



# Federal Register

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**Monday,  
July 10, 2006**

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**Part II**

## **Postal Service**

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**39 CFR Part 111**

**Electronic Verification System (eVS) for  
Parcel Select Mailings; Final Rule**

**POSTAL SERVICE****39 CFR Part 111****Electronic Verification System (eVS) for Parcel Select Mailings****AGENCY:** United States Postal Service.**ACTION:** Final rule.

**SUMMARY:** This final rule sets forth the standards that will be adopted by the Postal Service™ to implement the electronic data and automated processes of the Electronic Verification System (eVS) for permit imprint Parcel Select® manifest mailings and eliminate current paper-driven and manual processes used for such mailings. This required change will also extend to Standard Mail® machinable parcels and parcels from other Package Services subclasses (Bound Printed Matter, Library Mail, or Media Mail®) that are authorized to be commingled with permit imprint Parcel Select parcels.

**DATES:** *Effective Date:* This final rule takes effect August 1, 2007.

**FOR FURTHER INFORMATION CONTACT:** John F. Gullo, Manager, Business Mailer Support, via e-mail at [john.f.gullo@usps.gov](mailto:john.f.gullo@usps.gov) or by telephone at (202) 268-8057; or Neil Berger, Program Manager, Business Mailer Support, via e-mail at [neil.h.berger@usps.gov](mailto:neil.h.berger@usps.gov) or by telephone at (202) 268-7267.

**SUPPLEMENTARY INFORMATION:** On November 7, 2005, the Postal Service published a proposed rule in the *Federal Register* (70 FR 67399-67405), soliciting comments from mailers and parcel shippers on requiring the use of the Electronic Verification System (eVS) for all permit imprint Parcel Select mailings, including those containing authorized commingled Standard Mail machinable parcels and parcels from the other subclasses of Package Services (Bound Printed Matter, Media Mail, and Library Mail).

The Postal Service received comments from two individual parcel shippers, one parcel trade association representing parcel mailers and shippers, and one organization representing the full range of mailers and shippers preparing letters, flats, or parcels. Responses to the comments from these shippers and organizations appear in section A, *Public Comments and Postal Service Responses*.

Detailed information about eVS appears in section B, *eVS Background and Overview*. Implementing *Domestic Mail Manual* mailing standards appear after section B. In those standards, the term *mailer* also implies *shipper* or *parcel consolidator* who provides a variety of parcel mailing services.

**Section A. Public Comments and Postal Service Responses**

The public comments received from the two parcel shippers and two mailing organizations can be grouped into the following five areas of concern:

1. Label markings (barcodes and indicia).
2. Postage adjustments and Postal Service sampling.
3. Mailer and shipper quality control responsibilities.
4. "Start-the-clock" confirmation at time of induction.
5. Mandatory implementation and scope of eVS.

*1. Label Markings (Barcodes and Indicia)**a. Barcode Size*

*Comment:* Two commenters cited potential problems with the size of the UCC/EAN 128 format barcode required for eVS—either the 30-character concatenated barcode (which contains the destination ZIP Code, also called the postal routing code) or the 22-character barcode (which does not contain the destination ZIP Code)—positioned on the mailing label as described in Publication 205, *Electronic Verification System Technical Guide*.

The commenters noted that the surface area of the address side found on some parcels, especially lightweight machinable Standard Mail or Media Mail parcels, is too small to accommodate both the required barcode and all other necessary addressing information, postage indicia, and any internal inventory barcodes or processing codes. The size of standard window envelopes also presents similar problems. Some parcel mailers and shippers affix window envelopes in place of mailing labels to outgoing parcels. These envelopes frequently contain packing slips, statements of account, or invoices. The delivery address may be printed on a shipping slip, statement of account, or invoice in the envelope. Many of the window envelopes used for these purposes cannot completely display the barcode types required for eVS along with the required delivery address information.

These same commenters pointed out that the smaller size parcels that could be commingled with Parcel Select mailings if authorized are frequently machinable Standard Mail or Media Mail parcels. As one of these commenters mentioned, if these smaller parcels cannot be included with eVS Parcel Select mailings, the mailer or shipper and the Postal Service incur additional handling costs for separate mailings with separate manifests.

*Response:* The Postal Service recognizes that most parcel mailers and shippers use standard-size labels in their automated production processes. One of the most commonly used sizes throughout the shipping industry measures 4 inches wide by 6¼ inches high, a size with sufficient space to contain the barcode required for eVS, addressing information, and postage information in the permit imprint indicia. For small parcels that cannot accommodate this size mailing label on the address side of the parcel, mailers and shippers can decrease the size of the label as long as all required postal information is included. Mailers can use smaller barcode formats for internal information or place internal barcodes on a different side of the parcel.

For mailers and shippers wanting to use window envelopes on the outside of parcels, large clear pouches are available that can be affixed for holding various types of packing slips that serve as the mailing label with the delivery address information and required barcodes. These pouches, which come in several standard sizes, are an effective substitute for window envelopes. The most common pouches have clear plastic fronts and adhesive backing on either opaque or clear plastic backs.

In today's automated processing environment, the current size of the barcode required for eVS, which is based on the Delivery Confirmation™ barcode specifications, remains critical to ensure accurate scanning across many processing platforms and in multiple delivery situations. Current testing and certification used by the Postal Service evolved from engineering studies of barcode configurations and industry standards. It should be noted that barcodes used by other parcel carriers tend to be the same size or longer and taller than the concatenated barcode.

The longer concatenated barcode is the preferred barcode because it contains the delivery address ZIP Code, serves as the basis for Confirmation Services scanning information, and promotes mail processing efficiencies with automation equipment. Use of this longer barcode with the ZIP Code also allows the mailer or shipper to benefit from the parcel barcode discount without needing to print an additional ZIP Code barcode (postal routing barcode) elsewhere on the label. Moreover, this barcode allows the use of Delivery Confirmation for Parcel Select and Priority Mail at no additional fee for electronically manifested information.

The mailing industry and the Postal Service determined together that the UCC/EAN 128 barcode format was

optimal for parcels and added this barcode symbology as an option for parcels as published on July 14, 1998, in the **Federal Register** (63 FR 37947), with an original mandatory use in 2004. This barcode symbology was selected for three major advantages:

- First, this format is one of the most complete, alphanumeric, one-dimensional symbologies currently available. The use of three different characters (A, B, and C) facilitates the encoding of the full 128 ASCII character set.

- Second, code 128 is one of the most compact linear barcode symbologies currently available. For example, the Code 128 symbology length is much shorter than Code 39. Character set C enables numeric data to be represented in a double density mode. Here, two digits are presented by only one symbol character saving valuable space. This format allows concatenation to combine multiple application identifiers (AIs).

- Third, code 128 symbols use two independent self-checking features that improve printing and scanning reliability.

#### b. Barcode Print Medium

*Comment:* One commenter mentioned that inkjet printing, which can print information at high speeds on mailing labels and produce POSTNET barcodes and related PLANET Codes and the 4-state customer barcode, cannot print the required UCC/EAN 128 barcodes. This commenter believes that eVS should allow an alternative barcode that can be printed by inkjet printers at production speeds.

*Response:* The Postal Service and the parcel shipping industry worked together to evaluate and agree on the most widely used barcode technology in the late 1990s, specifically for Delivery Confirmation and parcel mail. Industry standards for this barcode are specified in the American National Standards Institute (ANSI) X3.182-1990 *Bar Code Print Quality Guideline*. Following these standards ensures a consistently high read rate for successful barcode scanning at all stages in mail processing and delivery.

Processing equipment used by the parcel industry and the Postal Service support the technology behind the currently required parcel barcode. The Postal Service in cooperation with the parcel industry will continue to explore new barcode technologies and printing options as they become available to respond to a wide range of mailer operations.

#### c. Unique Period for Barcode Use

*Comment:* Two commenters believed that the current requirement that the barcode required for eVS (which contains the package identification code) may not be reused for 12 consecutive months will limit the flexibility of mailers and shippers to assign tracking numbers. These commenters stated that Postal Service non-eVS manifesting rules require that the package identification code remain unique for no more than 90 days.

*Response:* The 90-day period mentioned by the commenters refers to the retention of the actual manifest documents, not to the identification numbers. That document retention period applies to standard manifest systems as well as eVS.

Manifesting rules in Postal Service Publication 401, *Guide to the Manifest Mailing System*, require only a unique identification (ID) number—not necessarily a package identification code as used in eVS—within a given mailing represented by the manifest. For non-eVS manifests, the ID number, whether a computer-generated number, product number, or any other number, may be reused for every mailing represented by a separate manifest. In the eVS environment, data for the package identification codes, which are required as specified in Postal Service Publication 205, is electronically stored for 12 months to support any mailer or shipper claims filed for extra services such as insurance or any research for postage reconciliations.

