
Impact of the Closure of Post Offices in Northwest Iowa

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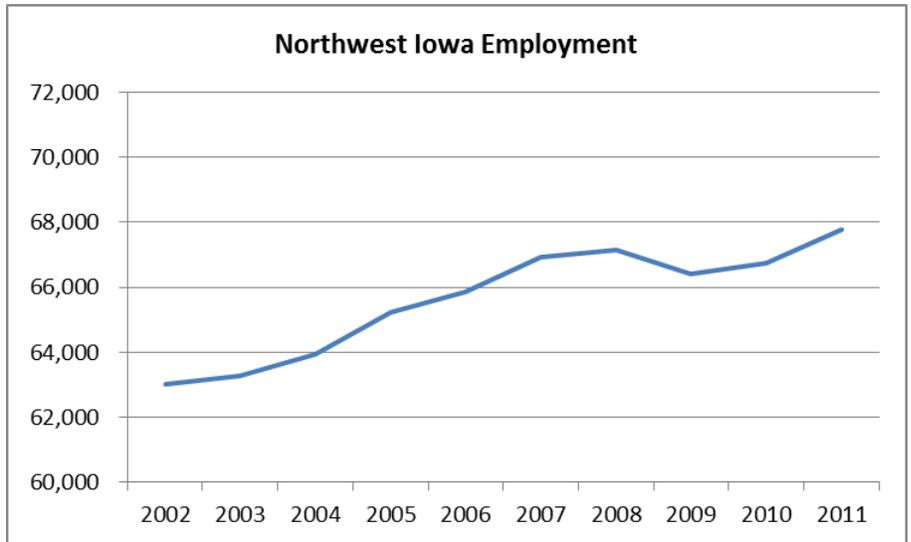
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Northwest Iowa

Northwest Iowa is a six-county region that includes the counties of Cherokee, Lyon, O'Brien, Osceola, Plymouth, and Sioux. This region is one of the most vibrant rural regions in the United States. From 2002 to 2011, employment in this region grew by 7.6% and the recent recession produced a dip in the region's employment in 2009. Employment recovered the next year and continued to grow in 2011.

Regional unemployment for 2011 was 4.6%, which was approximately half the of the national unemployment rate.



Source: EMSI

U.S. Postal Service

The U.S. Postal Service is facing strong competition from private carriers and e-mail, which has negatively impacted financial performance. To improve financial performance, the Postal Service has identified cost reduction strategies that include potential service changes and the closing of nearly 4,000 post offices. In closing rural post offices, the Postal Service must comply with Section 101 (b) of the U.S. Code: “The Postal Service shall provide a maximum degree of effective and regular postal service to rural areas and small towns where post offices are not self-sustaining. No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities.”

Post offices were identified for closure because of their relatively low revenue generation from 2007 to 2010, population declines, and other factors. For communities that will have their post office closed, the Postal Service has identified potential service changes that can alleviate some of the impacts. One approach is to have a Village Post Office, which is having a local retailer provide some of the services that are offered by the post office that will be closed. Another strategy is to have the rural postal carrier sell stamps, handle packages, and provide other services.

In his testimony before the Postal Regulatory Commission, Donald Hobbs, Mayor of Lohrville, Iowa, compared the services of a Real Post Office to a Village Post Offices, which would be located inside a local retailer. This comparison was made using information provided by the National League of Postmasters, and it showed that a Real Post Office provided 37 services while a Village Post Office provided only 3 services.

The following is the comparison of the two types of post offices:

How Does a Village Post Office Line Up Against a Real Post Office?

