POSTAL SERVICE

39 CFR Part 111

New Mailing Standards for Merchandise Return Service

AGENCY: Postal Service™.

ACTION: Proposed rule.

SUMMARY: The Postal Service is proposing to revise *Mailing Standards of the United States Postal Service*, Domestic Mail Manual (DMM®) to provide for new procedures for the processing and rating of Merchandise Return Service (MRS) pieces, and in the future, to transition all current MRS permit holders to use the new procedures.

DATES: Submit comments on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Mail or deliver written comments to the manager, Product Classification, U.S. Postal Service, 475 L'Enfant Plaza SW, Room 4446, Washington, DC 20260-5015. If sending comments by email, include the name and address of the commenter and send to ProductClassification@usps.gov with a subject line of “Merchandise Return Service”. Faxed comments are not accepted. You may inspect and photocopy all written comments, by appointment only, at USPS Headquarters Library, 475 L'Enfant Plaza SW, 11th Floor North, Washington, DC 20260. These records are available for review Monday through Friday, 9 a.m.-4 p.m., by calling 202-268-2906.
FOR FURTHER INFORMATION CONTACT: Direct questions to Karen F. Key by email at karen.f.key@usps.gov or phone at (202) 268-7492, or Vicki Bosch by email at vicki.m.bosch@usps.gov or phone at (202) 268-4978.

SUPPLEMENTARY INFORMATION:

As part of its Package Platform initiative, the Postal Service is leveraging the devices that were installed as part of the Automated Verification System to enhance the capability of equipment used for the processing of package-size mailpieces. The upgraded equipment is able to capture near real-time data on mailpiece dimensions, weight, mail class or product, and the presence of Extra Services, and to transmit these data to Postal Service information systems as applicable. The Postal Service is proposing to use this new technology to streamline its processes for the identification, rating, and postage assessment of returns. Under this process, automated package-sorting equipment will identify return packages as they pass special scanners, determine the weight, dimension and mail class of the packages, use the captured data to determine postage charges associated with each package, and enable account holders to pay the postage for the returns electronically.

This improved functionality will generally eliminate the need to manually weigh and rate MRS mailpieces, eliminate the scan-based payment process used with USPS Return Services (a current category of MRS), and eliminate the need for processes to estimate postage for MRS pieces via sampling under the Postage Due Weight Averaging Program.
The Postal Service is now proposing to create a new rating and payment methodology within the MRS product line. This new process will incorporate features of both traditional MRS and USPS Return Services. Returns able to meet the eligibility criteria for this new methodology will be categorized under the MRS product line. The new methodology is expected to replace the existing USPS Return Services process at some point in the near future, and is intended to ultimately eliminate the need for the manual rating process used with traditional MRS. The Postal Service expects to eliminate the use of USPS Return Services and the scan-based payment process no sooner than January 2020 and traditional MRS no sooner than January 2021. During the transition to the new methodology, the Postal Service intends to work with the mailing industry to ensure all existing USPS Return Services and MRS permit holders are transitioned to the new process before these deadlines arrive. Permit holders who are unable to meet the deadlines stated above can contact the Postal Service to request consideration for an extension. The Postal Service will evaluate extension requests on a case-by-case basis.

The new methodology will include many of the features associated with the current USPS Return Services process, and will be tentatively called Automated Returns. The three service categories under Automated Returns are proposed to be Automated Priority Mail Returns, Automated First-Class Package Returns, and Automated Ground Returns, which will be linked to Priority Mail®, First-Class Package Service® - Commercial, and Parcel Select Ground™ product prices, respectively.
For Priority Mail, Commercial Plus® and Commercial Base® prices are proposed to apply to qualifying Automated Returns account holders, based on the payer’s outgoing volume. Negotiated Service Agreement prices are also expected to be available for eligible customers using Automated Returns.

Similar to the process used with traditional MRS and USPS Return Services, the Postal Service does not expect to require account holders to pay annual permit fees and/or annual account maintenance fees to receive returns under the new Automated Returns methodology.

Under the new Automated Returns methodology, the Postal Service proposes to require authorized permit holders to pay postage and Extra Service fees through the Enterprise Payment System (EPS).

