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THE WALL STREET JOURNAL

WSJ.com

POLITICS | JANUARY 24, 2011

Postal Service Eyes Closing Thousands of Post Offices

By JENNIFER LEVITZ



Eli Meir Kaplan for The Wall Street Journal

Final days at the Millville, W.V., post office, which closed last week: postal worker Christine Carter

HOLMES MILL, Ky.—The U.S. Postal Service plays two roles in America: an agency that keeps rural areas linked to the rest of the nation, and one that loses a lot of money.

Now, with the red ink showing no sign of stopping, the postal service is hoping to ramp up a cost-cutting program that is already eliciting yelps of pain around the country. Beginning in March, the agency will start the process of closing as many as 2,000 post offices, on top of the 491 it said it would close starting at the end of last year. In addition, it is reviewing another 16,000—half of the nation's existing post offices—that are operating at a deficit, and lobbying Congress to allow it to change the law so it can close the most unprofitable among them. The law currently allows the postal service to close post offices only for maintenance problems, lease expirations or other reasons that don't include profitability.



The news is crushing in many remote communities where the post office is often the heart of the town and the closest link to the rest of the country. Shuttering them, critics say, also puts an enormous burden on people, particularly on the elderly, who find it difficult to travel out of town.

Jennifer Levitz talks to Simon Constable about the postal service's latest cost-cutting program that will result in the closure of as many as 2,000 post offices around the country.

Journal Community

How many times did you go to a U.S. post office in the past year?

- 0
- 1-5
- 6-10
- More than that

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decisions possible with the smallest impact on communities," Dean Granholm, vice president for delivery and post office operations, said in an interview. He said the agency is identifying locations that are operating at a deficit and looking "for the opportunity to start the process of closing."



Eli Meir Kaplan for The Wall Street Journal
Money-order machine at the Millville, W.V., post office

Post Offices Closing

See a sortable list of 491 post offices the U.S. Postal Service said it was closing starting at the end of 2010.



The postal service argues that its network of some 32,000 brick-and-mortar post offices, many built in the horse-and-buggy days, is outmoded in an era when people are more mobile, often pay bills online and text or email rather than put pen to paper. It also wants post offices to be profitable to help it overcome record \$8.5 billion in losses in fiscal year 2010.

A disproportionate number of the thousands of post offices under review are in rural or smaller suburban areas, though the postal service declined to provide any estimate on how many beyond those slated to begin closure in March might ultimately close or which ones are being targeted. "We want to make the smartest

In addition to reducing employees—it has cut staffing by a third since 1999—the postal service has sought for years to deal with financial woes by raising rates or cutting services, such as a proposal to drop Saturday delivery. It has also talked in the past about closing a much smaller number of post offices. But while closures have been "on the table" in the past, this push is the agency's most serious yet, Mr. Granholm said, and is drawing widespread interest from a cost-cutting Congress. Still, shutting down post offices is often politically unpopular: elected officials in several communities have already written the Postal Regulatory Commission protesting planned closures.

Eighty-three specific post offices were approved for closing during the three months ending Nov. 15, more closings than in any quarter in the agency's history, according to the postal service. In addition, 408 post offices where service has been suspended for various reasons won't reopen amid the fiscal crisis, Mr. Granholm said.

[View Full Image](#) Eli Meir Kaplan for The Wall Street Journal
Keys in boxes at the Millville, W.V., post office

reporting to Congress, which is investigating whether the postal service has been illegally using reasons such as lease expirations to close small, underused branches. The agency has denied wrongdoing.

When a Post Office Closes



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Eli Meir Kaplan for The Wall Street Journal

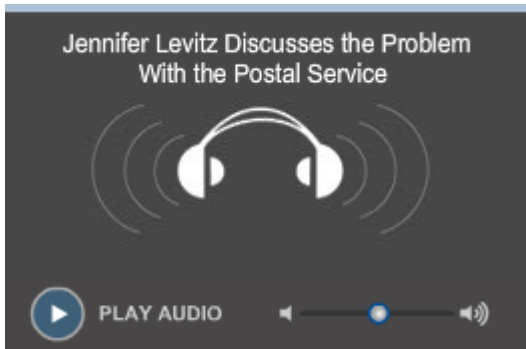
An old scale at the Millville post office. Most post office scales have been replaced by digital versions.