Post Office Service	Real Post Office	Village Post Office
Postal Products/Services	✓	✓
Forever Stamps	✓	
Denominated Stamps	✓	
First Class Mail	✓	
First Class Mail International	✓	
Priority Mail (weight based)	✓	
Priority Flat Rate Boxes/Envelopes	✓	✓
Express Mail	✓	
Certified Mail	✓	
Return Receipt	✓	
Insured Mail	✓	
Return Receipt for Merchandise	✓	
Certificate of Mailing	✓	
Restricted Delivery	✓	
Collect on Delivery (COD)	✓	
Special Handling	✓	
Adult Signature Required	✓	
Media Mail	✓	
Parcel Post	✓	
Money Orders	✓	
Signature Confirmation	✓	
Delivery Confirmation	✓	
Register Mail	✓	
Build Mail Acceptance	✓	
Zip Code Information	✓	
International Mail	✓	
First Class Int'l Mail Parcels	✓	
Customs Forms	✓	
File a Change of Address	✓	✓
Apply for a Passport	✓	
Stamped Envelopes	✓	
Stamped Postcards	✓	
Ready Post Products & Supplies	✓	
Zip Code Information	✓	
Sure Money (Dineroi Seguro)	✓	
Mailing Requirements	✓	
File and Insurance Claim	✓	

Another strategy is to have the postal carriers provide additional services. If you need to meet the postal carrier to buy stamps or sign for a package (medications or certified mail) or insured mail, you must wait by your mail box for the postal carrier to arrive. If you are not available, the postal carrier may leave a package by your mailbox, which can be a problem if the contents of the box can be harmed by heat, humidity, cold, or moisture. This service has significant limitations to many people.

Post Office Closures in Northwest Iowa

In May 2011, the Postal Service announced plans to close 43 post offices in Iowa. Two months later, an additional round of post office closings was announced, which include closing another 178 Iowa post offices. Included in these two announcements were the closing of twelve post offices in Northwest Iowa. The Postal Regulatory Commission announced in March 2012 that the closing of the Ashton Post Office would be delayed indefinitely, and the Alvord and Harris post offices would be closed in May 2012. Decisions on the remaining nine post offices in Northwest Iowa are expected by May 15, 2012.

These nine post offices are in communities with populations of more than 100 but less than 500. These communities are in four of the six counties in Northwest Iowa. In these nine communities there are more than 300 businesses with over 800 employees.

City	County	2010	March 2012	
		Population	# Businesses	# Employees
Archer	O'Brien	122	41	94
Brunsville	Plymouth	138	5	21
Calumet	O'Brien	164	18	65
Cleghorn	Cherokee	207	85	196
Larrabee	Cherokee	138	30	49
Meridan	Cherokee	153	37	67
Oyens	Plymouth	126	7	18
Quimby	Cherokee	307	53	169
Washta	Cherokee	252	61	130
TOTAL GROUP		1,607	337	809

Sources: ESRI and Hoovers/D&B

The Postal Service has compared the revenues of each of the post offices with the cost of operating each post office. We have received information on the estimated annual savings for closing four of the post offices in Northwest Iowa: Ashton (\$25,974 in savings), Harris (\$32,747), Alvord (\$33,686) and Calumet (\$14,305). The closure of the four post offices would produce a total of \$106,712 in annual savings for the postal service. The total population of these four communities in 2010 was 1,111 and the savings per capita would be \$96.05. Applying the savings per capita for the total population of the nine communities that have their post office under consideration for closure, the total savings for closing the nine post offices is estimated to be \$154,352 (1,607 population X \$96.05/person).

Many rural residents and businesses do not support the closing of their local post office. To them, the local post office provides:

- A convenient location
- Affordable postage fees
- Universal, reliable mail service
- A familiar, non-threatening place for the unbanked to conduct financial transactions such as purchasing money orders

Residents of Ashton and Harris were surveyed as to their option of the alternative services that the Postal Service would provide after the closure of their post office. Over 200 people responded to the survey, and there was not strong support for the alternative services:

Opinion of Alternative Services from the U.S. Postal Service			
Community	Favorable	Unfavorable	No Opinion
Ashton	14	55	73
Harris	6	23	41
TOTAL	20	78	114
%	9.4%	36.8%	53.8%

Source: U.S. Postal Service

Less than 10% of the respondents had a favorable opinion of the alternative services that the Postal Service would provide. Over half the respondents had “No Opinion”, which could mean that they didn’t thoroughly understand the alternatives or wanted to take a wait-and-see approach.