As information, the 22-digit numeric package identification code (PIC) corresponding to the 22-character barcode is composed of several required elements, including an 8-digit number called the Sequential Package Identifier. The entire 22-digit PIC currently must remain unique for 12 consecutive months from the date of first use. Because digits 0 through 9 may be used in each of the eight positions of the Sequential Package Identifier, a mailer or shipper actually has a total of 100,000,000 unique combinations available for one year just from that identifier. An eVS mailer or shipper can expand this number of unique combinations by increasing the number of nine-digit customer identification numbers used.

In view of the comments from parcel mailers and shippers and their need for greater flexibility to meet various business applications, the Postal Service has begun studying how to change the current requirements for unique PICs from 12 months to 6 months. The business rule on maintaining a unique

PIC would still be set at the point when the Postal Service receives the electronic file.

Changes to the current 12-month period will require systems development and testing to ensure that mailer and shipper business requirements and Postal Service operational needs are both met. The Postal Service believes that it could implement this change as early as June 1, 2007. As the Postal Service works on developing its system requirements for this change, it will continue working with the mailing industry to ensure that their various business needs are met.

#### d. Rate Marking

*Comment:* Two commenters believed that the Postal Service should revise its policy in regard to actual postage payment and the corresponding rate marking in the permit imprint indicia for parcels mailed under eVS. These commenters proposed the development of a standard eVS marking for permit imprint indicia that could be used on all eVS parcels regardless of mail classification. Establishing such an indicia would eliminate postage adjustments for “cross-over” parcels for which the correct postage rate is paid but the marking in the indicia is incorrect because it still reflects the original classification under which the parcel was rated.

For example, a mailer may rate and mark a parcel that weighs nearly 16 ounces as Standard Mail before handing off the parcel to a parcel shipper or consolidator. When the shipper or consolidator handling the parcel weighs the parcel, the actual weight is reported at more than 1 pound, making the parcel ineligible to be mailed at Standard Mail rates. The consolidator manifests the parcel at the appropriate Parcel Select rate to pay the correct postage but does not remark the parcel. If the parcel is sampled by the Postal Service, one commenter believed that it would result in a penalty in the calculation of the postage adjustment factor (as described in section B).

Both commenters believed that the emphasis in the eVS environment should be on the correct payment of postage. These commenters believed that a general eVS marking would solve this issue and provide parcel mailers and shippers the necessary flexibility to correct rate payments without the burden of remarking the parcels.

*Response:* Use of the correct rate and class markings on all mailpieces is the only way to ensure that the Postal Service can provide the appropriate service for mailpieces. Equally important, such markings also indicate

content eligibility and provide information needed for statistical sampling done on all classes of mail to develop costing data used in the ratemaking process. In the case of the commenter's example about Standard Mail and Parcel Select, the Postal Service would like to point out that there are not only differences in rates, weight maximums, and available destination entry facilities for Standard Mail and Parcel Select as the commenter mentions, but there are also differences in how such mail is handled for service standards, for forwarding or return, and for eligibility for extra services.

The occasional need to change rate markings on mailpieces already prepared is not exclusive to parcel mail handled by consolidators. Mailers or mailing service providers preparing letter-size mail may wish to change the classification of advertising mail from Standard Mail to First-Class Mail® to meet a tight deadline. In that case, the mailer or mailing service provider would need to obliterate and remark the pieces as First-Class Mail or overlabel the indicia with an indicia marked First-Class Mail. In another case, mailers or shippers handling order fulfillment may need to change the classification of a parcel from Parcel Select to Priority Mail® to expedite a late shipment to the consumer ordering the merchandise. The mailer or shipper would need to decide at the time the label is printed to avoid overlabeling. A parcel mailer or shipper needing to reclassify a Standard Mail parcel as a Parcel Select parcel would need to take the same action and remark the parcel or make the decision at the point the label is produced.

Preparing and marking the Standard Mail parcel weighing over the maximum permitted weight as Parcel Select resolves this problem. Postal Service classification allows Standard Mail to be reclassified easily as Parcel Post® because there are no minimum weight restrictions on Parcel Post and the content requirements are the same. As mentioned previously, there are service differences in handling and delivery between the two classes. What the commenter discusses is actually related more to weight than to classification and can be readily resolved by remarking the piece and converting it to Parcel Select. The Postal Service continues to require all mailpieces to bear the appropriate class and rate markings in order to provide the service requested by the mailer or shipper and expected by the consumer.

The commenter asked for confirmation on how the Postal Service would rate the Standard Mail parcel in his example. The Postal Service sampler

would identify the piece as Standard Mail from the class marking in the permit imprint indicia and weigh the piece. The sampling software would then determine that the weight of the sample exceeds the maximum weight permitted for Standard Mail and prompt the sampler to confirm that the correct mail class had been selected. The sample data would then be uploaded to eVS with the parcel characteristics collected by the sampler. The sample data would be reconciled with the manifest data prepared by the mailer or shipper at the appropriate Parcel Select rate.

## 2. Postage Adjustments and Postal Service Sampling

### a. Creation of Multiple Accounts

*Comment:* Two commenters requested clarification about the ability to create multiple eVS accounts per mailer or shipper.

*Response:* An eVS mailer or shipper may not use more than one permit number for having postage payment withdrawals made from a single financial account. If an eVS mailer or shipper wishes to use two or more permit numbers, the mailer or shipper must establish a separate financial account with the Postal Service for each permit number referenced in their permit indicia.

Currently, eVS participants have obtained multiple location-related identification numbers from the Postal Service, rather than setting up separate profiles with separate debit accounts and permit numbers. These eVS participants have linked these multiple identification numbers to the mailer ID and permit number in order to handle various client relationships and internal accounting arrangements. This approach has given these eVS mailers and shippers the flexibility to identify clients for billing as well as for handling internal business within the mailer's or shipper's operations such as distribution centers or regional plants.

### b. Sampling Procedures and Postage Adjustments

*Comment:* One of the commenters presented several concerns about the proposed sampling methods and postage adjustment process. First, the commenter believed that postage adjustments collected under eVS for actual mailer or shipper errors should be cost-based and specific rather than averaged and automatic. This commenter noted that although penalties against chronic offenders might be warranted, penalties should not be automatic for mailers and

shippers who have a record of accurate postage payment when an issue temporarily occurs at a single destination facility or with a single mailing.

Second, the commenter expressed concern about the Postal Service proposal to take samples of individual mailings at each plant and delivery unit. This commenter believed that it appeared extreme to impose a penalty of a percentage of postage paid for an entire mailing period of one month if discrepancies between the Postal Service and mailer or shipper information could be isolated to a particular mailing, plant, or delivery unit.

Third, the commenter believed that, despite the two 10-day review periods provided following the end of the mailing month in question to reconcile differences for postage adjustments, there appeared to be no satisfactory resolution to these adjustments because Postal Service claims of the character and weight of a particular sampled parcel or shipment cannot be verified by the mailer or shipper after sampling had been done and the data entered.

*Response:* The Postal Service developed eVS at the request of the parcel shipping industry to provide mailers and shippers greater operational flexibility by moving the verification process from an origin-based system to a destination-based system. eVS is based upon the mailer's or shipper's complete system of mailing processes, and mailer or shipper quality controls are expected to extend across all steps in these processes. This arrangement results in an accurate reflection of the mailer's or shipper's efficiencies throughout the mailing process. Postage sampling—only one element of quality verification—does not penalize; rather, the postage adjustment represents actual postage due versus what the mailer or shipper originally projected for the entire mailing volume.

eVS introduced three fundamental modifications to current acceptance and verification processes:

- How postage is to be paid. Postage is paid by the transmission of an electronic manifest and the automatic generation of postage statements and automatic withdrawals from the eVS mailer's or shipper's *PostalOne!* payment account.
- Where and how verifications are to take place. Sampling mail at destination is the cornerstone for eVS verification of correct postage payment.
- Use of a Postal Service accounting period (a calendar month), rather than individual mailings, as the basis for calculating any postage adjustments.

In response to the commenter's first concern that postage adjustments should be cost-based for specific mailings rather than averaged over an entire mailing month, the Postal Service wishes to point out that sampling to verify postage payment is a fundamental process used for permit imprint mailings, whether the sampling is done at origin or, in the case of eVS, at destination. When sampling is done at origin, an individual mailing is identifiable and samples can be taken from that particular mailing. If additional postage is needed, then only that mailing is involved. When sampling is done at destination facilities for eVS, parcels from different mailings are sampled each day at multiple sites. In this case, if additional postage is needed, it is not practical for the Postal Service to adjust payment for an individual mailing. Using data from parcels sampled over the entire month minimizes the effects of incorrectly rated parcels in a single mailing for the mailer or shipper. During this monthly period, mailers and shippers receive data that allows them to adjust their focus on specific facilities and processes that are falling below the established quality levels in their service agreements.

In response to the second concern about imposing a "penalty" of a percentage of postage paid for an entire mailing period of one month, the Postal Service wishes to state that it already allows a tolerance up to 1.5% in the underpayment of postage for any mailing. Furthermore, the Postal Service wishes to clarify that there is no penalty or added charge; what the commenter terms "penalty" is actual postage owed for pieces mailed.

