appreciates the comments and the thorough review of the paper. We believe the paper addresses these points and offers several insights that help highlight the key realities of the Postal Service's retail network. On the profitability of the retail network, the OIG states in the paper that the retail network overall generated a profit in FY 2024. We also note that costs are growing while retail revenue is decreasing. If these trends continue, the financial viability of the retail network will be strained.

Regarding the dual function of many post offices as both retail and delivery units, the OIG discusses this in the white paper. Post offices are not just retail counters for customers, they also serve an important operational function for the Postal Service.

When comparing the Postal Service to international posts, while no international post is an exact analogue of the Postal Service, international comparisons still provide value. International posts are experiencing some of the same challenges as the Postal Service, including declining mail volume and significant growth in parcel volume. Reviewing how a select group of international posts is adapting their postal retail networks to these trends can provide valuable information to the Postal Service on how it might adapt its own retail network.

On the role of alternate access channels, the OIG states in the paper that these locations supplement the traditional USPS-managed retail network. We

34 Postal Regulatory Commission, *FY2024 Annual Report*, February 2025, https://prc.gov/sites/default/files/reports/AR%20FY24.pdf, p. 44. The PRC estimates the cost of operating CAG K and L offices, which generate the lowest revenue of all offices. The estimate factors in both the cost savings of closing the smallest offices, the additional costs of rural carriers providing retail services and new delivery service in place of the closed post offices, and the revenue foregone from closing offices.

also discuss how the universal service obligation in the U.S. is broadly defined and does not have specific criteria for the retail network geographic distribution or for which retail products are considered part of the USO. We note that it is important for stakeholders to consider how alternate access channels contribute to the fulfillment of the USO.

Regarding Delivering for America investment in retail operations, we note in the paper that retail investment is ongoing and that USPS has currently invested about $57 million in retail improvements as part of its $4 billion retail modernization plan.

Finally, we also acknowledge the limitations that prior legislation placed on post office closures, specifically that small post offices may not be closed solely for operating at a deficit. Additionally, we discuss how stakeholder concerns have impacted past efforts to reform the post office network. Despite these limitations, the Postal Service still has the flexibility to establish internal access criteria for the strategic management of its retail footprint. Establishing these criteria can ensure that communities are adequately served, and that the retail network reflects how Americans access postal services today.

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Appendix A: Additional Information

Objectives and Scope

The first objective of this white paper was to describe the size and scope of the USPS retail network in FY 2025 and how the network changed from FY 2000 to FY 2025. The second objective was to review international approaches to generating revenue, reducing costs, and serving communities through postal retail networks.

The scope of this paper includes the retail networks of the Postal Service as well as six international postal operators. For USPS, we analyzed post office network data for FYs 2000-2024.

Methodology

To accomplish our first objective, the project team conducted desk research on key retail network statistics since FY 2000 including the number of locations, revenue, and customer use. Data was collected from USPS databases and the PRC. The OIG also conducted interviews with USPS management and postal historians.

For our second objective, the OIG partnered with WIK-Consult, a German economics consulting firm with experience in the global postal sector, to study the national postal providers of five countries: Australia, France, Germany, Italy, and the U.K. We sought to understand how each post has evolved its retail network since FY 2020 using the following criteria:

- Changes in the country's regulatory requirements related to post offices;
- Downsizing, outsourcing, and automation efforts;
- Diversification through revenue-generating initiatives and products (including private partnerships); and
- Strategic partnerships with public sector entities.

We selected these posts in conjunction with WIK because they employed different approaches to optimizing their retail networks. In addition, the OIG team conducted separate desk research on Canada's national postal provider using the same criteria.

The inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. We discussed our observations and conclusions with management on September 2, 2025 and included their comments where appropriate.

Prior Coverage

Title	Objective	Report Number	Final Report Date	Monetary Impact
Network Optimization: The Changing Role of Postmasters	Review the changing role of postmasters in offices impacted by the implementation of S&DCs.	24-025-R24	May 22, 2024	$0
Serving America: Contract Postal Unit and Village Post Office Operations	Assess the Postal Service's CPU and VPO programs, specifically the Postal Service's oversight of CPUs and VPOs and the Postal Service strategies for establishing new CPUs and VPOs.	22-201-R24	October 20, 2023	$0
Revenue and Costs in the Retail Network	Examine the revenue generated by each postal retail unit and the costs associated with operating each facility. Analyze differences in the revenue/costs ratios for retail units across the country and provide insights for optimizing the retail network.	RISC-WP-21-003	April 12, 2021	$0
Maintaining Rural Retail Networks: Best Practices Abroad and Implications for the U.S. Postal Service	Evaluate strategies employed by select foreign postal operators to preserve their networks of rural post offices amid mounting financial pressures, which could prove useful in the Postal Service's own attempt to maintain its widely dispersed network of rural post offices during a period of declining letter volume.	RISC-WP-20-003	March 25, 2020	$0

