

**POSTAL SERVICE****39 CFR Parts 111 and 501****Manufacture, Distribution, and Use of Postage Meters**

AGENCY: Postal Service.

ACTION: Final rule.

**SUMMARY:** This final rule clarifies and amends the standards in the Domestic Mail Manual (DMM) and the Domestic Mail Manual Transition Book (DMMT) regarding the manufacture, distribution, and use of postage meters.

This final rule adopts most of the proposed changes to the standards governing the manufacture, distribution, and use of postage meters as published by the Postal Service in the **Federal Register** on January 31, 1995 (60 FR 5964–5995). The final rule also allows the Postal Service to tighten its controls over meters and to protect postal revenue more efficiently. The changes are designed to increase the information available to the Postal Service for effective management and control of the meter program. In addition, security controls are being supplemented to ensure that correct postage is paid and that postage meter misuse is minimized.

**EFFECTIVE DATE:** This rule is effective June 30, 1995, except for §§ 501.22(b) and 501.22(e)(2), which are effective January 2, 1996.

January 2, 1996, is the effective date for the electronic transmission of license applications and centralized application processing. (In this document, see DMM P030.2.1, Procedures and DMM P030.2.3, Refusal to Issue Meter License.

January 2, 1996, is the effective date for the use of revised PS Form 3601–A, Application for a License to Lease and Use Postage Meters, and PS Form 3601–C, Postage Meter Installation, Withdrawal, or Replacement. (In this document, see Exhibit B, Exhibit C.

June 30, 1995, is the effective date for the use of the new security seals; however, implementation will depend on the availability from the Postal Service's supplier.

(In this document, see 39 CFR 501.20 Keys and setting equipment and 39 CFR 501.25(b)(5) Inspection of meters in use)

**FOR FURTHER INFORMATION CONTACT:** Nicholas S. Stankosky, (202) 268–5311.

**SUPPLEMENTARY INFORMATION:** On January 31, 1995, the Postal Service published a notice of proposed rulemaking for public comment in the **Federal Register** (60 FR 5964–5995) to revise existing standards in the Domestic Mail Manual (DMM) and Domestic Mail Manual Transition Book

(DMMT) regarding the manufacture, distribution, and use of postage meters. Moreover, this proposed rule would introduce new regulations in title 39, Code of Federal Regulations (CFR), to clarify postal standards for the manufacture and distribution of postage meters.

The proposed rule detailed efforts undertaken by the Postal Service to adopt new standards for postage meters that satisfy and protect the interests of the users, manufacturers, and the Postal Service. These standards are designed to improve meter security through new rules on design deficiencies, manufacturers' inspections, refunds, meter licensing, missing meters, shipment of meters, security seals, meter labeling, and meter testing. The new rules also establish administrative controls and make adjustments to the Computerized Remote Postage Meter Resetting System (CMRS).

The Postal Service requested that comments on the proposed rules be submitted by March 17, 1995. Twelve written comments were received from interested companies and individuals. Having given thorough consideration to these comments, the Postal Service now adopts its final rule.

The Postal Service's evaluation of the comments follows. Because the regulations fall into four categories (meter security, administrative controls, other issues, and Computerized Remote Postage Meter Resetting System), the comments are organized into four sections in the comment section under these four categories. In addition, a fifth section in this comment section addresses general comments separately. The sixth section discusses specific revisions to the Domestic Mail Manual, Domestic Mail Manual Transition Book, and title 39, Code of Federal Regulations, part 501, followed by tables summarizing the revisions.

The revised regulations are published herein in their entirety. Applicable modifications to the proposed regulations, based on the comments received, are referenced in each section and summarized at the end of the comment section. Otherwise, the rules are adopted as proposed. The numbering scheme shown in the section titled Discussion of Comments reflects the scheme published in the **Federal Register** for the proposed rule (60 FR 5964–5995).

**Discussion of Comments****I. Meter Security**

Meter security pertains to integrity weakness and design deficiencies; meter manufacturers— inspections; custody of

suspect meters; missing meters; security seals; and meter labeling. Prompt notification of all potential security weaknesses identified in a particular meter or class of meters is necessary to protect postal revenue. The Postal Service depends on manufacturers to identify and notify the Postal Service of any potential security weakness and to maintain proper distribution controls. The Postal Service therefore adopts with this final rule new requirements for reporting by manufacturers. The Postal Service will impose administrative sanctions against manufacturers that do not comply with these reporting and distribution requirements.

*A. Integrity Weakness and Design Deficiencies*

One commenter expressed concern about the meter security regulations proposed in 39 CFR 501.13 and 501.14. The commenter stated that the Postal Service is placing undue emphasis on meter design for revenue security.

The Postal Service notes that postage meters must protect against tampering and misuse. The Postal Service must emphasize the importance of meter security to reduce the threat of revenue losses to the greatest extent possible.

This commenter also believed that the proposed regulations fail to address adequately the importance of mailer profile and Postal Service in-plant verification as critical components of a secure postal payment system.

The commenter's point is well-taken. The new rules do take account of the importance of mailer profiles. For example, inspection frequencies in 39 CFR 501.25 are based on the characteristics of particular meters and on the mailer's profile. Additionally, in-plant verification of the makeup of metered mail is done during the acceptance process, and metered indicia are sampled at destinating post offices.

The commenter also stated that the proposed regulations are more a predicate for imposing penalties on meter manufacturers than an efficient means to improve security and that the Meter Accounting and Tracking System (MATS) is being developed with no assurance of operational efficiency or cost-effectiveness.

The Postal Service does not accept the commenter's view that the rules are a predicate for imposing penalties or that penalties are contemplated. Rather, these rules place more responsibility for security and revenue protection on those who manufacture and distribute postage meters. The new sanctions are remedial in nature, and, ideally, the Postal Service should never have to impose administrative sanctions. MATS