For mailers and shippers with well executed quality control procedures and an established record of accurate postage payment, the postage adjustment factor (PAF) for their monthly mailings is 1.015 or below (representing underpayment of 1.5% or less). If the Postal Service moved to a purely cost-based system of adjustments for eVS, then there would be no tolerance for any underpayment of postage and the systems requirements and data processing for eVS would need to become so sophisticated that most mailers and shippers, especially consolidators receiving electronic files from clients, would find both the technology requirements and the administrative costs burdensome and challenging.

In response to the third concern about reviews and appeals, the Postal Service believes providing 20 days gives both the mailer or shipper and the Postal

Service sufficient time to reconcile any potential differences. If the results from the monthly sampling indicate total postage for the sampled parcels is understated by more than 1.5% (that is, the PAF is greater than 1.015), the Postal Service adjusts the total postage for the month at the end of the 20-day reconciliation period.

Any eVS mailer or shipper may pursue the written appeals process as presented in *Domestic Mail Manual* 604.10.0 for postage refunds. The Postal Service will make a decision on the validity of a postage refund request or postage payment adjustment regarding the overpayment or underpayment, provided sufficient written documentation is included with the appeal.

#### c. Mis-Shipped BMC Parcels

*Comment:* One commenter stated that it is impossible to eliminate all mis-shipped parcels from being included with DBMC rate mailings because scanning devices used by the commenter's own carriers misread a certain percentage of barcodes before the parcels are presented to the Postal Service. As a consequence, this commenter believed that mis-shipped parcels received at bulk mail centers and sampled by the Postal Service should not be included in the postage adjustment factor (PAF). Instead, the commenter proposed that a mis-shipped DBMC parcel be charged the inter-BMC Parcel Post rate less the paid DBMC rate already paid.

*Response:* The Postal Service wishes to note that all destination rates require entry of the mail at the correct designated facility. Any destination rate parcel entered at the wrong facility is incorrectly rated. For sampled mis-shipped parcels originally rated by the eVS mailer or shipper as DBMC rate and destination sectional center facility (DSCF) rate, the Postal Service rates the parcels at the appropriate inter-BMC rate for mis-shipped DBMC parcels and intra-BMC or inter-BMC rate for mis-shipped DSCF parcels.

Random sampling is the only technique currently available for identifying DBMC and DSCF parcels mis-shipped by the eVS mailer or shipper. In contrast, both random sampling and Postal Service carrier scanning (for all parcels bearing Confirmation Services) are techniques available for identifying destinating delivery unit (DDU) parcels mis-shipped by the eVS mailer or shipper. As a result, nearly all mis-shipped DDU parcels can be identified and are therefore not included as part of the PAF. Currently, eVS mailers and

shippers must pick up mis-shipped DDU parcels. In the future, the Postal Service will handle these parcels and charge the appropriate additional postage.

#### d. Calculation of Postage for Mis-Shipped DDU Standard Mail Parcels

*Comment:* One commenter requested clarification on how eVS calculates the additional postage required for mis-shipped Standard Mail DDU parcels. With the absence of a single-piece rate for Standard Mail, the commenter believed such parcels should be charged either an appropriate First-Class Mail single-piece rate or Parcel Post single-piece rate, based on the weight of the parcels.

*Response:* Just to clarify, DDU rates are not currently available for Standard Mail parcels. However, to achieve improved delivery, mailers and shippers may be authorized to commingle Standard Mail parcels with Parcel Select parcels claimed at DDU rates and entered at DDUs. For mis-shipped Standard Mail parcels in this situation, the Postal Service does indeed charge the rates cited by the commenter. Under eVS, Standard Mail parcels will be charged either an appropriate First-Class Mail single-piece rate or Parcel Post single-piece rate, based on the weight of the parcel and whichever rate is the lower rate. Because of the Standard Mail marking in the postage indicia, these pieces will still be handled like Standard Mail parcels in terms of delivery service and any forwarding or return service indicated by ancillary service endorsements.

#### e. Postage Adjustment Reviews

*Comment:* Three of the four commenters voiced the following concerns about changes in current sampling methodology that will occur for eVS mailings due to the replacement of origin sampling with destination sampling:

- *Rework option.* eVS mailers and shippers lack the option to rework mail as currently permitted for mail subject to origin sampling and verification.
- *Sample parcel discrepancy resolution.* eVS mailers and shippers lack any real ability to dispute destination sampling results because the physical pieces will have been delivered, leaving only data to resolve discrepancies.
- *Automated postage adjustment withdrawals.* eVS mailers and shippers lack a way to stop automatic postage adjustments calculated through sampling and withdrawn from their debit account established with the Postal Service before the mailer or

shipper even agrees with the adjustment. Two of these commenters recommended that, in view of these methodology changes, the Postal Service develop system functionalities for each eVS customer profile that would allow an eVS mailer or shipper to set a threshold—either a dollar amount or a percentage of total postage for the month—above which the Postal Service would be required to obtain authorization from the mailer or shipper.

- *Reduction in PAF.* Additionally, one commenter recommended that the Postal Service should implement a program to monitor its sampling accuracy and include a provision that would numerically increase the postage adjustment factor (PAF) threshold from 1.015 if the Postal Service sampling accuracy or sampling size fell below a specified level.

- *Optional procedures.* eVS mailers and shippers lack any alternative to eVS such as using optional procedure mailing systems. At a minimum, this commenter believed that the Postal Service should still honor and renew existing optional procedure mailing systems with individual parcel mailers or shippers.

*Response:* The eVS requirements and processes presented in this final rule represent the outcome of more than three years of collaborative work between the parcel shipping industry and the Postal Service in the concept and design of this postage payment system. The use of destination sampling as a verification tool constitutes the foundation of eVS and provides parcel mailers and shippers with the greatest flexibility and freedom in managing their internal controls, modifying their operational processes, and improving their customer service. At the same time, eVS processes streamline nearly every step in the postage payment process and the reconciliation of mailings with that payment process. The Postal Service believes that these mailer and shipper benefits outweigh the limited option to rework mailings, an option that most mailers and shippers under tight fulfillment schedules and customer deadlines do not currently exercise.

In regard to the second point concerning discrepancies between manifested information for a particular parcel and information derived from the actual weighing and rating of the parcel as a sample, the Postal Service notes that most discrepancies found are due to incorrectly weighed pieces, incorrectly input rates, and incorrectly input destination ZIP Codes. All three of these discrepancies can result in postage

differences. At the same time, they indicate that the mailer or shipper preparing the manifest files needs to improve quality control processes to eliminate such errors.

Postal Service employees responsible for sampling parcels are highly trained in all areas affecting sampling such as the correct procedures for classifying mail, proper handling of the sampling devices and scales, uploading sampling data, and prompt return of the sampled mailpieces to the mailstream. Postal Service employees responsible for sampling at DDUs report to the managers of Statistical Programs and handle a wide range of other programs requiring similar knowledge and skills, including the Origin-Destination Information System—Domestic Revenue, Pieces, and Weight System (ODIS—RPW) used to estimate revenue, volume flow, weight, and performance measurement for the Postal Service. This data is used to develop proposals for new rates, assist in budget preparation, conduct management studies, and support management decisions concerning mail flow and service performance in transportation and operations.

Postal Service employees responsible for sampling at DBMCs and DSCFs are included in the reporting structure of the manager of Business Mail Entry. These employees are trained to handle sampling and verification not only for eVS but for all other types and classes of mailings, including origin verification at mailers' and shippers' plants and at business mail entry offices. So while it is true, as the commenter notes, that mailers and shippers are not able to dispute the sample results due to the nature of the sampling process and the need to get the sampled mail back into the mailstream, the data will be collected by well-trained Postal Service employees and is expected to be accurate.

In regard to the third point about automatic withdrawals of postage adjustments, the adjustment process for current eVS customers is handled manually through e-mail communications between the customers and the Postal Service. With a small number of customers, this approach presents few administrative burdens. With a large number of customers, however, this approach would become inefficient for the eVS customers and the Postal Service. Automating the adjustment process would provide an appropriate level of efficiency and customer service. With proper observance of quality control procedures and processes, mailers and shippers would have few reasons to be

concerned about automated postage adjustments because of the number of review processes in place with eVS.

During the 10-day reconciliation period following the month of mailing in question, the eVS mailer or shipper concerned about any specific adjustment or adjustment amount can submit a written appeal to the Postal Service under the standards in the *Domestic Mail Manual*. During the appeal process, the Postal Service will disable the automated adjustment feature as the eVS mailer or shipper and the Postal Service review and analyze the adjustment.

In regard to the fourth point, the Postal Service believes that the current PAF of 1.015 provides sufficient latitude for parcel mailers and shippers. As mentioned previously, Postal Service employees performing sampling are well trained and accurate. The Postal Service is working with these employees to increase the number of samples taken at BMCs, SCFs, and DDUs.

