



March 2020

U.S. POSTAL SERVICE

Expanding Nonpostal Products and Services at Retail Facilities Could Result in Benefits but May Have Limited Viability

Accessible Version

GAO Highlights

March 2020

Highlights of [GAO-20-354](#), a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

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U.S. POSTAL SERVICE

Expanding Nonpostal Products and Services at Retail Facilities Could Result in Benefits but May Have Limited Viability

Why GAO Did This Study

USPS manages over 31,000 retail facilities, which help it provide postal services throughout the country. However, USPS faces financial challenges. In general, USPS is prohibited by statute from providing nonpostal products and services (i.e., services not directly related to mail delivery) unless approved by the Postal Regulatory Commission. But given the ubiquity of the retail network, some stakeholders have suggested that offering additional nonpostal products and services could help USPS generate revenue and provide benefits for consumers and communities.

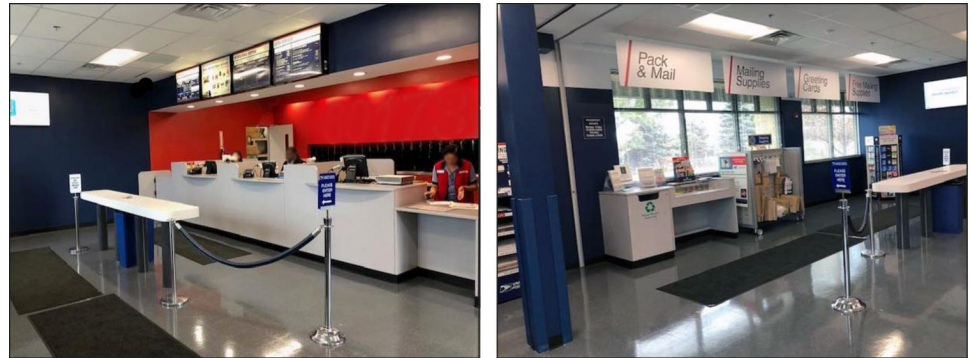
GAO was asked to review opportunities to enhance the value of USPS's retail facilities. This report examines: (1) the costs, revenues, and other benefits associated with USPS's retail facilities; (2) USPS's nonpostal efforts since 2008 at retail facilities and the outcomes; and (3) considerations of new nonpostal efforts at retail facilities. GAO analyzed USPS retail facility costs and revenue data from fiscal years 2017 and 2018 (the only years available); reviewed relevant documents and reports from USPS and others; conducted a non-generalizable survey of USPS postmasters who managed rural, suburban, and urban retail facilities; and interviewed USPS officials, and stakeholders, including postal employee unions, industry and consumer groups, and federal agencies that partner with USPS to obtain views on current and potential nonpostal efforts.

GAO is making no recommendations. USPS, in its comments, reiterated that it faces various constraints to new offerings at retail facilities.

What GAO Found

In 2018, U.S. Postal Service's (USPS) retail facilities, such as post offices, generated about \$10.5 billion in revenue and cost approximately \$5 billion to operate, making them profitable overall. While such facilities accounted for about 15 percent of USPS's total fiscal year 2018 revenues, and about 7 percent of its total costs, stakeholders identified other benefits that retail facilities provide for communities—particularly in rural areas—such as local access to government information and services.

Example of a U.S. Postal Service Retail Facility Lobby



Source: USPS. | GAO-20-354

Since 2008, USPS has offered a variety of nonpostal products and services at its retail facilities that have generated some revenue and other benefits. USPS data show that the nonpostal products and services for which USPS captures revenue data, such as money orders, generated about \$431 million in total revenue in fiscal year 2018 and were profitable overall. Stakeholders said many of these nonpostal products and services also provided other benefits, such as enhanced convenience for customers, and postmasters GAO surveyed said some offerings, such as passport services, were highly valued in their communities.

Offering additional nonpostal products and services at USPS retail facilities could provide consumer, government, or community benefits, but viability may be limited. Stakeholders said new offerings, such as expanded financial products or government services could, for example, enhance consumers' access and government efficiencies. In particular, some noted that USPS could provide a viable banking alternative for those lacking banking services. However, USPS officials, postmasters GAO surveyed, and stakeholders GAO interviewed said that additional offerings may generate minimal revenue and that USPS may face factors limiting the viability of these offerings. For example, groups representing states' licensing agencies said offering state hunting and fishing licenses could be problematic given different state requirements. Also, stakeholders said USPS may not have the expertise nor the required capital to enter the market of some of these new offerings. Given such concerns, USPS and policy makers need to carefully weigh costs, benefits, and limitations of any new offerings.

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Abbreviations

AFWA	Association of Fish and Wildlife Agencies
APWU	American Postal Workers Union
Census Bureau	U.S. Census Bureau
FBI	Federal Bureau of Investigation
FTC	Federal Trade Commission
GSA	U.S. General Services Administration
IRS	U.S. Internal Revenue Service
NPS	National Park Service
OIG	Office of Inspector General
PAEA	Postal Accountability and Enhancement Act
PRC	Postal Regulatory Commission
UPMA	United Postmasters and Managers of America
USPS	United States Postal Service

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March 10, 2020

The Honorable Gary C. Peters
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate
Dear Senator Peters:

The United States Postal Service's (USPS) network of over 31,000 retail facilities, such as post offices, reaches into almost every community in the country and includes about as many outlets as McDonald's, Starbucks, and Walmart combined. This network is central to USPS's fulfilling its mission to provide prompt, reliable, and efficient postal services.¹ However, this mission continues to be at risk because USPS's revenues do not cover its expenses. As demand for traditional postal services has declined, USPS has struggled to operate as a self-financing entity and has experienced significant losses—\$78 billion from fiscal years 2007 through 2019. As a result, USPS's financial viability has been on our list of high-risk areas since 2009.²

Given the ubiquity of USPS's retail facilities and the costs to maintain them, postal stakeholders, such as the Task Force on the United States Postal System,³ have suggested that USPS could be authorized to offer additional products and services through its retail facilities in order to generate revenue and provide benefits to consumers, other government entities, and communities. The Postal Accountability and Enhancement Act (PAEA) generally prohibits USPS from providing new types of

¹39 U.S.C. § 101(a).

²GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.: Mar. 6, 2019). We added USPS's financial condition to our high-risk list in July 2009.

³The Task Force was established by the President to evaluate the operations and finances of USPS and develop recommendations for administrative and legislative reforms of the U.S. postal system. For example, the Task Force recommended that USPS seek new revenue streams and offer additional government services at its retail facilities. See Task Force on the United States Postal System, *United States Postal Service: A Sustainable Path Forward, Report from the Task Force on the United States Postal System* (Washington, D.C.: Dec. 4, 2018). In addition, the USPS Office of Inspector General (OIG) has issued several reports describing new nonpostal products and services that USPS could offer and ways to leverage excess space at its retail facilities.

nonpostal products and services.⁴ Even if USPS were authorized to offer these services, there is little consensus as to what sorts of opportunities may be worth pursuing.

You asked us to review the value of USPS's retail facility network and the opportunities to increase the value of this network through nonpostal efforts (i.e., efforts that are not directly related to mail delivery). This report examines:

- the costs, revenues, and non-revenue benefits associated with USPS's retail facilities;
- the nonpostal efforts USPS has conducted since 2008 to increase revenues and non-revenue benefits from its retail facilities, and the costs, revenues, non-revenue benefits, and challenges associated with such efforts; and
- the key considerations for additional nonpostal efforts USPS could pursue to increase revenues and non-revenue benefits from its retail facilities.

For this report, we focused on USPS-managed retail facilities including USPS-operated post offices, postal stations, branches, and carrier annexes, as defined in USPS's Annual Reports to Congress.⁵

⁴Pub. L. No. 109-435, § 102(a), 120 Stat. 3198, 2000 (2006) (codified at 39 U.S.C. § 404(e)). USPS was statutorily authorized to provide only certain "nonpostal services" offered as of January 1, 2006, upon review and approval by the Postal Regulatory Commission. The term "nonpostal service" is defined by statute to mean any service that is not a "postal service." See 39 U.S.C. § 404(e)(1). A "postal service" is defined as the delivery of letters, printed matter, or mailable packages, including acceptance, collection, sorting, transportation, or other functions ancillary thereto. See 39 U.S.C. § 102(5). Bills introduced in the last four sessions of Congress have proposed to authorize USPS to provide specified types of nonpostal services such as providing certain nonpostal property, products, and services on behalf of State, local, and tribal governments (S. 1854, § 3, 114th (2015), H.R. 756, § 204, 115th Cong. (2017), S. 2629, § 203, 115th Cong. (2018), H.R. 3577, § 1, 116th Cong. (2019)), and the shipping of wine, beer, and distilled spirits (H.R. 1486, § 303, 113th Cong. (2013)).

⁵Postal stations and branches are facilities subordinate to a local post office. We excluded retail facilities that were not managed by USPS, including contract postal units, village post offices, and community post offices. Carrier annexes are facilities that generally house only carrier operations that do not provide retail services, but there are exceptions. We also excluded other facilities that USPS manages that do not contain retail functions, such as mail processing facilities, that may only process and dispatch incoming and outgoing mail for a designated service area and do not contain retail functions.

To describe the costs, revenues, and non-revenue benefits associated with USPS's retail facilities, we reviewed USPS's financial analysis of its retail network for fiscal years 2017 and 2018, the only years USPS conducted such analysis. Based on USPS documents we reviewed and interviews with USPS officials, we determined these analyses were sufficiently reliable to describe costs and revenues of retail facilities. We used these analyses to identify the sources and amounts of retail facility costs (e.g., personnel) and revenues (e.g., stamp sales) for most retail facilities and facilities where revenues may not cover costs.⁶ We then compared these amounts with USPS's total costs and revenues to determine how much retail facilities contribute to them. For this comparison, we made certain adjustments to USPS's total operating expenses as stated in its Reports on Form 10-K by excluding certain components of workers' compensation and retirement benefits expenses that did not relate to active employees' costs, because those costs are related to service performed in the past and thus do not reflect the impact of operational changes.

To identify non-revenue benefits of USPS's retail facility network, we reviewed publications and studies, such as those conducted by USPS, USPS's Office of Inspector General (OIG), and USPS's oversight body, the Postal Regulatory Commission (PRC). Additionally, we interviewed representatives from two consumer groups—Consumer Action and the National Consumers League—and two organizations representing USPS workers at retail facilities—American Postal Workers Union (APWU) and United Postmasters and Managers of America (UPMA).

We identified nonpostal products and services offered at USPS's retail facilities since 2008 through our review of publications, such as PRC's report on USPS's product offerings, USPS OIG studies, and interviews with USPS officials. We selected 2008 to begin our analysis because that

⁶USPS excluded retail facilities that generated less than \$500 in revenue in its financial analyses of its retail network, this exclusion, accounted for about 300 facilities. USPS officials also told us that they only included revenue and costs from the portion of facilities that contained retail transactions. Because retail facilities may be co-located in facilities that support other functions, USPS used a model to account for how much costs to attribute to retail functions.

was when new restrictions on nonpostal services took effect.⁷ To identify the revenues generated by the nonpostal products and services we identified, we reviewed data from USPS's retail network financial analyses for fiscal years 2017 and 2018, the only years USPS conducted such analyses. To identify the costs incurred by nonpostal products and services, for which information was available, we reviewed USPS's fiscal year 2018 Annual Compliance Report,⁸ PRC's fiscal year 2018 Annual Compliance Determination Report,⁹ and non-public data provided to us by USPS.¹⁰ To obtain stakeholder views on the non-revenue benefits of USPS's nonpostal efforts, we interviewed officials from six federal government entities that had partnerships with USPS as well as representatives from APWU, UPMA, and two consumer groups.¹¹

As one of the nonpostal efforts USPS can currently offer includes leasing space, we reviewed USPS's data on the amount of vacant rentable space for fiscal years 2017 and 2018 (the only available years),¹² on tenants at its facilities as of January 2020, and on the amount of revenue USPS collected from leased space for fiscal year 2018. Based on interviews with USPS officials and USPS documents we reviewed, we determined these data were sufficiently reliable to describe the results of leasing excess space at retail facilities. We also interviewed officials from the General

⁷PRC was required to determine which of the nonpostal services offered by USPS as of January 1, 2006 would be allowed to continue within 2 years of PAEA's December 20, 2006 enactment. 39 U.S.C. § 404(e)(3). See Postal Regulatory Commission, *Review of Nonpostal Services Under the Postal Accountability and Enhancement Act*, Order No. 154, Docket No. MC2008-1 (Washington, D.C.: Dec. 19, 2008).

⁸USPS, *Annual Compliance Review, 2018*, Docket No. ACR2018 (Washington, D.C.: Dec. 28, 2018).

⁹PRC, *Annual Compliance Determination Report Fiscal Year 2018*, (Washington, D.C.: Apr. 12, 2019).

¹⁰We reported only fiscal year 2018 revenues and costs because we did not have revenue data prior to fiscal year 2017 and USPS was unable to provide information on trends.

¹¹We interviewed the U.S. Census Bureau, the U.S. Department of the Interior's Fish and Wildlife Service, the U.S. Department of Justice's Federal Bureau of Investigation and Office for Victims of Crime, the U.S. Department of State, and the U.S. Department of Veterans Affairs.

¹²The Federal Property Management Reform Act of 2016 was enacted into law to increase the efficiency and effectiveness of the federal government in managing its properties. The Act required, among other things, that USPS identify and submit a list to Congress of the postal properties with space available for use by federal agencies. Pub. L. No. 114-318, 130 Stat. 1608.

Services Administration (GSA), which leases space from USPS on behalf of other federal government entities, and the Association of United States Postal Lessors, which represents entities that lease space to USPS.

To assess the key considerations for offering additional nonpostal efforts at USPS retail facilities, we reviewed prior GAO reports and USPS OIG studies; interviewed USPS officials and postal experts—such as postal groups, selected based on prior work—to provide a range of views on potential offerings; and attended a forum exploring community use and adaptation of USPS’s delivery infrastructure, including retail facilities. To obtain stakeholder views on the potential benefits and limitations of these offerings, we interviewed representatives from the two consumer groups previously mentioned and eight industry and state licensing groups, which we selected because of their potential to be affected by USPS offering additional nonpostal products and services.¹³ We also interviewed officials from the six federal entities that had or currently have partnerships with USPS and an additional six federal government entities that could potentially benefit from additional or new partnerships.¹⁴ We also interviewed two foreign postal operators—France’s La Poste and the United Kingdom’s The Post Office, organizations that have had experience with nonpostal services similar to those we reviewed—to gain insight into their experiences; they were, selected based on prior work and other studies. The views presented in our report are not generalizable to those of all stakeholders.

