

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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EXPERIMENTAL PARCEL RETURNS SERVICES

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Docket No. MC2003-2

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS GULLO TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T1-1, 2(a)-(d), 3(a)-(b), 5-9(b), 10-22)

The United States Postal Service hereby files the response of witness Gullo to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T1-1, 2(a)-(d), 3(a)-(b), 5-9(b), and 10-22, filed on June 6, 2003. OCA/USPS-T1-2(e), 4(a), 9(c), and 23 were redirected to witness Eggleston and OCA/USPS-T1-3(c) and 4(b) were redirected to witness Keifer.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**OCA/USPS-T1-1.** Your testimony at page 2, line 21, notes that worksharing allows the savings in transportation and mail processing costs from the parcel return service to be reflected in more favorable rates.

- a. Please confirm that the postage for parcel returns is now normally paid by the consumer rather than the shipper but that with PSRS ("Parcel Select Return Services") the shipper will normally pay the postage. If you do not confirm, please explain.
- b. Please describe any comments you have heard from shippers or consolidators expressing views about shippers or consolidators paying for return postage.

**RESPONSE:**

- a. Not confirmed. Postage for parcel returns is now normally paid by either the consumer or the shipper. The actual postage costs are currently handled in a number of ways. Among the options are: (1) The merchant can supply a Merchandise Return label, pay the postage when the parcel is delivered, and bear the costs of the return. (2) The merchant can supply a Merchandise Return label, pay the postage when the parcel is delivered, and charge back the customer for the postage (and, at its discretion, some handling charge as well.) (3) The merchant can supply a return label and let the consumer pay the postage directly. (4) The merchant can simply provide a return address and leave it up to the consumer to prepare the label and pay for the postage.

Parcel Return Services simply provides the merchant another option. PRS is similar to Merchandise Return Service in that they both require payment of postage by the permit holder. As with Merchandise Return Service, the merchant may or may not, at its own discretion, charge back the consumer for the return postage and handling costs.

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- b. We have received mixed views from merchants on postage payment for returned merchandise. Some have expressed interest in better managing their return process as well as making the process more convenient to increase customer loyalty and generate sales growth. Other merchants do not want to draw attention to returns and plan to maintain an inconspicuous return process of leaving it up to the consumer on how to return the merchandise. Parcel Return Service provides an additional option for those in the former category, while allowing those in the latter category to maintain their business model.

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**OCA/USPS-T1-2.** Please refer to page 3, line 17 of your testimony. You define the RBMC ("Return Bulk Mail Center") as the center that services the ZIP Code where the returned parcel is entered into the mailstream.

- a. Please confirm that a mailer may mail a return package from an area outside of the BMC service area to which the pre-addressed label is addressed.
- b. Please confirm that if a parcel is mailed as described in part a, the parcel will be routed to the RBMC addressed rather than remain at the first BMC encountered.
- c. Please confirm that shippers and consolidators will, in virtually all cases, not have arrangements to pick up parcels at each BMC but only at some designated RBMCs.
- d. If you confirm part a, above, do you agree that the definition of RBMC should be revised to relate not to the ZIP Code where the returned parcel is "entered" but where the return parcel is "addressed."
- e. Please confirm that the cost analysis does not include the cost of inter-BMC transportation and handling (both at the dock and for mail processing) that would be required to handle those packages that are returned from outside of the service area of the addressed RBMC.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Not confirmed. We expect there will be some participants who will either pick up returns themselves or make arrangements to have returns picked up at all bulk mail centers as well as other participants who will pick up parcels only from regional bulk mail centers.
- d. Confirmed.
- e. Redirected to witness Eggleston USPS-T-2.

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**OCA/USPS-T1-3.** The following interrogatory refers to your testimony at page 4, lines 5 through 7. Assume that a consumer returns a parcel at an RDU that is not within the service area of the BMC that serves the RDU designated for the parcel's return.

- a. Please describe fully the impact this "mis-entry" will have on the processing of the parcel.
- b. If the parcel is returned to an RDU from several zones across the country from the one addressed, please describe the routing of the parcel to the appropriate RBMC.
- c. How are the additional transportation and handling costs factored into the price of the assumed RDU addressed parcel?