In regard to the fifth point, eVS manifest mailing system replaces all postage payment systems for permit imprint Parcel Select mailings, including optional procedures and alternate mailing systems (AMS). Mailers and shippers would be permitted to continue using such postage payment systems for parcel mailings except for permit imprint Parcel Select mailings or permit imprint Parcel Select mailings combined with other parcels. The Postal Service believes that once mailers and shippers begin using eVS, they will want to use this system for all parcels.

### 3. Mailer and Shipper Quality Control Responsibilities

*Comment:* Two commenters voiced concerns about mailer and shipper costs associated with the internal quality control requirements outlined in chapter 5 of Postal Service Publication 205, *Electronic Verification System Technical Guide*:

Initially, the mailer must perform postage accuracy verifications on 0.5% of the parcels for each destination entry level (DBMC, DSCF, DDU) from each mailer facility \* \* \*.

The mailer must perform postage accuracy verifications on 0.5% of the parcels from each mailer facility for the first 30 days. After that, when mailings remain within the  $\pm 1.5\%$  accuracy level, the percentage of parcels verified for each destination entry level can be reduced to 0.25%. If errors for any destination entry level exceed the  $\pm 1.5\%$  difference, 0.5% of the parcels to that entry level must be sampled until the  $\pm 1.5\%$  accuracy level is maintained for 30 days.

One commenter proposed amending the 0.25% to 0.1% of all parcels with

the view that the goal of eVS should be to reduce cost in mail verification for mailers and shippers as well as the Postal Service. This commenter stated that the initial costs incurred in establishing proper quality control procedures in order to comply with these requirements and the associated labor costs for these internal verifications performed by the mailer or shipper could be brought in line to meet the purpose of quality control by permitting this lower percentage.

The commenter stated that the Postal Service should work closely with interested parcel mailers and shippers to develop alternative procedures that still ensure proper postage payment at a lower cost to the mailers and shippers. In addition, the commenter suggested that the Postal Service may want to consider reducing the number of parcels that must be verified, especially for companies that consistently meet quality thresholds specified by the Postal Service.

*Response:* The Postal Service recognizes that there are many costs associated with implementing and maintaining a successful quality control program at any mailer's or shipper's production site. Unlike letter-size mail and flat-size mail—both of which tend to be predictable in production, scheduling, and quality—parcel mail generally does not have those characteristics of predictability. Parcel mail represents a form of mail driven by customer orders and fulfillment not by catalysts such as monthly invoicing, subscription services, or sales cycles for advertising campaigns. As a result, parcel mailings can vary greatly from day to day, whether for a parcel mailer or a parcel shipper consolidating parcels from several clients. In addition, because eVS relies solely on the accuracy of the manifest files submitted and the subsequent sampling done by the Postal Service at destination, the importance of quality control assumes an extremely critical role for the success of this electronic system.

The required sampling percentages are minimal to ensure that the parcel mailer or shipper using eVS prepares and reports accurate data for the Parcel Select mailings. Taken in perspective, the Postal Service notes that 0.5% represents only 5 parcels out of 1,000 parcels. If the mailer or shipper plans to deposit mail at several sites from several mailer or shipper plants, the number of parcels sampled still remains relatively small. At 0.25%, the mailer or shipper reduces the number of parcels sampled by one-half.

The Postal Service encourages the use of more quality control rather than less

to validate processes and systems. However, the Postal Service also believes that mailers or shippers who demonstrate superior quality control procedures as benchmarked by the postage adjustment factor (PAF) should be rewarded for that performance. In response to these two commenters, the Postal Service will modify the business rules in Publication 205 for postage accuracy verifications for eVS mailers and shippers as follows:

The mailer must perform postage accuracy verifications on 0.5% of the parcels from each mailer facility for the first 30 days. After that, when mailings remain within the  $\pm 1.5\%$  accuracy level, the percentage of parcels verified from each destination entry level can be reduced to 0.25% for the next 60 days. After that 60-day period, the percentage of parcels verified from each destination entry level can be reduced to 0.10%. If any destination entry level exceeds the  $\pm 1.5\%$  difference, 0.5% of the parcels to that entry level must be sampled until the  $\pm 1.5\%$  accuracy level is maintained for 30 days, followed by 60 days at 0.25% and finally at 0.10%.

The Postal Service will continue to work with parcel mailers and parcel shippers on improving quality control procedures. An attachment to the service agreement references the following quality control processes that can be tailored to specific business and operational needs:

- *Quality control documentation.* Maintain and document quality control over all aspects of mail production and system processing environments. Documentation could be represented by a quality control manual or other work instructions and checklists that the Postal Service could audit if necessary.
- *Customer number maintenance process.* Ensure that all the shipper's clients are incorporated into the eVS data structure for proper identification and impact on postage payment.
- *Barcode read rate.* Document which quality control processes are used and which reports are generated to ensure accurate readability of barcode information on all parcels.
- *Insured parcels.* Have a process to validate that all insured parcels or collect-on-delivery parcels, whether claimed by the mailer or shipper or by clients of the mailer or shipper, are verified as being present within the mailing before including the mailer's or shipper's data or the clients' data within the electronic eVS manifest mailing. This data must be protected using detail record 2 format criteria as specified in Publication 205.
- *Sampling process.* Document the frequency of errors by using PS Form 8159 or a facsimile and provide an

explanation of those errors and the corrective action taken for files accepted from clients. Have client-based quality control to ensure the proper rating of all material being entered by the client.

- *File upload process.* Ensure the proper upload of all electronic eVS manifest mailing data.
- *File return process.* Ensure that file error report data—such as the Product Tracking System Error/Warning report—returned from the Postal Service receives scrutiny, prompt correction, retransmission or other electronically documented reconciliation.
- *Monthly quality improvement effort.* Provide a corrective action report regarding action taken to improve quality if Postal Service sampling results indicate more than 1.5% error.
- *Delivery appointment quality measurement.* Arrive within one half hour of appointment schedules and provide, upon request by the Postal Service, electronic validation of monthly performance in meeting these appointment schedule times, as applicable to each destination delivery unit post office where mail is being deposited.

#### 4. "Start-the-Clock" Confirmation at Time of Induction

*Comment:* Two commenters expressed concern about the elimination of the PS Form 8125, *Plant-Verified Drop Shipment (PVDS) Verification and Clearance*, that mailers or shippers currently use when they enter PVDS mailings at a destination facility. For the Postal Service, the form confirms that the mailing has already been verified by the Postal Service and may be accepted. For the mailer or shipper and the Postal Service, the form serves as the "start-the-clock" event for Parcel Select performance. The commenter proposed replacing the process of scanning the Form 8125 by requiring Postal Service destination facilities to scan five parcels from the shipment when received. The commenter requested that the Postal Service specify what will replace the PS Form 8125 barcode scan as proof of entry and "start-the-clock." The commenter concluded that the Postal Service should commit to prompt verification and acceptance at destination facilities.

*Response:* The Postal Service and the parcel shipping industry worked together for the past three years to develop a postage payment system that eliminated reliance on paperwork, including PS Form 8125. With the proper reconciliation of data in the manifest files created and submitted by an eVS mailer or shipper, the Postal

Service does not require clearance documentation.

In response to the critical need, however, for eVS mailers and shippers to have confirmation that a shipment has been received, the Postal Service is in the process of considering new acceptance procedures for eVS mailings. These procedures would incorporate scanning a yet-to-be determined percentage of pieces in each Parcel Select destination entry mailing with the "DC/eVS Arrive" scan event. Further, the Postal Service is examining the appropriate system logic that would be used for this additional data collected on Parcel Select mailings to support service performance measurement, also a critical element for eVS mailers and shippers and for the Postal Service.

It is expected that the new procedures would provide a more efficient and effective means of entering Parcel Select mailings. Because this change would affect many mailers and shippers and Postal Service operations, considerable work with the mailing industry will be needed before final procedures are programmed and adopted.

#### 5. Mandatory Implementation and Scope of eVS

*Comment:* One commenter stated that mailers or shippers with multiple facilities may need more than one year to test and implement eVS.

*Response:* The Postal Service believes that most mailers and shippers, even those with multiple facilities, will have little difficulty testing and implementing eVS within one year. Generally, parcel mailers and parcel shippers already manifesting parcel mailings have the electronic infrastructure and quality control processes needed for the implementation of eVS. Depending on the circumstances and proposed timelines of such multiple-site parcel mailers or parcel shippers, the Postal Service will consider possible extensions for full implementation of eVS at all sites.

*Comment:* One commenter stated that many mailers and shippers currently use their manifest systems to pay postage for all classes and subclasses of mail. This commenter noted that the proposed rule published on November 7, 2005, in the **Federal Register** applied only to Parcel Select mailings and to Parcel Select mailings authorized to contain machinable Standard Mail parcels and parcels from other Package Services subclasses (Bound Printed Matter, Media Mail, and Library Mail). This commenter recommended that eVS

be made available for all classes of parcels.