Some of those suspensions are being contested by the Postal Regulatory Commission, independent from the postal service and

While paring down is a common survival tactic for organizations these days, efforts by the postal service to do so routinely raise alarms because many citizens see post offices as an essential public service. Postal service dates to the founding fathers, with Benjamin Franklin serving as the first U.S. postmaster general and the Constitution explicitly authorizing Congress to establish post offices. Critics in Washington argue the postal service should reduce what they say is too much spending on employee benefits before resorting to closures.

As closure notices go up, citizens are rallying around their post offices in Millville, W.V., Hamilton, Tenn., Prairie City, S.D., and

elsewhere, fearing not only a loss of convenience but a death knell for their small towns.



"It ain't right doing this to our community," says Delmer Clark, a 70-year-old retired coal miner in Eastern Kentucky's Appalachian Mountains, in the no-stoplight town of Holmes Mill. The post office here is set to close next month after more than 100 years. About the size of a garage, it has long been a part of the town's identity, and the pending closing is fueling local suspicion that public officials don't care about them. The local school closed years ago and reliable cable,

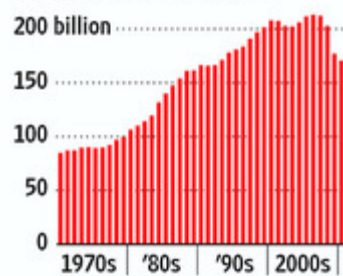
Internet and cellphone reception has yet to arrive, residents say. "When they close the post office, they probably won't even come up here anymore and clean the roads," says Mr. Clark.

"It will hurt us real bad," says Esther Sizemore, a 62-year-old retired school-bus driver. Not owning a computer, and aching from hip arthritis that makes driving significant distances difficult, Ms. Sizemore drives down the street to the post office to mail her handmade quilts, trade news with friends and pick up packages, since she does her shopping by catalog. She also feels her mail is safer using a post office box; mail thefts have been a problem in the area, says Deputy Winston Yearly, of the Harlan County Sheriff's Department.

The Holmes Mill post office is closing in a consolidation set to claim more than 30 small Kentucky post offices this year,

Dropping Off

Total U.S. Postal Service volume, in pieces of mail



Source: U.S. Postal Service

according to local postal officials. It's in the red, costing the postal service \$12,748 in fiscal year 2010, according to the agency.

Residents will still have home delivery, and can use the post office and maintain P.O. boxes in the next town, but some locals fear the drive: The 12-mile roundtrip is on a winding mountain road bordering a steep drop-off to the river and named "Coal Miner's Highway" for the coal trucks that take much of the road.

Some lawmakers say closing post offices is the wrong answer. Sen. Susan Collins (R., Maine) says the agency should instead cut waste in its ranks. Although the postal service has cut its

work force through attrition in recent years, it is still weighed down by overly generous employee benefits, she says.

Postal workers pay "significantly" lower premiums for their health and life insurance plans than other government employees because of union agreements, according to a September study sponsored by the Office of Inspector General. The report said the postal service could save \$700 million this year alone by asking employees to pay more. The report, however, also said the postal service's contribution into employee benefits has started to decline, and that more reductions are planned as a result of recent union agreements.

"One of my frustrations is that the first approach the post office seems to take is to reduce service...when instead it needs to tackle a benefit structure that is too expensive, and it needs to look for ways to stay in business and deal with the digital age," says Sen. Collins.

Related

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Communities that lose post offices will still get deliveries, either at homes or at clusters of mailboxes set up in town, and there are multiple options for getting postal services, including stamps by mail, said Mr. Granholm of the postal service. Also, he says, many rural dwellers already travel to nearby cities for groceries and other services. "Why can't they go there for the post office?" he says.