In the final determination reports to close the post offices in Ashton, Calumet, and Harris, the Postal Service concludes, based on information they obtained in the course of the discontinuance studies, these communities will not be adversely affected. These discontinuance studies were not made available; however, the Postal Service’s responses to the following concerns expressed in questionnaires distributed in Ashton and Harris give insights into the scope of these discontinuance studies:

1. Concern (Ashton): Customers were concerned about business growth if the Post Office is discontinued in the community.

Response: Businesses generally required regular and effective postal service, and these will always be provided in the Ashton community. There is no indication that the business community will be adversely affected. Most new businesses moving to the community do not depend on the location of the post office, but on the provision of effective and regular Postal Service.
2. Concern (Harris): Customers were concerned about the loss of employment in the community.

Response: The postmaster position is vacant and there is no guarantee that any replacement postmaster would be from the community.

It appears the discontinuance studies focused on the operations of the post offices but did not adequately as-

sess the impact of the post office closures on the community. Based on our analysis, the closing of these post offices will significantly impact the residents and businesses in these communities in three areas:

- **Economic Impact**
- **Environmental Impact**
- **Social Impact**

Economic Impact

The closing of the post offices in Northwest Iowa will have a significant economic impact on the businesses and residents in these communities. These impacts range from costs to travel a greater distance to reach a post office to higher postal costs with other providers (such as FedEx and UPS) to lost productivity of workers as they have to drive further to reach the post office.

A. Travel to Another Post Office: It is estimated that when their post office is closed, businesses and residents will then have to drive an additional distance of an average of 7 miles each way to reach the closest post office. The cost to operate a vehicle (passenger car or pickup) is \$.555 per mile, which is the reimbursement rate established by the IRS for vehicle operation.

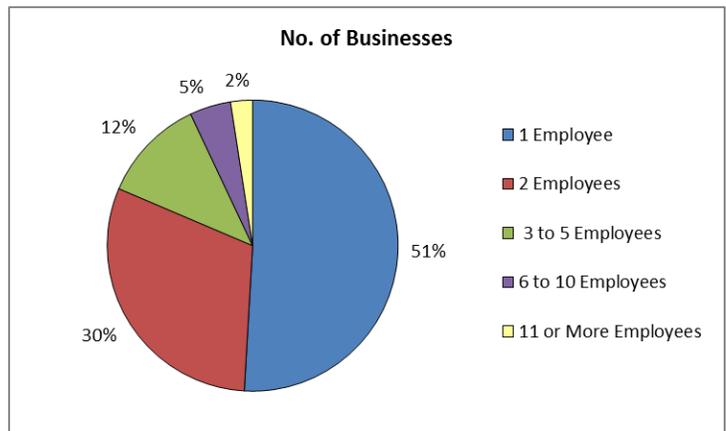
It is assumed that, on average, each of the 337 businesses in the region need to make one trip to the post office each week. This would result in businesses having to travel an additional 245,336 miles to reach the nearest post office (337 businesses X 14 miles per round trip). At \$.555 per mile for a total cost to operate a vehicle, this additional travel would result in **additional travel costs of \$136,161 per year to businesses in these nine communities.**

On average, it is estimated that each resident will travel to the nearest post office once every other month, which will result in an additional 134,988 miles driven to reach the nearest post office. Based on an operating cost of \$.555 per mile driven, **the additional cost for residents to reach the nearest post office would be \$74,918 per year.**

B. Lost Business Productivity

The vast majority of the businesses in these nine communities are very small businesses – half the businesses have only one employee and over 90% of the businesses have 5 or less employees.

If there is only one person in the businesses, which is half the companies in the nine communities, the business must close while that person drives to the post office.



Source: Hoovers/D&B

While a worker is driving a greater distance to the nearest post office, he/she will not be able to work. To drive the additional 14 miles for each trip to the post office at an average speed of 42 mph, which will mostly be on secondary rural (county) roads, the round trip to the post office will take an additional 40 minutes. The total additional driving time would be 11,682 hours (17,524 trips X 40 minutes/60 minutes). Assuming the worker earns \$14.00 per hour, which is approximately 7% below the mean wage for the four counties, **the productivity loss to drive the additional miles to the post office would be \$163,562** (11,682 hrs. X \$14.00/hr.).