*Response:* The Postal Service agrees with this commenter's recommendation and will extend the availability of eVS, but not its required use, to all classes of domestic mail, whether or not the parcels are included in a Parcel Select mailing. Currently, eVS may be used for Bound Printed Matter, Media Mail, and Regular Standard Mail. In addition, the Postal Service plans to extend eVS to permit imprint Priority Mail and First-Class Mail after it has developed origin verification processes by working with the parcel industry and Postal Service management responsible for acceptance procedures.

*Comment:* One commenter noted that the implementation of eVS requires considerable upfront costs. This commenter believed that such costs would reduce the value of eVS and possibly decrease the competitive position of the Postal Service as a parcel carrier. The commenter recommended that eVS should be made optional and that workshare discounts should be provided to eVS parcel mailers and shippers.

*Response:* The Postal Service believes that most parcel mailers and parcel shippers will experience limited costs in modifying their current production and information technology systems to accommodate eVS. In fact, many Parcel Select mailers and shippers already use manifesting systems and transmit Delivery Confirmation files. eVS uses the same information already created by these systems. This similarity helps minimize transition costs to eVS.

From a competitive standpoint, eVS offers significant benefits to parcel mailers and shippers. Mailers and shippers no longer have to wait for Postal Service verification, the parcel barcoding requirement provides greater specificity in accounting and postage, and the electronic manifests eliminate the need for most paper documentation. At the same time, eVS increases operational flexibility for participants, and streamlines most administrative processes for participants and the Postal Service.

The Postal Service and the parcel industry have worked many years to evolve a system that would modernize the handling and payment for parcel mail. The Postal Service believes that the eVS features and benefits will make parcel mail an attractive alternative for many customers.

The Postal Service wants to point out that postage worksharing activities generally require mailers and shippers to prepare, sort, or transport mail to qualify for reduced postage rates

("worksharing rates"). These reduced rates are based on the avoided costs estimated by the Postal Service as a result of worksharing activities done by the mailer or shipper. The key activities include (1) barcoding and preparing mail for Postal Service automated equipment; (2) presorting mail by ZIP Code or specific delivery location; and (3) entering mail at a Postal Service facility closer to the final destination of the mail.

The Postal Service notes that eVS is simply a more advanced manifest mailing system for permit imprint mail that reduces certain tasks for mailers and shippers. Under eVS, mailers and shippers are not assuming the performance of tasks generally done by the Postal Service, including verification of mail and monitoring mailer and shipper quality. Even though these tasks are simplified and greatly automated under eVS, they are still tasks that the Postal Service must perform to ensure that mailers and shippers can benefit from this program while protecting Postal Service revenue. So the traditional basis for worksharing is not present in eVS.

The net benefits of eVS would inevitably be passed on to the mailers and shippers by helping to mitigate increases in institutional costs for the Postal Service and costs directly associated with specific classes and subclasses of mail. At the same time, eVS would, in the long-term, reduce overall operational and administrative costs for mailers and shippers.

*Comment:* One commenter stated that mandating eVS might prevent mailers or shippers who cannot meet the requirements for this new system from using Parcel Select. This commenter also expressed concern about the intentions of the Postal Service to extend the use of eVS to all parcel mailings in the future, raising additional issues with the mailing industry.

*Response:* The Postal Service plans to make eVS available for all parcel-shaped mail, but it does not intend to mandate the use of eVS outside Parcel Select mailings without further experience and discussions with the parcel industry.

#### Section B. Background and Overview

The Postal Service has worked closely with the parcel shipping industry over the past 3 years to develop verification and acceptance procedures designed for customer convenience and flexibility in mail induction and postage payment. Current procedures for the acceptance and verification of parcel mailings are paper-driven and can be challenging in a dynamic shipping industry. This industry includes mailers and mail



owners (such as catalog companies, order-fulfillment houses, and e-commerce firms) as well as shippers (such as regional and national carriers and parcel consolidators and transporters handling parcels from mailers, mail owners, and other shippers).

### Current Operational and Document Flow

Current operational cycles of parcel mailers and shippers tend to be tied to the schedule of Postal Service clerks who visit their plants and distribution centers to verify and accept parcel mail before it can be entered into the mailstream or transported to Postal Service destination entry facilities for induction. For destination entry parcel mailers or shippers, scheduling poses a greater challenge because they must prepare paper documentation for each scheduled induction event at the time of acceptance and verification at their plants.

The critical documents used for parcel mail are the numerous postage statements representing payment for the many and varied destination entry points. These postage statements are generated with corresponding manifests to support the mail volume and destination delivery points. A challenge for the mailer or shipper is the high level of coordination needed to ensure that the mail, the Postal Service personnel charged with verification, and the mailer's or shipper's transportation all arrive around the same time. The additional key documentation for destination entry mail is PS Form 8125, *Plant-Verified Drop Shipment (PVDS) Verification and Clearance*, which serves as proof of payment for each specific destination entry shipment when presented to the Postal Service at the entry facility.

After Postal Service clerks verify the parcel mail at a mailer's or shipper's plant, the mail often flows through consolidators and transporters who must keep track of the various PS Forms 8125 that the Postal Service certified at the time the mail was verified.

When consolidators and transporters commingle parcels from multiple mailings, it becomes even more difficult to keep the physical mailings and corresponding documents intact. It is also difficult for Postal Service clerks at destination entry facilities to reconcile the paper documentation against the physical parcels received.

Mailers and shippers need a more convenient and flexible way to provide and update documentation and present mail. Likewise, the Postal Service needs a more consistent and accurate way to

verify parcel mailings at destination entry facilities.

### Benefits of eVS

The Postal Service and the parcel shipping industry have worked together to develop eVS as a new manifesting model that simplifies acceptance, verification, and induction of parcel mailings. Under this model, mailers or shippers barcode and manifest all parcels before transmitting an electronic manifest to the Postal Service.

The eVS manifest lists all barcoded parcels in a mailing and includes pertinent information for each parcel to support postage and fee payment. Under eVS, parcel mailings are no longer verified by the Postal Service at a mailer's or shipper's plant, and the mailer or shipper is no longer required to create paper documentation for induction activities. Mailers or shippers manifest the parcels, transmit the electronic files to the Postal Service, schedule appointments through the Facility Access and Shipment Tracking (FAST) system, and present the parcels at the desired destination entry facilities according to the appointments.

The Postal Service draws random statistical samples of the mailings at the appropriate plants and delivery units, and electronically compares the sampling data against the transmitted electronic manifest to verify the accuracy of the mailing. Electronic reports provide information on the discrepancies noted. These reports are available via the eVS Web site and can facilitate an automated reconciliation process.

Both mailers and shippers can benefit from the use of eVS for their parcel mailings as follows:

- Managing internal workflows is no longer limited by Postal Service verification schedules.
- Barcoding each parcel ensures greater precision in accounting and postage payment processes.
- Preparing and transmitting electronic manifests eliminate the need for paper documentation, significantly improving the efficiency of operations and reporting, and providing greater flexibility for updating information.
- Having access to a wealth of online reports provides up-to-date mailing and transaction information. This information, accessible 24 hours a day, 7 days a week, facilitates convenient information sharing between the Postal Service and the eVS mailers and shippers.

### Requirements

eVS has two fundamental technical requirements that provide the necessary

data and configuration for successful processing:

- *Electronic manifests.* The creation and successful transmission of electronic manifests to the Postal Service for postage payment will be required. The electronic file format and data elements to be used for these manifests are detailed in Postal Service Publication 205. The eVS electronic manifests will replace today's hardcopy manifest, as well as the associated hardcopy postage statement and PS Form 8125.

- *Parcel barcoding.* The application of a unique barcode to each parcel will be required. There are two standardized eVS barcode formats: the Confirmation Services barcode (that is, the current barcode used for Delivery Confirmation™ and Signature Confirmation™) and the Package Services routing barcode for parcels not containing Confirmation Services. Technical requirements for each barcode type are also detailed in Publication 205.

- The barcode must be an authorized UCC/EAN 128 barcode meeting the technical requirements in Publication 205.

- The mailer or shipper ID used in the barcode must be unique to the parcel shipper or the parcel shipper's client.

- Each barcode must be unique for 12 consecutive months. (The Postal Service is currently developing requirements to shorten this period to 6 consecutive months for implementation by mid-2007.)

Because Delivery Confirmation service does not require any additional fees for Parcel Select items, mailers and shippers are encouraged to apply a Delivery Confirmation service barcode to all Parcel Select pieces. Delivery Confirmation service is available on other Package Services and Standard Mail parcels for \$0.14, when using the electronic option. Mailers and shippers may choose to apply an alternate barcode as described in Publication 205 to avoid paying this fee. However, no delivery information will be available when using this barcode.

### eVS Manifest Mailing Operations

The principal eVS manifest mailing operations for the eVS participant and the Postal Service are as follows:

1. *Transmitting electronic manifest files.* On or before the actual date of deposit (also called the date of mailing), the mailer or shipper transmits electronic manifests to the Postal Service detailing all eVS parcels to be deposited into the mail stream.