EPS is a new payment system designed to provide a single point for all payment-related activities, and will make payments easier for permit holders who pay the Postal Service through various payment methods or mail from different locations. To use EPS, businesses will establish a single account to pay for all products and services. This account would be recognized by all postal facilities. Commercial mailers will set up an Electronic Payment Account (EPA) that can be used for electronic funds transfer, retail deposit, mobile deposit, and ACH Debit. Business mailers will be able to view payment information in a consolidated format on an EPS dashboard that shows account balances, postage statement reports, transactions history, and other information. For EPS set-up or support, contact Postalone@usps.gov or call 1-800-522-9085.
The Automated Returns methodology is expected to use the same prices as those currently applied to USPS Return Services, and to apply those prices to each individual return mailpiece in near real time. Because of the greater level of accuracy and granularity associated with the new process, the Postal Service does not expect current USPS Return Services permit holders to be negatively affected. As a result, the Postal Service proposes to notify and transition current USPS Return Services permit holders meeting the necessary criteria to an EPA account automatically, and unless the permit holder objects, to convert their permits to the Automated Returns methodology without further action required by the permit holder. The Postal Service expects to work with current traditional MRS permit holders to eventually transition them to the new process.

The Postal Service proposes to limit Extra Services available for the new Automated Returns methodology to Insurance, Signature Confirmation™, and Certificate of Mailing. USPS Tracking® will still be included as part of the service. The Postal Service proposes to omit the options to use Registered Mail®, Special Handling, and Return Receipt for Merchandise with Automated Returns. Over time, the use of these services has declined, and they are now rarely used with MRS. The Postal Service believes that permit holders have generally transitioned to other services to replace the functions previously filled by these services. The Postal Service also proposes to omit the Mailing Acknowledgement option currently used with traditional MRS. A mailer may continue to obtain a Certificate of Mailing, if the returns piece is brought to the retail service counter.
It is expected that not all returns mailpieces will be capable of being processed on Postal Service automated package sorting equipment. Returns containing hazardous materials, such as regulated and sharps medical waste and lithium batteries, sometimes bypass mechanized processing and are instead manually handled in USPS processing plants. The Postal Service proposes to implement an alternative process to capture and rate these mailpieces. In some cases, the Postal Service expects to use an average price generated from the data collected in the prior month and to apply the average price to assess the postage for each return.

Although exempt from the notice and comment requirements of the Administrative Procedure Act (5 U.S.C. 553(b), (c)) regarding proposed rulemaking by 39 U.S.C. 410(a), the Postal Service invites public comments on the following proposed revisions 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.

We will publish an appropriate amendment to 39 CFR part 111 to reflect these changes, if our proposal is adopted.

Accordingly, 39 CFR part 111 is proposed to be amended as follows:

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

Administrative practice and procedure, Postal Service.

**PART 111--[AMENDED]**

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

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)

500 Additional Services

505 Return Services

[Add a new 505.3.8 through 505.3.8.7 to read as follows:]

3.8 Automated Returns

3.8.1 Basic Standards

Automated Returns allows an authorized shipping products account holder to pay the postage and extra service fees on single-piece priced Automated Priority Mail Returns, Automated First-Class Package Returns and Automated Ground Returns parcels returned to the account holder by senders (mailers) via a special barcoded label produced by the account holder. Unless otherwise restricted, any mailable matter may be mailed using any of the Automated Returns options. Any content that constitutes First-Class Mail matter may only be mailed using
Automated Priority Mail Returns. Automated Returns are subject to the following conditions:

a. **Availability:** Automated Returns is available to the account holder for mailing to the account holder’s designated address on the USPS Automated Returns label(s).

b. **Payment Guarantee:** The account holder must guarantee payment of the proper postage and extra service fees (except for insurance, Signature Confirmation, and Certificate of Mailing, when purchased by the sender) on all parcels returned via a special label produced by the account holder. The account holder must have sufficient funds in their Electronic Payment Account to pay the postage and extra service fees on an ongoing basis.

c. **Where Service Established:** Automated Returns accounts may be established at any Post Office in the United States and its territories and possessions or at any U.S. Military Post Office overseas APO/FPO/DPO. Automated Returns is not available for returns from any foreign country.

d. **Official Mail:** Any authorized user of official (penalty) mail may use Automated Returns subject to the standards in 703.7.0, which supersede any conflicting standards below.

