

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

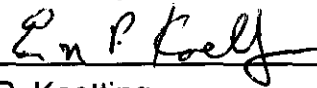
RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TOLLEY  
TO NAA INTERROGATORIES NAA -T7-12 - 13  
(December 10, 2001)

The United States Postal Service hereby provides the response of witness Tolley to the following interrogatories of NAA: NAA/USPS-T7-12 - 13, filed on November 26, 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  
December 10, 2001

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

**NAA/USPS-T7-12:** Please confirm that your volume forecasts for the Test Year were prepared before the September 11, 2001, attacks and the more recent discovery of anthrax-laden letters in the mail.

**RESPONSE:**

Confirmed.

## RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO NAA INTERROGATORIES

**NAA/USPS-T7-13:** Please describe, in general terms, how you would take the changes in mail volumes since the September 11 attacks and the anthrax letters into account in the future if you were to prepare volume forecasts for a later year. In particular, please explain whether you would need to make a judgment as to whether declines in mail volume since September 11 are essentially "one-time" phenomena, or whether they reflect persistent trends in mail volume that your model would need to take into account. In addition, please indicate the minimum period of time that you believe would be necessary in order to make that judgment.

### **RESPONSE:**

For the reasons given below, the situation will become clearer with the passage of time. *Beyond the reality that actual volumes are substantially below volumes forecasted prior to September 11 and will almost certainly continue to be so, the situation is so unprecedented that it is difficult to estimate how rapidly clarification will occur. While one may have hoped that some rays of clarity would have been present by now if it were only the events of September 11th and the ensuing military conflict and economic slowdown that were newly affecting mail volume, the incidents of anthrax contamination and infection have made the future all the murkier.*

The volume effects relating to September 11th and anthrax could be some combination of several phenomena. First is a one-time phenomenon, with no expected impact beyond the period following the terrorist attacks (for example, people choosing to send fewer packages in the days immediately following September 11th). These one-time impacts may be partly accounted for by the decrease in economic activity that resulted from the attacks, and, if so, would be represented by the values of macroeconomic variables when the econometric demand equations are updated.

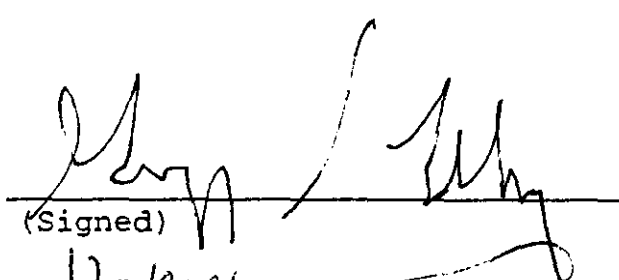
There will also almost certainly be enduring shifts in volume levels. Volume

levels can decline with no subsequent recovery (for example, an individual mailer who decided to begin to pay bills online immediately following the anthrax attacks, who continues to do so in the future). Or the phenomenon could be the beginning of a changed trend effect on mail volume (for example, more rapid adoption over time of alternate bill payment and presentment options).

Evidence in estimating the magnitude of these effects will be provided by looking at unexpected volumes, shifts in volume trends and whatever extrinsic or secondary evidence may become available. Judgments will need to be made concerning the contribution of these several effects. The validity of these judgments will improve over time. When we first will be able to give an assessment of these phenomena, depends largely on what happens moving forward and when the related data become available.

DECLARATION

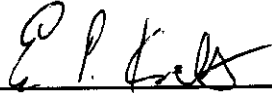
I, George Tolley, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
(Signed)

12-10-01  
\_\_\_\_\_  
(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

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