2. *Generating postage statements.* eVS generates postage statements using the information contained in the mailer's or shipper's transmitted manifest files and submits these postage statements directly to *PostalOne!*

3. *Paying postage and fees.* From the information on the generated postage statements, postage and any fees for special services are withdrawn from the mailer's or shipper's *PostalOne!* payment account. Account information, including current balances and transactions, is updated on the eVS Web site. The eVS mailer or shipper can access the password-protected Web pages to view postage statements and associated funds debited from the account.

4. *Transporting and depositing parcels.* The eVS mailer or shipper makes appointments through the Postal Service's FAST system and then the mailer or shipper transports and deposits the parcels at the appropriate Postal Service destination entry facility, based on the entry rate claimed:

- a. Destination bulk mail center.
- b. Destination sectional center facility.
- c. Destination delivery unit.

5. *Sampling deposited parcels.* As parcels are deposited at the destination entry facilities, the Postal Service randomly samples the parcels using scanning devices and electronic scales and uploads the collected sampling data to the eVS application. The uploaded data is matched to the data manifested by the mailer or shipper and then compared to verify whether the manifested postage claimed by the mailer or shipper for the sampled parcels has been calculated correctly based on specific rate determinants and physical characteristics of the parcels. The results of the comparison are recorded in the eVS database and used to calculate the postage adjustment factor (PAF) described in the next section. Sampling data collected by the Postal Service includes the following:

- a. Barcode information and rate markings on the mailing label.
- b. Entry ZIP Code of the sampling site and destination ZIP Code on the mailing label.
- c. Zone, if applicable to the class or subclass of mail.
- d. Size of the parcel.
- e. Weight of the parcel.
- f. Machinability of the parcel.

6. *Determining mis-shipped and un-manifested parcels.* When barcodes on the mailing labels are scanned during the normal processing and delivery operations (for example, delivery scans collected for parcels prepared with Delivery Confirmation), the barcode data is transmitted to the eVS database

to determine whether the parcels are mis-shipped or un-manifested. Mis-shipped parcels are parcels deposited at the incorrect destination entry facility. Un-manifested parcels are parcels scanned but not included on the mailer's or shipper's manifest.

7. *Assessing additional postage.* As described in the next section, the mailer or shipper is assessed postage for discrepancies found in the electronic manifests for any of the following:

- a. Incorrectly rated parcels.
- b. Mis-shipped parcels.
- c. Un-manifested parcels.

#### Postage Adjustments

The eVS program will collect postage daily based on the electronic manifests received that day from mailers or shippers. For calculating postage adjustments in eVS, a mailing period is defined as a calendar month. A reconciliation period is defined as the 20 days immediately following the mailing period. In addition to the daily collection of postage based on the manifests, postage will be calculated and assessed for the following types of errors when detected:

- *Incorrectly rated parcels.* If total postage paid for the parcels on the manifests received for a mailing period is understated by more than 1.5% based on sampling and finding underpaid parcels, a postage adjustment factor (PAF) will be calculated by dividing the total postage for the sampled parcels by the postage claimed for the sampled parcels on the mailer's or shipper's manifests. If the PAF exceeds 1.015 (that is, the percentage of underpayment is greater than 1.5%), then the manifested postage amount for the entire mailing period will be multiplied by the PAF minus 1 ( $1.015 - 1$ ) to determine the additional postage due.

- *Mis-shipped parcels.* For DDU parcels dropped at an incorrect entry location, the mailer or shipper will be charged the difference between the manifested postage and the single-piece rate for the parcel. In the case of Standard Mail parcels, the mailer or shipper will be charged the difference between the manifested postage and (whichever is less) the appropriate single-piece First-Class Mail rate or single-piece intra-BMC or inter-BMC Parcel Post rate. DDU rates are currently not available for Standard Mail parcels. To allow for improved delivery, mailers and shippers can be authorized to commingle Standard Mail parcels with Parcel Select parcels entered at DDUs. For DBMC and DSCF parcels dropped at an incorrect entry location, the sampled pieces become part of the postage adjustment factor calculation.

- *Un-manifested parcels.* If a parcel is not identified on a manifest, the mailer or shipper ID in the barcode will be used to establish accountability for payment of postage. Postage for un-manifested parcels will be based on data collected on these parcels at destinating Postal Service facilities. The mailer or shipper will be allowed to reconcile un-manifested parcels by transmitting an electronic manifest for the parcels within 10 days after the close of the mailing period. A mailing period is defined as a calendar month. Any un-manifested parcels receiving a manifest record prior to the 11th day of the subsequent month will be removed from this assessment. Un-manifested parcels do not become part of the postage adjustment factor calculation.

The Postal Service will work with mailers and shippers required to pay postage adjustments for incorrectly rated parcels, mis-shipped parcels, and un-manifested parcels to determine the causes leading to these adjustments and review quality control procedures. It is important that the mailer or shipper maintain quality control procedures to ensure accountability of parcels entered under the eVS manifest program.

#### Postage Payment Schedule

Under eVS, the collection of postage and any postage adjustment occurs as follows:

- The mailer's or shipper's *PostalOne!* payment account is debited on a daily basis. Payment for each manifest is debited on the day the manifest is submitted.

- At the end of each mailing period, defined as a calendar month, the mailer's or shipper's *PostalOne!* payment account is debited for postage for (1) mis-shipped parcels, (2) un-manifested parcels, and (3) postage adjustments on the manifested postage, if the PAF exceeds 1.015. These additional postage amounts are processed on the 21st day of the month following the mailing period to allow mailers and shippers time to investigate and reconcile discrepancies. Between the end of a mailing period and the 21st day of the following month, there are two 10-day review periods:

- The first 10-day period is a mailer or shipper review period and begins immediately after the end of the mailing period and extends through the 10th day of the month following the mailing period. During this period, the mailer or shipper may submit manifests to account for un-manifested parcels.
- The second 10-day period is a joint review period between the mailer or shipper and the Postal Service and begins immediately following the mailer

or shipper review period and extends through the 20th day of the month following the mailing period. During this period, at the mailer's or shipper's request, the mailer or shipper may jointly review the sampling data with the Postal Service to dispute any data indicating a postage adjustment is due. Appeals and refund requests must be submitted in writing to the Business Mailer Support manager within 30 days following the end of the joint review period.

**EVS Implementation**

Required use of eVS will be effective August 1, 2007. This over 1-year notice period will provide mailers and shippers with sufficient time to meet eVS standards, as well as sufficient time to perform testing necessary to ensure satisfactory operation.

We adopt the following amendments to Mailing Standards of the United States Postal Service, Domestic Mail Manual (DMM), incorporated by reference in the Code of Federal Regulations. See 39 CFR 111.1.

**List of Subjects in 39 CFR Part 111**

Postal Service.

■ Accordingly, 39 CFR part 111 is amended as follows:

**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, 414, 3001–3011, 3201–3219, 3403–3406, 3621, 3626, 5001.

■ 2. Revise the following sections of *Mailing Standards of the United States Postal Service, Domestic Mail Manual (DMM®)* as provided below:

*Mailing Standards of the United States Postal Service, Domestic Mail Manual*

\* \* \* \* \*

400 Discount Mail Parcels

\* \* \* \* \*

440 Standard Mail

\* \* \* \* \*

446 Enter and Deposit

\* \* \* \* \*

**2.0 Destination Entry**

\* \* \* \* \*

**2.3 Postage Payment**

*[Revise 2.3, as follows:]*

Except for mailings paid using the Electronic Verification System (eVS), mailers pay postage at the Post Office where they are authorized to present mailings for verification. For mailings

paid using eVS under 705.2.9, mailers must pay postage at the Post Office where they hold the permit used for such mailings. Prior to mailing, mailers must ensure that they have paid the correct mailing fee(s) for the current 12-month period at the Post Office where they pay postage for the mailing.

\* \* \* \* \*

**2.7 Verification**

\* \* \* \* \*

**2.7.2 Mail Separation and Presentation**

*[Revise 2.7.2, as follows:]*

Mailers who commingle Standard Mail parcels with Parcel Select mailings authorized under 705.6.0 must present mailings and pay postage using the Electronic Verification System (eVS) if required by 705.2.9. Unless presenting mailings using eVS as required under 705.2.9, mailers must present destination entry rate mailings for verification and acceptance as follows:

a. Present mailings for verification and acceptance at a business mail entry unit (BMEU) at a destination postal facility; or

b. Present mailings for Postal Service verification under a plant-verified drop shipment (PVDS) system (see 705.15.0), and then enter mailings at destination entry facilities under the following conditions:

1. For all mailings, provide a completed Form 8125, 8125-C, or 8125-CD.

2. Separate mailings for deposit at one destination postal facility from mailings for deposit at other facilities to allow reconciliation with each accompanying Form 8125, 8125-C, or 8125-C.

3. Deposit only PVDS mailings at a destination delivery unit not co-located with a postal facility having a BMEU.

c. When Periodicals mail is on the same vehicle as Standard Mail, mailers should load the Periodicals mail toward the tail of the vehicle.