**RESPONSE:**

- a-b. The Postal Service expects few, if any, parcels to be returned to an RDU outside of the BMC that serves the RDU designated on the parcel label. To test this assumption, we plan to measure this activity using the passive scans collected on machinable parcels at the BMCs. Any parcel returned to an RDU outside of the designated RBMC service area would be transported to the BMC that serves the ZIP Code where the parcel was entered, and sorted to the RBMC identified by the label. At the RBMC, the return parcel would be sorted to the appropriate runoff and sorted to the shipper or consolidator identified by the mailer ID on the return label.
- c. Redirected to witness Kiefer USPS-T-3.

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**OCA/USPS-T1-4.** The following interrogatory refers to your testimony at page 4, lines 5 through 7. Assume that a consumer returns an RBMC designated parcel to a post office that is outside of the designated RBMC service area.

- a. Please explain fully what additional mail-processing and transportation costs will be incurred by the Postal Service in handling the assumed RBMC parcel.
- b. If additional handling and transportation costs are incurred in processing the assumed RBMC parcel, please explain fully how such additional handling and transportation costs have been factored into the price of the RBMC mail piece.

RESPONSE:

- a. Redirected to witness Eggleston USPS-T-2.
- b. Redirected to witness Kiefer USPS-T-3.

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**OCA/USPS-T1-5.** On page 5, line 12, of your testimony you indicate a unique ZIP Code would be assigned for sorting the parcels to specific runoffs during processing in the BMC.

- a. Please explain whether assigning ZIP Codes for a specific mail processing operation is unique.
- b. Are other unique ZIP Codes assigned to the BMCs for other purposes? Please explain.

**RESPONSE:**

- a. For clarification, the unique ZIP Code would be assigned to the shipper or agent, not to a specific mail processing operation. I have been informed that we currently assign ZIP Codes to individual firms and then use separate bins, stackers, or run-outs within the sorting operation to capture the mail for that firm based on the ZIP Code. This practice is quite common for firms or entities receiving a large quantity of mail. This allows letters and flats for these firms to be segregated in the processing facility in order to minimize downstream handlings.
- b. As stated in part (a), a unique ZIP Code can be assigned to facilitate the handling of high volume parcels destined for a specific customer, or a unique code can be established to segregate "accountable" mailings (i.e. Merchandise Return Service parcels), so that postage can be assessed and collected.

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**OCA/USPS-T1-6.** The following interrogatory refers to your testimony at page 5, lines 18 through 23. You indicate that the Mailer ID would have one alpha character followed by numeric digits.

- a. Is the Mailer ID alpha character case sensitive? In other words, does it recognize the difference between an upper case and lower case alpha character?
- b. If your response to part a of this interrogatory is that the alpha character is not case sensitive, please explain how the Postal Service plans to extend this offering to more than 26 shippers as referenced in your testimony at page 16, lines 7 through 8.
- c. If your response to part a of this interrogatory is that the alpha character is case sensitive, and assuming that the experiment is successful, is the USPS going to limit this offering to a maximum of 52 (26+26) shippers?
- d. If your response to part c is that the maximum shippers will be 52, please explain how that limit was reached.
- e. If your response to part c is that the maximum number of shippers can be greater than 52, please explain what steps will be taken to expand the alpha Mailer ID code beyond 52.

RESPONSE:

- a. No.
- b. If we receive more than 26 participants, we will use two alpha characters to increase the number of available unique Mailer IDs.
- c. Although the alpha character is not case sensitive, the limit would not be 52. By using two alpha characters, we will be able to expand the number of available Mailer IDs from 26 to 702.
- d. N/A.
- e. Please see response to part (c) above.

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**OCA/USPS-T1-7.** On page 6 of your testimony, you indicate that return parcels for multiple shippers would be commingled to a single BMC runoff.

- a. Based on your knowledge of the shippers and consolidators interested in the return service, do you anticipate the experiment will provide the Postal Service experience in the commingling of parcels for several shippers?
- b. Will this practice of commingling be new and unique in the BMCs?

**RESPONSE:**

a-b. Yes, the experiment will provide some operational experience in sorting commingled parcel returns using the assigned Mailer ID. However, commingling parcels is not new or unique in the BMCs. Based on volumes and availability of sorting bins or chutes, parcels may be commingled for multiple ZIP Codes for operational efficiencies.

