

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

RECEIVED

Nov 19 4 21 PM '01

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

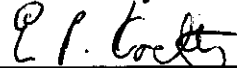
RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TOLLEY  
TO NAA INTERROGATORIES NAA -T7-1 - 11  
(November 19, 2001)

The United States Postal Service hereby provides the response of witness Tolley to the following interrogatories of NAA: NAA/USPS-T7-1 - 11, filed on November 5, 2001. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:



Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2992; Fax -5402  
November 19, 2001

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES

NAA/USPS-T7-1. Please refer to your testimony at Page 26, lines 4-6.

- a. Please confirm that, contrary to line 4 of your testimony, First Class mail accounted for slightly less than half of total domestic mail volume.
- b. Please confirm that you project that First Class mail will account for less than half of total domestic mail volume in the Test Year.
- c. If you cannot confirm, please explain why not.

RESPONSE:

- a. Not confirmed. The number 101.8 at line 6 of my testimony is not correct. Total First-Class Mail volume in Postal Fiscal Year 2000 was 102.9 billion pieces out of a total of 205.1 billion total domestic mail pieces. Hence, First-Class Mail volume accounted for approximately 50.2 percent of total domestic mail volume over this time period. A revision of page 26 is being filed.
- b. Confirmed.

**RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES**

NAA/USPS-T7-2: What rates of inflation do you assume for FY2002 and for the Test Year?

**RESPONSE:**

The personal consumption deflator used to deflate prices in my forecasts is projected by DRI-WEFA to increase by 2.2 percent from FY 2001 to FY 2002 and by 2.2 percent from FY 2002 to FY 2003 (the Test Year).

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES

NAA/USPS-T7-3. Please refer to your testimony at Page 111, lines 11 to 15. Please explain what you mean by "the price of direct-mail advertising".

RESPONSE:

The "price of direct-mail advertising" is a term used by the Bureau of Labor Statistics to describe their price index. It is my understanding that this price index is measured by surveying printing companies which prepare direct mailings regarding the prices charged for their services.

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES

NAA/USPS-T7-4: Please refer to your testimony at Page 111, lines 16-21. Please explain your understanding of how the "cost per thousand of newspaper advertising" affects Standard Enhanced Carrier Route mail volumes. Please include in your answer:

- a. Whether the price per thousand of newspaper advertising as reported by the Bureau of Labor Statistics refers to run-of-press newspaper advertising or of insert advertising or some combination of both;
- b. An explanation of how the cited price of newspaper advertising relates to ECR volume, as distinct from the volume of advertising preprints delivered via ECR mail.

RESPONSE:

Please see witness Thress's response to NAA/USPS-T8-3.

**RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES**

NAA/USPS-T7-5: Does your volume forecasting methodology for Standard commercial ECR mail take into account, in any way, the prices charged by Standard ECR shared mailers to advertisers for inclusion into a shared mailing? Please explain your answer fully.

**RESPONSE:**

Please see witness Thress's response to NAA/USPS-T8-4.

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES

NAA/USPS-T7-6. If your answer to NAA/USPS-T-5 is in the affirmative, please identify the source of the data that you use for the price charged by Standard ECR shared mailers to advertisers for inclusion into a shared mailing.

RESPONSE:

Please see witness Thress's response to NAA/USPS-T8-5.

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES

NAA/USPS-T7-7. Please refer to Page 113, line 20, through Page 114, line 23. Please identify the factors that you believe contribute to the "net trend" causing a 13.43 percent decline in Standard ECR mail volume, and please indicate the extent to which each factor contributed to the 13.43 percent net trend.

RESPONSE:

The factors contributing to the net trend are identified in the passage of my testimony to which you refer. They include improved market targeting of direct mail and developments in catalogs, as discussed on lines 6-23 page 114. I also state on line 24 page 113 to line 2 page 114: "The section on Standard Regular mail discussed recent developments affecting Standard Mail volumes. Much of this discussion applies to enhanced carrier route mail as well." That section is found on line 21 page 101 to line 16 page 107.

It has not been found feasible to separate out the extent to which the various individual factors contributed to the net trend.



RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES

NAA/USPS-T7-8. Please confirm that your testimony does not project Standard ECR volumes by rate category. If you cannot confirm, please explain why not.

RESPONSE:

Not confirmed. Projections of Standard ECR volumes by rate category can be found in USPS-LR-J-125 at Tables 125-1 and 125-2.

**RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES**

NAA/USPS-T7-9. Witness Bernstein, at Page 64, lines 20-22 of his testimony, states that Standard Regular non-carrier route mail "has grown, in part at the expense of ECR mail, due to improvements in database marketing which have allowed advertisers to target customers more effectively." Please state whether you agree with this statement and, if so, how this phenomenon is reflected in your volume forecasts.

**RESPONSE:**

I agree with this statement. The growth of Standard Regular mail at the expense of Standard ECR mail is reflected in the inclusion of a positive time trend in my forecast of Standard Regular mail and a negative time trend in my forecast of Standard ECR mail. See also my response to NAA/USPS-T7-7.

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES

NAA/USPS-T7-10. Please refer to LR-J-125, work paper vf\_ar.xls. Please provide calculations for the prices (on the sheet entitled "Prices") for all subclass ECR tiers/density levels.

RESPONSE:

Standard ECR prices are calculated in USPS-LR-J-123, within the spreadsheet PRICES\_AR.xls, on sheet "StdA" at rows 680 - 687, at columns AW - AZ.

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO  
NAA INTERROGATORIES

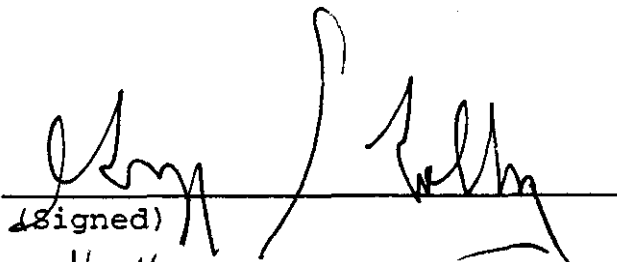
NAA/USPS-T7-11. Please refer to Appendix Table 14 of your testimony and state whether a positive value for a forecast average means that volumes were under forecasted or overforecasted.

RESPONSE:

Underforecasted. As Appendix Table 14 says, the forecast errors presented in my Appendix Tables are equal to the natural logarithm of volume minus the natural logarithm of forecasted volume. Hence, a positive forecast error indicates that actual volume is greater than forecasted volume.


DECLARATION

I, George Tolley, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
(Signed)  
11-16-61  
\_\_\_\_\_  
(Date)

**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.

  
\_\_\_\_\_  
Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2992; Fax -5402  
November 19, 2001