

POSTAL SERVICE

39 CFR Part 111

Move Update Assessment Charges for Automation and Presort First-Class Mail and All Standard Mail Mailings

AGENCY: Postal Service™.

ACTION: Final rule, revised.

SUMMARY: The Postal Service issues this notice to revise the final rule that was published in the *Federal Register* on Tuesday, October 27, 2009 providing new Move Update assessment procedures, and to clarify the Performance-Based Verification process.

DATES: Effective January 4, 2010.

FOR FURTHER INFORMATION CONTACT: Bill Chatfield, 202-268-7278.

SUPPLEMENTARY INFORMATION:

In the *Federal Register* final rule published October 27, 2009 (74 FR 55140-42), the Postal Service provided notice of new Move Update assessment charges to be applied during the acceptance process. On November 25, 2009, the Postal Regulatory Commission (PRC) issued Order No. 348 on Move Update, which modified the Postal Service's requested Mail Classification Schedule (MCS) language filed on October 15, 2009. A change of address error tolerance of 30 percent was added to the MCS language, for determining whether a mailing fails the Move Update portion of the Performance-Based Verification (PBV) test.

The Commission retained language about a \$0.07 Move Update noncompliance charge for Standard Mail®, and stated that this charge, rather than the difference between postage paid and the First-Class Mail® single-piece price, would apply when Standard Mail mailers do not comply with the Move Update standard. The Commission's modifications affect the Move Update procedures published in the October 27, 2009 final rule. This change is effective January 4, 2010, and will be reflected in the next DMM update on February 1, 2010.

Following are a background summary and descriptions of the changes and procedures for how Move Update assessment charges will be handled at the time of acceptance.

Background

Mailers, who claim presorted or automation prices for First-Class Mail, or claim any Standard Mail prices, must identify on the postage statement which Move Update method was used to ensure that the mailing meets the Move Update standard. Additionally, on each postage statement, mailers or their agents, must also affix their

signature and certify that the mailing presented for acceptance qualifies for the prices claimed. The Move Update standard requires that a mailer participate in an approved Move Update process, and use the change of address information received through the approved Move Update process, to correct the mailing addresses in the mailing. This has been a longstanding requirement for First-Class Mail presort and automation prices; however, prior to November 2008 the frequency with which a mailer was required to participate in the Move Update process and make the requisite address changes was within the 185 days immediately preceding the date of mailing. In November 2008 the frequency was reduced to the 95 days immediately preceding the date of mailing. The Move Update standard, including the 95 day frequency, was extended to include all Standard Mail in November 2008. If a mailer does not identify a Move Update method and certify compliance, then the Postal Service can reject the mailing, unless the mailer agrees to pay the First-Class Mail single-piece price.

The Move Update standard is designed to reduce the number of mailpieces that require forwarding, return, or disposal as waste, thus reducing Postal Service costs. The standard also helps to assure that mail reaches its intended recipients in a timely manner.

Procedures

PBV procedures introduced in Spring 2009 allow the Postal Service to sample mailings during the acceptance process to compare mailpiece addresses within the sample against the change of address information in the National Change of Address (NCOA[®]) database. For the Move Update portion of PBV, addresses on the verification sample are compared to the NCOA database. The ratio of the number of failed changes of address (COAs), addresses that should have been updated per Postal Service records, to the number of actual COAs (all changed addresses for addresses in the mailing) is calculated. If this ratio for the sample is sufficiently high, as detailed below, the mailing is subject to an additional postage charge, called the Move Update assessment charge. Mailers are offered the option of taking the mailing back and reworking it to avoid the Move Update assessment charge.

The Move Update standard is not new. All known mailings of commercial First-Class Mail pieces that did not follow address updating requirements have been subject to single-piece First-Class Mail prices for each piece in the mailing since 1997. When the Move Update standard was first applied to Standard Mail in 2008, the same consequence would have applied to Standard Mail mailings when addresses were found not to have been updated. This would have meant a substantial increase in postage for Standard Mail mailings. To mitigate this effect, the Postal Service announced in 2008 that it would charge \$0.07 per piece for all pieces in Standard Mail mailings which fail the Move Update PBV test. In addition, in its October 15, 2009 Notice filed with the Postal Regulatory Commission after extensive consultation with mailers, the Postal Service announced that the \$0.07 charge would apply to a portion of a mailing that fails the Move Update PBV test, and that samples with five or fewer pieces that were not updated for a COA would not be subject to the assessment, regardless of the error rate.