C. Increase in Other Business Costs

Many of the 300+ business in these nine communities will see an increase in costs with the loss of the local post office. Besides the costs of driving a greater distance to a post office and lost productivity, business could incur additional costs as the result of the local post office closing:

- Higher cost of postal service for those companies that will decide to use FedEx and UPS instead of the U.S. Postal Service
- Cost of getting into electronic mail – computer, high-speed Internet, software, training, and support
- Loss of timely postal service such as a delay in receiving animal medications and other critical materials

Assuming these additional costs will average \$25/month per business, **the additional cost to business will amount to \$242,700 per year** (\$25/mo. X 12 months X 809 businesses).

D. Increase in Other Costs

With residents and workers traveling an additional 380,324 miles per year to reach the nearest post office, there is a safety issue. According to the Iowa Department of Transportation, there were 193 crashes on Iowa rural secondary (county) roads per 100 million miles driven from 2001 to 2009. Based on this information, it is estimated that there would be one accident per year due to the additional driving to the nearest post office. It is likely that this accident would not result in significant property damage, medical costs, lost work time, and other factors, so this cost is likely to be small. The additional mileage will produce additional wear-and-tear on the roads in Northwest Iowa, but this is not expected to produce a significant increase in road maintenance.

E. Lost Businesses and Jobs

As a result of the closing of a post office, other businesses that are located near the post office may close because people will no longer have a post office to go to in their community. Most businesses at risk will be retail stores, gas stations, and eating establishments. People that will now be traveling to a post office in another community may do their shopping in that community, which will mean a loss in revenues to businesses in the community where the old post office was located.

The following list contains 19 retail and food service businesses in seven of the nine Northwest Iowa communities that could see a loss in revenue as the result of a post office closure:

Community	Business
Archer	Sheryl's Soft Ice Cream Ye Ohl Coffee Shop Guys Nice Gifts Dee's Bird House
Calumet	Zubs Shop
Cleghorn	Ruschman Cleaners
Larrabee	Jim's Service A & J Corner Cafe
Meridan	Jill's House of Hair Whistle Stop
Quimby	Texaco Food Mart Quimby Inn Don's Upholstery Hair Flair
Washta	Cargo Express Washta Corporation Al's Service Bar H Sport Shop Sheryle's Clip & Curl

Source: Hoovers/D&B

These businesses employ over 40 workers and have revenues of nearly \$3 million. At this time, it is not possible to identify any specific company that is at risk of closure.

We estimate that between 1% and 5% of the jobs in these nine communities will be lost as the result of reduced revenues and/or increased costs. Assuming 2% of the jobs will be lost, this means that 16 jobs will be lost across these nine communities. It is anticipated that these jobs will have wages below the \$15+ hour average in these four counties, and we have estimated that these lost jobs will have paid \$12 per hour. This means that **total annual wages of the 16 workers that are expected to lose their jobs is \$399,360** (16 workers X \$12/hr. X 2,080 hours). To find employment, one or more of the displaced workers may relocate to another community.

Iowa workers earning \$12 per hour and having 1 dependent would receive \$283.64 per week in unemployment insurance. Assuming that these workers would be unemployed for 26 weeks, **the unemployment compensation for these displaced workers would be \$117,994** (16 workers X \$283.64/wk. X 26 weeks).

These displaced workers may be eligible for other government assistance programs such as Job Training, Food Stamps, Medicaid, Medicare, Social Security, Free and Reduced School Breakfasts and Lunches. The people that are displaced as a result of the post office closing may take employment in another community, which means increased driving that leads to higher transportation costs and increased vehicle emissions.

F. Loss in Tax Revenues

With a loss in revenues from the retail and food service establishments that are negatively impacted

by the loss of the post office, there will be a loss in the 1% local option sales tax revenues. We anticipate that this will not be a major loss of local tax revenues to any of these communities.

