

[By Ron Nixon and John H. Cushman Jr.](#)

The United States Postal Service said Wednesday that it would keep hundreds of small post offices open by reducing business hours or offering stamps and packaging in grocery stores, whittling down its ambitious plan to streamline its services and balance its books by closing thousands of post offices.

Giving Congress more time to pass legislation to overhaul the financially struggling agency, the service held back from the wholesale closings of mostly rural post offices that it had proposed last year. The Postal Service's hope is that Congress, given more time, will come up with a plan to overhaul the agency. But Wednesday's action signals that the Postal Service needs to move forward with staffing cuts.

Patrick R. Donahoe, the postmaster general, said the latest plan would take two years to put into effect and would save about \$500 million a year. That would not be nearly enough to fill its multibillion-dollar shortfalls, but it addresses objections from dozens of small communities where post offices were targeted for closing.

"The plan today will ensure rural communities will be served by the Postal Service," Mr. Donahoe said. "It balances reducing cost with the need to serve rural America."

The agency had originally targeted rural post offices because they are expensive to run and generate little revenue. Some of the smallest rural post offices earned an average of \$15,000 annually, but cost \$114,000 to operate, the Postal Service said.

Aside from reducing hours, the Postal Service said it would also explore merging offices that are close to one another or contracting for delivery directly to homes and businesses. About 13,000 rural post offices would be affected by the plan. An additional 400 post offices that were scheduled to be closed will also be given options to keep services in one form or another.

The Postal Service's plan, pending approval from the Postal Regulatory Commission, would go into effect after Labor Day and be completed by fall 2014.

Last year, the Postal Service warned Congress that unless legislation was passed to overhaul its finances, it would have to start far-reaching cuts in service and its work force or face a possible default. The agency had proposed closing 3,700 post offices and 250 mail processing centers. It has also proposed eliminating Saturday delivery.

Wednesday's announcement delayed some of those plans. The agency still wants to end Saturday delivery, and it said it would announce the fate of hundreds of processing centers next week.

Mayor Donald Hobbs of Lohrville, Iowa, a town of 368 people, whose post office was targeted for closing, praised the Postal Service's new stance.

"It seems like the Postal Service opened its ears to what we have been saying," Mr. Hobbs said. "There is a need for post offices in our communities."

Rural lawmakers, who represent states that would have been hard hit by the closings, also said they were generally pleased with the Postal Service's latest plans.

"It gives us breathing room," said Representative Peter Welch, Democrat of Vermont. "Congress still needs to act, but we won't have this looming May deadline looming over us."

Other legislators said the proposal did not go far enough.

Senator Thomas R. Carper, Democrat of Delaware and a co-sponsor of a bill that would overhaul the Postal Service, said that he was glad the proposal gives small towns more of a say, but that it was not far-reaching enough to solve the agency's problems.

"Stopgap, piecemeal measures like the proposal offered today only address a small part of the problem and will not keep the Postal Service from an imminent collapse," he said.

Representative Darrell Issa, Republican of California, who is chairman of the House Oversight and Government Reform Committee, issued a statement promoting his proposal to save money mostly by consolidating post offices in more populated areas rather than the tiniest rural offices.

"The smallest 10,000 post offices collectively cost U.S.P.S. less than \$600 million to operate each year," he said. "That is less than one-eighth of the \$5 billion U.S.P.S. spends each year to operate its network of 32,000 post offices. To achieve real savings creating long-term solvency, the Postal Service needs to focus on consolidation in more populated areas where the greatest opportunities for cost reduction exist."

Daily losses of \$36 million have been piling up like last week's junk mail, and the Postal Service is headed for projected losses of about \$21 billion a year by 2016. Visits to the post office have dropped 27 percent since 2005, according to the agency.

The Senate recently passed legislation that would refund the agency \$11 billion it overpaid into one of its pension funds and allow the agency to enter new lines of business like delivering beer and wine, while prohibiting the service from unilaterally closing post offices and laying off workers. The Senate bill would also allow the Postal Service to end Saturday delivery after two years if it had not found ways to increase revenue.

The Postal Service said the Senate bill did not go far enough to give the agency the latitude it needs to close offices and cut its work force.

Legislation pending in the House would create a commission that would recommend postal facility closings and consolidations. The House bill would also allow Saturday delivery to end.

If the agency fails to achieve significant cost savings within two years, the House bill would

create an independent control board that would then step in to put in place more drastic cuts, overriding union contracts and ordering layoffs if necessary.