Appendix B: Closure Process for Post Offices

Closure Process for Post Offices

	Post Offices	CPUs/VPOs/CPOs
Initiating Party(ies)	The VP, Delivery & Post Office Operations (i.e. HQ) or the District Manager, Post Office Operations with District Manager approval (i.e. local management)	Either the Host Administrative Office (HAO) or District Office of USPS or third-party supplier
Reasons for Terminating	Under Title 39, United States Code, Section 404(d), any decision to close or consolidate a Post Office must be based on certain criteria (refer to Box 1).	The supplier can request to terminate a CPO/CPU/VPO contract for any reason at any time. The Postal Service can also initiate terminations for any reason but must provide reasons and justification for doing so, such as consistent low revenue or improper mail handling.
Timeline	A feasibility study is conducted to investigate possible discontinuance of a post office, which includes completing customer questionnaires, holding a community meeting, and receiving and providing individual written responses to customer comment letters. USPS then posts a written proposal of its intention to close/consolidate a Post Office at least 60 days prior to the proposed effective date with an invitation for comments. (A written response must also be sent to each customer comment). If a significant change is made to the proposal, the revised proposal must be reposted for a new 60-day posting period. Otherwise, a copy of the final determination is posted for at least 30 days in affected facilities, and the retail facility can be officially discontinued at the earliest 60 days after the first day of posting the final determination.	Depending on the contract, suppliers can request to terminate the contract in 30 or 120 days; however, requests less than the 30 or 120-day notice stated in the contract require agreement from USPS. On the other hand, there is no set timeline for terminations initiated by USPS. However, it can initiate one-day terminations for certain instances when the supplier passes away or is suspected of abandoning their contract or operating under circumstances considered to be fraudulent.
Appeal Process	Affected customers can appeal to the PRC within the first 30 days after the written determination by USPS is available. The PRC may either affirm the determination or return the matter for further consideration, but it cannot modify it. The PRC must respond to the appeal within 120 days.	None.

Source: Handbook PO – 101, *Postal Service-Operated Facilities Discontinuance Guide* and internal documents.

Appendix C: Management's Comments

UNITED STATES POSTAL SERVICE

September 19, 2025

PAOLA PISCIONERI
RESEARCH DIRECTOR
RESEARCH AND INSIGHTS SOLUTION CENTER

SUBJECT: Management Response: The Evolution of the Post Office Network–White Paper (2025RISC005)

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG's) white paper: *The Evolution of the Post Office Network.*

Management appreciates the insight the White Paper provides but believes there are areas where additional context is needed to fully reflect the realities of the Postal Service's retail network:

1. Network-level profitability
The white paper emphasizes that more than half of post offices do not cover their costs individually. However, the network as a whole remains revenue-positive, generating $9.3 billion in revenue (walk-in-retail, P.O. Boxes, Passport Services, etc.) against $6.3 billion in costs in FY24. The $3B "in the black" status is an important distinction that should be highlighted so readers understand that the retail network overall is a net contributor, not a net cost.

2. Dual retail and delivery functions
Over 60 percent of USPS-managed post offices also serve as delivery units. These facilities are critical to last-mile operations, and their footprint is shaped by operational and statutory requirements, not simply retail demand. The report would benefit from clarifying this dual role. In addition, there are legislative ramifications of realigning the Postal retail network and the environment it operates in.

3. International comparisons
While comparisons to international posts are valuable, structural differences should be noted. Many foreign operators separate retail from delivery or receive direct government subsidies to sustain their networks.

4. Alternate access channels
The report notes declines in alternate access revenue, but it is important to underscore that these channels are meant to supplement, not replace, core post offices. Moreover, there is no statutory clarity on whether such channels count toward fulfilling the universal service obligation. This should be considered in future recommendations.

5. Delivering for America investments
The paper references $57 million spent on retail modernization to date but does not acknowledge that this is a phased rollout tied to the broader expansion of Sorting

and Delivery Centers and new retail services. The full $4 billion investment commitment remains ongoing and should not be characterized as incomplete.

6. Policy levers and rural subsidies
Closures and outsourcing are emphasized as policy options, but the report gives limited attention to the universal obligation and statutory constraints.

E-SIGNED by Jennifer Vo
on 2025-09-19 16:00:16 EDT

Jennifer. T Vo
Vice President, Retail & Post Office Operations

cc: *Corporate Audit Response Management*

Joy Sanzone, David Neu, Lauren Yeom, and John Althen contributed to this report.

Contact us via our Hotline and FOIA forms. Follow us on social networks. Stay informed.

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