

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Permanent Addition of USPS Connect  
Local Mail Price Category to the Market  
Dominant Product List

Docket No. MC2023-12

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued December 16, 2022)

To clarify the basis of the United States Postal Service Revised Request to Convert USPS Connect Local Mail to a Permanent Offering, filed November 9, 2022,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than December 23, 2022.

1. Please refer to the Postmaster General's statement from the National Postal Forum in which he describes planned changes to the Postal Service's sorting, processing, and delivery network.<sup>2</sup> Specifically, he states that the Postal Service "will be aggregating much of our carrier base into Sort and Delivery Centers." See Keynote Address. He further states that the Postal Service "will place large carrier operations inside [its] mail processing plants, dramatically reducing

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<sup>1</sup> United States Postal Service Revised Request to Convert USPS Connect Local Mail to a Permanent Offering, November 9, 2022 (Revised Request).

<sup>2</sup> See Video and Transcript of Postmaster General Louis DeJoy's Keynote Address During the 2022 National Postal Forum, United States Postal Service (May 18, 2022), <https://about.usps.com/newsroom/national-releases/2022/0518-video-and-transcript-of-pmg-louis-dejoys-keynote-address-during-2022-national-postal-forum.htm> (Keynote Address); see also U.S. Postal Serv., Sorting and Delivery Center (July 29, 2022), available at [https://www.unitedpma.org/docs/default-source/default-document-library/resources/sdc---dpmg-management-association-update\\_07.29.2022.pdf?Status=Master&sfvrsn=8c57688d\\_3/%20SDC---DPMG-Management-Association-Update\\_07.29.2022%20.pdf](https://www.unitedpma.org/docs/default-source/default-document-library/resources/sdc---dpmg-management-association-update_07.29.2022.pdf?Status=Master&sfvrsn=8c57688d_3/%20SDC---DPMG-Management-Association-Update_07.29.2022%20.pdf).

transportation, reducing mail handlings, increasing reliability, and decreasing time to delivery.” *Id.*

- a. Please confirm that implementing this plan would involve moving carrier delivery operations from post offices to these new Sort and Delivery Centers. If not confirmed, please explain.
  - b. Please also confirm that these Sort and Delivery Centers would be classified as Destination Delivery Units (DDUs). If not confirmed, please explain.
  - c. Please describe in detail how implementing this plan would affect the existing entry of USPS Connect Local Mail. In the response, specifically address whether (and if so, how) implementing this plan would result in moving or removing some of the existing designated entry units (or other equivalent facilities) at which a customer may enter USPS Connect Local Mail as well as whether (and if so, how) implementing this plan would result in changes to existing entry via carrier pick-up in line-of-travel.
  - d. Please describe in detail how implementing this plan would affect the existing specified service area for which next day or same day delivery would be available to mailers of USPS Connect Local Mail.
  - e. Please describe in detail any other impacts, which were not described in response to subparts c. or d. of this question, of Sort and Delivery Centers on the operations of USPS Connect Local Mail.
  - f. Please describe in detail any other impacts, which were not described in response to subparts c. or d. of this question, of Sort and Delivery centers on the customer experience for USPS Connect Local Mail.
2. With respect to its proposed flat-rate price of \$2.95 during the market test, the Postal Service stated “the data collected in this test will eventually inform

permanent pricing.”<sup>3</sup> The Postal Service states that it intends to “add USPS Connect™ Local Mail to the Flats product of the First-Class Mail class in the Market Dominant section of the Mail Classification Schedule, with a price point of \$2.95 for a flat- or letter-sized mailpiece....” See Revised Request at 4.

- a. Please provide the calculations, data sources, assumptions, model, and reasoning underlying the proposed price point of \$2.95.
- b. Please confirm that the Postal Service completed market research and/or testing with alternative prices to establish \$2.95 as the optimal price point for USPS Connect Local Mail. If not confirmed, please explain why not.
- c. In response to Chairman’s Information Request No. 1, the Postal Service explained that estimated costs for USPS Connect Local Mail have increased since initiating Docket No. MT2022-1.<sup>4</sup> The proposed price of USPS Connect Local Mail, however, has remained constant.<sup>5</sup> Please describe in detail the reasoning behind keeping the price constant while attributable costs have increased.
- d. To the extent not already addressed in response to subparts a. through c. of this question, please provide a narrative explanation regarding any other way in which the data from the market test informed the Postal Service’s selection of \$2.95 as the proposed price for the initial permanent offering of USPS Connect Local Mail.

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<sup>3</sup> Docket No. MT2022-1, Response of the United States Postal Service to Chairman’s Information Request No. 1, December 8, 2021, question 5.

<sup>4</sup> See Response of the United States Postal Service to Chairman’s Information Request No. 1, December 5, 2022, question 1 (Response to CHIR No. 1); see *also* Notice of United States Postal Service Filing of Errata, December 6, 2022 (correcting references to the Postal Service’s non-public annex).

<sup>5</sup> See Docket No. MT2022-1, United States Postal Service Notice of Market Test of Experimental Product – USPS Connect Local Mail, November 10, 2021, at 2; Revised Request at 4.

