



BACKGROUND:

This review responds to a request from U.S. Congressman Gus M. Bilirakis, 9th District, Florida. Contract postal units (CPUs) are the retail alternative most similar to post offices (POs). They are operated and managed by independent retailers to provide a range of U.S. Postal Service products and services to customers at Postal Service prices. Retail alternatives, such as CPUs and self-serve kiosks, provide postal services at a lower cost than traditional brick and mortar POs. As of fiscal year 2011, the Postal Service had 2,904 CPUs out of a network of 35,756 retail facilities.

In May 2011, the Postal Service and the American Postal Workers Union (APWU) signed the 2010-2015 Collective Bargaining Agreement that included a memorandum of understanding (MOU) to close or convert 20 CPUs to Postal Service operated facilities staffed by Postal Service employees. The APWU and Postal Service selected the 20 CPUs, and both parties stated the MOU was part of an enterprise wide \$3.8 billion cost saving.

In June 2011, the Postal Service began closing the CPUs, and as of the end of May 2012, the 20 CPUs are closed. Our objective was to review the impact of the closures on Postal Service's retail

alternatives, financial position, and customer access.

WHAT THE OIG FOUND:

While CPUs are part of the Postal Service's overall strategy to expand retail alternatives, Postal Service management stated that the 20 CPU closures were needed to facilitate the 2010-2015 Collective Bargaining Agreement negotiation. Accordingly, the Postal Service closed the 20 CPUs in compliance with the MOU, the CPU contract termination clauses, and Postal Service guidance. The impact on retail alternatives was minimal, and we estimated the potential annual net revenue loss could range from about \$284,000 to \$1.4 million.

In addition, although customers have options to access postal products and services in nearby facilities, there are customer inconveniences such as changing PO box numbers, delivery options, and traveling new distances.

WHAT THE OIG RECOMMENDED:

Because the MOU to close CPUs was part of the Postal Service and APWU 2010-2015 Collective Bargaining Agreement, we are not making any recommendations.