

Highlights of [GAO-13-41](#), a report to the Chairman, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

USPS's declining revenues have become insufficient to cover its costs. Its strategies to address losses include reducing hours of service at many post offices and expanding the use of post office alternatives, including CPUs. CPUs are independent businesses compensated by USPS to sell most of the same products and services as post offices at the same price. Although CPUs can provide important benefits, the number of CPUs has fallen from 5,290 in fiscal year 2002 to 3,619 in fiscal year 2011. As requested, this report discusses: (1) how CPUs supplement USPS's post office network, (2) USPS's revenue from CPUs and compensation to them from fiscal years 2007 to 2011, and (3) challenges USPS might face if it increases its use of CPUs. GAO analyzed USPS data on CPU locations, revenues, compensation, and hours of operation as well as on post office locations and hours of operation. GAO interviewed CPU owners and USPS staff in charge of managing CPUs.

What GAO Recommends

GAO previously recommended that USPS develop and implement a plan to modernize its retail network. GAO is not making any new recommendations at this time, but believes that it is important for USPS to consider the role of CPUs as USPS works to develop and implement its retail network plan and control costs. In commenting on a draft of this report, USPS provided information on its efforts to provide convenient access to its products and services.

View [GAO-13-41](#). For more information, contact Lorelei St. James at (202) 512-2834 or stjamesl@gao.gov.

November 2012

CONTRACT POSTAL UNITS

Analysis of Location, Service, and Financial Characteristics

What GAO Found

Although contract postal units (CPUs) have declined in number, their nationwide presence in urban and rural areas supplements the U.S. Postal Service's (USPS) network of post offices by providing additional locations and hours of service. More than 60 percent of CPUs are in urban areas where they can provide customers nearby alternatives for postal services when they face long lines at local post offices. Over one-half of CPUs are located less than 2 miles from the nearest post office. Urban CPUs are, on average, closer to post offices than rural CPUs. CPUs are also sometimes located in remote or fast-growing areas where post offices are not conveniently located or may not be cost effective. CPUs further supplement post offices by providing expanded hours of service. On average, CPUs are open 54 hours per week, compared to 41 hours for post offices. In addition, a greater proportion of CPUs than post offices are open after 6 p.m. and on Sundays. These factors are important as USPS considers expanding the use of post office alternatives to cut costs and maintain access to its products and services.

Total USPS revenues from CPUs fell from fiscal years 2007 to 2011, while USPS's compensation to them increased during this period; nonetheless, CPUs generated high revenues relative to USPS's compensation to CPUs. Declines in mail volumes and the number of CPUs drove revenues down 9 percent, from \$672 million to \$611 million from fiscal years 2007 to 2011. USPS total compensation to CPUs increased 6 percent during this period, from \$76 million to \$80 million; however, after increasing from fiscal year 2007 to 2008, compensation decreased every fiscal year from 2008 to 2011. According to USPS officials, the overall increase was because of increased compensation to individual CPUs and decreasing numbers of less expensive CPUs. In fiscal year 2011, after compensating CPUs, USPS retained 87 cents of every dollar of CPU revenue. USPS has a target to retain 80 cents for every dollar in revenue for individual CPUs. USPS did not meet this target at many individual CPUs—especially ones in rural areas. In fact, 49 percent of CPUs that USPS compensates a fixed amount regardless of their sales in small-town rural areas—where CPUs may serve as the de facto post office—generated less postal revenue than the CPUs received in compensation from USPS. CPU revenues and compensation are important factors as USPS seeks a more sustainable cost structure.

Limited interest from potential partners, competing demands on USPS staff resources, and changes to USPS's retail network may pose challenges to USPS's use of CPUs. USPS has no current plans to strategically increase the number of CPUs as part of its retail network transformation. However, a number of district USPS staff charged with identifying the need for CPUs told us they see a larger role for CPUs. Nevertheless, USPS may face limited interest from potential partners as many may not want to operate CPUs because of concerns over CPU contract requirements such as space requirements and prohibitions on selling products and services that compete with USPS. Many USPS district retail managers we spoke with in charge of opening CPUs said that finding partners to operate CPUs could be difficult. Furthermore, many of these managers said that they now have fewer staff and less time and, as a result, do not have the resources to manage opening CPUs to meet the need they have identified.