Further, we surveyed USPS postmasters at selected retail facilities to obtain additional perspectives on the benefits of USPS’s retail facilities, nonpostal efforts offered at those facilities, challenges associated with those efforts, and key considerations for offering additional nonpostal services. From August to September 2019, we conducted a non-generalizable, web-based survey of 283 postmasters who managed retail facilities located in urban, suburban, and rural areas. Approximately 53

¹³We interviewed three state-licensing groups, including the American Association of Motor Vehicle Administrators, Association of Fish and Wildlife Agencies, and Maryland Motor Vehicle Administration, and five industry groups, including the Consumer Bankers Association, Credit Union National Association, CTIA, Independent Community Bankers of America, and U.S. Chamber of Commerce.

¹⁴The additional six federal government entities that we interviewed included the Federal Communications Commission, U.S. Department of Homeland Security’s Federal Emergency Management Agency and Transportation Security Administration, the U.S. Department of the Interior’s National Park Service, U.S. General Services Administration, and U.S. Internal Revenue Service.

percent of our sample—or 149 postmasters—completed the survey.¹⁵ For a more detailed description of our methodology, see appendix I. The survey questionnaire is provided in appendix II.

We conducted this performance audit from December 2018 to March 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

USPS is required to provide postal services “to bind the nation together through the personal, educational, literary, and business correspondence of the people [by providing] prompt, reliable, and efficient services to patrons in all areas and postal services to all communities.”¹⁶ To help fulfill this mission, USPS has developed a network of facilities that provides access to retail services and supports postal collection, processing, transportation, and “last mile” delivery of mail—functions that are generally co-located.¹⁷ The retail portion of these facilities includes public areas where USPS provides customers with retail services. The public areas can include full service counters where employees assist customers, self-service areas, and post office boxes. The non-public portions include features such as workrooms, where mail processing occurs, and employee support areas, such as lunch tables and lockers.

¹⁵Not all 149 postmasters responded to each question in our survey.

¹⁶39 U.S.C. § 101(a).

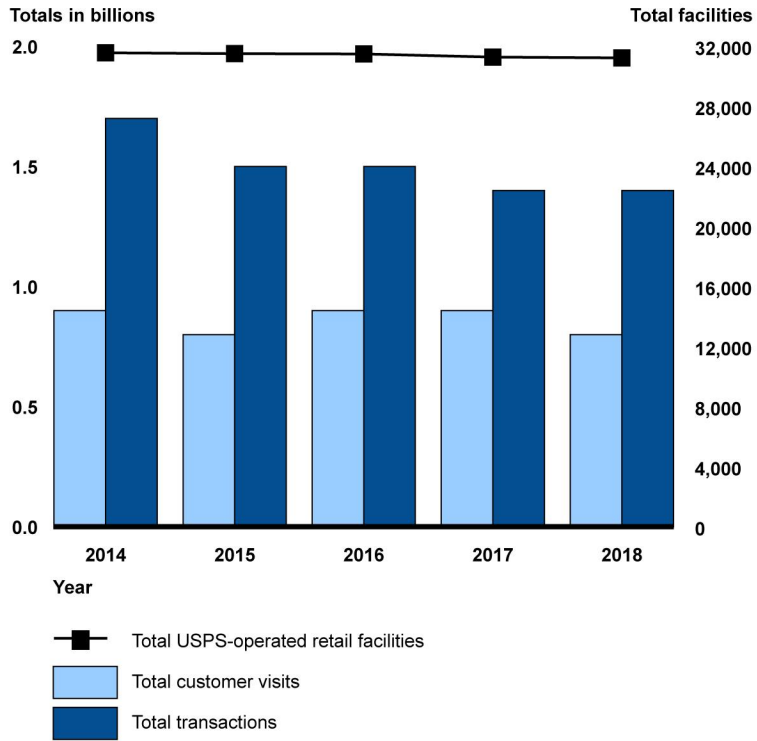
¹⁷We previously have defined USPS’s last mile delivery network as comprising primarily mail carriers and delivery vehicles. GAO, *U.S. Postal Service: Offering Nonpostal Services through Its Delivery Network Would Likely Present Benefits and Limitations*, [GAO-20-190](#) (Washington, D.C.: Dec. 17, 2019).

Although USPS data show that customer visits and transactions have declined over the past 5 years,¹⁸ the size of USPS's retail network has remained largely unchanged during that period (see fig. 1).¹⁹

¹⁸USPS officials told us they define customer visits as a sum of all transactions done by a single customer with payment at the end, though visits can be comprised of revenue and non-revenue transactions. USPS tracks two types of transactions—revenue transactions that provide revenue to USPS and non-revenue transactions that include such things as non-revenue pickups, change-of-address request, inquiries, and providing local directions. We included both types of transactions in our analysis. The facilities where USPS tracks customer visit and transaction data disproportionately represent retail facilities located in urban and suburban areas. We found that for fiscal years 2017 and 2018, USPS only tracked customer visit data at 17,812 retail facilities; this number represents about 55 percent of the retail facilities that we identified in USPS's retail network financial analysis for fiscal year 2018. About 86 percent of the retail facilities with an available urban/rural categorization where USPS does not track these data are located in rural and very rural areas. We also found that USPS only tracked transaction data for 17,188 retail facilities, which is about 55 percent of the retail facilities identified from USPS's financial analysis. About 86 percent of the retail facilities with an available urban/rural categorization where USPS does not track these data are located in rural or very rural areas.

¹⁹The total number of retail facilities includes facilities in suspension. USPS may place a retail facility in suspension due to a variety of circumstances, such as a natural disaster, lack of qualified personnel to operate the office, or termination of a lease or rental agreement. According to USPS, as of September 30, 2019, there were 372 facilities in suspension.

Figure 1: Total Number of U.S. Postal Service (USPS)-Operated Retail Facilities, Customer Visits, and Transactions at the Facilities



Source: GAO analysis of United States Postal Service (USPS) data. | GAO-20-354

Data Table for Figure 1: Total Number of U.S. Postal Service (USPS)-Operated Retail Facilities, Customer Visits, and Transactions at the Facilities

Year	Total USPS-operated retail facilities	Total Customer Visits (in billions)	Total Transactions (in billions)
2014	31,662	0.9	1.7
2015	31,606	0.8	1.5
2016	31,585	0.9	1.5
2017	31,377	0.9	1.4
2018	31,324	0.8	1.4

We have previously reported that USPS has made some efforts to reduce the number of its retail facilities to align with the significant decline in mail

volume and address rising costs.²⁰ Several factors, however, have limited USPS's ability to make further reductions. For example, in 2011 USPS moved to evaluate the potential closure of almost 3,700 retail facilities but abandoned their effort due to stakeholder concerns. Instead, USPS explored options to adjust its retail service without closing offices.²¹ Legal restrictions also limit USPS's ability to close retail facilities. For example, USPS cannot close a small post office solely for operating at a deficit.²² If USPS wishes to close a retail facility, among other steps, it must take into consideration not only the economic savings but also the effects on the communities served, its employees, and the services provided,²³ and it must provide customers with at least 60 days' notice before the proposed closure date.²⁴

Federal statute defines the types of services that USPS may and may not provide. As previously noted, PAEA placed limitations on the nonpostal products and services USPS could provide. In particular, it allowed USPS to continue to provide nonpostal products and services that were both offered as of January 1, 2006, and were permitted by PRC to continue.²⁵ While PAEA generally prohibits USPS from initiating new nonpostal services, USPS uses a separate statutory authority to provide such services to federal executive agencies.²⁶ If a nonpostal service is to be provided to a federal executive agency, generally, USPS and the parties

²⁰GAO, *U.S. Postal Service: Challenges Related to Restructuring the Postal Service's Retail Network*, [GAO-12-433](#) (Washington, D.C.: Apr. 17, 2012).

²¹This effort was called the Post Office Structure Plan. In 2012, USPS reduced retail service hours at some post offices, but USPS did not achieve the cost savings it originally estimated due to successful labor grievances, which affected USPS's ability to replace higher-paid workers with lower-paid ones. See GAO, *U.S. Postal Service: Post Office Changes Suggest Cost Savings, but Improved Guidance, Data, and Analysis Can Inform Future Savings Efforts*, [GAO-16-385](#) (Washington, D.C.: Apr. 29, 2016).

²²39 U.S.C. § 101(b).

²³39 U.S.C. § 404(d)(2)(A).

²⁴39 U.S.C. § 404(d)(4). In addition, any person served by the retail facility may appeal USPS's closure determination to PRC, and PRC has 120 days to affirm USPS's decision or remand it for further consideration. 39 U.S.C. § 404(d)(5).

²⁵39 U.S.C. § 404(e).

²⁶39 U.S.C. § 411. The PRC has determined that such services provided under this separate authority are "neither commercial in nature nor offered to the public for the purposes of financial gain" and that therefore "they are not deemed to be services for purposes of review under 39 U.S.C. § 404(e)."

must specify the terms and conditions of their collaboration, including the activities to be performed by USPS and the terms of reimbursement, if applicable. USPS is currently not authorized to provide nonpostal services to state or local entities.²⁷

USPS may also lease excess space at retail facilities—including parking, office space, and roof areas—to other entities at both the facilities that USPS owns and those it leases from other entities. USPS officials said some leases give them the right to sublease space at leased facilities, but the officials did not know how many facilities where USPS had such rights. USPS collaborates with the GSA, which is the nation's largest public real-estate organization, to lease space to other federal government entities. USPS works with a real estate firm to lease space to private or other entities, such as to state and local government entities.

USPS's Retail Facilities Are Not a Major Contributor to Its Costs and Revenues but Provide Benefits

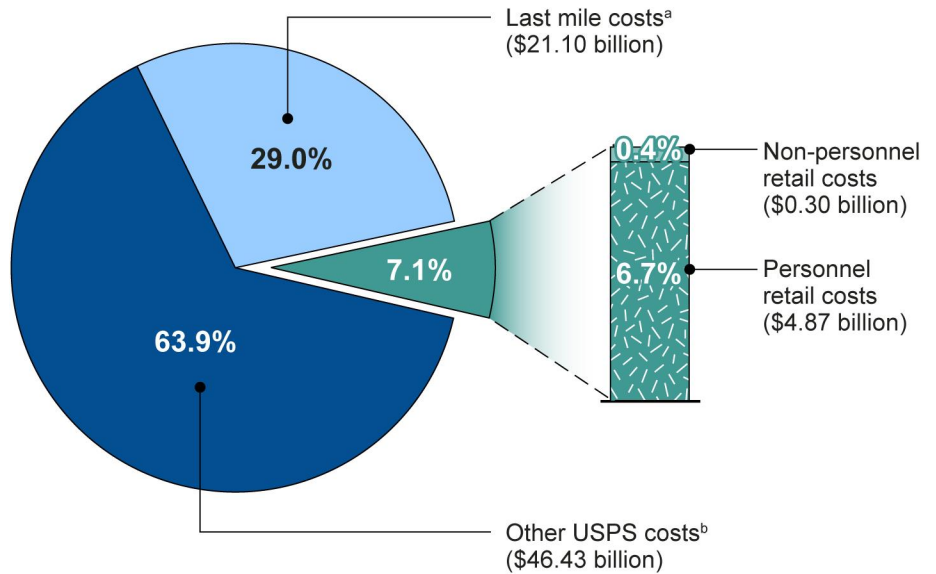
Retail Facilities Account for a Relatively Small Percentage of Costs and Revenues and Are Profitable Overall

According to USPS's analysis, retail facilities accounted for a relatively small portion—about \$5.17 billion, or 7.1 percent—of USPS's modified operating costs in fiscal year 2018. (See fig. 2.)

- Personnel costs accounted for the majority of retail facility operating costs (\$4.87 billion), including nearly \$4.4 billion in employee compensation.
- Non-personnel costs amounted to about \$0.30 billion, which included rent (\$0.09 billion), utilities (\$0.06 billion), and depreciation and amortization (\$0.15 billion).

²⁷However, according to USPS officials, USPS can provide services to state and local governments on behalf of another federal agency.

Figure 2: Retail Facility Costs as a Percentage of Estimated U.S. Postal Service (USPS) Modified Operating Costs, Fiscal Year 2018



Source: GAO analysis of United States Postal Service (USPS) data. | GAO-20-354

Data table for Figure 2: Retail Facility Costs as a Percentage of Estimated U.S. Postal Service (USPS) Modified Operating Costs, Fiscal Year 2018

Cost type	Dollars	Percent
Last mile costs ^a	\$21.10 billion	29.0%
Non-personnel retail costs	\$0.30 billion	0.4%
Personnel retail costs	\$4.87 billion	6.7%
Other USPS costs ^b	\$46.43 billion	63.9%

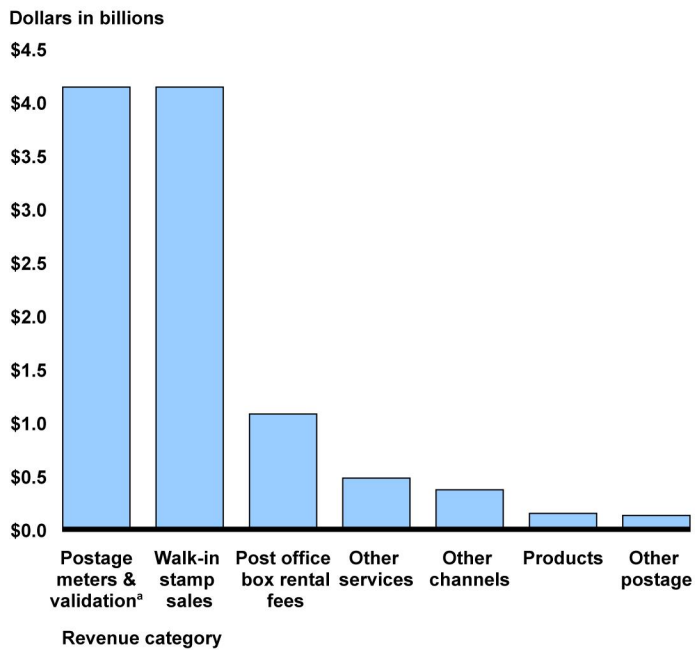
Note: For this report, we excluded expenses from USPS's total operating costs that did not relate to active employees' current compensation costs, because these expenses were related to services performed in the past and thus did not reflect the effect of operational changes. We refer to our adjusted measure as "modified operating costs."

^aWe previously have defined USPS's last mile delivery network as comprising primarily mail carriers and delivery vehicles. GAO, *U.S. Postal Service: Offering Nonpostal Services through Its Delivery Network Would Likely Present Benefits and Limitations*, GAO-20-190 (Washington, D.C.: Dec. 17, 2019).

^bOther costs include those related to transportation and to compensation of non-retail employees.

