

POSTAL SERVICE

39 CFR Part 111

Shortpaid and Unpaid Information-Based Indicia (IBI) Postage and Shortpaid Express Mail Postage

AGENCY: Postal Service™.

ACTION: Final rule.

SUMMARY: The Postal Service will revise *Mailing Standards of the United States Postal Service*, Domestic Mail Manual (DMM®) 604.4, 604.8, and 604.10, to implement revenue protection procedures for mailpieces entered with shortpaid and unpaid Information Based Indicia (IBI) postage payment and to implement revenue protection procedures for shortpaid Express Mail® postage.

DATES: Effective September 6, 2011.

FOR FURTHER INFORMATION CONTACT: Carla Sherry at 703-280-7068, or Carol A. Lunkins at 202-268-7262.

SUPPLEMENTARY INFORMATION:

On February 22, 2011, the Postal Service published the *Federal Register* proposed rule, *Shortpaid and Unpaid Information-Based Indicia (IBI) Postage and Shortpaid Express Mail Postage, Revised Proposal* (76 FR 9702-9705). The Postal Service received four comments and gave them each consideration and will adopt the proposed rule with minor revisions.

Comments

One commenter raised concerns about the ability of customers who pay postage with IBI postage meters to use an existing account and/or payment method in lieu of a credit card to pay revenue deficiencies. At the present time, the Postal Service will not permit customers to use existing accounts and/or payment methods in lieu of credit cards to pay revenue deficiencies, but this may be a future consideration.

One commenter expressed concern regarding the Postal Service's proposal to use an electronic notification process to recover revenue deficiencies from customers using IBI postage meters. Only customers who pay postage with postage evidencing systems with email addresses either on file with the Postal Service or with whom the Postal Service has an agreement and a process in place to obtain email addresses will receive an electronic notification. If a customer's email address is not available, the Postal Service will use other existing processes to recover revenue deficiencies.

One commenter asked for clarification of “other non-electronic processes” that will be used to identify shortpaid and unpaid postage. In the event that the new electronic processes are unavailable, the Postal Service will use existing methods to collect unpaid and shortpaid IBI postage. The Postal Service is making a minor change in the language to state, “In the event that electronic processes are unavailable, other existing processes may be used to recover revenue deficiency as required.”

One commenter asked for clarification regarding the procedures for remedying postage deficiencies generated from Click-N-Ship. The Postal Service is making a minor change to further clarify that the new automated procedures for detecting and recovering postage deficiencies apply to shortpaid and unpaid postage generated from Click-N-Ship. However, this does not preclude the use of existing processes to identify or recover postage deficiencies. For items with shortpaid IBI postage that is generated from Click-N-Ship, the Postal Service will continue to allow mailers to remit payments for such postage deficiencies via Click-N-Ship and follow the existing postage deficiency process.

With this final rule, the Postal Service implements new procedures to manage shortpaid Express Mail postage and a new process to detect mailpieces with shortpaid and unpaid IBI postage generated from the following postage evidencing systems: Click-N-Ship®, IBI postage meters, and PC Postage® products.

The Postal Service also implements a new USPS web-based resolution process to remedy shortpaid and unpaid IBI postage payment deficiencies; a process to dispute shortpaid and unpaid IBI postage deficiency assessments; and a process to appeal USPS decisions relative to shortpaid and unpaid IBI postage. During this process, customers will be notified electronically of the postage deficiency and be provided a link to a specific USPS web-based customer payment portal to resolve the shortage. In addition to this new process, the Postal Service will continue to use the existing postage deficiency payment process for shortpaid and unpaid postage generated by Click-N-Ship.

Express Mail Shortpaid Procedure

For an Express Mail Next Day, Second Day, Military, or Custom Designed Service item received at the origin office of mailing with insufficient postage, the mailer is contacted to correct the postage deficiency prior to dispatch of the Express Mail item. If the mailer cannot be contacted before dispatch from the origin office, or if the Express Mail item with insufficient postage is identified during processing operations or at the destination Post Office, the Express Mail item is endorsed “Postage Due”, marked to show the total deficiency of postage and fees, and then dispatched to the destination Post Office for delivery to the addressee upon payment of the deficiency.

