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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

AAP-T-1

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

Direct Testimony of
Patricia Schroeder
On Behalf of the
ASSOCIATION OF AMERICAN PUBLISHERS

DATED: May 22, 2000

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**DIRECT TESTIMONY OF PATRICIA SCHROEDER ON
BEHALF OF ASSOCIATION OF AMERICAN PUBLISHERS**

My name is Patricia Schroeder. I am the President and Chief Executive Officer of the Association of American Publishers ("AAP"). I served as a Member of Congress, representing Colorado in the House of Representatives, for 24 years. I was a member of the House Post Office and Civil Service Committee, and was Chair of the House Select Committee on Children, Youth and Families. I am the author of two books: Champion of the Great American Family and 24 Years of House Work...and the Place is Still a Mess. I am a graduate of the University of Minnesota, and earned my J.D. from Harvard Law School.

AAP is the principal representative of the book publishing industry in the United States. It has over 260 members which encompass large and small publishing houses, as well as university and other non-profit publishers. These members make particular use of the Standard Mail (B) Bound Printed Matter ("BPM") subclass. AAP members publish hardcover and paperback books in every field – fiction, general non-fiction, poetry, children's literature, textbooks, reference works, bibles and other religious books, and scientific, medical, technical, professional and scholarly books and journals.

1 **I. Purpose of Testimony**

2 The purpose of my testimony is to urge the Commission to exercise its independent
 3 review responsibilities and to take steps permitted, and indeed compelled, by the Postal
 4 Reorganization Act to lessen the impact of the shocking proposed rate increases for the BPM
 5 subclass. The proposed rate increases for BPM are the highest proposed for any subclass in this
 6 case. In fact, while the average increase for BPM is 18.1%, for some BPM mail the increase is as
 7 high as 25.9%. By any definition, this is "rate shock." No business can long sustain itself by
 8 gouging its customers with increases of such a magnitude. These extraordinary rate increase
 9 proposals for BPM were made without adequate consideration of several significant factors:

- 10 • Books contain a high level of educational, cultural, scientific and informational
 11 ("ESCI") value. Moreover, the mailing and dissemination of books throughout the
 12 country "binds the nation together" in the most profound way by promoting
 13 childhood development, literacy and the development of our national culture.
- 14 • The BPM subclass is now a subclass mainly composed of books. In FY 1998, 63.7%
 15 of BPM was composed of books. The percentage of BPM that consists of books is
 16 growing so that it is now predominantly a book subclass.
- 17 • BPM is now comparable to Special Standard and Periodicals in ECSI content. Yet,
 18 the Postal Service inconsistently refuses to accord BPM similar treatment in
 19 proposing the institutional cost burden that the subclass should bear.

20 **II. The Intent of Congress to Promote the Distribution of Books**
 21 **Would be Thwarted by the Proposed Drastic Rate Increase**

22 It is important to remember, as the Postal Service appears to have forgotten, that criterion
 23 8 of section 3622(b) of the Postal Reorganization Act is not merely another element to be
 24 factored into the Postal Service's ratemaking formulas. It is an expression of an important
 25 national policy. Congress has long recognized the importance of reading and access to books to

1 the education of America's children and the need to establish postal rates for such materials at a
2 level low enough to guarantee their widest possible dissemination.

3 Section 3622(b)(8) reaffirmed Congress' long-standing position that mail with
4 educational, cultural, scientific and informational value should be protected from inordinate
5 postal rate increases. This policy is based upon the Congress' recognition of the strong public
6 benefits derived from reading and literacy and the need to ensure that postal rates promote rather
7 than deter the realization of these benefits.

8 The encouragement of reading and promotion of literacy continue as national policy.
9 Thus, the Administration recently launched the "America Reads" challenge and worked with
10 Congress to pass the Reading Excellence Act. These important initiatives were undertaken
11 because of research which showed that students who fail to read well by the fourth grade are at
12 greater risk of educational failure and that good reading skills provide an important foundation
13 for subsequent learning and success. Because of its commitment to this initiative, Congress has
14 appropriated \$260 million annually to improve children's reading. Literacy measures have also
15 been a part of other legislation such as the Workforce Investment Act (29 U.S.C.A. §2801), the
16 Head Start Improvement Act (42 U.S.C.A. §9801), the National Literacy Act (20 U.S.C.A.
17 §1201), the Library Services and Construction Act Amendments (20 U.S.C.A. §351), and the
18 Homeless Assistance Amendments Act (42 U.S.C.A. §1771).