A provision for multi-client mailings is also included for the first year after implementation: a mailer submitting a combined multi-client mailing that fails the Move Update verification may have additional postage attributed to individual clients, given certain conditions described in detail on the ribbs.usps.gov website. If the conditions are met, the Move Update Assessment Charge of \$0.07 could apply to a different number of pieces, thus affecting the overall assessment charge for the mailing.

The Move Update assessment charge was originally intended for May 2009 implementation. However, in response to customer concerns, we deferred implementation until January 4, 2010, as announced in the April 6, 2009 *Federal Register* final rule notice. The Postal Service also decided to apply a \$0.07 per piece additional postage charge for First-Class Mail pieces found in mailings with a Move Update error rate of greater than 30 percent based on Postal Service PBV samplings at acceptance, with the five-piece exception discussed above.

The PBV process does not establish compliance or noncompliance with the Move Update standard; it is a tool that the Postal Service uses to test mailings. It is designed to facilitate the acceptance of mail in the event that the PBV Move Update process determines that a sample of the mailing has failed above a given tolerance. Mailers who believe the Move Update assessment charge was applied to their mailing(s) in error may appeal to the Pricing and Classification Service Center.

The percentage of a mailing paying the additional charge is based on the percentage of failed sample pieces above the tolerance. Each assessed piece pays an additional \$0.07. As examples, with a tolerance of 30 percent exempted from the charge:

- If 40% of COAs sampled are not updated, the charge is applied to 10% (=40% - 30%) of the total mailing.
- If 80% of COAs sampled are not updated, the charge is applied to 50% (=80% - 30%) of the total mailing.

Recap

The following Domestic Mail Manual (DMM[®]) changes vary from the changes published in the October 27, 2009 *Federal Register* final rule. The application of the Move Update assessment charge is described directly, rather than by reference to the RIBBS website. The application of the Move Update noncompliance charge to a failure to comply with the Move Update standard would be determined outside of the PBV test at acceptance. Information about the noncompliance charge will be provided separately.

The Postal Service adopts the following changes 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

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); 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:

Mailing Standards of the United States Postal Service, Domestic Mail Manual (DMM)

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200 Commercial Mail Letters and Cards

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230 First-Class Mail

233 Prices and Eligibility

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3.0 Basic Standards for First-Class Mail Letters

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3.5 Move Update Standard

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[Add new 3.5.4 to read as follows:]

3.5.4 Basis for Move Update Assessment Charge

Mailings are subject to a Move Update assessment charge if more than 30 percent of addresses with a change of address (COA) are not updated, based on the error rate found in USPS sampling at acceptance during Performance-Based Verification. Specifically, mailings for which the sample contains greater than 30 percent failed COAs out of the total COAs are subject to additional postage charges as follows:

- a. The percentage of the mailing paying the charge is based on the percentage of failed pieces above 30 percent.
- b. Each of the assessed pieces is subject to the \$0.07 per piece charge.
- c. As an example, if 40% of COAs in the sample are not updated, then the charge is applied to 10% (=40% - 30%) of the total mailing.
- d. Mailings for which the sample has five or fewer pieces that were not updated for a COA are not subject to the assessment, regardless of the failure percentage.

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240 Standard Mail

243 Prices and Eligibility

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3.0 Basic Standards for Standard Mail Letters

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3.9 Move Update Standard

3.9.1 Basic Standards

* * * Addresses subject to the Move Update standard must meet these requirements:

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[Delete item 3.9.1.d in its entirety.]

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[Add new 3.9.4 to read as follows:]

3.9.4 Basis for Move Update Assessment Charge

Mailings are subject to a Move Update assessment charge if more than 30 percent of addresses with a change of address (COA) are not updated, based on the error rate found in USPS sampling at acceptance during Performance-Based Verification. Specifically, mailings for which the sample contains greater than 30 percent failed COAs out of the total COAs are subject to additional postage charges as follows:

- a. The percentage of the mailing paying the charge is based on the percentage of failed pieces above 30 percent.
- b. Each of the assessed pieces is subject to the \$0.07 per piece charge.
- c. As an example, if 40% of COAs in the sample are not updated, then the charge is applied to 10% (=40% - 30%) of the total mailing.
- d. Mailings for which the sample has five or fewer pieces that were not updated for a COA are not subject to the assessment, regardless of the failure percentage.

