

POSTAL SERVICE**39 CFR Part 111****Experimental Nonletter-Size Business Reply Mail Categories and Fees; Implementation Standards**

AGENCY: Postal Service.

ACTION: Final rule.

SUMMARY: This final rule sets forth the Domestic Mail Manual (DMM) standards adopted by the Postal Service to implement the Decision of the Governors of the United States Postal Service on the Recommended Decision of the Postal Rate Commission on the Experimental Nonletter-Size Business Reply Mail Categories and Fees, Docket No. MC97-1.

Over a 2-year period, the Postal Service plans to study the effect of these experimental business reply mail (BRM) categories and fees as related to a controlled number of recipients of nonletter-size BRM. The nonletter-size BRM pieces in the experiment are expected to contain nonhazardous products that are typically received by firms such as medical diagnostic and pharmaceutical companies, medical supply houses, film processing companies, market research companies, and greeting card companies.

EFFECTIVE DATE: June 8, 1997.

FOR FURTHER INFORMATION CONTACT: Neil Berger, (202) 268-2859, or Michael T. Tidwell, (202) 268-2998.

SUPPLEMENTARY INFORMATION:

The Postal Service will review applications and select as many as 20 mailers to participate in the experiment. It is hoped that the BRM received by the participants will represent a diverse range of products returned by BRM. The limitation on the number of participants reflects a balance between the need to conduct an experiment that can be managed effectively with the need to collect sufficient data to ensure meaningful results.

Selection of experiment participants depends on various criteria such as mail volume, product type and packaging, geographic location, ability to implement and maintain quality control procedures for accounting and documentation, and availability of postal resources. A prospective participant should be able to participate for at least 1 year and, if selected, begin within a short period of time. Only two methods of counting the returned nonletter-size BRM pieces will be tested as part of this experiment: reverse manifesting and weight averaging.

As part of this 2-year study, participants will be charged lower per piece BRM fees for qualifying pieces as follows:

- For participants using the weight averaging method, the per piece fee is 3 cents plus the appropriate First-Class Mail (or Priority Mail) postage.
- For participants using the reverse manifesting method, the per piece fee is 2 cents plus the appropriate First-Class Mail (or Priority Mail) postage.

Participants must pay an annual business reply mail permit fee and an annual business reply mail advance deposit accounting fee, which are currently \$85 and \$205, respectively. A one-time set-up/qualification fee of \$1,000 will be charged to participants using the reverse manifesting method. A one-time set-up/qualification fee of \$3,000 will be charged to participants using the weight averaging method. In addition, there will be a monthly audit and maintenance fee of \$1,000 for participants using the reverse manifesting method and a monthly fee of \$3,000 for participants using the weight averaging method.

Background

On December 13, 1996, pursuant to its authority under 39 U.S.C. 3621, *et seq.*, the Postal Service filed with the Postal Rate Commission (PRC) a Request for a Recommended Decision on experimental classifications and fees for specific types of nonletter-size business reply mail. The PRC designated the filing as Docket No. MC97-1 and published a notice of the filing, with a description of the Postal Service's proposals, on December 24, 1996, in the **Federal Register** (61 FR 67860-67862).

The Postal Service's Request to the PRC proposed that the Postal Service be permitted to establish new classifications and fees for nonletter-size business reply mail (BRM) on an experimental basis. The Postal Service proposed that these experimental BRM categories be put into effect for 2 years to provide sufficient time to determine the costs associated with the categories and the feasibility of implementing the experimental BRM categories on a permanent basis.

Manual BRM Verification Method

The manual counting, weighing, rating, and billing for incoming nonletter-size BRM at delivery post offices is a labor-intensive and time-consuming task usually performed by postage due unit employees. These postal employees must weigh and rate each piece and calculate the appropriate postage and fees.

This manual process frequently takes place during a short period between the arrival of the BRM at the postage due unit and the arrival of the BRM recipient at the post office to pick up the mail. Depending on mail volume, the necessary accounting sometimes delays the release and delivery of the mail. Such delays can adversely affect the recipient's ability to meet customer fulfillments expeditiously.

Alternative Verification Methods

Some BRM recipients of large volumes of incoming nonmachinable BRM and local postal officials have developed alternative accounting methods that allow the recipients to take custody of their incoming mail sooner than mail manually weighed and rated on a piece-by-piece basis by the Postal Service.