### 3.8.2 Accounts

Automated Returns accounts are subject to the following:

a. **Account Application:** An approved shipping products account must be established to use Automated Returns. Applicants must establish a shipping
products account by completing PS Form 3615 in hardcopy or online through the Business Customer Gateway.

b. **Advance Deposit Account:** The account holder must pay postage and extra service fees through an Enterprise Payment System (EPS) Account (EPS account holder) and agree to the terms and conditions for use of such EPS Account.

c. **Application Process:** Applicants must have a valid Enterprise Payment Account and be registered in the Business Customer Gateway. Except for Automated Returns labels generated by the USPS Application Program Interface (API), all returns labels that have properly constructed Intelligent Mail package barcode approved by the National Customer Support Center (NCSC).

d. **Canceled Accounts:** If the account is cancelled by the EPS account holder, Automated Returns mail bearing the sender’s return address is returned to the sender; otherwise, it is treated as dead mail.

e. **Account Cancellation:** The USPS may cancel an account if the EPS account holder refuses to accept and pay postage and fees for Automated Returns mailpieces, fails to keep sufficient funds in the advance deposit account to cover postage and fees, or distributes return labels that do not meet USPS standards.

f. **Reapplying After Cancellation:** To receive a new account after a previous Automated Returns account is canceled, the applicant must amend the PS Form 3615 on file to reflect the new application date, or reregister in the
Business Customer Gateway. If not using labels generated by the USPS Application Program Interface (API), applicants must submit for approval two samples for each label format to the NCSC. In addition, applicants must provide evidence that the reasons for the account cancellation are corrected, and maintain funds in their advance deposit account sufficient to cover normal returns for at least 2 weeks.

**g. Using Other Post Offices:** The account holder may distribute Automated Returns labels for return through other Post Office locations when the account holder opens and keeps their advance deposit account at the Post Office where the permit is issued and supplies that Postmaster the name, address, and telephone number of a representative in each additional station or branch if different from the information on the application.

### 3.8.3 Postage and Prices

Postage and prices are subject to the following:

**a. Postage:** Postage is calculated based on the weight of the parcel and zone associated with the point or origin and delivery ZIP Code, except that postage for Automated First-Class Package Returns is based only on the weight of the parcel. Automated Returns mailpieces are charged postage and Extra Service fees based on the service type code embedded in the Intelligent Mail Package barcode (IMpb). If all or part of the IMpb is unreadable, or the mailpiece is unable to be priced based on the data collected, postage will be based on the average postage per mailpiece recorded for that EPS account holder from the previous month or quarter, as applicable. If an EPS account
holder has no demonstrated payment history, postage will be determined by
the Postal Service based on data for comparable account holders.

b. **Prices:** Prices for Automated Priority Mail Returns, Automated First-Class
Package Returns, and Automated Ground Returns mailpieces are charged as
follows:

1. Commercial Base prices are available for account holders using
   Automated Priority Mail Returns, when all applicable requirements are
   met.

2. Commercial Plus prices are available for Automated Priority Mail Returns
   mailpieces that qualify for Commercial Base prices and for which the
   account holder has a customer commitment agreement with the USPS
   (see 223.1.3).

3. First-Class Package Service – Commercial prices are available for
   Automated First-Class Package Returns mailpieces when all applicable
   requirements are met.

4. Commercial Parcel Select Ground prices are available for Automated
   Ground Returns mailpieces when all applicable requirements are met.

c. **Extra and Additional Services:** The account holder may obtain extra and
   additional services with Automated Returns as follows:

1. Insurance – Insurance is available for mailpieces that have the
   applicable service type code for insurance imbedded into the IMpb on
   the label, and for which the account holder has provided electronic
data that supports the value of the merchandise being returned (see 503.4.2). Only the account holder may file a claim (see 609).

2. Signature Confirmation – Signature Confirmation service is available for Automated Returns (see 503.8.0).

3. Pickup on Demand Service—Pickup on Demand service is available for Automated Returns (see 507.7.0).

3.8.4 Certificate of Mailing

Customers (mailers) mailing an Automated Returns mailpiece may obtain a certificate of mailing at their own expense at the time of mailing by presenting the certificate at a Post Office retail unit to obtain the receipt.