In terms of revenue, according to USPS’s analysis, retail facilities accounted for a relatively small portion—about 15 percent (\$10.5 billion)—of USPS’s total revenue (\$70.6 billion) in fiscal year 2018.²⁸ As shown in figure 3, postage meters and validation and walk-in stamp sales generated most of that revenue.

Figure 3: Distribution of U.S. Postal Service Total Retail Revenue (About \$10.5 Billion) in Fiscal Year 2018



Source: GAO analysis of United States Postal Service (USPS) data. | GAO-20-354

Data table for Figure 3: Distribution of U.S. Postal Service Total Retail Revenue (About \$10.5 Billion) in Fiscal Year 2018

Revenue category	Dollars in billions
Postage meters & validation ^a	\$4.14
Walk-in stamp sales	\$4.14
PO box rental fees	\$1.08
Other services	\$0.48
Other channels	\$0.37
Products	\$0.15
Other postage	\$0.13

²⁸This retail revenue does not include revenue from non-facilities sources, such as online sales.

Note: The category “other services” includes revenue from certain offerings, including money orders and passport services; “other channels” includes revenue from postage purchased at automated postal centers; “products” includes revenue, such as from packaging products and retail merchandise; and “postage” includes revenue, such as from prepaid priority mail and other retail postage.

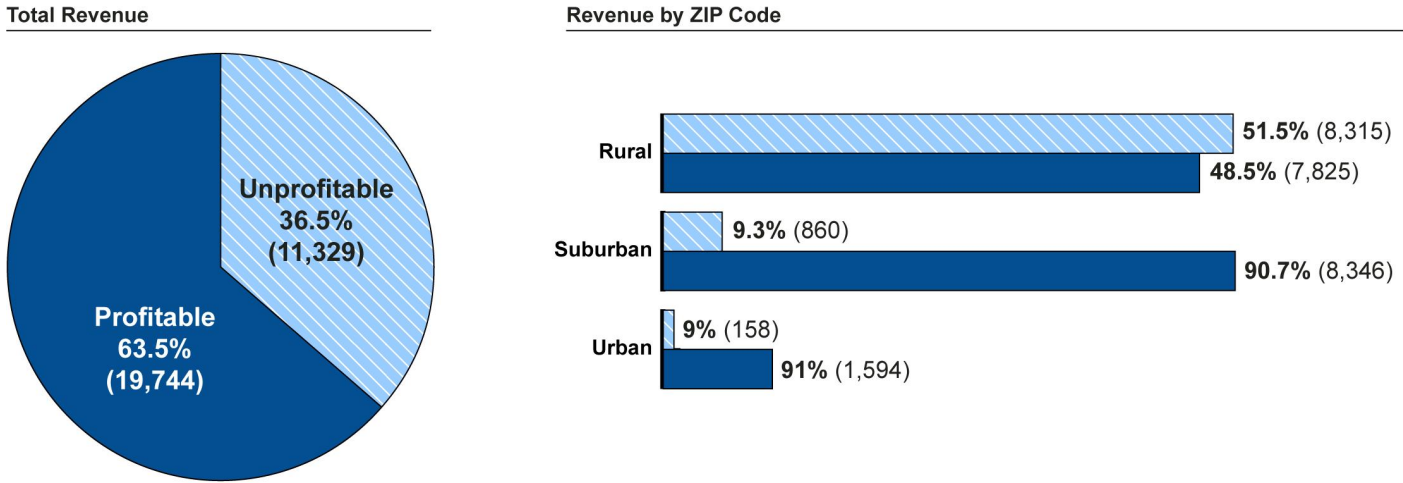
⁹A postage meter is a machine that prints postage directly onto mail.

In fiscal year 2018, the majority of retail facilities were profitable (see fig. 4), with some considerations.²⁹ USPS’s analysis showed that the total retail revenue generated at retail facilities was more than double retail facility costs in fiscal year 2018.³⁰ However, over a third of retail facilities did not generate enough revenue to cover USPS’s retail costs. In particular, over half of the rural facilities were unprofitable, while the overwhelming majority of suburban and urban facilities were profitable. Overall, we found that of the unprofitable facilities, 89 percent were located in rural areas. Among the 10 most unprofitable facilities, though, 5 were in urban areas and 3 were in suburban areas. USPS officials told us some of these unprofitable urban and suburban retail facilities were in areas where rent, utilities, and maintenance were very costly, and the revenue generated was not enough at those facilities to make them profitable.

²⁹USPS defines profitable retail facilities as those with a positive net retail revenue contribution, which is defined as retail revenue less retail costs. Facilities with a negative net retail revenue contribution are defined as unprofitable.

³⁰From fiscal year 2017 to fiscal year 2018, total retail-facility revenue and total retail-facility costs both declined—retail revenue by \$0.1 billion (1.0 percent) and retail costs by \$0.07 billion (1.3 percent). USPS officials attributed the decrease in revenue to a decline in letter and mail volume and the decrease in costs to reduction in the USPS workforce.

Figure 4: Percentage of Total Profitable and Unprofitable U.S. Postal Service (USPS) Retail Facilities in Fiscal Year 2018 and By ZIP Code



Source: GAO analysis of United States Postal Service (USPS) data. | GAO-20-354

Data table for Figure 4: Percentage of Total Profitable and Unprofitable U.S. Postal Service (USPS) Retail Facilities in Fiscal Year 2018 and By ZIP Code

	Total Revenue	Revenue by ZIP Code		
		Rural	Suburban	Urban
Unprofitable	36.5% (11,329)	51.5% (8,315)	9.3% (860)	9% (158)
Profitable	63.5% (19,744)	48.5% (7,825)	90.7% (8,346)	91% (1,594)

Note: The sum of the profitable and unprofitable facilities categorized by ZIP Code type does not match the number of total facilities in fiscal year 2018 because some ZIP Codes did not have U.S. Census population data and therefore USPS was not able to designate a ZIP Code categorization (rural, suburban, or urban). Those 3,945 facilities make up about 12.7 percent of overall retail facilities (31,073). Of the 3,945 retail facilities, about 51 percent (1,996 retail facilities) were unprofitable and about 49 percent (1,949 retail facilities) were profitable.

Finally, while the number of customer visits to retail facilities has declined by 25 percent since fiscal year 2009, customers are still using them. In fiscal year 2018, among the retail facilities for which USPS had data, the average number of customer visits was 46,624 annually, or an average of

154 visits per day.³¹ The most unprofitable facilities averaged 31,731 customer visits in fiscal year 2018, or about 105 customer visits per day.³²

Stakeholders Cited Several Non-Revenue Benefits of Retail Facilities

According to studies we reviewed and USPS officials and two consumer groups we interviewed, USPS’s retail facility network produces economic, social, environmental, and civic benefits (see table 1).

Table 1: Benefits of the U.S. Postal Service (USPS) Retail Facility Network Cited by Reviewed Studies and Stakeholders

Economic benefits	Social benefits	Environmental benefits	Civic benefits
Supports businesses, especially those in remote areas, by offering accessible postal services	Provides a space for people to learn about community happenings and create social connectivity	Reduces the necessity for customers to travel long distances to access services, and thereby reduces fuel usage, pollution, traffic, and wear and tear on roads	Provides access to government information and services
Brings foot traffic to other businesses	Provides equivalent postal products and services in every community	Some retail facilities offer recycling of electronics and other goods	Serves as a (sometimes sole) federal government presence in communities
Provides numerous stable jobs, including many to those without college degrees	—	—	—

Legend: — = no additional example.

Source: GAO analysis of reports from USPS, USPS Office of Inspector General, Postal Regulatory Commission, and Urban Institute as well as interviews with stakeholders. | GAO-20-354

Some postmasters who responded to our survey told us that their retail facilities generated economic and social benefits.³³ For example, 90 percent (134 of 149) of postmasters managed a retail facility within walking distance of other businesses or community buildings. Of those, about 31 percent (41 of 134) of postmasters indicated that the retail

³¹As described earlier, USPS only tracks customer visits at 17,182 retail facilities (55 percent of all retail facilities).

³²USPS’s averages, however, may not indicate actual customer use of retail facilities. For example, these averages may be overstated since about 79 percent (or 11,000) of the facilities that did not have customer visit data were managed remotely and open for fewer hours than a typical retail facility. In contrast, these averages also do not capture all visits to facilities, such as checking a post office box, dropping off mail, or picking up free shipping supplies. When accounting for these additional visits, USPS OIG estimated 2.7-billion visits to USPS retail facilities in fiscal year 2016. See USPS OIG, *Billions Served: Foot Traffic at the Post Office*, RARC-WP-17-012 (Arlington, VA: Sept. 11, 2017).

³³While we use the term “retail facility” here, the survey that the postmasters received used the term “post office.”

facility increased patronage of nearby businesses and community buildings to a great or very great extent. Almost half (71 of 149) of the postmasters stated that their retail facility served as a place for residents to interact in person to a great or very great extent.

The economic and social benefits may benefit rural communities more than urban and suburban areas, according to our survey of postmasters, as well as the reports we reviewed and stakeholder interviews. One survey respondent stated: “Offices in rural communities are extremely important to the area in which they serve. Postmasters are often town leaders and hold various positions on councils, boards, and non-profit organizations. The USPS is usually the only government office in the community, and it is recognized by many as their only connection to the outside world.” According to USPS OIG and representatives from the two consumer groups we interviewed, retail facilities serve as a gathering place and help build social identity and connectivity, especially in rural areas.³⁴ According to USPS, small business owners depend on access to USPS retail facilities across the country and in rural areas since USPS facilities are often the only retail shipping provider. In addition, according to USPS, retail facilities play important roles in connecting rural communities.

USPS’s Nonpostal Retail Activities Generate Some Revenue and Offer Other Benefits

USPS’s Nonpostal Products and Services Account for a Small Percentage of Retail Revenue and Are Mostly Profitable

USPS has offered a variety of nonpostal products and services since 2008 (see table 2). As previously described, PAEA permitted USPS to continue offering certain nonpostal products and services that were approved by PRC, and did not alter USPS’s statutory authority to provide nonpostal services to federal executive entities. The nonpostal products

³⁴According to USPS OIG, some rural customers are required to have mail and parcels shipped to a USPS retail facility and therefore must visit a retail facility to pick them up, thereby bringing them into contact with other community members. See USPS OIG, *Addressing the Diverse Needs and Wants of Rural America: Opportunities for the U.S. Postal Service*, RISC-WP-19-009 (Arlington, VA: Sept. 16, 2019).

and services we identified were either permitted to continue by PRC pursuant to PAEA or are services USPS provided through partnerships with other federal government entities, such as those made through interagency agreements.³⁵

Table 2: Nonpostal Products and Services Offered at U.S. Postal Service (USPS) Retail Facilities Since 2008

	Nonpostal products and services	Description	Number of retail facilities where offered, as of November 2019	Fee collected from product or service
Merchandise and business products and services	Greeting cards	Cards with envelopes that may be sold individually or as sets.	13,667	Yes
	Philatelic products	Stamp-related items that support the hobby of stamp collecting.	Unknown ^a	Yes
	Photocopy machines	Services to allow customers to make copies of documents.	Unknown ^a	Yes
Financial products and services	Gift cards	Cards with stored value that can be used for the purchase of goods and services.	11,461	Yes
	Money orders	Instrument for payment of a specified sum of money.	30,097	Yes
	International money transfers (SureMoney)	Electronic transfer of money to individuals or firms in certain Latin American countries.	4,409	Yes
	Treasury check cashing	Service that enables customers to cash Treasury checks.	Unknown ^a	Yes
Government services	Bird hunting stamp licenses	Licenses in the form of a stamp allowing the purchaser to hunt migratory birds.	26,136	Yes
	Burial flags	Allows individuals to acquire the U.S. Flag to be presented at a veteran's funeral.	22,510	No

³⁵For the purposes of our report, we considered these offerings as “nonpostal” products and services, that is, activities not directly related to the delivery of mail. USPS officials told us that under current law and PRC regulations there are legal distinctions between postal services and nonpostal services and that they categorize our identified products in the following ways: (1) nonpostal services (i.e., philatelic products, photocopying machines, and passport photo services); (2) postal services (i.e., greeting cards, gift cards, money orders, and international money transfers); (3) services provided through federal interagency agreements (i.e., bird hunting stamp licenses, burial flags, and passport application services); and (4) non-commercial/no revenue services (i.e., voter registration forms, community bulletin boards, and selective service registration).

Letter

Nonpostal products and services	Description	Number of retail facilities where offered, as of November 2019	Fee collected from product or service
National Crime Victims' Rights Week displays	Through a partnership with the United States Postal Service Inspection Service, posters may be displayed and educational literature offered in conjunction with a Department of Justice event to raise awareness of victims' rights and services.	13,500	No
Passport applications and photos	Allows for collection of first-time and renewal applications and taking of photos.	4,791	Yes
Selective service registration forms	Forms for citizens to register with the Selective Service.	30,910	No
Voter registration forms	Forms for customers to register to vote.	Unknown ^a	No
Community activities	Community bulletin boards	Unknown ^a	No
	Educational events	Unknown ^a	No
	Food drives	Unknown ^a	No
	Recycling programs	Unknown ^a	No

Source: Postal Regulatory Commission's Mail Classification Schedule, USPS website, United States Postal Service Inspection information, GAO analysis of USPS data. | GAO-20-354

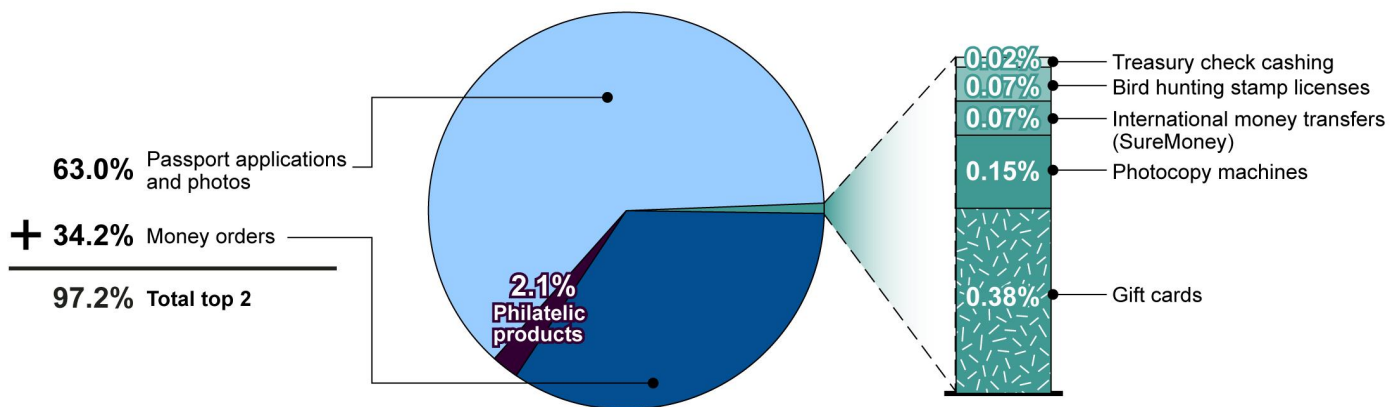
Note: USPS data includes 31,073 retail facilities. There may be nonpostal products and services not captured in this table.

