POSTAL SERVICE

39 CFR Parts 111 and 501

Manufacture, Distribution, and Use of Postage Meters

AGENCY: Postal Service. **ACTION:** Proposed rule.

SUMMARY: This proposal would revise existing Domestic Mail Manual (DMM) and Domestic Mail Manual Transition Book (DMMT) standards regarding the manufacture, distribution, and use of postage meters and would introduce new regulations in title 39, Code of Federal Regulations (CFR), to clarify postal standards concerning the manufacture and distribution of postage meters.

Currently all meter standards pertaining to the manufacturer and distribution of meters and postal internal instructions regarding meters are contained in the DMMT, an interim handbook for postal standards. Postal standards regarding meter manufacturers are being revised and published in 39 CFR part 501. The proposed rules would allow the Postal Service to tighten controls over the manufacture, distribution, and use of meters with the goal of better protecting postal revenues. These changes are designed to increase the amount of information available to the Postal Service to facilitate effective management and control of the meter program. In addition, security controls are being supplemented to ensure that proper postage is being paid and that the risk of postage meter misuse is minimized.

DATES: Comments must be received on or before March 17, 1995.

ADDRESSES: Written comments should be mailed or delivered to the Manager, Mailing Systems Development, Room 8406, 475 L'Enfant Plaza SW., Washington, DC 20260–6807. Copies of all written comments will be available for inspection and photocopying between 9 a.m. and 4 p.m., Monday through Friday, in Room 8430, at the above address.

FOR FURTHER INFORMATION CONTACT: Nicholas S. Stankosky, (202) 268–5311. SUPPLEMENTARY INFORMATION: Postage meters represent a widely accepted means for payment of postage. There are approximately 1.4 million postage meters in use, which accounted for approximately \$18 billion of Postal Service revenues in FY 1994. The widespread use of meters can be attributed to the flexibility and convenience they convey to postal customers, including:

• Printing variable amounts of postage on virtually any class of mail to allow use of exact postage.

 Facilitating automated mail preparation operations for customers.

- Providing flexibility to comply with postage rate changes by affixing correct postage with a simple resetting procedure.
- Allowing licensees to purchase larger amounts of postage at a single resetting to reduce trips to the local post office.
- Providing a secure means for licensees to keep more accurate accounting records of postage utilized.
- Reducing the cost of applying postage for licensees.
- Providing remote "telephonic" resetting for licensee convenience.

Postage meters are available to Postal Service licensees only by lease from authorized manufacturers. The Postal Service holds manufacturers responsible for the control, operation, maintenance, and replacement (when necessary) of their meters. Traditionally, record-keeping of meters and meter licenses has been handled in a decentralized manner, primarily by local postmasters.

In 1991, the Postal Service identified opportunities for improving the efficiency and effectiveness of the Postal Service postage meter program. Three specific recommendations for improving the management of the meter program were identified:

- 1. Establishment of a central management group and development of meter control systems to manage the meter program.
- 2. Development of increased security
- 3. Introduction of new technology to improve the tracking and control of meters and the financial transactions associated with their use.

Further study by the Postal Service supported these initial recommendations, and independent investigations by the Postal Inspection Service also uncovered instances of postage meter fraud and identified a substantial risk of loss of postal revenues. In the past 2 years, the United States Postal Service (USPS) Inspection Service has uncovered 16 cases in which mailers have used varying techniques to duplicate or force the application of postage meter impressions without payment of postage. Although the nature of meter fraud is such that its extent is unknowable, in these cases alone, it is estimated that the Postal Service sustained losses in excess of \$16 million. This estimate is expected to grow following resolution of current cases. The USPS Inspection Service has

been aggressively pursuing these cases through arrests, indictments, and administrative and civil remedies. The problem was so critical that it drew the attention of Congress and resulted in a General Accounting Office investigation and report that supported earlier Postal Service findings. The results of these investigations have mandated the Postal Service to enhance the financial controls associated with the meter program.

After three joint meetings with authorized meter manufacturers to discuss proposed regulatory changes, the Postal Service has considered all and adopted many of the oral and written comments that were provided in connection with these sessions. In conjunction with an independent research firm, the Postal Service convened six groups of meter licensees representing small-, medium-, and largevolume meter licensees to solicit their comments. Revisions have been incorporated in the proposed regulations to reflect many of the meter licensees' suggestions. The Postal Service also gave notice of its intention to publish this notice of proposed rulemaking and invited interested parties to attend a public meeting held on December 13, 1994. 59 FR 61302 (November 30, 1994). The Postal Service presented a summary of proposed regulations at the public meeting and solicited comments and suggestions from attendees. The Postal Service responded to inquiries made during the meeting and advised participants to provide additional comments in writing. The Postal Service reviewed all inputs from attendees and included suggestions in the final proposed regulations as warranted. Transcripts of the public meeting and subsequent written comments are available for review and photocopying at USPS Headquarters, 475 L'Enfant Plaza, Room 8430, Washington DC 20260–6807. The Postal Service has drafted

The Postal Service has drafted proposed regulations and program changes to tighten security and fiscal control of postage meters. The following proposed regulations are designed to:

• Reduce fraud associated with the misuse of postage meters.

• Permit licensees to gain a better understanding of meter use and Postal Service licensee requirements.

- Develop an efficient system to capture and track meter population data on a national basis to facilitate centralized management decisions and to provide a means for dissemination of information for decentralized program administration.
- Provide a transition from a paperbased management system to efficient