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**OCA/USPS-T1-8.** On page 7 of your testimony, you discuss scanning barcodes at RDUs. You indicate the scan will capture the Parcel Return Services code and the permit number on the parcels to generate a postage due manifest used to deduct postage from the shipper's account. Will the scan at the RDU also provide detail as to the location of the scan, i.e. at the RDU, and an identifying number for each parcel that could be used for tracking purposes?

RESPONSE:

The question misinterprets my testimony. To clarify, the scan will capture the Parcel Return Services (PRS) barcode, which contains information identifying the permit holder. The actual permit number is not included in the barcode. Yes, the (PRS) barcode scanned on the parcel will provide the date and time that the parcel is scanned as well as the ZIP Code of the post office where it is scanned. Also, the unique barcode number of the parcel will be captured and can be used for tracking purposes.

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**OCA/USPS-T1-9.** The following interrogatory refers to your testimony at page 8, lines 5 through 7.

- a. Given your statement that shippers are required to provide workspace for a postal employee to sample and verify returned parcels against a shipper created manifest, is the USPS restricting participants in this experiment to those shippers that currently participate in the USPS plant verification program?
- b. If your response to part a of this interrogatory is not affirmative, then is the new parcel return program going to require that a postal employee go to each designated shipper's location to verify the shipper created manifest?
- c. If your response to part b of this interrogatory is affirmative, where has the cost of the additional USPS employee time and the employee's transportation cost to and from the shipper been factored into the cost of offering the Parcel Select Return Service?

RESPONSE:

- a. No.
- b. Yes.
- c. Redirected to witness Eggleston USPS-T-2.

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**OCA/USPS-T1-10.** Please refer to page 8, line 9, of your testimony discussing RBMC returns.

- a. Please explain the purpose of the returns manifesting system addendum to be developed for this program and whether it will be developed by the Postal Service or the shipper.
- b. It appears that a returns manifesting system will not be required for RDU pickups but that the Postal Service will do the scanning and billing at the RDU. Why are returns to be handled differently at the two different types of locations?
- c. If returns at certain RBMCs are very limited in number, why would it be cost effective for a postal employee to go to the shipper's location and sample returns?

RESPONSE:

- a. USPS Publication 401 currently defines the requirements for developing a manifest mailing system. The referenced addendum will be developed by the Postal Service to identify additional criteria required to develop a returns manifesting system.
- b. The RDU rate is a flat rate and does not require capture of the weight or zone information to calculate the rate, which is a primary purpose of manifesting. We plan to scan the parcels collected at an RDU to identify the volume of parcels collected for each permit holder and use the information to calculate the postage due.
- c. Due to the costs involved in providing transportation, developing a returns manifesting system, and processing the returns, we do not expect shippers or agents to participate unless they have sufficient volume to justify those costs. Therefore, we expect the volume would be sufficient to justify a postal employee to sample returns.

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**OCA/USPS-T1-11.** On page 8, line 16, you refer to an identification number on each piece that is returned through an RBMC. Is the identification number a barcode identification like those used for delivery confirmation? Please explain.

RESPONSE:

The identification number is the numeric representation of the Parcel Return Services barcode required on all PRS labels and is similar to those used for Delivery Confirmation.

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**OCA/USPS-T1-12.** Please refer to your testimony at pages 8-9 where you state, "Finally, the shipper would be required to transmit an electronic file listing all of the parcels manifested to a Postal Service database." Also, under the heading "Parcel Tracking" on page 10, lines 11-12, you indicate the scanning information is available via USPS.com.

- a. Will the same information be available in the Postal Service database and in USPS.com for both RDU and RBMC parcels? If not, please explain how it will differ and how the availability of information will be affected.
- b. Would the information collected be sufficient to provide delivery confirmation service for the returned packages?
- c. Is the information scanned at the RDU and the RBMCs all of the information that would be needed to provide delivery confirmation for these returned packages? If not, what other information would be needed?
- d. Is the data scanned into the same data base that is used for delivery confirmation? If not, please discuss the software and hardware equipment that may be needed to integrate the return service data into the delivery confirmation data.

RESPONSE:

- a. The information available for RDU and RBMC is similar. The scanning of the RDU parcel barcodes will provide information when they are available for pick up at the RDU office and when they are picked up by the shipper or agent. The scanning of the RBMC parcel barcodes will provide in-transit information when processed on the parcel sorting machine in the BMC and information when they are picked up by the shipper or agent.
- b. The information collected will provide confirmation of when the parcel was picked up by the shipper or agent.
- c. While Delivery Confirmation provides delivery status of an individual parcel, the information collected for Parcel Return Services provides confirmation on when the parcel is picked up by the shipper or agent. Since, in many cases, the parcel will be

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picked up by an agent of the merchant or shipper, we are not able to confirm when the agent will deliver the parcel back to the merchant or shipper.

d. Yes.