^aUSPS officials told us that they no longer or do not track where these products, services, or activities are offered.

USPS chooses where to offer its nonpostal products and services based on several factors, and as noted in table 2 above, USPS does not offer each nonpostal product and service at all retail facilities. USPS officials told us they determine where to offer nonpostal products and services based on several factors, such as customer demand and analysis of the potential to generate revenue. In some cases, USPS consults with other entities to make these determinations. For example, USPS officials told us that the company that supplies the greeting cards conducts market research to determine locations where there is demand. For passport services, USPS and U.S. Department of State officials determine locations based on demand and whether retail facilities have adequate staff to perform related functions, among other factors.

USPS collects a fee for some, but not all, of the identified nonpostal products and services offered at retail facilities. According to data from USPS’s revenue and cost analysis, nonpostal products and services generated a small amount of the total revenue collected at retail facilities—about \$431 million in fiscal year 2018, which accounted for 4.1 percent of total retail facility revenue, and 0.6 percent of USPS’s total revenue.³⁶ As figure 5 shows, passport applications and photo services, as well as money orders, accounted for the greatest percentage of revenue.

Figure 5: Distribution of Revenue Generated From U.S. Postal Service (USPS) Nonpostal Products and Services for Fiscal Year 2018



Source: GAO analysis of United States Postal Service (USPS) data. | GAO-20-354

Data table for Figure 5: Distribution of Revenue Generated From U.S. Postal Service (USPS) Nonpostal Products and Services for Fiscal Year 2018

Passport applications and photos	63.0%
Money orders	34.2%
Philatelic products	2.1%
Treasury check cashing	0.02%
Bird hunting stamp licenses	0.07%
International money transfers (SureMoney)	0.07%
Photocopy machines	0.15%
Gift cards	0.38%

³⁶Revenues only from greeting cards are not available because USPS tracks revenues generated by this product as a part of stationary and assorted paper products, apparel items, and other approved items that bear an official stamp or USPS image. These products as a whole generated \$22,897,361 in fiscal year 2018.

Note: Philatelic products are stamp-related items that support the hobby of stamp collecting.

Nonpostal products and services may also generate revenue from additional transactions that are made by customers during their visits to obtain these offerings. For example, in 2016, USPS OIG estimated that USPS generated almost \$6.6 million in fiscal year 2015 from individuals purchasing money orders to pay for passport-related services.³⁷ In addition, USPS OIG reported that passport services increased foot traffic at retail facilities. A representative from a postal employee union also told us that nonpostal products and services offered at retail facilities can drive increased foot traffic in post office lobbies.

USPS officials said that USPS incurs various costs for nonpostal products and services related to (1) the time it takes mail clerks to perform transactions; (2) equipment and materials, such as passport photo equipment for passport photo services; and (3) any needed physical changes to the facility. USPS is required to analyze whether revenues cover costs for some of the identified nonpostal products and services, but not all.³⁸ USPS officials said they are not required to report on whether revenues cover costs for services provided through federal interagency agreements, such as passport application processing.³⁹ In addition, they told us they do not track the costs for offerings that are considered to be “non-commercial, non-revenue generating services,” such as community bulletin boards. USPS officials also said some of the nonpostal products and services we identified do not incur any costs; for example, greeting and gift card displays are provided at the vendor’s expense.

³⁷USPS OIG, *Passport to Excellence*, RARC-WP-16-008 (Arlington, VA: Apr. 11, 2016).

³⁸USPS is required to provide PRC a variety of data on costs and revenues for its market dominant and competitive products. According to PRC’s September 30, 2019, Mail Classification Schedule, money orders and philatelic products are considered to be market dominant products and greeting cards, gift cards, international money transfers, passport photos, and photocopy services to be competitive products. In general, competitive products are to generate enough revenue to cover the costs incurred by providing the service and contribute to USPS’s institutional costs. 39 U.S.C. § 3633(a)(2), (3).

³⁹USPS officials told us while they are not required to provide PRC with data on costs and revenues related to services provided through federal interagency agreements; they do generally track costs of such services.

While USPS does not track costs for all offerings and make all costs publicly available,⁴⁰ USPS reported that most of the nonpostal products and services we identified (as shown in table 2), and for those that USPS tracks costs, generated more revenue than costs in fiscal year 2018. Specifically, USPS reported that money orders earned almost \$12 million and philatelic sales earned about \$1.1 million in revenue above their costs in fiscal year 2018. USPS reported the only nonpostal product or service that did not cover its costs in 2018 was in-bound international money transfers.⁴¹

USPS Initiated Pilots to Provide Services for Other Federal Entities at Retail Facilities

Based on our discussions with USPS officials, we identified three pilots USPS has conducted since 2008 to provide nonpostal services on behalf of other federal government entities at retail facilities;⁴² two of these pilots involved USPS mail clerks performing in-person identity proofing and biometric capture and one of the pilots involved sharing retail facilities' lobby space.⁴³

- USPS and the U.S. Census Bureau (Census Bureau) conducted a pilot to evaluate the feasibility of having USPS assist the Census Bureau with nationwide hiring for the 2020 Census. For this pilot, which lasted from March 2015 to July 2015, USPS mail clerks at 12

⁴⁰USPS officials told us that cost and revenue data are not made public for the following nonpostal products and services: gift cards, greeting cards, passport photos, photocopying, and international money transfers. While USPS is subject to certain public disclosure requirements under the Freedom of Information Act, it is not required to disclose "information of a commercial nature, including trade secrets." 39 U.S.C. § 410(c)(2). USPS officials told us that they did not have any information regarding Treasury-check-cashing services.

⁴¹Collectively, competitive products, including international money transfers, satisfied the requirement that they provide a minimum contribution of 5.5 percent to institutional costs and as a result satisfied 39 U.S.C. § 3633 (a)(3) in fiscal year 2018.

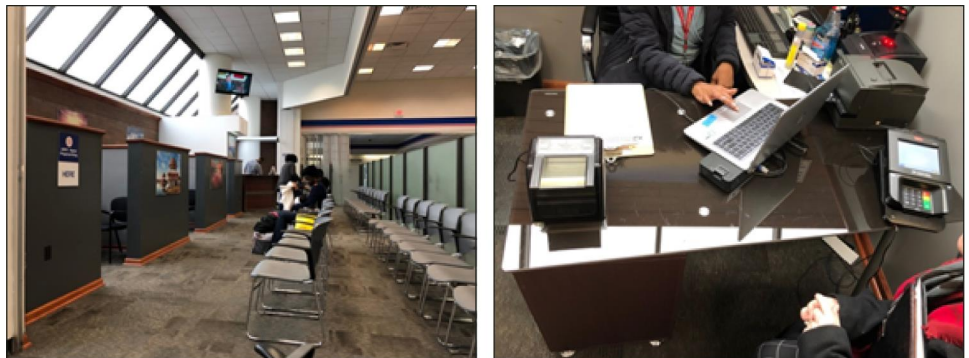
⁴²USPS is authorized by statute to conduct market tests of experimental products subject to specified conditions. 39 U.S.C. § 3641. USPS requires that new products and services first be tested to ensure that they consistently meet customer needs, generate new revenue, and strengthen USPS as a business. As discussed earlier, USPS is permitted to enter into interagency agreements with other federal executive agencies. 39 U.S.C. § 411.

⁴³According to USPS, in-person proofing is a method of verifying a person's identity. The person must appear in-person and provide trusted forms of identification for inspection. Biometric capture involves collecting digital images of distinguishing biological traits, such as fingerprints and eye patterns that uniquely identify a person.

retail facilities used Census Bureau equipment to conduct in-person identify proofing and other administrative processes to help hire temporary Census Bureau employees.

- USPS and the Federal Bureau of Investigation (FBI) began a pilot in September 2018 in which USPS mail clerks began scanning and sending the fingerprints of individuals participating in the FBI's Identity History Summary Checks—a program that enables individuals to request their arrest and conviction records (see fig. 6).

Figure 6: Pictures of Retail Lobby Space and Equipment Used for the U.S. Postal Service's Pilot with the Federal Bureau of Investigation



Source: GAO. | GAO-20-354

- USPS and the Census Bureau conducted a pilot from April 2018 to July 2018 as part of the Census Bureau's 2018 testing activities to determine whether interactive kiosks could be used at retail facilities to allow customers to fill out their Census questionnaire.⁴⁴ USPS installed kiosks at 30 retail facilities in Providence County, Rhode Island, that offered Internet access limited to the Census Bureau's online questionnaire.

According to officials from the Census Bureau and FBI, the agencies benefited from the three pilots, to varying degrees, and USPS generated revenue from the two in-person proofing and biometric capture pilots.

- USPS officials told us that they received \$125,000 from the 2015 in-person proofing pilot with the Census Bureau, and Census Bureau officials said this pilot provided their staff with convenient locations to meet with prospective applicants. Regarding the 2018 kiosk pilot, Census Bureau officials said this resulted in 111 completed

⁴⁴The Census Bureau conducted an exercise in 2018 to research and test the integration of operations and systems for the 2020 Census.

questionnaires. However, after the pilots ended, the agencies did not enter into subsequent partnerships. Census Bureau officials told us they did not wish to extend the in-person proofing pilot due to limited funding, and they did not wish to extend the Census kiosk pilot because the number of completed tests did not justify the cost and effort.

- For the FBI pilot, USPS had generated almost \$425,000 in revenue, as of December 2019, from the fees paid by participating customers since September 2018, according to USPS documentation.⁴⁵ FBI officials told us this pilot has improved their customer experience and enabled them to reduce their response time for providing information to customers. In March 2019, USPS and the FBI expanded the pilot from two to 28 retail facilities, and this pilot was still ongoing at the time we published our report.

USPS officials told us they also created the Digital Business Services Team in June 2019 in part to pursue additional revenue-generating partnerships with federal executive agencies. The officials said a major focus of the team was to expand USPS's in-person identity proofing and fingerprinting services, and they estimated—with certain assumptions regarding acquiring partnerships—fingerprinting services could generate about \$87 million in annual revenue after a 5-year rollout. USPS is currently discussing potential new partnerships for in-person proofing pilots with federal government entities.

Stakeholders Reported Non-Revenue Benefits and Few Challenges Related to Current Nonpostal Products and Services Offered

USPS officials, federal government entities, and stakeholders we interviewed and postmasters we surveyed told us that the identified nonpostal products and services (as shown in table 2) currently offered at retail facilities provided the following non-revenue benefits.

- **Enhanced consumer benefits.** Access to certain nonpostal products and services at retail facilities enhanced consumers' convenience, according to USPS officials, and representatives from consumer groups and a postal employee union. For example, in September

⁴⁵USPS officials told us that they also reviewed whether the FBI pilot increased foot traffic or transactions, but found those to be negligible given the relatively small volume of transactions compared to the overall flow of retail traffic.

2019, USPS analysis found that 32 percent of the FBI pilot customers selected USPS's fingerprinting services over others who offer similar services due to USPS's location and rated their satisfaction with USPS's service highly. A representative from the postal employee union said that many customers are happy that they can purchase a greeting card and gift card when visiting a retail facility. In addition, a representative from one of the consumer groups we interviewed said that some nonpostal products and services, such as international money transfers and money orders, may be otherwise unavailable to certain populations, such as those who do not have access to a bank. This representative also told us that some low-income consumers only have internet access through their phone, which makes it difficult to fill out forms online; these consumers therefore could benefit from having certain forms, such as voter registration and selective service, available at a retail facility.

- **Enhanced government benefits.** Officials from five of the six federal government entities that had partnerships with USPS said their partnerships supported their ability to fulfill their missions, such as by efficiently using resources and increasing customer convenience. For example, officials from all six of these federal government entities said USPS's extensive network of retail facilities helped them reach customers or users. Also, officials from three of these federal entities told us that USPS's services cut the processing time for certain applications or services.
- **Enhanced community benefits.** Representatives from the two consumer groups told us that community services offered at retail facilities—such as food drives, school tours, and community bulletin boards—may help sustain communities and increase social connectedness. Postmasters we surveyed also reported ways their communities benefited from nonpostal services provided at their retail facilities. For example, one postmaster we surveyed reported that his or her retail facility collected eyeglasses for a local community organization. Another postmaster we surveyed reported that during the holiday season, his or her retail facility offers decorative rubber stamps, which have become a community tradition.

According to the postmasters we surveyed, some of the nonpostal products provided significant nonrevenue value, although the degree to which these provided value depended on whether the retail facility was located in a rural, suburban, or urban area. We asked postmasters to identify whether certain nonpostal products and services were offered at

the selected facility, and if so, how much value the product or service provided to the community.⁴⁶

- Overall, passport services were the most highly valued nonpostal product or service. About 95 percent (36 of 38) of postmasters at retail facilities that offered passport services said passports provided great or very great value to their communities.
- Money orders were the next most highly valued nonpostal product or service. These were offered at more of the retail facilities selected for our survey than passport services. For the retail facilities that offered money orders, about 78 percent (115 of 147) of postmasters said this product provided great or very great value to their communities.
- Burial flags were the third highly valued nonpostal product or service, for some types of locations. About 66 percent (21 of 32) of postmasters managing rural retail facilities and about 70 percent (35 of 50) of postmasters managing suburban retail facilities said burial flags provided great or very great value compared to about 43 percent (9 of 21) of postmasters overseeing urban retail facilities.
- Among retail facilities that offered international money transfers (SureMoney), selective service forms, philatelic products, and gift cards, around one-third or more of postmasters reported these as providing some value or little to no value in their communities.

Representatives of one postal employee union, postmasters we surveyed, and officials from the six federal government entities that had partnered with USPS reported minimal challenges related to providing the identified nonpostal products and services at retail facilities. For example, the representative from the postal employee union told us that the only challenge for postal workers was when locations did not have adequate staff to handle passport services. Very few of the postmasters selected for our survey identified challenges related to offering the thirteen nonpostal products and services we asked about. Officials from only two of the six federal government entities mentioned challenges, and none of them were significant in nature. For example, officials from the

⁴⁶We asked postmasters about the following nonpostal products and services: gift cards, greeting cards, philatelic products, duck stamps, passport services, money orders, international money transfers, military and selective service registration, burial flags, providing voter registration forms, food drives or other product drives, recycling customer goods, and educational events, such as public tours.