In some situations, these methods also make it less expensive for the Postal Service to determine the postage and fees. Two alternative accounting procedures, known as reverse manifesting and weight averaging, have been used for these purposes.

As a rule, these alternative methods reduce postal workhours, provide more expeditious accounting, allow for earlier delivery of BRM pieces, and increase recipient satisfaction with BRM service. The experience of the Postal Service with these two methods has been limited.

Review of these two methods has shown that the Postal Service should not permanently extend them to other BRM recipients until suitable and uniform standards are developed and the associated Postal Service costs are more fully documented.

Experimental Use of Alternative Methods

On an experimental basis, the Postal Service proposed using these two alternative accounting procedures for processing large volumes of incoming nonletter-size BRM that, in contrast to letter-size BRM handled through the Business Reply Mail Accounting System (BRMAS), cannot be distributed on automated mail processing equipment.

In consideration of these cost-saving accounting methods, the Postal Service proposed an experimental 2-cent per piece fee, in addition to the appropriate postage, for nonletter-size pieces using the reverse manifesting method and an experimental 3-cent per piece fee, in addition to the appropriate postage, for nonletter-size pieces using the weight averaging method.

The Postal Service expects that establishing either method for a BRM permit account requires periodic

sampling, auditing, and monitoring of the permit holder's operations. As a consequence, this added administrative overhead will generate extraordinary postal costs beyond the current \$85 annual BRM permit fee and \$205 annual BRM advance deposit accounting fee.

To recover these extraordinary costs, the Postal Service has adopted the following additional experimental fees:

- A one-time set-up/qualification fee of either \$1,000 for the reverse manifesting method or \$3,000 for the weight averaging method.
- A \$1,000 monthly maintenance fee for accounts using the reverse manifesting method and \$3,000 for accounts using the weight averaging method.

Data Collection and Analysis

This experiment should give the Postal Service an opportunity to develop sampling, accounting, auditing, and monitoring procedures that meet acceptable standards of revenue protection. At the same time, the experiment should help the Postal Service determine the type of requirements that mailers must meet for their nonletter-size BRM to be accounted for using these alternative methods.

The experiment will permit the Postal Service to evaluate more precisely the costs of the reverse manifesting and weight averaging methods. This evaluation can be achieved with the collection of data that represents a cross-section of recipients of nonletter-size BRM. These data will help the Postal Service assess the market for and potential financial impact of any permanent classification change.

The Postal Service plans to select no more than 20 applicants to participate in the experiment, with as many as 10 selected applicants using reverse manifesting, and up to 10 applicants using weight averaging. The experiment has been authorized for a 2-year duration. The objectives of the experiment are as follows:

- To collect sufficient data for analyzing operational procedures, associated costs, and market research.
- To gauge and compare the costs and benefits of the two alternative methods: reverse manifesting and weight averaging.

Selection Process for Participants

A mailer who wants to participate in the nonletter-size BRM experiment must submit a written request to: Manager, Classification and Product Development, Postal Service Headquarters, 475 L'Enfant Plaza SW,

Room 6630, Washington, DC 20260-2453. The request must include sufficient data to assist in making an initial determination.

Consideration is given to product type, geographic location, variability in the weight and daily volume of BRM, current accounting and quality control procedures, and availability of postal resources. In selecting participants, the manager of Classification and Product Development also uses the following criteria:

- The applicant must receive at one site a yearly average of several hundred thousand nonletter-size BRM pieces eligible for the current \$0.10 per piece fee.
- The applicant must be able to participate in the experiment for at least 1 year.
- The applicant must be prepared to begin operation at a mutually agreed-upon time after selection.

If the manager of Classification and Product Development determines that the applicant is suitable for participation, the applicant is instructed to follow the appropriate application procedures for authorization as described in Domestic Mail Manual G092 and published in this final rule. If the manager of Classification and Product Development determines that the applicant is not suitable, that manager sends the applicant a written notice explaining the reasons for the determination and, if appropriate, requests additional information for further review.

Decisions of the manager of Classification and Product Development may be appealed to the BRM Experiment Review Board, Postal Service Headquarters, 475 L'Enfant Plaza SW, Room 6630, Washington DC 20260-2453. Appeals must include sufficient information to assist the Review Board in reconsideration of initial determinations. Decisions of the Review Board are final.