If the addressee refuses to pay the postage due amount, the Express Mail item is endorsed “Return to Sender – Refused.” The postage deficiency is then

collected when the Express Mail item is returned to the original sender. If the original sender chooses to remail the item, a new Express Mail label and new postage and fees must be affixed.

Postage Evidencing Systems

Postage meters, PC Postage products, and Click-N-Ship are collectively identified as “postage evidencing systems.” A postage evidencing system is a device or system of components a customer uses to print evidence that postage required for mailing has been paid.

Information-Based Indicia

Information-Based Indicia (IBI) are digitally generated indicia that include a two-dimensional barcode.

Revenue Deficiency

Revenue deficiency includes both shortpaid and unpaid postage which occurs when any mailpiece has less postage than required for the applicable price category and associated class, weight, shape, zone, and extra services.

Shortpaid postage is revenue deficiency for which the valid postage on a mailpiece is less than the amount due.

Unpaid postage is a revenue deficiency for which postage is deficient due to the lack of affixed postage or the use of counterfeited, replicated, duplicated, falsified, or otherwise modified postage.

Detection Process for Revenue Deficiency

When potential shortpaid or unpaid IBI postage is detected on a mailpiece, the Postal Service will subsequently verify the postage to ensure its validity and determine whether the amount is sufficient. When the IBI postage on a mailpiece is confirmed to be shortpaid or unpaid, the corrective measures outlined below will be taken to recover the applicable revenue deficiency.

Electronic Notification of Revenue Deficiencies

In most cases, the Postal Service will electronically notify both the mailer and the postage evidencing system service provider of the revenue deficiency and deliver the mailpiece to the addressee. The electronic notification provides a link to the USPS® web-based customer payment portal that will enable the mailer to pay or dispute the revenue deficiency. In the event that electronic means are unavailable, other existing processes may be used to recover revenue deficiencies as required.

Resolution Process

Where applicable, the Postal Service will provide a resolution process that will be accessible through the USPS web-based customer payment portal to enable mailers to pay, dispute or appeal revenue deficiencies for IBI postage generated from postage evidencing systems. These processes are outlined below.

Payment Process

The mailer has 14 days from the date that the Postal Service sends the revenue deficiency electronic notification to pay the deficiency. The payment process is as follows:

- During the 14-day resolution period, the mailer must remit the payment for the revenue deficiency by accessing the USPS web-based customer payment portal or through an otherwise authorized Postal Service payment method as indicated in the electronic notification.
- After 14 days, if a mailer has not paid or taken action to dispute a revenue deficiency, the Postal Service may notify the mailer's postage evidencing system service provider to temporarily suspend the mailer's account.
- When an electronic notification sent to a mailer is undeliverable, the Postal Service may notify the mailer's postage evidencing system service provider to temporarily suspend the mailer's account prior to the end of the 14-day period.
- When a mailer's cumulative revenue deficiency continues to increase during the 14-day period, the Postal Service may notify the mailer's postage evidencing system service provider to temporarily suspend the mailer's account prior to the end of the 14-day period.
- If the mailer feels the revenue deficiency is in error, the mailer may dispute the revenue deficiency during this 14-day period.

Dispute Process

The mailer has 14 days from the date the Postal Service sends the revenue deficiency electronic notification to dispute the deficiency. The Postal Service will also send an electronic notification of the approved (upheld) or denied dispute to the mailer. If the Postal Service upholds the mailer's dispute, then the mailer is required to take no further action. The dispute process is as follows:

- During this 14-day period, the mailer must take action to dispute the revenue deficiency by accessing the USPS web-based customer payment portal or through an otherwise authorized Postal Service dispute method as indicated in the electronic notification.
- The mailer must provide information to substantiate that the postage affixed was valid and sufficient for the postage and service fees associated with the mailpiece.
- After 14 days, if a mailer has not taken action to pay or dispute a revenue deficiency, the Postal Service will notify the mailer's postage evidencing system service provider to temporarily suspend the mailer's account.
- When an electronic notification that is sent to a mailer is undeliverable, the Postal Service may notify the mailer's postage evidencing system service provider to temporarily suspend the mailer's account prior to the end of the 14-day period.
- When a mailer's cumulative revenue deficiency continues to increase during this 14-day period, the Postal Service may notify the mailer's postage evidencing system service provider to temporarily suspend the mailer's account prior to the end of the 14-day period.