Department of Veterans Affairs mentioned that the only challenge was ensuring adequate supplies of burial flags at retail facilities.

Although the stakeholders we interviewed and postmasters we surveyed cited few challenges associated with nonpostal products and services, USPS OIG has reported that USPS could take actions to further increase the use of some of these offerings. In 2015, USPS OIG suggested that USPS conduct better-targeted marketing for its money orders or consider pricing changes to the fees charged for money transfers.⁴⁷ In 2016, USPS OIG identified several areas in which USPS could improve customer experience for passport services, such as improving the clarity of information provided to customers and improving the accuracy of offerings on USPS's website.⁴⁸ USPS generally agreed with the findings but reported it had already implemented or had begun to implement changes to improve customer service issues raised in report.

Some Revenue Results from Leasing Excess Space, but Opportunities Are Limited

USPS currently leases some of its owned excess space—including space at its retail facilities, such as parking, office space, and roof areas—to other entities, generating additional revenue and other benefits.⁴⁹ According to USPS as of January 2020, USPS was leasing space in 232 facilities (about 3 percent) of its 8,362 owned facilities to federal and local government and private entities.⁵⁰ USPS generated about \$29 million from its leases in fiscal year 2018.⁵¹ USPS officials told us they are currently researching the feasibility and benefits of leasing space to entities to place automated teller machines in retail facility lobbies and

⁴⁷USPS OIG, *The Road Ahead for Postal Financial Services*, RARC-WP-15-011 (Arlington, VA: May 21, 2105).

⁴⁸USPS OIG, *Passport to Excellence*, RARC-WP-16-008 (Arlington, VA: Apr. 11, 2016).

⁴⁹According to USPS officials, under some of their leases USPS has subleasing rights for retail facilities it leases from other entities, but the officials did not know the number of facilities where they have these rights.

⁵⁰For this report, we used total USPS-owned facilities from fiscal year 2018.

⁵¹USPS provided us with a list of facilities leased to local government entities, as of January 2020. Based on our review of the description of these facilities, we estimate that most of the 33 were retail facilities. USPS officials said they were unable to provide us with a list of the facilities leased to federal government agencies or private entities because they did not have a report that generated such a list.

parking lots as a way to generate revenue. Stakeholders we interviewed and USPS OIG have said leasing space may also result in non-revenue benefits for USPS and consumers.⁵² For example, a postmaster who managed a retail facility said that leasing office space to two local government entities likely increased foot traffic in the facility and increased community access to government services provided by the tenants.

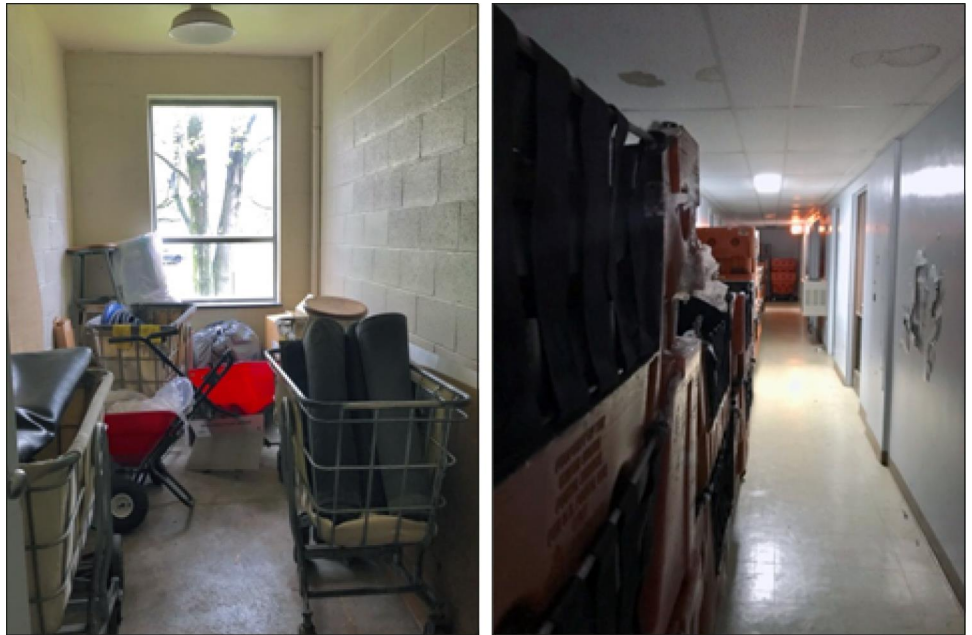
USPS, however, has little additional vacant rentable space. As of September 2018, USPS reported that it had vacant rentable space available in 307 (about 4 percent) of its 8,362 owned facilities.⁵³ In 2018, USPS OIG reported that USPS faced unique challenges in leasing such excess space, including poor condition and limited size, lack of handicap accessibility, limited parking, lack of accessibility without interfering with USPS operations, and lack of a separate restroom.⁵⁴ According to GSA officials, some available space is small—USPS reported that about 9 percent of available space is less than 500 square feet—and may require significant investment from GSA or the potential tenant agency to be suitable for occupancy (see fig. 7). GSA officials said it has been difficult to find federal government entities willing to lease retail facility space from USPS. For example, officials from the Census Bureau told us that they leased some space at two USPS facilities to support 2010 Census activities, such as to support hiring personnel and a location for training. However, they were not able to lease as much as they would have liked because there was very little available space that met Census requirements, and the space that was available would have required costly modifications prior to use. In addition, USPS officials told us there can be costs related to leasing space, such as USPS's making needed renovations.

⁵²USPS OIG, *Retail Opportunities for the U.S. Postal Service*, MS-WP-15-004 (Arlington, VA: Sept. 4, 2015).

⁵³USPS reports excess space in facilities that may not provide retail functions, such as processing and distribution centers, and as such this number may not reflect space available at only retail facilities. Based on our analysis of the description of facilities listed in USPS's vacant rentable space, we estimate that 302 of the 307 listed facilities are retail facilities. USPS officials told us they become aware of potential excess space by employees when certifying facility information to USPS. These officials said USPS evaluates whether reported excess space at retail facilities are rentable using factors such as access to the excess space, condition of the space, available parking, and compatibility with current operations if the space were used by a tenant.

⁵⁴USPS OIG, *Congressional Mandate on Excess Space*, SM-AR-19-001 (Arlington, VA: Dec. 14, 2018).

Figure 7: Examples of Vacant Space at a Retail Facility Identified by the U.S. Postal Service (USPS)



Source: GAO. | GAO-20-354

USPS does not track the extent to which space at retail facilities, such as lobbies and parking lots, is shared with other entities without any payment. However, USPS officials told us that while community groups have asked to use retail facility space and parking lots, these requests do not happen frequently. Only two of the 149 postmasters we surveyed (about 1 percent) indicated that the selected retail facility they oversaw shared space with other entities at no charge.

Additional Nonpostal Efforts at Retail Facilities Could Offer Some Benefits but May Generate Little Revenue and Have Other Limitations

Additional Nonpostal Products and Services Could Provide Non-Revenue Benefits

Studies we reviewed and postal experts and stakeholders we interviewed have suggested that USPS may be well positioned to offer additional nonpostal products and services due to its trusted brand, vast retail

facility network, and experience with other nonpostal efforts. Examples of such additional offerings are set out in the following table (see table 3).

Table 3: Potential Nonpostal Products and Services That Could Be Offered at U.S. Postal Service (USPS) Retail Facilities

Merchandise and business products and services	Financial products and services	Government services	Community services
Nonpostal commercial products or snacks	Expanded money transfers	Expanded information sharing on behalf of other federal government entities	Community resilience efforts
Notary services	In-person bill payments	Expanded partnerships to perform activities on behalf of other federal government entities	Public wifi
Printing and copying	Expanded check cashing	State hunting and fishing licenses	—
Merchandise pick-up lockers	Savings and checking accounts	State driver’s licenses	—
—	Loans	—	—
—	Credit card services	—	—
—	Automated teller machines	—	—

Legend: — = no additional example.

Source: GAO review of relevant studies and interviews with postal experts and stakeholders. | GAO-20-354

USPS officials, stakeholders, and studies we reviewed indicated these identified additional nonpostal activities—if USPS were authorized to offer them—could offer a variety of non-revenue benefits to consumers, government entities, and communities. Examples of some of the suggested types of non-revenue benefits are shown in table 4.

Table 4: Examples of Non-Revenue Benefits of Additional Nonpostal Products and Services Cited by the U.S. Postal Service’s (USPS) Office of Inspector General (OIG), Federal Government Entities, and Stakeholders

Type of non-revenue benefits	Examples of non-revenue benefits
Enhanced access services and safeguards for consumers	
Increased access	USPS OIG and representatives from two consumer groups said expanding financial products and services offered at retail facilities could increase consumer convenience, particularly in areas where banking options are not available; if offered at a lower price than other providers, these financial products and services could also enhance access for underbanked populations.
In-person options	Stakeholders and studies we reviewed indicated that having these services available at a physical location would help some consumers who have a preference for in-person services. For example, a representative from a consumer group said that as government programs are shifting to online services, some people prefer face-to-face interactions and may already have a trusted relationship with their mail clerk.
Increased safeguards	Representatives from the Association of Fish and Wildlife Agencies (AFWA) said that having USPS issue state hunting and fishing licenses could help support a larger effort of preventing consumers from purchasing fake licenses online. Also, some stakeholders said consumers could benefit from having access to information at retail facilities about government program scams and good financial practices.

Type of non-revenue benefits	Examples of non-revenue benefits
Enhanced efficiency of government services	
Increased customer base	Officials from the National Park Service (NPS) said that a partnership in which USPS issued National Parks and Federal Recreational Lands Passes at retail facilities could increase NPS's customer base.
Increased information to customers	Officials from the Federal Communications Commission and representatives from AFWA told us that partnerships in which USPS shared information at its retail facilities on their behalf could increase participation in government and other-related campaigns.
Reduced costs	AFWA officials told us that state agency costs may be reduced through a partnership with USPS to issue hunting and fishing licenses at retail facilities because less state infrastructure would be needed.
Additional data collection	USPS OIG has reported that city governments could benefit from partnerships with USPS to use retail facility space to collect data, such as data on air quality, through devices installed at retail facilities.
Enhanced community connectedness	
Increased community space	USPS OIG reported that retail facilities could be used to increase community connectedness by sharing its space for civic and community events, such as meetings, exhibits, and farmers' markets.
Increased community resources	Researchers at Carnegie Mellon University explored ways in which local municipal and community groups could use retail facilities for community resilience efforts, such as providing space for community services, installing distributed energy generation and storage systems, and providing high speed internet service, particularly in rural areas, such as by establishing public wifi services at retail facilities.

Source: GAO analysis of interviews with stakeholders and USPS OIG studies. | GAO-20-354

However, most of these additional nonpostal products and services would not increase revenues or greatly benefit their communities, according to the postmasters we surveyed.⁵⁵ Specifically, a majority of postmasters did not think any of the nine additional nonpostal products and services we asked about would increase revenues or benefit the community to a great or very great extent. However, postmasters indicated that some potential services were more promising than others. In particular, about 40 percent (59 of 149) of postmasters indicated that notary services would increase revenues or benefit the community to a great or very great extent, while 36 percent (53 of 149) of postmasters indicated that driver's license and other state license services would increase revenues or benefit the community to a great or very great extent. Few postmasters in our survey indicated that a benefit of offering any of the nine additional nonpostal

⁵⁵We asked postmasters about their views on nine additional nonpostal products and services at the selected retail facility that they oversaw, including displaying information about government programs, providing assistance for other government programs, driver's license or other state license services, financial services (e.g., money transfers, bill pay), banking services (e.g., savings accounts, loans), notary services, public wifi, printing and photocopying services, and grocery pickup. We selected these nonpostal products and services based on studies we reviewed, interviews with stakeholders, and the results of our pre-tests of the survey.

products and services would be that they would be providing a product or service that is not offered elsewhere in the community.

Most Additional Nonpostal Products and Services Would Likely Have Low Net Revenue Potential

USPS officials, officials from other federal government entities, and stakeholders told us that most of the nonpostal products and services identified above would likely have limited revenue potential. They, as well as studies we reviewed, indicated a variety of reasons why USPS might not generate significant net revenue from the additional nonpostal products and services we identified.

- **Low potential for a significant market share.** USPS officials and stakeholders told us USPS could face challenges gaining enough of a market share for some of the additional nonpostal products and services to make a profit. For example, USPS officials said if they offered notary services, they would likely gain only a small share of the market because other retailers, such as banks, already offer these services for free. Also, representatives from four financial associations said they believed consumer demand for financial products and services was already being met or would best be met by existing financial entities, and that many consumers may not likely obtain these services from USPS. In addition, representatives from two financial associations said serving underbanked populations would likely result in limited profits because these tend to be riskier customers who may default more often, and the services they use result in slim profits for current providers.⁵⁶
- **High operational costs.** USPS OIG has reported that USPS incurs low customer foot traffic and high labor costs compared to other retail facilities.⁵⁷ According to USPS officials, these factors make it difficult to compete on a cost-per-transaction basis for nonpostal products and services and make leasing space in owned facilities and subleasing

⁵⁶In 2015, the Center for Responsible Lending reported that nearly half of all payday borrowers defaulted within 2 years of their first loan, and of borrowers who defaulted, nearly half did so within the first two payday loans. Center for Responsible Lending, *Payday Mayday: Visible and Invisible Payday Lending Defaults*, (March 2015).

⁵⁷USPS OIG, *21st Century Post Office: Non-Postal Products and Services*, DA-MA-12-005 (Arlington, VA: July 16, 2012).

space at USPS's leased retail facilities attractive, because leasing and subleasing would not incur personnel costs.

Additionally, USPS officials told us that offering some of the additional nonpostal products and services could require significant investment costs—such as major technology investments and additional training for mail clerks—further reducing USPS's ability to make a profit. For example, USPS OIG estimated in 2015 that USPS could generate \$1.1 billion annually after a 5-year ramp up from expanding the financial products it already offered.⁵⁸ USPS officials, however, said that expanding such offerings at retail facilities would likely require extensive investments in physical and information technology security and incur ongoing costs. Accounting for these sorts of costs would mean USPS would likely generate about \$100 million to \$200 million in net revenue as opposed to \$1.1 billion. In addition, representatives from the American Association of Motor Vehicle Administrators and the Maryland Motor Vehicle Association told us that if USPS were to offer state driver's license services, it would need to invest in equipment and training. Specifically, USPS would need to purchase secure computer systems that require multiple electronic interfaces and train mail clerks to handle complex document verification for issuing state driver's licenses in order to meet requirements set by the REAL ID Act of 2005, among other concerns.⁵⁹

- **Limitations on amounts charged.** USPS officials and other stakeholders indicated that the fees charged for some of the additional nonpostal products and services would be too low to result in high revenues. For example, USPS officials found there would be little potential revenue from providing photocopying services or placing vending machines in retail facilities. Also, NPS officials and representatives from AFWA told us that current providers of National Parks and Federal Recreational Lands Passes and state hunting and fishing licenses generally do not generate much revenue due to the fee structure. In addition, USPS may or may not charge other entities a fee for sharing information at retail facilities. For example, USPS's

⁵⁸USPS OIG included current financial offerings in its estimate along with new ones, such as international money transfers, post office-to-post office money transfers, money orders, and gift cards. See USPS OIG, *The Road Ahead for Postal Financial Services*, RARC-WP-15-011 (Arlington, VA: May 21, 2015).

