



POSTAL REGULATORY COMMISSION

[Docket No. MT2022-1; Order No. 6758]

Market Test of Experimental Product

AGENCY: Postal Regulatory Commission.

ACTION: Notice.

SUMMARY: The Commission is recognizing a recently filed Postal Service request to extend the duration of USPS Connect Local Mail market test. This notice informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* November 16, 2023.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <https://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

Table of Contents

- I. Introduction
- II. Background
- III. Notice of Filing
- IV. Ordering Paragraphs

I. Introduction

On January 4, 2022, the Commission authorized the Postal Service to proceed with a 2-year market test of an experimental product called USPS

Connect Local Mail.¹ The market test began on January 9, 2022 and is scheduled to expire on January 8, 2024 unless extended or canceled. Order No. 6080 at 20. USPS Connect Local Mail offers an alternative to long-distance end-to-end mailing that business mailers may use to send documents locally with regular frequency. *Id.* at 2. USPS Connect Local Mail provides same-day or next-day delivery, 6 days per week, with customers receiving same-day or next-day delivery based on when they enter their mail. *Id.* On October 24, 2023, the Postal Service filed a request pursuant to 39 U.S.C. 3641 and 39 CFR 3045.11 to extend the duration of the USPS Connect Local Mail market test until January 9, 2025, an additional 12 months.²

II. Background

Before filing the Request, the Postal Service filed two requests to convert USPS Connect Local Mail to a permanent offering that were both dismissed without prejudice. On October 11, 2022, the Postal Service filed its initial request, which the Commission considered in Docket No. MC2023-12.³ The Commission dismissed the Initial Request without prejudice because it did not “contain the information required by law and necessary for the Commission to determine the appropriateness of converting USPS Connect Local Mail to a permanent product offering... .”⁴ It provided the Postal Service the opportunity to refile a compliant request, which the Postal Service submitted on November 9,

¹ Order Authorizing Market Test of Experimental Product – USPS Connect Local Mail, January 4, 2022 (Order No. 6080).

² United States Postal Service Request for Extension of Market Test, October 24, 2023, at 1 (Request).

³ Docket No. MC2023-12, United States Postal Service Request to Convert USPS Connect Local Mail to a Permanent Offering, October 11, 2022 (Initial Request).

⁴ Docket No. MC2023-12, Order Dismissing Without Prejudice Postal Service’s Request to Convert USPS Connect Local Mail Market Test to a Permanent Offering, October 17, 2022, at 5-6 (Order No. 6301).

2022.⁵ After reviewing the record and considering comments received, the Commission dismissed the Revised Request without prejudice because the Postal Service did not adequately address significant issues regarding potential unfair competition under 39 U.S.C. 404a.⁶ In Order No. 6423, the Commission stated that it expects a future request to convert USPS Connect Local Mail to a permanent product offering to address four topics regarding sufficient data, financial stability, pricing, and impact of new sorting and delivery centers on customer demand. Order No. 6423 at 12-15.

In its Request for extension, the Postal Service explains that extending the market test for another year would allow it to address the topics identified in Order No. 6423. Request at 3. It seeks a 12-month extension of the USPS Connect Local Mail market test, which if approved would set a new expiration date of January 9, 2025. *Id.* at 1. It asserts that the Request meets the criteria for granting an extension under 39 U.S.C. 3641(d)(2) and 39 CFR 3045.11. *Id.* at 3.

39 U.S.C. 3641(d)(2) allows a market test to be extended “[i]f necessary in order to determine the feasibility or desirability of a product being tested” in a market test. 39 U.S.C. 3641(d)(2). The Commission’s rules require the Postal Service to provide certain information in a request for extension. First, it must “[e]xplain why an extension is necessary to determine the feasibility or desirability of the experimental product” USPS Connect Local Mail. 39 CFR 3045.11(b)(1). The Postal Service asserts that it “needs additional time to determine the viability

⁵ Docket No. MC2023-12, United States Postal Service Revised Request to Convert USPS Connect Local Mail to a Permanent Offering, November 9, 2022 (Revised Request).

⁶ Docket No. MC2023-12, Order Dismissing Without Prejudice the Postal Service's Revised Request to Convert USPS Connect Local Mail Market Test to a Permanent Offering, January 20, 2023, at 3 (Order No. 6423).

of USPS Connect Local Mail as a standalone offering and develop further strategies to ensure its success.” Request at 3. Specifically, it states that an extension would allow it to better understand customer usage and any related obstacles. *Id.* at 4. It observes that an extension would provide a meaningful opportunity to evaluate USPS Connect Local Mail’s viability in the context of the redesigned network, which was a concern raised in Order No. 6423.⁷

Second, a request for extension must list the new end date of the market test. 39 CFR 3045.11(b)(2). In the Request, the Postal Service identifies a new market test termination date of January 9, 2025. Request at 5. Third, a request for extension must “[c]alculate the total revenue received by the Postal Service from the market test for each fiscal year the market test has been in operation and provide supporting documentation for the calculations[.]” 39 CFR 3045.11(b)(3). The Postal Service provides revenue and volume of mailpieces for each fiscal quarter the market test has been operating and attaches quarterly reports supporting these calculations. Request at 6.

Fourth, the request for extension must “[e]stimate the additional revenue that is anticipated by the Postal Service for each fiscal year remaining on the market test, including the requested extension period, and provide available supporting documentation[.]” 39 CFR 3045.11(b)(4). The Postal Service asserts that based on the quarterly reports, it reasonably anticipates continued volume of approximately 100 pieces per month, which would amount to estimated additional revenue of approximately \$4,000 through December 2024 assuming that volume remains steady during the extension. Request at 6-7.

⁷ *Id.* at 5; see Order No. 6423 at 14.

Fifth, the request for extension must include “any additional information necessary for the Commission to evaluate the continued consistency with the requirements of 39 U.S.C. 3641.” 39 CFR 3045.11(b)(5). The Postal Service explains that it has considered some of the Commission’s concerns in Order No. 6423 and “is currently exploring additional options beyond Click-N-Ship and the Postal Service API that would enable third-party payment providers to sell USPS Connect Local Mail through their existing evidencing systems while still maintaining the desired end-user experience.” Request at 7-8. It also explains that after considering price alternatives, the current price for USPS Connect Local Mail is appropriate. *Id.* at 8.

III. Notice of Filing

The Commission will continue to consider matters raised by the Postal Service’s Request in Docket No. MT2022-1. The Commission invites comments on whether the Request complies with applicable statutory and regulatory requirements, including 39 U.S.C. 3641, 39 CFR part 3045, and Order No. 6080. Comments are due by November 16, 2023. The public portions of filings in this docket can be accessed via the Commission’s website (<http://www.prc.gov>).

39 U.S.C. 505 requires the Commission to designate an officer of the Commission to represent the interests of the general public in all public proceedings (Public Representative). The Commission previously appointed Mallory L. Smith to serve as the Public Representative in this proceeding. She remains appointed to serve as the Public Representative.

VI. Ordering Paragraphs

It is ordered:

1. The Commission invites comments on the United States Postal Service Request for Extension of Market Test, filed on October 24, 2023.

2. Pursuant to 39 U.S.C. 505, Mallory L. Smith remains appointed to serve as the Public Representative in this proceeding.
3. Comments are due by November 16, 2023.
4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Erica A. Barker,

Secretary.

[FR Doc. 2023-24010 Filed: 10/30/2023 8:45 am; Publication Date: 10/31/2023]