19 In addition, at the bipartisan initiative of Senators Edward Kennedy (D-MA) and Kay
20 Bailey Hutchison (R-TX), legislation to be introduced this week will enlist the support of the
21 Postal Service in ensuring that young children enter school ready to read. The proposed "Book

Stamp Act” will provide pre-school children with their own developmentally-appropriate books, and encourage their parents to read to them, through the discounted purchase of books and the provision of related education and support services by child care resource and referral agencies throughout the nation. The legislation anticipates that a significant source of funding for this program will be the public’s purchase of special postage stamps for child literacy which the Postal Service will be required to issue. In this way, the Postal Service will be able to make a unique contribution to help “stamp out” illiteracy. It is ironic that, at the same time the Postal Service is being enlisted to promote children’s reading through this legislation, it is proposing rate increases that will deter the delivery of books for children to homes, schools and libraries.

Congress has taken these actions because of a wealth of research that confirms the importance of reading to development in every stage of life – from infancy, through childhood and adolescence, to adulthood. Reading is indeed one of the most important means for binding a nation together.

Thus, the American Academy of Pediatrics recommends that all parents read daily to their children starting at six months of age,¹ and a study by the National Commission on Reading found that reading aloud to children is the single most important intervention for developing literacy skills during infancy.² The Educational Testing Service has found that the more types of

¹ Press Statement, American Academy of Pediatrics, April 16, 1997.

² As quoted in “A Pediatric Early Literacy Program,” the Program Manual for Reach Out and Read.

1 reading materials there are in the home, the higher students are in reading proficiency.³ And, the
2 International Reading Association emphasizes that ongoing development of literacy in
3 adolescents is just as important, and requires just as much attention, as that of beginning readers.

4 Reading skills are also, needless to say, critical to adults. Research has found that as the
5 education level of adults improves, so does their children's success in school. Yet, 40 million
6 adults need to improve their literacy skills, and until they do, these adults cannot effectively
7 compete for today's jobs.⁴

8 The question is whether there are enough reading materials, including books, in homes
9 today. The answer unfortunately is "no." According to the Educational Testing Service,
10 students are reading books less and less.⁵ They spend 12 times as much time watching television
11 as they do reading.⁶ More distressing is a recent study by the National Assessment of
12 Educational Progress which found that only 60% of fourth graders read at the basic level or
13 higher.⁷

14 Accordingly, a number of organizations, including AAP, have instituted programs aimed
15 at encouraging reading. AAP, for example, has designated the month of May as "Get Caught

³ Educational Testing Service. *America's Smallest School: The Family*, 1999.

⁴ www.nifl.org.

⁵ Educational Testing Service. *America's Smallest School: The Family*, 1999.

⁶ Id.

⁷ *Preventing Reading Difficulties in Young Children*, National Research Council (1998).

1 Reading” month to remind young adults of the joys of reading. Another program, Imagination
2 Library, was founded by Dolly Parton and the Dollywood Foundation for the children of Sevier
3 County, Tennessee, where Dolly Parton grew up. The program begins by mailing The Little
4 Engine That Could to each child on the day they are born. The Dollywood Foundation then
5 attempts to encourage a love of reading by sending pre-school children in Sevier County a hard-
6 cover book each month in the mail. This program has been so successful that the Foundation has
7 decided to replicate the program by mailing and distributing these books in communities across
8 the country.

9 First Book is still another non-profit organization with the mission of giving
10 disadvantaged children the opportunity to read and own their own books. The primary goal of
11 First Book is to distribute new books to children who, for economic or other reasons, have little
12 or no access to books. First Book thus helps to break down the literacy barrier by providing
13 access to books to disadvantaged families and children.

14 Organizations such as Imagination Library and First Book use BPM to distribute books.
15 The higher the rates, the fewer books these organizations can purchase. The fewer books the
16 organization can purchase, the fewer children these organizations can reach. This equally applies
17 to publishing houses like AAP’s members which distribute books to students participating in
18 school book clubs, in Reading is Fundamental programs, in Reach Out and Read community
19 health care centers, and in tutoring programs in after-school facilities.