Denied Disputes and the Appeal Process

When a dispute is denied, the mailer has 7 days from the date that the Postal Service sends the electronic notification of the denial to pay the revenue deficiency or to file an appeal. The mailer may pay the deficiency or appeal the decision by accessing the USPS web-based customer payment portal or through an otherwise authorized Postal Service payment or appeal method as indicated in the electronic notification. The Postal Service will make a final decision regarding the appeal request. If the Postal Service upholds the mailer's appeal, the Postal Service will notify the mailer of the decision, and the mailer is required to take no further action. The appeal process is as follows:

- The appeal process requires that the mailer provide additional evidence to substantiate that the postage affixed was valid and sufficient for the postage and service fees associated with the mailpiece.
- After 7 days, if a mailer has not taken action to pay or appeal the revenue deficiency denied in the dispute request, the Postal Service may notify the mailer's postage evidencing system service provider to temporarily suspend the mailer's account.
- When an electronic notification that is sent to a mailer is undeliverable, the Postal Service may notify the mailer's postage evidencing system service provider to temporarily suspend the mailer's account prior to the end of the 7-day period.
- When a mailer's cumulative revenue deficiency continues to increase during this 7-day period, the Postal Service may notify the mailer's postage evidencing system service provider to temporarily suspend the mailer's account prior to the end of the 7-day period.

Denied Appeals

When the Postal Service denies the appeal request, the mailer will be notified of the decision. The mailer must then pay the revenue deficiency, within 7 days from the date that of the electronic notification of appeal denial, by accessing the USPS web-based customer payment portal or through an otherwise authorized Postal Service payment method as indicated in the electronic notification. The process for denied appeals is as follows:

- If a mailer has not taken action to pay the revenue deficiency within 7 days, the Postal Service notifies the mailer's postage evidencing system service provider to suspend the mailer's account.
- If the electronic notification to a mailer is undeliverable, the Postal Service may notify the mailer's postage evidencing system service provider to suspend the mailer's account prior to the end of the 7-day period.
- If a mailer's cumulative revenue deficiency continues to increase during this 7-day period, the Postal Service may notify the mailer's postage evidencing system service provider to suspend the mailer's account prior to the end of the 7-day period.

Denial of Use of Postage Evidencing Systems

When a mailer fails to meet the standards, submits false or incomplete information, or deposits shortpaid and unpaid mailpieces in the mailstream, the Postal Service may deny a mailer use of a postage evidencing system.

Any mailer who deposits mailpieces with shortpaid or unpaid IBI postage or fees may be subject to some or all of the following proposed actions:

- Collection of the shortpaid or unpaid postage.
- Revocation of the mailer's account privileges.
- Civil and criminal fines and penalties pursuant to existing federal law.

The Postal Service adopts the following changes to *Mailing Standards of the United States Postal Service*, Domestic Mail Manual (DMM), which is incorporated by reference in the *Code of Federal Regulations*. See 39 CFR 111.1.

List of Subjects in 39 CFR Part 111

Administrative practice and procedure, 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); 13 U.S.C. 301-307; 18 U.S.C. 1692-1737; 39 U.S.C. 101, 401, 403, 404, 414, 416, 3001-3011, 3201-3219, 3403-3406, 3621, 3622, 3626, 3632, 3633, and 5001.

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

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600 Basic Standards for All Mailing Services

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604 Postage Payment Methods

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4.0 Postage Meters and PC Postage Products (“Postage Evidencing Systems”)

4.1 Basic Information

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4.1.2 Product Categories

* * * The primary characteristics of postage meters and PC Postage products are described below.

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[Revise items 4.1.2b and c as follows:]

- b. PC Postage products allow mailers to purchase and print postage with Information-Based Indicia (IBI) directly onto mailpieces, shipping labels, and USPS-approved customized labels.
- c. Click-N-Ship and USPS-approved commercial providers offer PC Postage products for mailers through subscription service agreements.