Under U.S. law, mail delivery is a "basic and fundamental" government function meant to "bind the nation together" by providing service to "all communities" at a reasonable price. The nation's philosophy of universal postal service has resulted in stamp prices that are among the lowest in the industrial world and post offices from the far reaches of Alaska to easternmost Maine. Yet more than half lose money and "are located in areas where people no longer live, work or shop," U.S. Postmaster Patrick Donahoe testified to the Senate in December.

Legislation filed in Congress and supported by Mr. Donahoe would make it easier for the postal service to close the thousands of unprofitable post offices.

A bill introduced by Sen. Thomas Carper (D., Del.) would repeal wording in U.S. law that says "no small post office shall be closed solely for operating at a deficit." Currently, the postal service must cite other reasons—in addition to finances—such as unsafe conditions or a retiring postmaster.

Mr. Carper says it isn't his intent to reduce access to service, and says the postal service could explore moving more postal counters into existing retail establishments, like banks or supermarkets. "Allowing the postal service the ability to close offices that fail to cover their costs is a huge step toward our future viability," Mr. Donahoe said.

While government owned, the postal service is an independent agency supported primarily by postage fees, though it's allowed to—and does—borrow from federal coffers. Mail traffic, particularly the more lucrative first-class mail, peaked in 2006 at 213 billion pieces, then fell 20% by 2010. The recession contributed to the drop. But a digital revolution is also at play, and with fewer people sending letters, mail volume could fall further to 150 billion pieces, an unprecedented decline, in the next 10 years, according to a September study sponsored by the Office of Inspector General.

Along with shifting consumer behavior, the agency is saddled with billions in unusually burdensome retiree health costs, the inspector general said. Historically, the postal service, which employs 532,800 workers, paid for retiree health benefits when they came due. But postal reform law passed by Congress in 2006 mandated the agency to plan ahead by pre-funding retiree health benefits at around \$5 billion a year for 10 years starting in 2007. "No other federal agency or private sector companies have a similar burden," Mr. Donahoe testified.

Both Sens. Collins and Carper have introduced legislation addressing retiree-health funding.

The pre-funding obligation contributed heavily to recent record losses, and has forced the postal service to borrow from the federal government to meet shortfalls, he said. The agency now owes the U.S. Treasury \$12 billion, and said it expects to max out its statutory \$15 billion line of credit by the year's end.

In towns losing post offices, some citizens believe they are paying for mismanagement at the agency. "From what I understand, the upper crust in the post office gets plenty of money, but they can take away what we have," says Ruby VanDenBerg, who is 86, and lives in Prairie City, S.D., a ranching community of more than 100 farms. The post office officially closed on Dec. 30 after 102 years. Ms. VanDenBerg now drives 40 miles to a post office.

The Prairie City post office cost \$19,000 a year after revenue, says the postal service, which blamed "safety deficiencies" for the closing. Residents say the problem was a faulty furnace, and say they offered to make repairs themselves but were ignored. They have appealed the closing with the Postal Regulatory Commission; their case is under review.

Prairie City postal clerks kept a pot of coffee brewing and posted birth and death notices. "That was the gathering place for people to come in the mornings, have a cup of coffee or a can of pop, and visit, but we don't have that no more," says Daniel Beckman, a recently widowed farmer. "All that's left in the town now is just a church; it's totally depressing."

The closing also crimped an informal local method for delivering medicine to isolated corners of the prairie, rural doctors and pharmacists wrote to the commission.

The area's only major hospital and pharmacy is in Hettinger, N.D., 40 miles away and over the state line from Prairie City. Before, when an elderly person or farmer in Prairie City quickly needed an antibiotic or other medication, a pharmacist in Hettinger would rush prescriptions to the Hettinger post office, catching the mail carrier who each day traveled from Hettinger to the Prairie City post office.

The closing eliminated that direct route, and now Prairie City mail is sorted and delivered on a rural route out of Bison, S.D., delaying the delivery of medicine from Hettinger by two or three days, says Dr. Brian Willoughby, of West River Health Services in Hettinger.

"When they cut these services, there are multiple spinoff consequences for these older people out there in the middle of nowhere, but the bureaucrats sort of forget about that," he says.

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