⁵⁹Pub. L. No. 109-13, Div. B, 119 Stat. 302. Among other things, the REAL ID Act, as amended, sets minimum document requirements and issuance standards for driver's licenses, including procedures for states to follow when verifying the identity of applicants, in order for such licenses to be recognized for federal purposes.

partnerships to share information on other government entities' behalf, such as providing selective service registration forms and displaying information for DOJ's National Crime Victims' Rights week, do not generate revenue. Last, any effort to expand community services would not be intended to generate revenue.

We have previously reported that foreign posts began offering nonpostal products and services to increase revenues, such as offering banking or financial services and making additional government services available in their retail facilities, but these efforts have had mixed results.⁶⁰ Some foreign postal operators have expanded their financial offerings at retail facilities and have generated significant revenue from these efforts. For example:

- The United Kingdom's postal retail operator—The Post Office—has an agreement with virtually all the retail banks in the United Kingdom that enables customers to use retail facilities to access their banking services. According to The Post Office, the financial services it offers generated €205 million in 2017 and €215 million in 2018. (Cost data were not available.)⁶¹ Officials from The Post Office told us this agreement has not only generated income, but also increased foot traffic to their retail locations.
- France's postal operator, La Poste, established a bank in 2005 to provide a full range of banking products and services through its retail facilities. According to La Poste, its banking services generated net revenues of €5.5 billion in 2018, which was down from €5.6 billion in net revenue in 2017.⁶²

However, USPS officials and representatives from banking associations cautioned that the financial and regulatory infrastructures of other countries are too different from those of the United States to suggest that USPS could achieve similar results. In addition, foreign postal operators

⁶⁰GAO, *U.S. Postal Service: Foreign Posts' Strategies Could Inform U.S. Postal Service's Efforts to Modernize*, [GAO-11-282](#) (Washington, D.C.: Feb. 16, 2011).

⁶¹Post Office Limited, *Annual Report & Financial Statements 2017/18*. Financial services included mortgages, credit cards, savings, travel, and banking.

⁶²Le Groupe La Poste, *Consolidated Financial Statements 31 December 2018*.

are starting to sell their banks or have a franchise model with relatively lower-paid staff.⁶³

Views Varied on Demand and Feasibility; Other Limitations Affect Viability of Nonpostal Services and Products

There were mixed views on whether there would be demand for any or all of these nonpostal products and services. On the one hand, USPS officials, officials from other federal government entities, postmasters we surveyed, and stakeholders generally said that there was little demand for many of the additional nonpostal products and services USPS could offer at its facilities. In particular, postmasters did not indicate very high demand for any of the nine additional nonpostal products or services we asked about in our survey. The highest response for products and services in demand was only about 36 percent (53 of 149) of postmasters who said there was demand for notary services, and the next highest was about 33 percent (49 of 149) of postmasters who said there was demand for printing and photocopying services.⁶⁴ Also, officials from the 12 federal government entities noted that while they were open to new partnerships in which mail clerks perform transactions on their behalf or in which the entities would have access to retail facility space, officials did not identify many specific examples of a need for such services.⁶⁵ None of the postmasters we surveyed reported that they had been approached by

⁶³For example, New Zealand Post sold 47 percent of its ownership of Kiwibank in 2016 and has been moving toward removing Kiwibank services from its retail facilities.

⁶⁴Postmasters indicated that grocery pick-up and displaying information about government programs were the nonpostal products and services least in demand; about 13 percent (19 of 149) of postmasters said there is demand for grocery pickup, and about 18 percent (26 of 149) of postmasters said there is demand for displaying information about government programs.

⁶⁵For example, officials from the Federal Communications Commission said they could benefit from using USPS bulletin boards in retail facilities to communicate information to the public, and officials from the U.S. Department of Veterans Affairs suggested a potential partnership to warehouse pharmaceuticals. USPS reported it reached out to GSA to discuss collocation opportunities, but there was no interest from other government entities. We have previously reported that several federal government entities are exploring or implementing collocation projects to reduce space. See GAO, *Federal Buildings: Agencies Focus on Space Utilization As They Reduce Office and Warehouse Space*, [GAO-18-304](#) (Washington, D.C.: Mar. 8, 2018).

community members in the last 10 years to share or lease space at their retail facility.

On the other hand, based on studies we reviewed and interviews with representatives from consumer groups, there may be demand for certain offerings at retail facilities, such as check cashing and payday loan services, particularly if offered at a lower price than competitors. For example, in 2014, the Pew Charitable Trusts conducted a nationally representative survey of 1,626 adults and estimated that only around a quarter of American adults would be very likely or likely to use certain financial products, including check cashing, prepaid cards, bill pay, and small-dollar loans, if offered at USPS retail facilities. However, for those surveyed who were already using such services, respondents indicated they would likely obtain these at USPS retail facilities if offered at a lower price.⁶⁶

Regarding feasibility, stakeholders and postmasters identified various issues related to what types of nonpostal products and services made sense to them. Postmasters indicated that displaying information about government programs and printing and photocopying services were the most feasible potential service, about 64 percent (95 of 149) and about 63 percent (96 of 149), respectively. In contrast, postmasters thought grocery pick-up and public wifi services were the least feasible, with about 78 percent (116 of 149) and 64 percent (96 of 149) of postmasters, respectively, indicating that they were not feasible. A representative from one of the employee unions told us that the success of additional nonpostal efforts would depend on the retail locations' having adequate staffing levels. The representative also said that any nonpostal efforts should be designed to align with community needs and the work that retail facility employees already conduct. Officials from the Federal Communications Commission and representatives from a telecommunications association told us telecommunications companies may consider leasing space at USPS's retail facilities that are suitable for wireless antennas to help build out 5G networks, subject to network design and business needs. In addition, representatives from one state motor vehicle administrator told us state motor vehicle administrations may consider partnering with USPS to provide state vehicle tag and title

⁶⁶The Pew Charitable Trusts, *The Post Office and Financial Services* (July 16, 2014). The Pew Charitable Trusts survey has a margin of error no greater than plus or minus 3 percentage points at the 95 percent level of confidence.

services on their behalf, such services, would not require substantial investment for USPS to undertake.

Finally, USPS officials, federal government entities, and postmasters we surveyed, and stakeholders identified a variety of other limitations that would affect the viability of nonpostal products and services. We found that these limitations included limited interest for partnerships from other federal government entities, the size and unfavorable characteristics of retail facility space, complexities related to existing regulatory structures and entering into new markets, and personnel concerns. Examples of these limitations are described in table 5. Moreover, we also asked postmasters what challenges would prevent their selected retail facility from offering these additional nonpostal products and services. The most commonly cited challenges were insufficient staff or the need for additional staff training, particularly for notary services, driver's license or other state license services, financial services, and banking services.

Table 5: Examples of Limitations Affecting the Viability of Additional Nonpostal Products and Services Cited by U.S. Postal Service (USPS) Officials, Federal Government Entities, Postmasters, and Stakeholders

	Type of limitations	Examples of limitations
Few potential federal government partners	Increased reliance on online services	Officials from the U.S. Department of Veterans Affairs said they were unlikely to pursue a partnership in which USPS mail clerks assisted with its enrollment activities because the officials are focused on improving their online processes, the preferred method of some members.
	Needs too specific	Officials from the U.S. Internal Revenue Service (IRS) said there could be significant challenges involved in USPS performing in-person identity proofing on its behalf due, in part, to IRS's high security requirements.
Space concerns	Limited space	Officials from the Federal Emergency Management Agency said they explored the possibility of using USPS retail facilities to support their disaster relief efforts, but found that available space was too small and that there was not enough parking for employees and others. Also, over 60 percent (90 of 147) of postmasters we surveyed cited insufficient space as the reason space was not shared with other entities.
	Physical features	USPS officials and representatives from two financial associations said USPS would need to invest in physical security features, such as installing bullet resistant glass, at retail facilities to enable USPS to provide additional financial products and services.
	Security concerns	USPS officials said some of these offerings may affect the security of postal operations. Also, about 33 percent (48 of 147) of postmasters said security concerns were a reason space was not shared with other entities at the identified retail facility we asked them about in our survey.
Operational concerns	Complexities of laws and requirements	USPS officials and representatives from two financial associations told us USPS could face challenges complying with complex financial regulations if it were to expand its financial products and services. Representatives from two state agencies told us it could be challenging for USPS to provide state licensing services because regulations differ among states and can change.
	Complexities of entering new markets	According to the 2018 Task Force report, USPS should not expand into new sectors because it lacks the expertise and required capital to do so, and does not have a demonstrated comparative advantage. ^a Representatives from one financial association told us that USPS's expanding its financial offerings may create unfair competition because of USPS's implicit federal government subsidies. ^b

Source: GAO analysis of interviews with USPS officials and stakeholders. | GAO-20-354

^aSee Task Force on the United States Postal System, *United States Postal Service: A Sustainable Path Forward, Report* (Washington, D.C.: Dec. 4, 2018).

^bIn 2007, the Federal Trade Commission (FTC) reported that USPS's competitive products operations benefits from implicit subsidies due to its status as a federal government entity. According to the FTC, USPS is able to avoid costs associated with various federal, state, and local legal requirements that its private competitors incur and USPS avoids costs through preferential interest rates on its debt. See, FTC, *Accounting For Laws That Apply Differently To The United States Postal Service And Its Private Competitors* (December 2007).

As discussed above, given that these potential nonpostal products and services may have benefits but face concerns about their viability, USPS and policy makers need to consider the benefits, costs, and limitations of potential nonpostal efforts before introducing new efforts. In particular, though some efforts could create benefits like enhanced access for

consumers, a variety of challenges may limit revenue generation in such a way that the potential offerings are unlikely to significantly improve USPS's financial condition. Moreover, there are a number of limitations to be considered, including a potential lack of demand and factors affecting USPS's ability to implement such offerings.

Agency Comments

We provided a draft of this report to the Census Bureau; Federal Communications Commission; GSA; U.S. Department of Veterans Affairs; U.S. Department of Homeland Security's Federal Emergency Management Agency and Transportation Security Administration; U.S. Department of the Interior's Fish and Wildlife Service and National Park Service; U.S. Internal Revenue Service; U.S. Department of Justice's FBI and Office for Victims of Crime; U.S. Department of State; and USPS. The Census Bureau and GSA sent us technical comments, which we incorporated as appropriate.

In its response, USPS reiterated its legal constraints but noted that there were other limitations affecting its ability to expand its offering of nonpostal products and services. These limitations include low net revenue potential, low potential for significant market share, high operational costs, and limits on amounts that could be charged. USPS noted, however, that it continues to explore partnerships with other federal agencies.

We are sending copies of this report to the appropriate congressional committees, the Postmaster General, the Chairman of PRC, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2834 or rectanusl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.



Lori Rectanus, Director
Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

This report examines:

- the costs, revenues, and non-revenue benefits associated with U.S. Postal Service's (USPS) retail facilities;
- the nonpostal efforts USPS has conducted since 2008 to increase revenues and non-revenue benefits from its retail facilities, and the costs, revenues, non-revenue benefits, and challenges of such efforts; and
- the key considerations of additional nonpostal efforts that USPS could take to increase revenues and non-revenue benefits from its retail facilities.

For this report, we focused on USPS-managed retail facilities, including USPS-operated post offices, postal stations, branches, and carrier annexes, as defined in USPS's Annual Reports to Congress.¹ We also used the term "nonpostal" to refer to activities that are not directly related

¹Postal stations and branches are facilities subordinate to a local post office. We excluded retail facilities that were not managed by USPS, including contract postal units, village post offices, and community post offices. Carrier annexes are facilities that generally house only carrier operations that do not provide retail services, but there are exceptions. We excluded retail facilities that were not managed by USPS, including contract postal units, village post offices, and community post offices. We also excluded other facilities that USPS manages that do not contain retail functions, such as mail processing facilities that may only process and dispatch incoming and outgoing mail for a designated service area.

to mail delivery.² We selected 2008 to begin our analysis because that was when new restrictions on nonpostal services took effect.³

To describe the costs, revenues, and non-revenue benefits of USPS's retail facilities, we reviewed USPS's financial analyses of its retail network from fiscal years 2017 and 2018, the only years USPS conducted such analyses at the time we published this report.⁴ For these analyses, USPS identified the sources and amounts of retail facility costs (e.g., personnel, rent, and utilities) and revenues (e.g., stamp sales and post office box rental fees) for most of USPS's retail facilities.⁵ Because some retail facility costs USPS identified (e.g., rent and personnel) also support non-retail functions, USPS used models to distribute such costs across each retail facility. USPS's analyses also calculated the net revenues (revenues minus costs) for those retail facilities included in its analysis. Further, USPS examined characteristics of retail facilities, such as the facilities' surrounding population densities, to describe factors that may be related to retail facilities that did or did not achieve positive net revenues. Based on interviews with USPS officials and USPS documents we reviewed, we determined the reliability of these analyses were sufficient to describe costs and revenues of retail facilities. We compared retail facility costs and revenues with USPS's total costs and revenues to determine how much retail facilities contribute to total costs and

²The term "nonpostal service" is defined by statute to mean any service that is not a "postal service." See 39 U.S.C. § 404(e)(1). A "postal service" is defined as the delivery of letters, printed matter, or mailable packages, including acceptance, collection, sorting, transportation, or other functions ancillary thereto. See 39 U.S.C. §§ 102(5).

³The Postal Regulatory Commission was required to determine which of the nonpostal services offered by USPS as of January 1, 2006 would be allowed to continue within 2 years of the enactment of the Postal Accountability and Enhancement Act (PAEA) of 2006. 39 U.S.C. § 404(e)(3). See Postal Regulatory Commission, *Review of Nonpostal Services Under the Postal Accountability and Enhancement Act*, Order No. 154, Docket No. MC2008-1 (Washington, D.C.: Dec. 19, 2008).

⁴USPS officials told us they were currently working on a financial analysis of their retail facilities for fiscal year 2019, but it would not be available before the publication of our report.