3.8.5 Labels

Distribution and preparation of labels are subject to the following:

a. *Distribution of Labels*: Automated Returns labels may be distributed to customers as an enclosure with merchandise, as a separate item (including when requested electronically through the *Business Customer Gateway* for printing and delivery to the customer by USPS), as an electronic transmission for customer downloading and printing, or through one of the account holder’s designated pickup facilities. Any such label distributed to a customer must meet USPS format standards, including the requirement to furnish instructions.

b. *Label Preparation*: Automated Returns labels must meet the standards in the Parcel Labeling Guide available on the PostalPro website. Standard label sizes are 3 inches by 6 inches, 4 inches by 4 inches, or 4 inches by 6 inches,
and must be certified by the USPS for use prior to distribution. All other label sizes and other privately printed labels require written approval from the NCSC. The label must include an Intelligent Mail package barcode, accommodate all required information, be legible, and be prepared in accordance with Publication 199, Intelligent Mail Package Barcode (IMpb) Implementation Guide, available on the PostalPro website. EPS account holders or their agents may distribute approved return labels and instructions by means specified in 3.5.1. EPS account holders or their agents must provide written instructions to the label end-user (mailer) as specified in 3.5.5. Labels cannot be faxed to customers (mailers). If all applicable content and format standards are met, Automated Returns labels may be produced by any of the following methods:

1. As an impression printed by the EPS account holder directly onto the mailpiece to be returned.

2. As a separate label preprinted by the EPS account holder to be affixed by the customer onto the mailpiece to be returned. The reverse side of the label must bear an adhesive strong enough to bond the label securely to the mailpiece. Labels must be printed and delivered by USPS to the customer when requested electronically by the EPS account holder or its agents through the Business Customer Gateway, or provided as an electronic file created by the EPS account holder for local output and printing by the customer. The electronic file must include instructions that explain how to affix the label securely to the
mailpiece to be returned, and that caution against covering with tape or other material any part of the label where postage and fee information is to be recorded.

c. **Labeling Instructions**: Written instructions must be provided with the label that, at a minimum, directs the customer to do the following:

1. “If your name and address are not already preprinted in the return address area, print them neatly in that area or attach a return address label there.”

2. “Attach the label squarely onto the largest side of the mailpiece, centered if possible. Place the label so that it does not fold over to another side. Do not place tape over any barcodes on the label or any part of the label where postage and fee information will be recorded.”

3. “Remove or Obliterate any other addresses, barcodes or price markings on the outside of the parcel.”

4. “Mail the labeled parcel at a Post Office, drop it in a collection box, leave it with your letter carrier, or schedule a package pickup at usps.com.”

**3.8.6 Enter and Deposit**

The EPS account holder’s customers may mail the Automated Returns mailpiece at any Post Office; any associated office, station, or branch; in any collection box (except a Priority Mail Express box); with any rural carrier; by package pickup; on business routes during regular mail delivery if prior arrangements are made with the carrier; as part of a collection run for other mail (special arrangements might
be required); or at any place designated by the Postmaster for the receipt of mail. Automated Returns mailpieces deposited in collection boxes without valid return addresses are treated as undeliverable mail.

3.8.7 Additional Standards

Additional mailing standards applicable to each service option are as follows:

a. *Automated Priority Mail Returns* may contain any mailable matter weighing no more than 70 pounds. APO/FPO mail is subject to 703.2.0 and 703.4.0, and Department of State mail is subject to 703.3.0. Automated Priority Mail Returns receive expeditious handling and transportation, with service standards in accordance with Priority Mail. Automated Priority Mail Returns mailed under a specific customer agreement is charged postage according to the individual agreement. Commercial Base and Commercial Plus prices are the same as for outbound Priority Mail in Notice 123, Price List.

b. *Automated First-Class Package Returns* handling, transportation, and eligibility of contents are the same as for outbound First-Class Package Service — Commercial parcels under 283. Automated First-Class Package Returns may not contain documents or personal correspondence, except that such parcels may contain invoices, receipts, incidental advertising, and other documents that relate in all substantial respects to merchandise contained in the parcels.

c. *Automated Ground Returns* provides ground transportation for mailpieces containing mailable matter weighing no more than 70 pounds and meeting the content standards in 153.3.0. Automated Ground Returns assumes the
handing and transportation and service objectives for delivery of USPS Retail Ground.

* * * * *

Ruth Stevenson,

Attorney, Federal Compliance.

[FR Doc. 2018-15617 Filed: 7/20/2018 8:45 am; Publication Date: 7/23/2018]