*[Delete 2.7.3 and renumber 2.7.4 to 2.7.7 as 2.7.3 to 2.7.6.]*

\* \* \* \* \*

450 Parcel Post

\* \* \* \* \*

454 Postage Payment and Documentation 1.0 Basic Standards for Postage Payment

\* \* \* \* \*

**1.2 Postage Payment**

*[Revise 1.2, as follows:]*

Mailers must pay postage and fees at the Post Office where they are authorized to present mailings for verification. See 456.2.2.4 for additional

information about paying postage and fees for Parcel Select mailings.

\* \* \* \* \*

456 Enter and Deposit

\* \* \* \* \*

2.0 Parcel Select

\* \* \* \* \*

**2.2 Rate Eligibility for Parcel Select Rates**

\* \* \* \* \*

**2.2.4 Postage Payment**

*[Revise 2.2.4 to read as follows:]*

Postage payment is subject to the following:

a. Mailers must pay postage and fees at the Post Office where they are authorized to present mailings for verification, except under 2.2.4b. Except for plant-verified drop shipments (see 705.15.0) or metered mail drop shipments (see 705.17.0), mailers must have a meter license or permit imprint authorization at the parent Post Office for mailings deposited for entry at a DBMC or ASF, at a DSCF, or at a DDU.

b. As required by 705.2.9, mailers who mail parcels paid with a permit imprint and claimed at Parcel Select rates must use the Electronic Verification System (eVS). Mailers using eVS must pay postage and fees at the Post Office where they hold the permit used for eVS mailings.

\* \* \* \* \*

**2.4 Deposit for Parcel Select**

\* \* \* \* \*

**2.4.3 Mail Separation and Presentation**

*[Revise 2.4.3 to read as follows:]*

As required by 705.2.9, mailers must present all permit imprint Parcel Select mailings using the Electronic Verification System (eVS). Mailers must have destination entry rate mail verified under a PVDS system (see 705.15.0) or present mailings for verification and acceptance at a BMEU located at a designated destination postal facility. Mailers may deposit only PVDS mailings at a destination delivery unit not co-located with a Post Office or other Postal Service facility having a business mail entry unit. Mailers presenting destination entry mailings to the Postal Service must meet the following requirements:

a. Mark each piece of DBMC, DSCF, or DDU rate Parcel Post as either "Parcel Post" or "Parcel Select," according to 402.2.2. If eVS is used, mailers must also mark each piece "eVS" as described in 604.5.0.

b. Separate DBMC rate mailings by zone for permit imprint mailings of identical-weight pieces that are not mailed using a special postage payment system under 705.2.0 through 705.4.0, or that are not mailed under 455.1.4.

c. Except for PVDS mailings presented using eVS, ensure that all PVDS mailings are accompanied by a completed Form 8125, 8125-C, or 8125-CD.

d. Separate each mailing from other mailings for verification. For PVDS mailings, separate mailings for deposit at different destination postal facilities to allow for reconciliation with each Form 8125, 8125-C, or 8125-CD. eVS mailings prepared under 705.2.9 must be physically separate for each destination postal facility but do not require Form 8125.

e. Separate mail from freight transported on the same vehicle.

f. If Periodicals mail is on the same vehicle as Parcel Post, load the Periodicals mail toward the tail of the vehicle.

\* \* \* \* \*

460 Bound Printed Matter

\* \* \* \* \*

466 Enter and Deposit

\* \* \* \* \*

**2.0 Destination Entry**

\* \* \* \* \*

**2.3 Postage Payment**

*[Revise 2.3 to read as follows:]*

Postage payment is subject to the following:

a. Mailers must pay postage and fees to the Post Office where they are authorized to present mailings for verification, except for mail paid using the Electronic Verification System (eVS).

b. When parcels for any destination rates are commingled with Parcel Select mail under 705.7.0, mailers must document and pay postage using eVS as required under 705.2.9.

c. For mailings paid using eVS, mailers must pay postage and fees at the Post Office where the mailer holds the permit used for eVS mailings.

\* \* \* \* \*

**2.8 Verification**

\* \* \* \* \*

**2.8.2 Mail Separation and Presentation**

*[Revise text of 2.8.2 to read as follows:]*

As required by 705.2.9, mailers must present all Bound Printed Matter parcel manifest mailings commingled with

Parcel Select mail (under 705.7.0) using the Electronic Verification System (eVS). Unless required to use eVS, mailers may present mailings using a Manifest Mailing System (MMS) without participating in eVS. Mailers must have destination entry rate mail verified under a PVDS system (see 705.15.0) or present mailings for verification and acceptance at a BMEU located at a designated destination postal facility. Mailers may deposit only PVDS mailings at a destination delivery unit not co-located with a Post Office or other Postal Service facility having a business mail entry unit. Mailers presenting destination entry mailings to the Postal Service must meet the following requirements:

a. Except for mailings presented using eVS, ensure that all PVDS mailings are accompanied by a completed Form 8125, 8125-C, or 8125-CD.

b. Separate each mailing from other mailings for verification. For PVDS, separate mailings for deposit at different destination postal facilities to allow reconciliation with each Form 8125, 8125-C, or 8125-CD. eVS mailings prepared under 705.2.9 are must be physically separate for each destination postal facility but do not require Form 8125.

c. Separate mail from freight transported on the same vehicle.

d. If Periodicals mail is on the same vehicle as Bound Printed Matter, load the Periodicals mail toward the tail of the vehicle.

\* \* \* \* \*

600 Basic Standards for All Mailing Services

\* \* \* \* \*

604 Postage Payment Methods

\* \* \* \* \*

**5.0 Permit Indicia (Indicia)**

\* \* \* \* \*

**5.3 Indicia Design, Placement, and Content**

\* \* \* \* \*

**5.3.6 First-Class Mail and Priority Mail Format**

*[Revise text of 5.3.6 by adding the following sentence after the first sentence as follows:]*

\* \* \* If eVS is used under 705.2.9, the marking "eVS" (or the alternative "e-VS") must appear directly below the permit number. \* \* \*

**5.3.7 Standard Mail and Package Services Format**

*[Revise text of 5.3.7 by adding the following sentence after the first sentence as follows:]*

\* \* \* If eVS is used under 705.2.9, the marking "eVS" (or alternative "e-VS") must appear directly below the permit number. \* \* \*

**5.3.9 Use of a Company Permit Imprint**

A company permit imprint is one in which the exact name of the company or individual holding the permit is shown in the indicia in place of the city, state, and permit number. If eVS is used under 705.2.9, the marking "eVS" (or alternative "e-VS") must appear directly below the name. \* \* \*

\* \* \* \* \*

608 Postal Information and Resources

\* \* \* \* \*

**8.0 USPS Contact Information**

**8.1 Postal Service**

*Revise room number and ZIP+4 for Business Mailer Support address as follows:]*

BUSINESS MAILER SUPPORT  
U.S. POSTAL SERVICE,  
475 L'ENFANT PLZ S.W. RM 2P846  
WASHINGTON, DC 20260-0846

\* \* \* \* \*

700 Special Standards

\* \* \* \* \*

705 Advanced Preparation and Special Postage Payment Systems

\* \* \* \* \*

**2.0 Manifest Mailing System (MMS)**

**2.1 Description**

*[Add new 2.1.1 by moving text from old 2.1 to new 2.1.1. Change the last sentence in new 2.1.1 to read as follows:]*

**2.1.1 Using an MMS**

\* \* \* The standards in 2.2 describe how to mail using an MMS.

*[Add new item 2.1.2 to read as follows:]*

**2.1.2 Required Use of Electronic Verification System (eVS)**

As required by 2.9, mailers using MMS when presenting Parcel Select mailings under 456.2.0 or commingled mailings with Parcel Select under 705.6.0 or 705.7.0 must document and pay postage using eVS. Business Mailer Support (BMS) can provide mailers with

information for developing and receiving approval for these systems.

\* \* \* \* \*

## 2.4 Authorization

\* \* \* \* \*

### 2.4.1 Application

*[Revise by adding the following sentence to the end of 2.4.1, as follows:]*

\* \* \* Publication 205, *Electronic Verification System Technical Guide*, provides the application procedures for mailers using eVS (see 2.1.2). To receive a copy, contact the Business Mailer Support manager, USPS Headquarters (see 608.8.0 for address).

\* \* \* \* \*

### 2.4.3 General Requirements for Authorization

\* \* \* \* \*

*[Revise item b, renumber items c, d, and e as items e, f, and g, and add new items c and d, as follows:]*

b. If total postage of pieces sampled during verification indicates that the mailer has underpaid postage by more than 1.5% when compared with the manifest, USPS adjusts total postage using the procedures in Publication 205. USPS charges eVS participants at the end of the review period following the mailing period.

c. USPS charges eVS participants the appropriate single-piece rate for misshipped parcels (parcels deposited at incorrect destination facilities). USPS transports these misshipped parcels to the correct destination.

d. USPS charges eVS participants for any parcels not listed on the mailer's manifest but identified by USPS processing scans as being mailed. USPS removes these un-manifested parcels from any sampling adjustments.