⁵USPS did not include about 300 retail facilities that generated less than \$500 in revenue. USPS officials told us that they only included revenue and costs from the portion of facilities that contained retail transactions.

revenues.⁶ In addition, we identified the number of retail facilities located in urban, suburban, or rural areas where the revenues did and did not cover costs. We defined these geographic categories using USPS's definitions in its retail facility cost and revenue analysis.⁷

We also interviewed USPS officials to describe why revenue at retail facilities may not cover costs. To describe non-revenue benefits of USPS's retail facility network, we reviewed relevant publications and studies, such as those conducted by USPS, USPS's Office of Inspector General (OIG), and USPS's oversight body, the Postal Regulatory Commission (PRC). We also examined 2018 data from USPS on the number of customer visits at the retail facilities for which data were

⁶We made certain adjustments to USPS's total operating expenses as stated in its Reports on Form 10-K by excluding certain components of workers' compensation and retirement benefits expenses that do not relate to active employees' compensation costs, because they are costs related to service performed in the past, and thus do not reflect the effect of operational changes. Specifically, we excluded changes in workers' compensation expenses resulting from discount rate changes and actuarial revaluation of existing cases; retiree health benefit premiums for beneficiaries; the amounts of fixed "prefunding" prepayments into the Postal Service Retiree Health Benefits Fund in excess of the normal costs (the "normal cost" is the annual expected growth in liability attributable to an additional year of employees' service); and unfunded retiree health benefit and pension liability amortization expenses. We did not exclude the normal costs associated with these items or the costs of new workers' compensation cases or administrative fees because they relate to costs associated with active employees. We additionally applied a 3-year centered moving average to the costs of new workers' compensation cases to smooth out annual variations. We refer to the amounts resulting from these adjustments as USPS's "modified operating costs" in this report.

⁷USPS defined six types of geographic categories—including very urban, urban, suburban, pre-suburban, rural, and very rural—using population density ranges based on analysis of other sources, including definitions from the U.S. Census, U.S. Department of Agriculture, and other sources. For the purposes of our report, we combined these into three categories. As such, we defined urban retail facilities as those located in areas with 5,001—10,000 or more residents per square mile, suburban retail facilities as those located in areas with 126—5,000 residents per square mile, and rural retail facilities as those located in areas with 0—125 residents per square mile. Because the Census Bureau did not have population data for all of the ZIP Codes where retail facilities were located, USPS was not able to categorize all of its retail facilities. There were 3,945 retail facilities or about 12.7 percent of overall retail facilities (31,073). As this information was not available, we did not include the 3,954 retail facilities in our analysis of geographic region and whether retail facilities covered or did not cover costs.

available.⁸ Additionally, we interviewed representatives from two consumer groups, which we selected based on their ability to provide us with consumer viewpoints on retail facilities and their offerings, and two organizations representing USPS workers at retail facilities: American Postal Workers Union (APWU) and United Postmasters and Managers of America (UPMA).

To examine the nonpostal efforts USPS has conducted to increase revenues and non-revenue benefits from its facilities since 2008 and their results, we first identified nonpostal products and services offered at USPS's retail facilities through interviews with USPS officials and reviews of relevant publications, such as PRC's report on USPS's product offerings and USPS OIG reports.⁹ See table 6 for a complete list of USPS OIG reports we reviewed. We also identified the number of retail facilities that offered each identified nonpostal product and service, where data was available, using USPS's facility data from November 2019, as well as information from USPS's Inspection Service on facilities that participated in the Department of Justice's Office of Victim's National Crime Victims' Rights week. Because USPS's facility data included facilities without retail functions, we merged these with data from USPS's fiscal year 2018 financial analysis of its retail network to ensure we included only facilities with retail functions. To describe the revenues of the nonpostal products and services we identified, we reviewed data from USPS's fiscal year

⁸USPS officials told us they define customer visits as a sum of all transactions done by a single customer with payment at the end, though visits can be comprised of revenue and non-revenue transactions. Customer visit data disproportionately represent retail facilities located in urban and suburban areas. We found USPS only tracked customer visits at 17,182 retail facilities in fiscal years 2017 and 2018, which is about 55 percent of all retail facilities we identified from USPS's financial analysis of its retail network in fiscal year 2018. About 86 percent of the retail facilities with an available urban/rural categorization where USPS did not track customer visit data were rural or very rural. We also reviewed USPS transaction data. USPS tracks two types of transactions—revenue transactions that are transactions that provide revenue to USPS and non-revenue transactions that include such things as non-revenue pickups, change-of-address request, inquiries, and providing local directions. We included both types of transactions in our analysis. We also found that USPS only tracked transaction data for 17,188 retail facilities, which is about 55 percent of the retail facilities identified from USPS's financial analysis. About 86 percent of the retail facilities with an available urban/rural categorization where USPS does not track these data are located in rural or very rural areas.

⁹PRC provides a weekly update to its Mail Classification Schedule, which describes USPS's product offerings. As described previously in the report, our categorization of nonpostal products and services does not align with PRC's categorization defined in the Mail Classification Schedule.

2018 financial analysis of its retail network.¹⁰ We also reviewed USPS OIG reports to identify indirect ways that nonpostal products and services can contribute to revenue at retail facilities.

Table 6: List of U.S. Postal Service’s (USPS) Office of Inspector General (OIG) Studies Reviewed

USPS OIG, <i>Addressing the Diverse Needs and Wants of Rural America: Opportunities for the U.S. Postal Service</i> , RISC-WP-19-009 (Arlington, VA: Sept. 16, 2019)
USPS OIG, <i>Congressional Mandate on Excess Space</i> , SM-AR-19-001 (Arlington, VA: Dec. 14, 2018)
USPS OIG, <i>Billions Served: Foot Traffic at the Post Office</i> , RARC-WP-17-012 (Arlington, VA: Sept. 11, 2017)
USPS OIG, <i>The Postal Service and Cities: A “Smart Partnership,”</i> RARC-WP-16-017 (Arlington, VA: Sept. 26, 2016)
USPS OIG, <i>Passport to Excellence</i> , RARC-WP-16-008 (Arlington, VA: Apr. 11, 2016)
USPS OIG, <i>Retail Opportunities for the U.S. Postal Service</i> , MS-WP-15-004 (Arlington, VA: Sept. 4, 2015)
USPS OIG, <i>The Postal Service’s Role in Delivering Wellness Services and Supplies</i> , RARC-IB-15-004 (Arlington, VA: Jul. 22, 2015)
USPS OIG, <i>The Road Ahead for Postal Financial Services</i> , RARC-WP-15-011 (Arlington, VA: May 21, 2015)
USPS OIG, <i>Opportunities for the Postal Service Micro-Warehousing and Other Logistics Support Services</i> , MS-WP-14-003 (Arlington, VA: Mar. 13, 2014)
USPS OIG, <i>Providing Non-Bank Financial Services for the Underserved</i> , RARC-WP-14-007 (Arlington, VA: Jan. 27, 2014)
USPS OIG, <i>What America Wants and Needs from the Postal Service: Summary of Focus Group Research</i> , RARC-WP-14-009 (Arlington, VA: Feb. 18, 2014)
USPS OIG, <i>21st Century Post Office: Aligning with the National Broadband Infrastructure Initiative</i> , DA-MA-12-002 (Arlington, VA: Jan. 23, 2012)
USPS OIG, <i>21st Century Post Office: Non-Postal Products and Services</i> , DA-MA-12-005 (Arlington, VA: Jul. 16, 2012)
USPS OIG, <i>21st Century Post Office: Opportunities to Share Excess Resources</i> , DA-MA-12-003 (Arlington, VA: Feb. 9, 2012)

Source: GAO. | GAO-20-354

To identify the costs of these activities, for which information was available, we reviewed USPS’s fiscal year 2018 Annual Compliance Report,¹¹ PRC’s fiscal year 2018 Annual Compliance Determination Report,¹² and non-public data provided to us by USPS. From these reports, we also determined whether the revenue USPS generated from these nonpostal efforts did or did not exceed costs. We reviewed only fiscal year 2018’s revenue and costs because we did not have revenue

¹⁰Not all nonpostal products and services we identified had individual revenue data available. Greeting card revenues are not available because USPS tracks revenues generated by this product along with other stationary and assorted paper products, apparel items, and other approved items that bear an official stamp or USPS image.

¹¹USPS, *Annual Compliance Review, 2018*, Docket No. ACR2018 (Washington, D.C.: Dec. 28, 2018).

¹²PRC, *Annual Compliance Determination Report Fiscal Year 2018*, (Washington, D.C.: Apr. 12, 2019).

data prior to fiscal year 2017 and USPS was unable to provide information on trends.

As one of the nonpostal efforts USPS can currently take at its retail facilities includes leasing space for revenue, we reviewed USPS's data on the amount of vacant rentable space for fiscal years 2017 and 2018 (the only available years),¹³ on tenants at its facilities as of January 2020, and on the amount of revenue USPS collected from its leased space from 2018. Based on interviews with USPS officials and USPS documents we reviewed, we determined the reliability of these data were sufficient to describe USPS's efforts and results of leasing excess space at retail facilities. To obtain stakeholder views on USPS's nonpostal efforts, including the costs, revenues, non-revenue benefits, and challenges of these efforts, we interviewed officials from six federal government entities that partnered with USPS on initiatives as well as representatives from APWU, UPMA, and two consumer groups. See table 7 for a complete listing of the entities we interviewed. We also interviewed officials from the U.S. General Services Administration (GSA), which leases space on behalf of USPS to other federal government entities, and the Association of United States Postal Lessors, which represents entities that lease space to USPS. We also interviewed postal stakeholders at three retail facilities that had vacant leasable space, leased space to other entities, or offered nonpostal products and services. We selected these locations to obtain information on a variety of USPS's current nonpostal efforts.

¹³The Federal Property Management Reform Act of 2016 was enacted into law to increase the efficiency and effectiveness of the federal government in managing its properties and required, among other things, the USPS to identify and submit a list to Congress of the postal properties with space available for use by federal agencies, starting in fiscal year 2017. Pub. L. No. 114-318, 130 Stat. 1608 (codified at 40 U.S.C. § 622). USPS reports excess space in facilities that may not provide retail functions, such as processing and distribution centers, and as such this number may not reflect space available at only retail facilities. USPS officials told us they become aware of potential excess space by employees when certifying facility information to USPS. These officials said USPS evaluates whether reported excess space at retail facilities are rentable using factors such as access to the excess space, condition of the space, available parking, and compatibility with current operations if the space were used by a tenant.

Table 7: List of Entities Interviewed

Federal entities that had partnerships with U.S Postal Service

U.S. Census Bureau
U.S. Department of the Interior's Fish and Wildlife Service
U.S. Department of Justice's Federal Bureau of Investigation
U.S. Department of Justice's Office for Victims of Crime
U.S. Department of State
U.S. Department of Veterans Affairs

Federal entities that could potentially partner with USPS

Federal Communications Commission
U.S. Department of Homeland Security's Federal Emergency Management Agency
U.S. Department of Homeland Security's Transportation Security Administration
U.S. Department of the Interior's National Park Service
U.S. General Services Administration
U.S. Internal Revenue Service

Consumer groups

Consumer Action
National Consumers League
State licensing groups
American Association of Motor Vehicle Administrators
Association of Fish and Wildlife Agencies
Maryland Department of Transportation Motor Vehicle Administration

Industry groups

CTIA
Consumer Bankers Association
Credit Union National Association
Independent Community Bankers of America
U.S. Chamber of Commerce

Postal employee groups

American Postal Workers Union
United Postmasters and Managers of America
Postal experts
Alliance of Nonprofit Mailers

Appendix I: Objectives, Scope, and Methodology

Postal employee groups

Andrew Butcher, Carnegie Mellon University and Fourth Economy Consulting

Association for Postal Commerce

Association of United States Postal Lessors

ESRI

Federal entities that had partnerships with U.S Postal Service

Lexington Institute

National Association of Presort Mailers

Parcel Shippers Association

Foreign postal operators

La Poste, France

The Post Office, United Kingdom

Source: GAO. | GAO-20-354

To examine the benefits and key considerations of offering additional nonpostal efforts at USPS retail facilities, we interviewed USPS officials, postal stakeholders, and postal experts, selected based on prior work; reviewed prior GAO reports and relevant USPS OIG studies; and attended a forum exploring community use of USPS’s delivery infrastructure, including retail facilities. From the studies we reviewed and stakeholder suggestions, we selected and categorized examples of nonpostal efforts that were mentioned at least twice. To obtain stakeholder views on the potential benefits and limitations of such offerings, we interviewed representatives from consumer, industry, and state licensing groups. We selected these entities because of their potential to be affected by USPS offering additional nonpostal products and services. We also interviewed officials from the six federal entities that have partnered with USPS on initiatives and an additional six federal government entities that could potentially establish expanded or new partnerships with USPS. See table 7 above for a complete listing of the entities we interviewed. We also interviewed two foreign postal operators—France’s La Poste and the United Kingdom’s Post Office—that have experience with nonpostal products and services similar to those we reviewed and reviewed relevant documentation, such as their annual fiscal year 2018 financial reports. We selected these postal operators based on prior work and other studies and to provide us with insight into their experiences. Finally, we reviewed statutes, including the Postal Accountability and Enhancement Act (PAEA); regulations; and legal rulings, to evaluate USPS’s current legal authority to provide these

services. The views presented in our report are not generalizable to those of all stakeholders.

Further, we surveyed USPS postmasters to obtain additional perspectives on the benefits of USPS's retail facilities, the nonpostal efforts offered at those facilities, and the key considerations of offering additional nonpostal products and services. Specifically, we conducted a non-generalizable, web-based survey of postmasters who managed retail facilities located in urban, suburban, and rural areas from August to September 2019. We defined these geographic categories using USPS's definitions, as described above. Using the dataset of facilities from the USPS revenue study, we removed all facilities that were located in an overseas American territory¹⁴, any facility missing a geographic category code, and certain kinds of facilities that were not relevant to the survey.¹⁵ Using these filters we identified a sample frame of 26,600 retail facilities. We randomly sorted the facilities within each of the three geographic categories and took the first 150 from each random sort. We then matched the selected USPS facilities with the postmaster responsible for them, using USPS's postmaster data provided to us in May of 2019. Because postmasters may manage more than one retail facility, we capped the number of surveys an individual postmaster could receive at one. If a postmaster already selected in the random sort occurred again the selected facility was omitted from the sample. We restricted the total sample size to no more than 100 unique postmasters within each stratum. The sample is comprised of 83 postmasters who oversee an urban retail facility, 100 postmasters who oversee a suburban retail facility, and 100 postmasters who oversee a rural retail facility. Approximately 52 percent of our sample—or 146 postmasters—completed the survey. The survey questionnaire can be viewed in appendix II.