Implementation

Pursuant to 39 U.S.C. 3624, the PRC on April 2, 1997, issued to the Governors of the Postal Service its Recommended Decision on the Postal Service's Request. The PRC recommendation followed the mail classification structure and fees requested by the Postal Service.

After reviewing the PRC's Recommended Decision and its consequences for the Postal Service and postal customers, the Governors, pursuant to 39 U.S.C. 3625, acted on the PRC's recommendations on May 6, 1997. Decision of the Governors of the

United States Postal Service on the Recommended Decision of the Postal Rate Commission on the Experimental Nonletter-Size Business Reply Mail Categories and Fees, Docket No. MC97-1.

The Governors determined to approve the PRC's recommendations, and the Board of Governors set an implementation date of June 8, 1997, for those fee and classification changes to take effect. A notice announcing the Governors' Decision and the final Domestic Mail Classification Schedule and Rate Schedule changes is published elsewhere in this issue of the **Federal Register**.

This final rule contains the DMM standards adopted by the Postal Service to implement the Governors' decision. The final rule reflects the criteria presented by the Postal Service in its pleadings before the PRC.

As described above, the Postal Service is limiting these experimental rate categories to those pieces of nonletter-size business reply mail that are outside the parameters of current automation-compatible letter-size business reply mail. As a consequence, the final rule excludes letter-size pieces prepared for a discount under the Business Reply Mail Accounting System (BRMAS).

Because of the limited scope of this experiment, the Postal Service finds no need to solicit comment on the standards for nonletter-size BRM or to delay implementation of this experiment, pending their evaluation.

List of Subjects in 39 CFR Part 111

Postal Service.

For the reasons discussed above, the Postal Service hereby adopts the following amendments to the Domestic Mail Manual, which is incorporated by reference in the Code of Federal Regulations (see 39 CFR part 111).

PART 111—[AMENDED]

1. The authority citation for 39 CFR part 111 continues to read as follows:

Authority: 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 404, 3001-3011, 3201-3219, 3403-3406, 3621, 3626, 5001.

2. Add new G092 to the Domestic Mail Manual as follows:

G General Information:

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G090 Experimental Classifications and Rates

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G092 Nonletter-Size Business Reply Mail

1.0 BASIC ELIGIBILITY

1.1 Description

The standards in G092 apply to pieces claimed by an authorized mailer at the experimental fees for nonletter-size business reply mail (BRM). To participate in the experiment, a mailer must have the ability to establish and maintain quality control procedures that can document the receipt of large volumes of nonletter-size BRM. Draft Publication 405, **Guide to Business Reply Mail**, contains the principal operating procedures for the experiment, including application forms, mailpiece design, and reverse manifesting and weight averaging calculations.

1.2 Applicability

BRM pieces eligible under G092 must:

- a. Be mailed as First-Class Mail or Priority Mail and meet the specific standards in 2.0 or 3.0.
- b. Meet the applicable physical standards for nonletter-size mail in C050 (i.e., flat-size mail, machinable parcels, irregular parcels, or outside parcels) and C100 for First-Class Mail, except any BRM piece accounted for under the weight averaging method in 3.0 may not exceed 5 pounds.
- c. Meet the basic standards for BRM in S922 other than those specific to letter-size pieces or pieces processed under the Business Reply Mail Accounting System (BRMAS).
- d. Meet the addressing standards in A010 and bear a delivery address with the correct ZIP+4 code and BRM ZIP+4 barcode assigned by the USPS.
- e. Be marked as specified in the service agreement under 2.0 or 3.0 and comply with any current or future USPS marking standard.
- f. Meet the documentation and postage payment standards in 2.0 or 3.0 and the service agreement.
- g. Be received at the post office that serves the permit holder.

1.3 Fees

Each BRM piece eligible under G092 is charged the corresponding single-piece rate for First-Class Mail or Priority Mail plus the appropriate fee as shown in 5.2. To begin receiving pieces under this fee schedule, the participating mailer must also pay fees for these accounts and services:

- a. Annual BRM permit.
- b. Annual BRM advance deposit account, with an opening balance determined by expected volume for 2 days.

c. Post office box service under D910 or caller service under D920, if applicable.