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300 Commercial Mail Flats

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330 First-Class Mail

333 Prices and Eligibility

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3.0 Eligibility Standards for First-Class Mail Flats

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3.5 Move Update Standards

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[Add new 3.5.4 to read as follows:]

3.5.4 Basis for Move Update Assessment Charge

Mailings are subject to a Move Update assessment charge if more than 30 percent of addresses with a change of address (COA) are not updated, based on the error rate found in USPS sampling at acceptance during Performance-Based Verification. Specifically, mailings for which the sample contains greater than 30 percent failed COAs out of the total COAs are subject to additional postage charges as follows:

- a. The percentage of the mailing paying the charge is based on the percentage of failed pieces above 30 percent.
- b. Each of the assessed pieces is subject to the \$0.07 per piece charge.
- c. As an example, if 40% of COAs in the sample are not updated, then the charge is applied to 10% (=40% - 30%) of the total mailing.
- d. Mailings for which the sample has five or fewer pieces that were not updated for a COA are not subject to the assessment, regardless of the failure percentage.

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340 Standard Mail

343 Prices and Eligibility

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3.0 Basic Standards for Standard Mail Flats

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3.9 Move Update Standard

3.9.1 Basic Standards

* * * Addresses subject to the Move Update standard must meet these requirements:

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[Delete item 3.9.1 d in its entirety.]

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[Add new 3.9.4 to read as follows:]

3.9.4 Basis for Move Update Assessment Charge

Mailings are subject to a Move Update assessment charge if more than 30 percent of addresses with a change of address (COA) are not updated, based on the error rate found in USPS sampling at acceptance during Performance-Based Verification. Specifically, mailings for which the sample contains greater than 30 percent failed changes of address (COAs) out of the total COA are subject to additional postage charges as follows:

a. The percentage of the mailing paying the charge is based on the percentage of failed pieces above 30 percent.

b. Each of the assessed pieces is subject to the \$0.07 per piece charge.

c. As an example, if 40% of COAs in the sample are not updated, then the charge is applied to 10% (=40% - 30%) of the total mailing.

d. Mailings for which the sample has five or fewer pieces that were not updated for a COA are not subject to the assessment, regardless of the failure percentage.

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400 Commercial Parcels

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430 First-Class Mail

433 Prices and Eligibility

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3.0 Basic Standards for First-Class Mail Parcels

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3.5 Move Update Standard

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[Add new 3.5.4 to read as follows:]

3.5.4 Basis for Move Update Assessment Charge

Mailings are subject to a Move Update assessment charge if more than 30 percent of addresses with a change of address (COA) are not updated, based on the error rate found in USPS sampling at acceptance during Performance-Based Verification. Specifically, mailings for which the sample contains greater than 30 percent failed COAs out of the total COAs are subject to additional postage charges as follows:

a. The percentage of the mailing paying the charge is based on the percentage of failed pieces above 30 percent.

b. Each of the assessed pieces is subject to the \$0.07 per piece charge.

c. As an example, if 40% of COAs in the sample are not updated, then the charge is applied to 10% (=40% - 30%) of the total mailing.

d. Mailings for which the sample has five or fewer pieces that were not updated for a COA are not subject to the assessment, regardless of the failure percentage.

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440 Standard Mail

443 Prices and Eligibility

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3.0 Basic Standards for Standard Mail Parcels

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3.9 Move Update Standard

3.9.1 Basic Standards

* * * Addresses subject to the Move Update standard must meet these requirements:

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[Delete item 3.9.1d in its entirety.]

* * * * *

[Add new 3.9.4 to read as follows:]

3.9.4 Basis for Move Update Assessment Charge

Mailings are subject to a Move Update assessment charge if more than 30 percent of addresses with a change of address (COA) are not updated, based on the error rate found in USPS sampling at acceptance during Performance-Based Verification. Specifically, mailings for which the sample contains greater than 30 percent failed COAs out of the total COAs are subject to additional postage charges as follows:

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- d. Mailings for which the sample has five or fewer pieces that were not updated for a COA are not subject to the assessment, regardless of the failure percentage.

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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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