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4.2 Authorization to Use Postage Evidencing Systems

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4.2.4 Denial of Use

[Revise 4.2.4 as follows:]

The mailer authorized to use a postage evidencing system may be denied use when the mailer:

- a. Fails to comply with mailing standards.
- b. Submits false or incomplete information.
- c. Enters shortpaid or unpaid mailpieces into the mailstream.

[Renumber current item 4.2.5 as new 4.2.6 and add new item 4.2.5 as follows:]

4.2.5 Surrender of Postage Evidencing System

If authorization to use a Postage Evidencing System is denied, the mailer must surrender the systems, upon request, to the service provider, USPS, or USPS authorized agent.

4.2.6 Appeal Process

[Revise text of renumbered 4.2.6 as follows:]

Appeals regarding standards in this section or on the basis of noncompliance may be filed as follows:

- a. IBI postage mailers must appeal under 4.4.8.
- b. All other appeals must be in writing to the manager, Postage Technology Management (see 608.8.1 for address).

4.3 Postage Payment

4.3.1 Paying for Postage

[Revise the first sentence of 4.3.1 as follows:]

The value of the postage on each mailpiece must be equal to or greater than the amount due for the applicable price and any extra service fees, or another amount permitted by mailing standards. * * *

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[Renumber current items 4.4 through 4.6 as new 4.5 through 4.7, and add new item 4.4 as follows:]

4.4 Shortpaid and Unpaid Information-Based Indicia (IBI)

4.4.1 Definitions

Mailpieces bearing shortpaid postage are those for which the total postage and fees affixed are less than the postage required for the applicable price and any extra services fees. Mailpieces bearing unpaid IBI are those for which the mailer has not paid the postage or additional fees due to the lack of affixed postage, the use of counterfeited, replicated, duplicated, falsified, otherwise modified IBI, or IBI with zero value.

4.4.2 Detection Process for Revenue Deficiency

For mailpieces with shortpaid or unpaid postage found in the mailstream, manual and automated processes are used to detect and verify the revenue deficiencies.

4.4.3 Handling of Mailpieces with IBI Postage Revenue Deficiencies

For confirmed shortpaid or unpaid IBI postage, corrective measures may include:

- a. Delivering the mailpiece to the addressee and collecting the revenue deficiency as postage due.
- b. Collecting the revenue deficiency from the sender as described in 4.4.4 through 4.4.9.
- c. Returning the mailpiece to the sender.

4.4.4 Electronic Notification of Revenue Deficiencies

Upon confirmation of a revenue deficiency with IBI postage, the Postal Service electronically notifies both the mailer and the postage evidencing system service provider of the revenue deficiency and delivers the mailpiece to the addressee. The notification provides a link to the web-based customer payment portal that permits the mailer to pay or dispute the revenue deficiency.

4.4.5 Resolution Process

A resolution process is provided through the web-based customer payment portal.

4.4.6 Payment Process

The mailer must make payment within 14 days from the date the Postal Service sends the electronic notification by accessing the web-based customer payment portal or choose another method identified in the notification. Any mailer disputes regarding the revenue deficiency must be made during this 14-day period. The postage evidencing system service provider may be notified to temporarily suspend the mailer's account under the following conditions:

- a. After 14 days, if a mailer has not paid or disputed a revenue deficiency.
- b. When an electronic notification to a mailer is undeliverable.
- c. When a mailer's cumulative revenue deficiency increases during the 14-day period due to additional mailpieces being identified as shortpaid or unpaid.

4.4.7 Dispute Process

Mailers wishing to dispute the deficiency payment must do so within 14 days by accessing the web-based customer payment portal or other method identified in the electronic notification and substantiate that the postage affixed was valid and sufficient for the postage and applicable fees. An electronic notification is sent to the mailer of the decision to uphold or deny the dispute. If the Postal Service upholds the dispute, the mailer is not required to take further action.