- d. One-time set-up/qualification fee.
- e. Applicable monthly maintenance fee.

1.4 Participation in Test

A business reply mail recipient who wants to participate in the experiment and receive an account for nonletter-size BRM under G092 must submit a written request for consideration to the manager of Classification and Product Development, USPS Headquarters (see G043 for address). The request must include sufficient data to assist the manager in making an initial determination. The manager may request additional data and an on-site visit to the applicant's plant. If the manager determines that the applicant is suitable for participation, the applicant follows the application procedures in either 2.0 or 3.0, as appropriate. Consideration is given to product type, geographic location of the mailer's site of operation, variability in the weight and daily volume of BRM, current accounting and quality control procedures, and availability of postal resources. In selecting participants, the manager also uses the following additional criteria:

- a. The applicant must receive or expect to receive at one site a yearly average of several hundred thousand nonletter-size BRM pieces eligible for the current \$0.10 per piece fee under S922.
- b. The applicant must be able to participate in the experiment for at least 1 year.
- c. The applicant must be prepared to begin operation at a mutually agreed-upon time after selection.

2.0 REVERSE MANIFESTING

2.1 Basic Requirements

Reverse manifesting is a method of assessing postage due and per piece fees for BRM by using a computerized database for calculating the weight and postage for each BRM piece received and to output a tabulation from the system for verification by the USPS. The weight is determined by weighing each piece or by using predetermined weights based on the data entered during processing (coded weight based on piece type). To participate in reverse manifesting for nonletter-size BRM, a mailer must meet these standards:

- a. Receive or expect to receive nonletter-size BRM on a consistent basis.
- b. Have or obtain a BRM permit and a BRM advance deposit account. The

mailer must maintain sufficient funds in the advance deposit account to cover at least 2 days' postage and fees.

- c. Have or be able to develop an approved computerized manifest system.

d. Provide documentation showing current internal quality control procedures for tracking and processing BRM or the ability to establish such procedures.

2.2 Application

A business reply mail recipient applying for participation in the reverse manifesting portion of the experiment must complete a standard application provided by the USPS. The applicant submits this application to the manager of Classification and Product Development. The applicant includes the following documentation:

- a. Detailed specifications about the computerized manifest system, with all records identified and labeled.
- b. Detailed explanation of the supporting records, including samples of each manifest type, samples of each BRM piece and label, and postage due statements.
- c. Detailed description of internal quality control procedures.

2.3 Authorization

The manager of Classification and Product Development reviews the application and proceeds as follows:

- a. If the applicant meets the conditions required for the reverse manifesting method and the application is otherwise consistent with the purposes and goals of the experiment, the manager approves the application and prepares a service agreement with the applicant. The agreement details the operating procedures for the reverse manifesting system and the responsibilities of the applicant and the USPS. For the purposes of the experiment, the Postal Service may require additional documentation and periodic review and inspection of each experiment participant's BRM processing and accounting operations. No agreement may remain in effect beyond the 2-year duration established for the experiment. The experimental classifications and fees take effect on June 8, 1997; they will be in effect no later than June 7, 1999.

b. If the applicant does not appear to meet the conditions required for the reverse manifesting method or it is determined that approval of an application would not be consistent with the purposes and goals of the experiment, the manager of Classification and Product Development denies the application and sends

written notice to the applicant, with the reasons for denial. The applicant has 30 days after receipt of the notice to file a written appeal to the BRM Experiment Review Board, USPS Headquarters. Decisions of the Review Board are final.

2.4 Renewal

A reverse manifesting service agreement may be renewed before its expiration date after a review by the manager of Classification and Product Development. The preparation of a new agreement or an addendum to the current agreement depends on the type of modifications made to the system. Authorization may not extend beyond the ending date of the experimental classification.

3.0 WEIGHT AVERAGING

3.1 Basic Requirements

Weight averaging is a method of assessing postage due and per piece fees for BRM without counting and weighing each piece. The USPS develops an average piece weight factor and an average piece count factor through verification procedures. These two factors (the weight average factors) are applied to the bulk weight of future BRM volumes to assess postage due and per piece fees. To participate in weight averaging for nonletter-size BRM, a mailer must meet these standards:

- a. Receive or expect to receive nonletter-size BRM on a consistent basis, within a statistically acceptable weight range.
- b. Have or obtain a BRM permit and a BRM advance deposit account. The mailer must maintain sufficient funds in the advance deposit account to cover at least 2 days' postage and fees.
- c. Provide documentation showing current internal quality control procedures for tracking and processing BRM or the ability to establish such procedures.