If businesses close due to revenue declines from lost business or an increase in postal costs, this could result in a loss in property tax revenues. However, it is anticipated that the decline in property tax revenues will not be significant, at least in the near-term.

G. Impact of Post Office Closure Costs

The positions in the post offices will be eliminated when the post offices are closed. Some, if not all, of these displaced post workers will no longer have a job. These workers will not have any wages until they find a new job, and their buying power will be greatly reduced until they find a new job. In the short-term, these workers can receive unemployment compensation to cover some of their expenses, but this compensation increases government costs. Some of these postal workers may find another job in the postal system. If the new position requires the worker to be relocated, then the community with the closed post office will lose their wages.

For the post office facilities that are leased from private individuals, the landlords may lose lease revenues until they can find new tenants. Since the demand for these type of facilities will likely be limited, many of these facilities may be vacant for a long time period.

H. Impact on Economic Development

The loss of the local post office is expected to have a significant economic impact on these nine communities. It will be a challenge to retain all the businesses in these communities due to higher costs and potential losses in revenues. Some businesses may look to relocate to a larger community that has a post office. Companies considering expansion may look to expand to another community that has a post office.

It will be extremely difficult, if not impossible, for the communities without a post office to attract a company to their community. **Without a post office, these nine communities will decline over time because they cannot grow existing businesses or attract new businesses. In addition, it will be a challenge for these communities to attract new residents.**

Environmental Impact

After the local post offices are closed, residents and workers will have to drive an estimated additional 380,324 miles per year to reach the nearest post office. The following chart shows the emissions that are expected to be generated by the additional miles driven based on emissions data:

Component	Emission Rate per Mile	Calculation	Total Annual Pollution Emitted
Hydrocarbon	2.80 grams	2.80g x 380,000 mi. x 1 lb./454g	2,344 lbs. of hydrocarbons
Carbon Monoxide	20.9 grams	20.9g x 380,000 mi. x 1lb./464g	171,163 lbs. of carbon monoxide
Oxides of Nitrogen	1.39 grams	1.39g x 380,000 x 1lb/454g	1,163 lbs. of oxides of nitrogen
Carbon Dioxide	0.916 pound	0.916lb. x 380,000 mi.	348,080 lbs.

Source: Environmental Protection Agency

While these pollution levels do not cause a major problem by themselves, they contribute to the overall pollution of the environment. However, if it is assumed that the other communities with post offices scheduled for closure experience similar increased emissions, then this additional driving to the post office would result in an increase of 74,000 tons of CO², which is equivalent to the emissions from nearly 13,000 cars traveling 12,500 miles per year.

Social Impact

In many rural communities, the post office serves almost as a community center where residents meet and notices are posted. The new strategies that will be implemented for rural postal delivery may not be adequate for all the elderly and disabled, and these people may find it a major inconvenience to use another post office.

In many communities that have a post office but not a bank, the post office offers money transfer services that are needed by some residents. Rural post offices also offer residents voter registration, absentee ballots, and passport applications. Last, but not least, a post office gives a community a positive image and is a sense of pride.

Summary

Based on estimated cost savings for closing four post offices in Northwest Iowa, it is estimated the Postal Service will save \$154,352 annually by closing nine existing post offices. Unfortunately, the closing of these post offices will increase the costs to businesses and residents in these communities for postal services. The following cost increases have been identified:

Travel to Another Post Office	
Businesses	\$136,161
Residents	\$74,918
Lost Business Productivity	\$163,562
Increase in Other Business Costs	\$242,700
Lost Jobs – Unemployment Benefits	<u>\$117,994</u>
Total	\$735,335

The initial overall net economic impact would be a -\$580,983 and the impact would drop to -\$462,989 annually after Unemployment Benefits have expired. Plus, there would be an estimated loss in wages of \$399,360 per year if the 16 workers, which are expected to be displaced, cannot find new employment. In addition to these costs, there might be additional government financial assistance and a reduction in local sales tax and property tax revenues.