3. Please provide the number of USPS Connect Local Mail pieces sold, by weight, for each quarter since the beginning of the USPS Connect Local Mail market test.
4. Please identify the weight for which an item could be sent by a user more cheaply by USPS Connect Local Mail than by the existing offerings of First-Class Mail Flats, Priority Mail, and Priority Mail Express (the “set price point”).
5. Please also provide, for First-Class Mail Flats, Priority Mail, and Priority Mail Express, the number of pieces and the percentage of total FY 2021 volume sent for each offering that exceeded the set price point of USPS Connect Local Mail of \$2.95.
6. The Postal Service states that, for a piece to be eligible to be sent as USPS Connect Local Mail, it “must be deposited at the facility that also serves as the delivery unit.”<sup>6</sup> Using the percentage of volume above the set price point provided in response to question 5., please identify the percentage of that volume, for First-Class Mail Flats, Priority Mail, and Priority Mail Express, that was deposited at the facility that also serves as the delivery unit.
7. Does the Postal Service expect that mailpieces may be diverted from the existing First-Class Mail Flats, Priority Mail, and Priority Mail Express offerings towards USPS Connect Local Mail, particularly for Single-Piece Flats and Priority Mail Flats mailpieces that would previously have shipped for more than \$2.95?
  - a. If so, please:
    - i. Identify the projected volume diversion from the existing First-Class Mail Flats offering, Priority Mail, and Priority Mail Express, respectively, and explain the basis of the calculation.

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<sup>6</sup> Docket No. MT2022-1, Response of the United States Postal Service to Commission Information Request No. 1, November 30, 2021, question 1.c.

- ii. Identify the projected impact on revenue and contribution of all affected categories and the First-Class Mail Flats, Priority Mail, and Priority Mail Express products overall.
  - b. If not, please explain.
- 8. The Postal Service states that it “paid invoices from an envelope vendor for USPS Connect Local Mail invoices of \$313,008.89 for USPS Connect Local Mail envelopes” and that “[t]he \$0.14 per envelope cost was then applied to the \$313,008.89 in earlier invoices to get the total volume estimate of 2,250,000.” Response to CHIR No.1, question 1.b.i.
  - a. Please describe in detail the manner in which \$0.14 was “applied” to \$313,008.89 to obtain the total volume estimate of 2,250,000, including the rationale for any adjustments.
  - b. The Postal Service states that “[i]n June 2022, the Postal Service ordered an additional 60,000 envelopes for a large customer.” *Id.* Please confirm that the 2,250,000 total volume estimate included these 60,000 envelopes. If confirmed, please explain how they were included (in whole or in part). If not confirmed, please explain why they were excluded (in whole or in part).
- 9. Please refer to Response to CHIR No. 1, question 3, in which the Postal Service discusses the projected “growth curve” for USPS Connect Local Mail.
  - a. Please confirm that the Postal Service controlled for the effects of providing USPS Connect Local Mail at an increased number of sites over time. If confirmed, please explain how the Postal Service controlled for such effects. If not confirmed, please explain why the Postal Service did not control for such effects.
  - b. Please refer to Excel file “ChIR 1, Q3 – CLM Forecast Model.xlsx,” tab “Assumptions and Estimates,” cells C29 and D29.



how many locations within each state USPS Connect Local Mail is available by quarter.

- b. Please confirm that the amounts represented as the total volume and total revenue in the USPS Connect Local Mail by State Table for Quarter 3 (308 and \$908.60, respectively) includes volume and revenue for all states which had access to USPS Connect Local Mail in that quarter. *Id.* If not confirmed, please explain.
  - c. Please confirm that the amounts represented as the total volume and total revenue in the USPS Connect Local Mail by State Table for Quarter 4 (17,262 and \$50,922.90, respectively) includes volume and revenue for all states which had access to USPS Connect Local Mail in that quarter. *Id.* If not confirmed, please explain.
  - d. Please refer to the losses in volume between Q3 and Q4 for California, Maryland, and New Jersey represented in the USPS Connect Local Mail by State Table. *See id.* Please describe in detail any efforts that the Postal Service undertook to identify and alleviate the causes for these losses in value.
11. Please refer to Response to CHIR No. 1, question 6, in which the Postal Service provides a table representing the number of unique Click-N-Ship customers that utilized USPS Connect Local Mail, by quarter.
- a. Please provide a similar table identifying the number of unique customers that utilized USPS Connect Local Mail with the Postal Service's application programming interface (API), by quarter. If there are multiple APIs please so state and identify users by each API.
  - b. Please confirm that the reason the number of unique users using Click-N-Ship decreased between Quarter 4 of 2022 and Quarter 1 of 2023 is because 30 users shifted over to the Postal Service's API. *See id.* If not

confirmed, please explain, indicating whether any attempt was made to find out why these customers stopped utilizing the offering.

12. In Docket No. MT2022-1, the Postal Service stated that “[i]f the market test is successful, the Postal Service would consider broadening payment options and evaluating the need for a retail acceptance option (*i.e.*, an option to let customers tender USPS Connect Local Mail items at the retail counter in post offices).”<sup>7</sup> In its Revised Request, the Postal Service confirms that it considers the market test “successful.” Revised Request at 2.
  - a. Does the Postal Service plan to broaden payment options beyond Click-N-Ship and the USPS API?
    - i. If so, please describe in detail such plans and the timeframe for initiating and implementing broader payment options.
    - ii. If not, please explain in detail why not.
  - b. Did the Postal Service evaluate the need for a retail acceptance option for USPS Connect Local Mail?
    - i. If so, please describe in detail the findings of the evaluation.
    - ii. If not, please explain in detail why no evaluation has been undertaken and the Postal Service’s timeframe to initiate and complete such evaluation. If it is the Postal Service’s position that no evaluation should be undertaken, please explain in detail why not.

By the Chairman.

Michael Kubayanda

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<sup>7</sup> Docket No. MT2022-1, Response of the United States Postal Service to Chairman’s Information Request No. 2, December 14, 2021, question 4.c.