4.4.8 Denied Disputes and the Appeal Process

If a dispute of a revenue deficiency is denied, the mailer has 7 days from the date of the electronic notification to file an appeal, by accessing the web-based customer payment portal or choosing another method identified in the notification. The mailer must provide additional evidence to substantiate that the postage affixed was valid and sufficient for the postage and fees. If the appeal decision is upheld, the mailer takes no further action. The Postal Service may notify the postage evidencing system service provider to temporarily suspend the mailer's account under the following conditions:

- a. After 7 days, if a mailer has not paid or appealed the revenue deficiency.
- b. When an electronic notification to a mailer is undeliverable.
- c. When a mailer's cumulative revenue deficiency increases during the 7-day period due to additional mailpieces being identified as shortpaid or unpaid.

4.4.9 Denied Appeals

If the appeal is denied, the mailer must pay the revenue deficiency within 7 days from the date of the electronic notification by accessing the web-based customer payment portal or choosing another USPS-authorized method identified in the notification. The postage evidencing system service provider may be notified to suspend the mailer's account under the following conditions:

- a. After 7 days, if a mailer has not paid the revenue deficiency.
- b. When an electronic notification to a mailer is undeliverable.
- c. When a mailer's cumulative revenue deficiency increases during the 7-day period due to additional mailpieces being identified as shortpaid or unpaid.

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8.0 Insufficient or Omitted Postage

8.1 Insufficient Postage

8.1.1 Definition

[Revise the second and third sentences of 8.1.1, and add a new fourth sentence as follows:]

* * * Such individual pieces (or quantities fewer than 10) are delivered to the addressee on payment of the charges marked on the mail. For mailings of 10 or more pieces, the mailer is notified so that the postage charges may be paid before dispatch. For any mailpiece with insufficient postage generated by postage evidencing systems, the USPS may follow the process in 4.4.4 through 4.4.9.

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[Renumber current item 8.1.7 as 8.1.8 and add new 8.1.7 as follows:]

8.1.7 Express Mail Corporate Accounts and Federal Agency Accounts

Express Mail Corporate accounts and federal government accounts that use a “Postage and Fees Paid” indicia are debited for the correct amount of postage and fees at the time of mailing.

[Revise the heading and text of renumbered 8.1.8 as follows:]

8.1.8 Express Mail with Insufficient Postage — Acceptance

When Express Mail items are received at the office of mailing with insufficient postage, the Postal Service will contact the mailer to correct the postage deficiency prior to dispatch of the item. If the mailer cannot be contacted prior to dispatch, the deficiency is handled under 8.1.9.

[Add new items 8.1.9 through 8.1.11 as follows:]

8.1.9 Express Mail with Insufficient Postage — Processing Operations

For Express Mail items with insufficient postage that are identified during processing operations or at the destination Post Office, the Postal Service will:

- a. Endorse the item “Postage Due.”
- b. Mark the item to show the total deficiency of postage and fees.
- c. Deliver the item to the addressee upon payment of the postage due.
- d. If payment is refused by addressee, endorse the item “Return to Sender – Refused” and return the item to the sender, upon collection of the postage deficiency.

8.1.10 Express Mail with Insufficient IBI Postage — Postage Evidencing Systems

For Express Mail items with insufficient IBI postage generated by postage evidencing systems, USPS may follow the process in 4.4.4 through 4.4.9.

8.1.11 Remailing Express Mail with Insufficient Postage

Express Mail items with insufficient postage are returned to the sender after collecting the postage deficiency when an effort to contact the sender before dispatch fails and when the addressee refuses to pay the postage due. If the item is remailed as Express Mail, the sender must affix a new Express Mail label with new postage and any applicable fees.

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10.0 Revenue Deficiency

10.1 General

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10.1.2 Appeal of Ruling

[Revise the first sentence of 10.1.2 as follows:]

Except as provided in 4.4.4 through 4.4.9, 10.2, and 703.1.0, a mailer may appeal a revenue deficiency assessment by sending a written appeal to the postmaster or manager in 10.1.2a through 10.1.2c within 30 days of receipt of the notification. * * *

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We will publish an appropriate amendment to 39 CFR Part 111 to reflect these changes.

Stanley F. Mires,
Chief Counsel, Legislative.
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