20 The Postal Service disposes of these considerations in two sentences in this rate case.

21 Witness Mayes notes that “[o]ver a period of years, a substantial number of books have been

1 mailed as Bound Printed Matter.” She thus proposes to accord the subclass “some ECSI
2 consideration,” leaving it with the shocking increases of 18-25% the Postal Service has
3 proposed.⁸

4 This offhand treatment should not be countenanced. The Postal Service appears not to
5 understand the extent to which BPM has become a book subclass. The volume witness, Dr.
6 Tolley, does not even refer to books in his testimony, and regards it still as a catalog subclass.⁹
7 Witness Mayes relies upon FY 1996 data that books constitute 52% of the subclass.¹⁰ In fact, the
8 Postal Service’s most recent data from FY 1998 show that 63% of BPM shipments are of
9 books.¹¹ And, the proportion is likely growing. Data collected by AAP shows that U.S. book
10 sales totaled over \$24 billion in 1999, a 4.3% increase over 1998. The biggest percentage
11 increase was sales of books for children and young adults, showing a 23.5% increase in
12 paperbound and 11.1% in hardbound. Over 100 million books are shipped annually to children.
13 Moreover, book club materials totaled \$1.3 billion in 1999, a 3.7% increase over 1998.¹²

14 BPM has now become a subclass like Periodicals and Special Standard for which full
15 criterion 8 treatment is appropriate and necessary. In R-97-1, the Commission gave strong ECSI

⁸ Tr.11/4459, lines 7-14.

⁹ USPS Witness Tolley, USPS-T-6 at 170.

¹⁰ USPS Response to AAP/USPS-T-37-23, Tr.13/5298.

¹¹ USPS Response to AAP/USPS-T6-6(c), Tr.9/3595.

¹² AAP Press Release, February 17, 2000.

1 consideration to the Periodicals subclass in the face of proposed rate increases.¹³ In fact, in
2 response to interrogatories, Witness Mayes has stated that the Commission's treatment of the
3 Periodicals subclass could be instructive on the issue of application of ECSI value to the BPM
4 subclass. (AAP/USPS-T-32-10). On this score, AAP agrees.

5 In R-97-1, the Commission stated that it was the presence of editorial content which
6 entitled all Periodical publications to ECSI consideration and used Criterion 8 to recommend a
7 cost coverage of 101%.¹⁴ Specifically, the Commission found that this low cost coverage was in
8 "recognition of the educational, cultural, scientific and informational value of Periodicals class
9 mail, §3622(b)(8), and recognizes Periodicals important role in binding the nation together."¹⁵
10 The presence of non-ECSI matter in the form of advertising appropriately did not deter the
11 Commission from this conclusion.

12 The Commission also found in R-97-1 that the Special Standard subclass merited "special
13 consideration under the §3622(b)(8) factor because of the intrinsic educational, cultural,
14 scientific and informational value of the prescribed content of the subclass to recipients of these
15 materials."¹⁶ Today, books are sent by both the Special Standard and BPM subclasses, and given
16 the growing predominance of books in BPM, the Postal Service can no longer contend that BPM

¹³ Opinion and Recommended Decision, R97-1 ¶ 5754 (May 11, 1998).

¹⁴ Id. ¶ 5818.

¹⁵ Id.

¹⁶ Id. ¶ 5754.

1 is any less a book subclass than Special Standard, which received a cost coverage of 106% in the
2 last rate case. Accordingly, the low cost coverage previously afforded to the Special Standard
3 subclass likewise supports a low cost coverage to be applied to BPM.

4 **III. Conclusion**

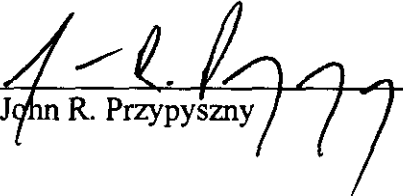
5 The goal of the Postal Service is to “bind the nation together through the personal,
6 educational, literary and business correspondence of the people.”¹⁷ Clearly, providing access to
7 books to all people – regardless of socioeconomic status or geographic location – meets this
8 standard. AAP appeals to the Commission to examine (1) the current – not the historical –
9 composition of the BPM subclass and (2) the extraordinary value of books to society. Once
10 these factors are considered, it is plain that full ECSI consideration should be given to the BPM
11 subclass, and a cost coverage should be applied that is similar to that accorded Periodicals and
12 Special Standard.

¹⁷ 39 U.S.C.A. §101(a).

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document, by First-Class Mail,
upon the participants in this proceeding.

Date: May 22, 2000


John R. Przypyszny