To determine the net economic impact of the post office closure on each of the nine communities, the total cost savings for post office closure and the economic impact were allocated based on population except for Calumet, where the Postal Service estimate of the cost savings is utilized.

The following shows the estimated net economic impact by community:

Post Office	Population	Cost Savings of Post Office Closure	Economic Impact of Closure	Estimated Net Impact
Archer	122	\$11,840	(\$46,867)	(\$35,027)
Brunsville	138	\$13,393	(\$53,014)	(\$39,620)
Calumet	164	\$14,305	(\$63,002)	(\$48,697)
Cleghorn	207	\$20,090	(\$79,521)	(\$59,431)
Larrabee	138	\$13,393	(\$53,014)	(\$39,621)
Meridan	153	\$14,849	(\$58,776)	(\$43,927)
Oyens	126	\$12,229	(\$48,404)	(\$36,175)
Quimby	307	\$29,795	(\$117,936)	(\$88,141)
Washta	252	\$24,457	(\$96,808)	(\$72,351)
TOTAL	1,607	\$154,352	(\$617,341)	(\$462,989)

Driving a greater distance to the post office will produce additional pollution that will be emitted into our environment. The disabled and elderly may face challenges with the proposed new rural delivery service and the additional travel to the nearest post office. With the closure of the post offices the residents in these rural communities in Northwest Iowa will lose their informal community center and the image of the community will be tarnished. **Finally, economic development will essentially come to a halt because many businesses need postal service in close proximity.**

As stated previously, the Postal Service has decided to close in May the post offices in Alvord and Harris. The Postal Service has provided cost savings estimates for both locations and estimates of the economic impact of the closure of these two post offices can be made by using the estimated cost savings per person of the nine post offices that are proposed for closure. The following exhibit shows **the net economic impact of closing the Alvord and Harris post offices to be an estimated -\$69,176.**

Post Office	Population	Cost Savings of Post Office Closure	Economic Impact of Closure	Net Impact
Alvord	173	\$33,686	(\$66,460)	(\$32,774)
Harris	180	\$32,747	(\$69,149)	(\$36,402)
TOTAL	353	\$66,433	(\$135,609)	(\$69,176)

Employment in Alvord and Harris is 317, and assuming that 2% of the workers lose their jobs due to the post office closure, then **6 workers in Alvord and Harris will be displaced. The unemployment compensation for these 6 workers will be \$44,248 and the annual lost wages will be an estimated \$149,760.**

Besides these estimates if the economic impact of the closure of the 11 post offices, other potential negative economic impacts on the local communities include:

- Decrease in local sales tax and property tax revenues
- Decrease in wages of post workers that are displaced
- Decrease in lease revenues for the post office facilities that are vacated
- Increased driving to reach another post office may result in one or more accidents, which could result in property damage, increased medical costs, and lost work time, and increased wear-and-tear on the rural

roads that will require additional road maintenance

Without a post office, these 11 communities will be at a significant disadvantage in economic development. Local businesses may not grow and some may decide to relocate. Attracting businesses to a community without a post office will be practically impossible.

Conclusions

The money saved by the Postal Service in closing the nine additional post offices in Northwest Iowa will be far less than the additional costs that will be placed on the businesses and residents in those communities, and these communities will likely decline in the number of businesses and residents. In addition, the closure of the Alvord and Harris post offices will have a significant negative economic impact on these communities and they will also likely decline. Therefore, the nine post offices should not be closed and the closure decision for Alvord and Harris should be reconsidered.

Background on Smart Solutions Group

Smart Solutions Group is an economic development consulting firm that has provided effective, practical solutions to over 350 organizations. Our professionals are experienced economic development professionals that have directed local, regional, and state economic development organizations. We approach our assignments from a business perspective, and we offer a wide range of services to meet the needs of our clients. For more information on this economic impact study or to learn more about Smart Solutions Group, contact Ed Andrews at 319.936.0098 or ed@smartsolutionsgroup.net.