In developing, administering, and analyzing the survey, we took steps to minimize non-sampling error that may result from differences in how a question is interpreted and the sources of information available to respondents. To help reduce measurement error, we consulted an experienced former postmaster for input on the development of the survey instrument, and also conducted pretests of the draft questionnaire with four postmasters drawn from the intended survey population. The questionnaire was modified throughout development and pretesting to

¹⁴USPS facilities located in American Samoa, Guam, the Marianas, Puerto Rico, and the Virgin Islands were removed prior to selecting the sample.

¹⁵Carrier annexes, carrier sections, and delivery distribution centers were removed.

Appendix I: Objectives, Scope, and Methodology

improve clarity of the questions, and we removed questions when our modifications were unable to remedy observed difficulties in interpretation. To maximize survey response, we sent pre-notification letters by postal mail to the selected respondents prior to launching the web survey. After launching the survey, we sent multiple email reminders and extended the submission deadline, and also conducted follow-up phone calls.

Appendix II: GAO's Survey of U.S. Postal Service (USPS) Postmasters at Selected Retail Facilities

GAO administered the survey questions shown in this appendix to learn more about USPS postmaster views related to the community benefits of USPS's retail facilities, the nonpostal efforts offered at those facilities, and the key considerations of offering additional nonpostal products and services. The survey was divided into seven sections covering background, post office benefits to the community, current USPS nonpostal products and services, leasing space for revenue, sharing space, additional nonpostal products and services, and additional information. Open-ended follow-up questions were selectively included to allow respondents to provide more detail about their responses. This appendix accurately shows the content of the web-based survey, but the format of the questions and response options have been changed for readability in this report. For more information about our methodology for designing and administering the survey, see appendix I.

Appendix II: GAO's Survey of U.S. Postal Service (USPS) Postmasters at Selected Retail Facilities

Section I: Background

1. How long have you been responsible for managing the [Facility Name] Post Office?

Years:

Months:

Section II: Post Office Benefits to the Community

2. Is your post office within walking distance of other businesses or community buildings?

Yes, this post is within walking distance of other businesses or community buildings → Continue to 2a

No, this post office is not within walking distance of other businesses or community buildings → Skip to Question 3

2a. To what extent do you believe that your post office increases patronage at nearby business or community buildings?

- Little to no extent
- Some extent
- Moderate extent
- Great extent
- Very great extent
- Unsure

3. To what extent does your post office serve as a place for residents to interact in person?

- Little to no extent
- Some extent
- Moderate extent
- Great extent
- Very great extent
- Unsure

4. (optional) If you would like to provide additional information about your responses to Questions 2 and/or 3 above, please do so in the space below.

Appendix II: GAO's Survey of U.S. Postal Service (USPS) Postmasters at Selected Retail Facilities

Section III: Current USPS Nonpostal Products and Services

The following questions ask about selected nonpostal products and services that are currently offered at some post offices.

5. For each of the following nonpostal products and services, please indicate whether the [Facility Name] Post Office currently offers the product or service. If yes, please indicate your view of how valuable it has been to the community. If your post office experienced challenges in offering this product or service, either currently or in the past, please briefly describe.

Product or Service	Does your post office currently offer this product or service?	5a. How much value does this product or service provide to the community?	5b. If your postal office experienced challenges in offering this product or service, currently, or in the past, please provide a brief description.
a. Gift cards	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
b. Greeting cards	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
c. Philatelic products	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
d. Duck stamps	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
e. Passport services	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
f. Money orders	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	

Appendix II: GAO's Survey of U.S. Postal Service (USPS) Postmasters at Selected Retail Facilities

Product or Service	Does your post office currently offer this product or service?	5a. How much value does this product or service provide to the community?	5b. If your postal office experienced challenges in offering this product or service, currently, or in the past, please provide a brief description.
g. Sure Money	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
h. Military/selective service registration	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
i. Burial flags	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
j. Providing voter registration forms	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
k. Food drives or other product drives	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
l. Recycling customer goods	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value	
m. Educational events, such as public tours	<input type="radio"/> Yes → Continue to 5a <input type="radio"/> No → SKIP to 5b	<input type="radio"/> Very great value <input type="radio"/> Great value <input type="radio"/> Moderate value <input type="radio"/> Some value <input type="radio"/> Little or no value.	

5c. If your post office currently offers educational event(s) of any kind, please briefly describe:

6. Does your post office currently provide any additional nonpostal products or services not listed above? If so, please provide a brief description and discuss the challenges, if any, and value of these additional products or services.

Appendix II: GAO's Survey of U.S. Postal Service (USPS) Postmasters at Selected Retail Facilities

Section IV: Leasing Space for Revenue

The following questions ask about views related to leasing any available space at the [Facility Name] Post Office.

7. Does your post office lease any of its space to other entities (e.g., empty offices, storage rooms, or parking lot)?
- Yes, this post office leases space to other entities → Continue to 7a
 No, this post office does not lease space to other entities → SKIP to Question 7e

7a. Which of the following benefits, if any, do you believe that [Facility Name] Post Office gains from leasing space to other entities?

	Yes	No
Increased revenue for USPS	<input type="radio"/>	<input type="radio"/>
Increased foot traffic in post office retail space	<input type="radio"/>	<input type="radio"/>
Increased number of postal transactions	<input type="radio"/>	<input type="radio"/>
Other (If yes, please describe below)	<input type="radio"/>	<input type="radio"/>

If "Other," please describe:

7b. Which of the following benefits, if any, do you believe that the community gains from this post office leasing space to other entities?

	Yes	No
Increased access to public services and other community services	<input type="radio"/>	<input type="radio"/>
Increased access to information such as community events or government services	<input type="radio"/>	<input type="radio"/>
Other increased socio-economic benefits in the community (If yes, please describe below)	<input type="radio"/>	<input type="radio"/>

If "Other," please describe:

7c. Which of the following types of space is [Facility Name] Post Office leasing to other entities?

	Yes	No
Lobby area	<input type="radio"/>	<input type="radio"/>
Office room	<input type="radio"/>	<input type="radio"/>
Meeting room	<input type="radio"/>	<input type="radio"/>
Storage room	<input type="radio"/>	<input type="radio"/>
Parking	<input type="radio"/>	<input type="radio"/>
Other (If yes, please describe below)	<input type="radio"/>	<input type="radio"/>

If "Other," please describe:

Appendix II: GAO's Survey of U.S. Postal Service (USPS) Postmasters at Selected Retail Facilities

7d. Which of the following challenges do you believe that this post office faces when leasing space to other entities?

	Yes	No
Disruption to post office functions	<input type="radio"/>	<input type="radio"/>
Security concerns	<input type="radio"/>	<input type="radio"/>
Parking availability	<input type="radio"/>	<input type="radio"/>
Other (<i>If yes, please describe below</i>)		

If "Other," please describe:

7e. For which of the following reason(s) does your post office not lease its space?

	Yes	No
No space to lease	<input type="radio"/>	<input type="radio"/>
Space is not a leasable condition	<input type="radio"/>	<input type="radio"/>
No demand	<input type="radio"/>	<input type="radio"/>
Other (<i>If yes, please describe below</i>)		

If "Other," please describe:

Section V: Sharing Space

The following questions ask about views related to sharing space with other entities without collecting revenue at the [Facility Name] Post Office.

8. Does the post office share its space with other entities without collecting revenue (e.g., allowing a community group to meet after post office hours)?

- Yes, this post office shares space with other entities → Continue to 8a
- No, this post office does not share space with other entities → SKIP to Question 8d

8a. For what purposes do other entities use the space?

8b. Which of the following benefits, if any, do you believe that [Facility Name] Post Office gains from sharing space with other entities?

	Yes	No
Increased foot traffic in postal office retail space	<input type="radio"/>	<input type="radio"/>
Increased number of postal transactions	<input type="radio"/>	<input type="radio"/>
Increased trust and favorability from community residents	<input type="radio"/>	<input type="radio"/>
Other (<i>If yes, please describe below</i>)		

If "Other," please describe:

Appendix II: GAO's Survey of U.S. Postal Service (USPS) Postmasters at Selected Retail Facilities

8c. Which of the following benefits, if any, do you believe that the community gains from this post office sharing space with other entities?

	Yes	No
Increased access to public services and other community services	<input type="radio"/>	<input type="radio"/>
Increased access to information	<input type="radio"/>	<input type="radio"/>
Increased convenience for community residents	<input type="radio"/>	<input type="radio"/>
Other increased socio-economic benefits in the community		
Other (<i>If yes, please describe below</i>)		

If "Other," please describe:

8d. For which of the following reason(s) does your post office not share its space?

	Yes	No
Not enough space available to share with other entities	<input type="radio"/>	<input type="radio"/>
Disruption of post office functions	<input type="radio"/>	<input type="radio"/>
Security concerns	<input type="radio"/>	<input type="radio"/>
Never considered sharing space with other entities	<input type="radio"/>	<input type="radio"/>
No demand	<input type="radio"/>	<input type="radio"/>
Not permitted due to district policy	<input type="radio"/>	<input type="radio"/>
Other (<i>If yes, please describe below</i>)		

If "Other," please describe:

9. In the past 10 years, have you been approached by the members of your community—including businesses, nonprofit organizations, local government entities, and community groups—to share or lease space at your post office, regardless of whether your post office currently shares or leases space?

- Yes → Continue to 9a
- No → SKIP to Question 10
- Do not know → SKIP to Question 10

9a. Approximately how often do you receive these requests to share or lease space at your post office?

- Once every few years or less
- About once per year
- A few times per year or more

Appendix II: GAO's Survey of U.S. Postal Service (USPS) Postmasters at Selected Retail Facilities

9b. Which of the following types of space is requested for sharing or leasing?

	Yes	No
Lobby area	<input type="radio"/>	<input type="radio"/>
Office room	<input type="radio"/>	<input type="radio"/>
Meeting room	<input type="radio"/>	<input type="radio"/>
Storage room	<input type="radio"/>	<input type="radio"/>
Parking	<input type="radio"/>	<input type="radio"/>
Other (If yes, please describe below)		

If "Other," please describe:

Section VI: Additional Nonpostal Products and Services

The following questions ask about selected nonpostal products and services that have been proposed but are not currently offered at any post offices.

10. For each of the following nonpostal products and services, please indicate whether or not it would be feasible to offer the product or service at the [Facility Name] Post Office. Then indicate to what extent, if at all, you believe it would increase revenue or be beneficial to either your post office or to the community, if offered. Then, please select or briefly describe the reason(s) for your answer.

Selected nonpostal products and services we asked about included:

- Display information about other government programs (e.g., putting forms or brochures in the lobby for residents to learn about other government programs)
- Providing assistance for other government programs (e.g., answering questions, processing applications, identity proofing)
- Driver license or other state license services (e.g., hunting and fishing licenses)
- Financial services (e.g., money transfers, bill pay)
- Banking services (e.g., saving accounts, savings bonds, loans)
- Notary services
- Public Wi-Fi
- Printing and photocopy services
- Grocery pick-up lockers on site

10a. Is this product or service feasible at your post office?

- Yes
- No

10b. Regardless of feasibility, to what extent would this product or service increase revenue or benefit the community?

- Very great extent
- Great extent
- Moderate extent
- Some extent
- Little to no extent

Appendix II: GAO's Survey of U.S. Postal Service (USPS) Postmasters at Selected Retail Facilities

10c. What specific benefits, if any, would the product or service provide to your post office OR to the community? *Please check all that apply.*

- Product or service is not offered elsewhere in the community
- There is demand for the product or service
- This product or service will bring in revenue
- The post office could easily implement this product or service
- Other → SKIP to Question 10e
- None

10d. What challenges, if any, would prevent your post office from offering the product or service? *Please check all that apply.*

- Product or service is already offered elsewhere in the community
- Community would have no demand for the product or service
- Mail clerks would need more training
- Not enough staff to perform all work
- Post office not open enough hours for this to be valuable
- Not enough space
- Other → SKIP to Question 10e
- None

10e. If applicable, please provide a brief description of other benefits or challenges with offering this product or service at your post office.

11. Do you believe that there are any products or services in addition to those listed above that have the potential to increase USPS revenue or community benefits, if provided by your post office?

- Yes
- No

Please describe these additional products or services:

Section VII: Additional Information:

12. Is there anything else regarding the topics covered in this survey you would like to share with GAO?

Appendix III: Comments from the U.S. Postal Service

KEVIN L. MCADAMS
VICE PRESIDENT, DELIVERY & RETAIL OPERATIONS



February 14, 2020

Ms. Lori Rectanus
Director, Physical Infrastructure Issues
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548-0002

SUBJECT: Draft report review of US Postal Service: Expanding Non-postal Products and Services at Retail Facilities Could Result in Benefits, but May Have Limited Viability (GAO 20-354) March 2020

Dear Ms. Rectanus:

We would like to thank you for the opportunity to comment on the United States Government Accountability Office (GAO) Draft Report titled: Expanding Non-postal Products and Services at Retail Facilities Could Result in Benefits, but May Have Limited Viability.

The report suggests expanding the current offering of non-postal products and services at retail facilities for the purpose of generating revenue and providing consumer, government or community benefits.

From a legal perspective, the most immediate constraint is that current laws restrict the Postal Service from offering any non-postal services other than those that were grandfathered in by the Postal Regulatory Commission following enactment of the Postal Accountability and Enhancement Act. In addition, there are other prohibitive limitations that the Postal Service faces when considering expanding non-postal service including: low net revenue potential, low potential for significant market share, high operational costs and limitations on amounts that could be charged.

Even with current restrictions, Postal Management has continued to explore partnerships with other federal government agencies by piloting new non-postal services at its retail facilities. An example is the biometric fingerprint capture for the FBI IdHSC program.

Postal management will continue to weigh the benefits of increased revenue, enhanced access and improved government efficiencies with the limitations from statutory constraints and prohibitive costs.

Sincerely,

A handwritten signature in black ink that reads "Kevin L. McAdams".

Kevin L. McAdams

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Text of Appendix III: Comments from the U.S. Postal Service

February 14, 2020

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Director, Physical Infrastructure Issues

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**Appendix III: Comments from the U.S. Postal
Service**

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Kevin L. McAdams

Appendix IV: GAO Contacts and Staff Acknowledgments

GAO Contact

Lori Rectanus, (202) 512-2834 or rectanusl@gao.gov.

Staff Acknowledgments

In addition to the contact name above, Kyle Browning (Assistant Director); Anne Doré (Analyst in Charge); Isabelle Aboaf; Carl Barden; Karen Chen; Barbara El Osta; Geoff Hamilton; Serena Lo; Tina Paek; Samuel Portnow; Malika Rice; Matthew Valenta; and Lauren Voloder made key contributions to this report.

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