\* \* \* \* \*

### 2.4.4 Approval Authority

The final authority for manifest mailing approval is as follows:

\* \* \* \* \*

*[Revise 2.4.4 b, as follows:]*

b. The Business Mailer Support manager, USPS Headquarters, approves manifest mailing systems that produce presorted First-Class Mail and Standard Mail mailings, Package Services mailings, PVDS mailings, and all mailings using eVS.

\* \* \* \* \*

*[Add new 2.9, as follows:]*

## 2.9 Electronic Verification System (eVS)

### 2.9.1 Required Use

Effective August 1, 2007, mailers depositing permit imprint parcels

claimed at Parcel Select rates must document and pay postage using eVS as described in 2.9. Effective August 1, 2007, mailers authorized to commingle Standard Mail machinable parcels or Package Service parcels with Parcel Select under 705.6.0 and 705.7.0 must also use eVS to document and pay postage for all parcels in the mailing.

### 2.9.2 Mailer System

Mailers must have an automated system that produces mail according to USPS standards and calculates postage accurately. Mailers must assign a barcode to each mailpiece according to Publication 205, *Electronic Verification System Technical Guide*. Mailers also must produce and submit an electronic manifest, as described in Publication 205, for each mailing deposited at a destination postal facility. The USPS scans barcodes during sampling to verify information from the mailer's manifest. The electronic manifest must account for every piece in the mailing, under the following conditions:

- a. For each mailpiece produced, the electronic manifest must list the postage for the piece and the factors used to calculate the correct amount of postage, such as the piece weight and destination postal zone.
- b. For each record produced, the manifest must include the unique package identification code represented by the barcode on the mailpiece.
- c. When extra services are requested, the manifest must include the correct fees for each piece.

### 2.9.3 Mailer Quality Control

Mailers must implement a quality control program that ensures proper mail preparation, proper payment of postage, and provides accurate documentation. The service agreement must detail the USPS-approved quality control procedures.

### 2.9.4 Required Barcode

Mailers must apply an approved barcode on the address side of each mailpiece. Barcodes must meet specifications described in Publication 205, *Electronic Verification System Technical Guide*.

### 2.9.5 Postage Payment

USPS calculates postage payment and electronically debits postage from the mailer's postage account based on information received from the mailer's electronic manifest and data collected through USPS operational and sampling scans. Mailings deposited under eVS must meet the standards for permit imprint mail in 604.5.0. Mailers must pay for postage through a Centralized

Account Payment System (CAPS) account.

### 2.9.6 Verification and Postage Adjustments

USPS randomly samples parcels and considers verification samples to be representative of the entire mailing period. USPS applies postage adjustment calculations, based on verification samples, to all mailpieces mailed during the mailing period. A mailing period is defined as a calendar month for purposes of calculating adjustments in eVS. USPS adjusts the total postage for the mailing period if the total postage or the total weight of pieces sampled during the mailing period results in an underpayment greater than 1.5%.

### 2.9.7 General Requirements for Participation

General requirements for participation are as follows:

- a. Mailers must apply on each mailpiece a unique barcode with the mailer ID number.
- b. Mailers must transmit an electronic manifest on or before the date of mailing.
- c. The mailer must pay postage for any underpayments identified by USPS verification. Mailers must maintain sufficient funds in their postage accounts to cover any underpayments discovered after acceptance of the mail.

### 2.9.8 Authorization

Mailers must be authorized to participate in eVS according to the following procedures:

- a. Mailers must submit an eVS application and supporting documentation as specified in Publication 205, *Electronic Verification System Technical Guide*, to the Business Mailer Support manager, USPS Headquarters (see 608.8.0 for address).
- b. After mailers successfully complete development and testing for eVS, the USPS grants temporary approval. USPS conducts a review within 90 days of the temporary approval and will give final approval if the mailer's system is working as required. The Business Mailer Support manager, USPS Headquarters, has final authority for eVS participation approval.
- c. After receiving final authorization, the mailer and a USPS representative must sign a service agreement. The agreement contains provisions regarding mailer and USPS responsibilities, including electronic documentation, document retention, quality control, and the duration of the agreement.

**2.9.9 Denial**

If USPS denies an eVS application, the mailer may appeal the decision within 15 days from the receipt of the notice by filing a written appeal, including evidence showing why they should be authorized to use eVS. Send the appeal to the Business Mail Acceptance manager, USPS Headquarters, who issues the final agency decision (See 608.8.0 for address.).

**2.9.10 Revocation**

The Business Mailer Support manager has authority to revoke authorization for eVS participation for any of the following reasons:

- a. A mailer provides incorrect data in the electronic manifest and is not able or willing to correct the problems.
- b. A mailer is not properly completing the required quality control procedures.
- c. The mailings no longer meet eVS criteria established by this standard or in the eVS service agreement.
- d. A mailer does not present mailings using eVS for more than 6 months (except as noted in the service agreement).
- e. A mailer presents mailings that are improperly prepared.
- f. A mailer is not paying proper postage.

**2.9.11 Corrective Action**

After USPS issues a notice of revocation to a mailer, the mailer and the USPS determine corrective actions, including an implementation schedule. At the conclusion of the implementation period, the USPS reexamines the mailer's system to determine if it complies with the program requirements. Failure to correct identified problems is sufficient grounds to sustain revocation of the mailer's eVS authorization.

**2.9.12 Appeal of Revocation**

After receiving initial notice of revocation, a mailer has 15 days from the date of receipt of the revocation notice to file a written appeal with the Business Mail Acceptance manager, USPS Headquarters. The appeal must include the reason the eVS authorization should not be revoked. The mailer may continue to mail using eVS during the appeal process. The Business Mail Acceptance manager issues the final agency decision. The

final revocation takes effect 15 days after the date of the final agency decision.

\* \* \* \* \*

**6.0 Combining Mailings of Standard Mail and Package Services Parcels**

[Revise title of 6.1, as follows:]

**6.1. Combining Machinable Parcels—DBMC Entry**

\* \* \* \* \*

**6.1.2 Basic Standards**

\* \* \* \* \*

**6.1.3 Postage Payment**

[Revise 6.1.3 to add requirement for eVS and reorganize, as follows:]

Mailers must pay postage for all pieces with a permit imprint at the Post Office serving the mailer's plant using one of the following postage payment systems. The applicable system agreement must include procedures for combined mailings approved by Business Mailer Support.

- a. Manifest Mailing System (MMS), under 2.0.
- b. Optional Procedure (OP) Mailing System, under 3.0, until required under 705.2.9.
- c. Alternate Mailing System (AMS), under 4.0, until required under 705.2.9.
- d. For mailings presented under 705.6.0, mailers must document and pay postage using the Electronic Verification System under 705.2.9.

\* \* \* \* \*

[Revise title of 6.2, as follows:]

**6.2 Combining Parcels—DSCF Entry, Parcel Post OBMC Presort and BMC Presort**

\* \* \* \* \*

**6.2.3 Postage Payment**

[Revise text of 6.2.3 to include eVS requirement for DSCF entry parcels, as follows:]

Mailers must pay postage for all pieces with a permit imprint at the Post Office serving the mailer's plant using an approved manifest mailing system under 2.0. The following conditions also apply:

- a. The applicable system agreement must include procedures for combined mailings approved by Business Mailer Support.
- b. For mailings presented under 705.6.0, mailers must document and pay

postage using the Electronic Verification System under 705.2.9.

\* \* \* \* \*

**7.0 Combining Package Services Parcels for Destination Entry**

**7.1 Combining Parcels for DSCF and DDU Entry**

\* \* \* \* \*

**7.1.2 Basic Standards**

[Add the following sentence at the end of 7.1.2b, as follows:]

- b. \* \* \* For mailings presented under 705.7.0, mailers must document and pay postage using the Electronic Verification System (eVS) under 705.2.9.

\* \* \* \* \*

**8.0 Preparation for Pallets**

\* \* \* \* \*

**8.6 Pallet Labels**

\* \* \* \* \*

**8.6.6 Line 3 (Origin Line)**

[Revise 8.6.6, as follows:]

The office of mailing or mailer information line (line 3 of required information) must be the bottom line of required information unless the pallet or pallet box contains mail prepared under the Electronic Verification System (eVS). Line 3 must show either the city and state of the entry Post Office or the mailer's name and the city and state of the mailer's location. It is recommended that the mailer's name also appear with the city and state of the entry Post Office.

[Renumber current 8.6.7 through 8.6.10 as 8.6.8 through 8.6.11 and add new 8.6.7, as follows:]

**8.6.7 Electronic Verification System (eVS)**

All pallets and pallet boxes containing parcels prepared and identified using the Electronic Verification System (eVS) under 705.2.9 must show "eVS" (or the alternatives "EVS" or "E-VS") directly below line 3 (origin line) using the same size and lettering used for line 3.

\* \* \* \* \*

**Neva R. Watson,**

Attorney, Legislative.

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