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**OCA/USPS-T1-13.** In witness Wittnebel's testimony at page 2, he states that consumers typically call the retailer's customer service representatives one or more times to confirm the status of returned packages and the anticipated merchandise credit.... Handling these multiple customer calls is expensive.

- a. Given the expense of handling multiple customer calls, did you or others at the Postal Service discuss the option of offering delivery confirmation with parcel return service, either included "free" with the service, or as a service that the customer would pay for separately? If so, please explain why it was decided not to include delivery confirmation with the delivery service.
- b. Does the Postal Service plan to include a "free" Delivery Confirmation label for consumers returning merchandise in the future? If not, please fully explain why not. If so, please elaborate on when "free" Delivery Confirmation will be available.

RESPONSE:

- a. The consumer will be able to obtain, at [www.usps.com](http://www.usps.com), delivery information gathered as part of Parcel Return Services. During the development of this product, we discussed the option of offering Delivery Confirmation for this service. However, as stated in in response to OCA/USPS-T1-12, since Parcel Return Services includes confirmation of when the return is picked up by the shipper or agent, it would be unfair to charge the customer for information already provided as part of the service.
- b. When returning parcels, consumers who do not have the option to use PRS can currently receive "free" Delivery Confirmation by using the Click-N-Ship™ label printing feature on [www.usps.com](http://www.usps.com). This feature allows customers to print labels with or without postage and can be used for shipping to friends, families, for business, or to return merchandise.

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**OCA/USPS-T1-14.** On page 9 of your testimony you note the MDCDs would record sampling information on parcels received at a Postal Office. What information will be recorded and how will it be used for sampling?

RESPONSE:

The MDCDs include a process for sampling return parcels to capture the post office ZIP Code, date and time sampled, and weight of parcel. Since the RDU parcels are charged a flat rate, this process will be used to sample the weight distribution for these parcels.

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**OCA/USPS-T1-15.** On page 9 of your testimony, you describe the Product Tracking System (PTS) that is used to store acceptance and delivery information on Postal Service products and services.

- a. Is this tracking system also used for delivery confirmation or any other Postal Service information retrieval service such as Confirm?
- b. Please list separately all special services and subclasses (or mail categories) tracked by PTS.

RESPONSE:

a-b. PTS stores information for the special services and classes of mail listed below.

Confirm information is not stored in PTS.

Special Services:

Delivery Confirmation, Signature Confirmation, Registered, Insured, Collect On Delivery (COD), Certified, Merchandise Return, Return Receipt for Merchandise.

Classes and Sub-Classes of Mail (regardless if combined with special services):

Express Mail (Domestic), Global Express Mail (International), Global Express Guaranteed.

Classes and Sub-Classes of Mail (when combined with special services listed above):

Priority Mail, First-Class Mail, Standard Mail, Package Services sub-classes Media Mail, Bound Printed Matter, Parcel Post (including Parcel Select), and Library Mail.

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**OCA/USPS-T1-16.** On page 10 of your testimony, you indicate that scanning information and electronic data submitted by the shipper will be accessible via USPS.com.

- a. How soon after transmittal from the shipper will the electronic data be available on USPS.com?
- b. Will the data on USPS.com be available to the consumer to track whether the package is available for shipper or consolidator pickup and whether delivery has occurred? Please explain.
- c. Your testimony refers only to data submitted by the shipper as being available on USPS.com. Will the data scanned by the MDCCDs (handheld scanning devices in the field) also be available on USPS.com? If so, how soon after scanning will it be available?
- d. Because you state on page 13 of your testimony that non-machinable parcels addressed to an RDU or RBMC will be visibly identified and manually sorted, are your responses to parts a through c, above, any different with regard to non-machinable or oversized parcels?