3.2 Application

A business reply mail recipient applying for participation in the weight averaging portion of the experiment must complete a standard application provided by the USPS. The applicant submits this application to the manager of Classification and Product Development. The applicant includes with the application documentation that contains sample BRM pieces and labels representative of the weight range and types of pieces to be weight-averaged.

3.3 Authorization

The manager of Classification and Product Development reviews the application and proceeds as follows:

a. If the applicant meets the conditions required for the weight averaging method and the application is otherwise consistent with the purposes and goals of the experiment, the manager approves the application and prepares a service agreement with the applicant. The agreement details the operating procedures for weight averaging and the responsibilities of the applicant and the USPS. For the purposes of the experiment, the Postal Service may require additional documentation and periodic review and inspection of each experiment participant's BRM processing and accounting operations. No agreement may remain in effect beyond the 2-year duration established for the experiment. The experimental classifications and fees take effect on June 8, 1997; they will be in effect no later than June 7, 1999.

b. If the application does not appear to meet the conditions required for the weight averaging method, the manager of Classification and Product Development denies the application and sends written notice to the applicant, with the reasons for denial. The applicant has 30 days after receipt of the notice to file a written appeal to the BRM Experiment Review Board, USPS Headquarters. Decisions of the Review Board are final.

3.4 Renewal

A weight averaging service agreement may be renewed before its expiration date after a review by the manager of Classification and Product Development. The preparation of a new agreement or an addendum to the current agreement depends on the type of modifications made. Authorization may not extend beyond the ending date of the experimental classification.

4.0 REVOCATION

4.1 Reasons

The manager of Classification and Product Development may revoke a BRM participant's authorization for the experiment if that participant:

- a. Provides incorrect data on the manifest or other required documentation and appears unable or unwilling to correct the problems.
- b. Neglects to perform the required quality control procedures.
- c. No longer meets the criteria in this standard and the service agreement.

4.2 Notice

After a revocation notice is issued, the participant and the USPS determine corrective actions and an implementation schedule, at the

conclusion of which the USPS reexamines the participant's system. Failure to correct identified problems is sufficient grounds to revoke the participant's authorization.

4.3 Appeal

Revocation proceeds if the participant is unable or unwilling to correct the discrepancies found. The participant may file a written appeal of revocation within 15 days from the date of receipt of the notice, with evidence explaining why the authorization should not be revoked. The appeal must be filed with the BRM Experiment Review Board, which issues the final agency decision. The participant may continue to accept BRM under the authorization, pending a decision on appeal. The revocation decision takes effect 7 days after receipt by the participant.

5.0 RATES AND FEES

5.1 Rate Application

Each BRM piece received under G092 is charged the applicable per piece fee in 5.2 and the appropriate single-piece First-Class Mail rate or Priority Mail rate. In addition to the fees in 5.3 and 5.4, the required BRM permit fee and BRM advance deposit account fee must be paid every 12-month period.

5.2 Per Piece Fee

Per piece, in addition to single-piece rate First-Class Mail or Priority Mail postage:

- a. Nonletter-size experimental (reverse manifesting): \$0.02.
- b. Nonletter-size experimental (weight averaging): \$0.03.

5.3 Monthly Maintenance Fee

Per month:

- a. Nonletter-size experimental (reverse manifesting): \$1,000.00.
- b. Nonletter-size experimental (weight averaging): \$3,000.00.

5.4 Set-Up/Qualification Fee

Per initial application:

- a. Nonletter-size experimental (reverse manifesting): \$1,000.00.
- b. Nonletter-size experimental (weight averaging): \$3,000.00.

A transmittal letter making these changes in the pages of the Domestic Mail Manual will be published and will be transmitted to subscribers automatically. As provided by 39 CFR 111.3, notice of issuance will be published in the **Federal Register**.

Stanley F. Mires,

Chief Counsel, Legislative.

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