RESPONSE:

- a. I have been informed that under normal circumstances, the file is processed by the Product Tracking System and available on usps.com within approximately 2 hours.
- b. Yes, the consumer will be able to track whether the package is available or has been picked up by the shipper or consolidator consistent with the information described in OCA/USPS-T1-12(a).
- c. The data scanned by the MDCCDs will be available on usps.com. I have been informed that the data are generally available within 1 hour from when the data are transmitted to the Product Tracking System.
- d. No.

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**OCA/USPS-T1-17.** On page 15 of your testimony you indicate that "each parcel" would have several pieces of listed information collected.

- a. Will non-machinable packages and oversized packages be tracked to the same extent as machinable packages? Please explain.
- b. Will an electronic record of the non-machinable and the oversize parcels be compiled at both the RDUs and the RBMCs? Please explain.

**RESPONSE:**

- a. This statement is true for parcels picked up at an RDU. At an RBMC, only machinable parcels will receive the passive in-transit scan during processing on the parcel sorting machine.
- b. At the RDU, information about the machinability of a return piece will not be recorded. Oversize pieces will be scanned and recorded in the Product Tracking System. For RBMC parcels, the shipper or agent will be required to identify both non-machinable and oversize parcels in the electronic manifest they transmit.

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**OCA/USPS-T1-18.** Will the specially designed mailing labels for return service discussed on page 11, line 19, of your testimony include instructions to the consumers that the parcel may be given to their carrier and even deposited in a collection box although it may weigh more than the normally allowed weight for collection boxes? If not, please explain why not.

**RESPONSE:**

The Postal Service is in the process of developing the requirements language for the Domestic Mail Manual. Similar to merchandise return service, instructions required to be included with the label are expected to be included.

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**OCA/USPS-T1-19.** In the cost analysis, the manifest sampling involved 1.5 percent of the mailpieces. Does the Postal Service intend to sample 1.5 percent of the mailpieces for postage verification during actual operations? Please explain.

RESPONSE:

The sampling process (as described on page 14, lines 9-11 in USPS-T-1) for parcels received at a BMC is performed at the shipper's or agent's processing facility. Further, it is my understanding that the 1.5 percent referred to in this interrogatory is derived from comparing actual survey data to the "sampling procedures" shown in the table entitled "US Sample Size by Volume Range" (USPS-T-2, Attachment G, page 2). It is my further understanding that the Postal Service intends to use the sampling relationships shown in this table to determine the number of pieces sampled for postage verification during the experiment. Since the sample size percent is not constant over all volumes, the actual percent of pieces sampled is impossible to predict with complete certainty.

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**OCA/USPS-T1-20.** On page 16, line 3, of your testimony, you refer to "experience with consolidators" as the basis for believing there would be a limited number of parties participating in the experiment.

- a. Please elaborate on the basis of the experience and indicate whether it included formal discussions, a focus group, meetings, or word of mouth.
- b. What information concerning the service did the consolidators provide to indicate interest in the return service?

**RESPONSE:**

- a. The Postal Service has developed working relationships with the consolidators through such forums as consolidator industry meetings, product redesign meetings, national postal forums, Parcel Shipping Association (PSA) meetings, and Mailers' Technical Advisory Committee (MTAC) meetings. Additionally, there have been informal meetings with consolidators to tour many of their facilities and discuss operational and technical issues to improve efficiencies.
- b. The Postal Service has received verbal expressions of interest, and, in a few instances, rough estimates of volume consolidators believe they could capture with this type of service.

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**OCA/USPS-T1-21.** Based on your knowledge of the shippers or consolidators interested in this return service, what are the expectations regarding the number of delivery RDUs and BMCs that each participant will use for pick up?

RESPONSE:

Specific interest in RDU option is unclear based on our current knowledge. The number of BMCs will vary by participant from a few BMCs for regional consolidation to all BMCs.

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**OCA/USPS-T1-22.** You state on page 16 of your testimony that the Postal Service intends to restrict access for the RDU option to "early bird" DDU entry offices. Is it intended that the restriction will apply only during the experiment? Please explain.

RESPONSE:

This will be determined based on our learning and experience during the experiment.

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**OCA/USPS-T1-23.** In listing the goals of the experiment on page 17 of your testimony, you do not cite collecting cost data as one of the goals of the experiment. Is it your opinion that all of the relevant costs are accurately calculated and that there is no need to improve the cost data for the return service based on actual operations? Please explain.

RESPONSE:

Redirected to witness Eggleston USPS-T-2.

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## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Scott L. Reiter

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June 16, 2003