

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

POSTAL RATES AND FEE CHANGES, 2006 ) Docket No. R2006-1

Direct Testimony of

DR. JOHN HALDI

Concerning

BOUND PRINTED MATTER

On Behalf of

AMAZON.COM, INC.

William J. Olson  
John S. Miles  
Jeremiah L. Morgan  
WILLIAM J. OLSON, P.C.  
8180 Greensboro Drive, Suite 1070  
McLean, Virginia 22102-3860  
(703) 356-5070

Counsel for Amazon.com, Inc.

September 6, 2006

## CONTENTS

|  | <b>Page</b> |
|--|-------------|
| AUTOBIOGRAPHICAL SKETCH . . . . .  | 1           |
| I. PURPOSE OF TESTIMONY . . . . .  | 4           |
| II. INTRODUCTION . . . . .   | 5           |
| III. PROPOSED BPM CLASSIFICATION CHANGES . . . . .   | 7           |
| A. Evolution of the BPM Classification Has Made It<br>a Highly-Resilient and Useful Subclass. . . . .  | 9           |
| B. Evolution of the BPM Rate Structure Has Made<br>It a Highly-Efficient and Useful Subclass for<br>Mailers. . . . .   | 12          |
| C. Non-print Material Has Been Permitted in BPM<br>Since 2001. . . . .   | 14          |
| D. BPM Has a Higher Coverage and Unit<br>Contribution than Media Mail, which Helps<br>Assure that Migration Will Be Profitable. . . . .                                  | 16          |
| E. The Proposed Classification Changes Are<br>Consistent with Prior Commission Positions. . . . .  | 18          |
| F. The Proposed Classification Changes Will Help<br>Preserve the Nature of the BPM Subclass, While<br>Observing the Statutory Mandate to Preserve<br>Media Mail. . . . . | 19          |
| G. The Proposed Classification Changes Will Help<br>BPM Evolve into the Digital Era and a Change in<br>the Subclass Name Is Recommended. . . . .                         | 20          |

## **CONTENTS (con't)**

|   | <b>Page</b> |
|---|-------------|
| H. The Proposed Classification Changes May Help Avoid Loss of Volume to Internet Downloads. . . . .             | 22          |
| I. The Proposed Classification Changes Satisfy the Criteria Contained in the Postal Reorganization Act. . . . . | 23          |
| IV. THE PROPOSED COVERAGE ON BPM IS TOO HIGH AND SHOULD BE REDUCED. . . . .                                     | 27          |
| A. Consideration of ECSI (Criterion 8). . . . .   | 29          |
| B. Value of Service (Criterion 2). . . . .  | 32          |
| C. Effect of Rate Increases (Criterion 4). . . . .  | 33          |
| D. Fairness and Equity (Criterion 1). . . . .   | 33          |
| APPENDIX I: ANALYSIS OF MIGRATION EFFECTS OF PROPOSED CLASSIFICATION CHANGES. . . . .                           | 34          |
| A. Analysis of Impact on BPM.. . . .  | 35          |
| B. Analysis of Impact on Media Mail. . . . .  | 36          |
| C. Impact on Postal Service Finances. . . . .   | 51          |
| APPENDIX II: PROPOSED DMCS AMENDMENTS. . . . .  | 53          |
| APPENDIX III: THE EXTENSIVE CONNECTION BETWEEN BOOKS AND AUDIO/VIDEO RECORDINGS . . . . .                       | 54          |

1 **AUTOBIOGRAPHICAL SKETCH**

2 My name is John Haldi. I am President of Haldi Associates, Inc.,  
3 an economic and management consulting firm with offices at 488  
4 Madison Avenue, New York, New York 10022. My consulting experience  
5 has covered a wide variety of subjects for government, business and  
6 private organizations, including testimony before Congress and state  
7 legislatures.

8 In 1952, I received a Bachelor of Arts degree from Emory  
9 University, with a major in mathematics and a minor in economics. In  
10 1959, I received a Ph.D. in economics from Stanford University.

11 From 1958 to 1965, I was an assistant professor at the Stanford  
12 University Graduate School of Business. In 1966 and 1967, I was Chief  
13 of the Program Evaluation Staff, U.S. Bureau of the Budget. While there,  
14 I was responsible for overseeing implementation of the Planning-  
15 Programming-Budgeting ("PPB") system in all non-defense agencies of the  
16 federal government. During 1966, I also served as Acting Director, Office  
17 of Planning, United States Post Office Department. I was responsible for  
18 establishing the Office of Planning under Postmaster General Lawrence  
19 O'Brien, where I established an initial research program, and hired the  
20 initial staff.

1           I have written numerous publications. Among those publications  
2           dealing with postal and delivery economics are an article, “The Value of  
3           Output of the Post Office Department,” in *The Analysis of Public Output*  
4           (1970); a book, *Postal Monopoly: An Assessment of the Private Express*  
5           *Statutes*, published by the American Enterprise Institute for Public Policy  
6           Research (1974); an article, “Measuring Performance in Mail Delivery,” in  
7           *Regulation and the Nature of Postal Delivery Services* (1992); an article  
8           (with Leonard Merewitz), “Costs and Returns from Delivery to Sparsely  
9           Settled Rural Areas,” in *Managing Change in the Postal and Delivery*  
10           *Industries* (1997); an article (with John Schmidt), “Transaction Costs of  
11           Alternative Postage Payment and Evidencing Systems,” in *Emerging*  
12           *Competition in Postal and Delivery Services* (1999); an article (with John  
13           Schmidt), “Controlling Postal Retail Transaction Costs and Improving  
14           Customer Access to Postal Products,” in *Current Directions in Postal*  
15           *Reform* (2000); an article (with John Schmidt), “Saturday Delivery: Who  
16           Provides? Who Needs It?” in *Postal and Delivery Services: Pricing,*  
17           *Productivity, Regulation and Strategy* (2002); an article (with William J.  
18           Olson), “An Evaluation of USPS Worksharing: Postal Revenues and Costs  
19           from Workshared Activities,” in *Competitive Transformation of the Postal*  
20           *and Delivery Sector* (2004); and an article (with William J. Olson)

1       “Enhancing Competition by Unbundling the Postal Administration,” in  
2       *Progress Toward Liberalization of the Postal and Delivery Sector* (2006).

3             I have testified as a witness before the Postal Rate Commission in  
4       Docket Nos. R2005-1, R2000-1, R97-1, MC96-3, MC95-1, R94-1,  
5       SS91-1, R90-1, R87-1, SS86-1, R84-1, R80-1, MC78-2, and R77-1. I  
6       also have submitted comments in Docket No. RM91-1.

1 **I. PURPOSE OF TESTIMONY**

2 This testimony is focused on Bound Printed Matter (“BPM”). It has  
3 two primary purposes. First, I propose classification changes that would  
4 enable books and closely related items that are published in an  
5 electronic format to be mailed at BPM rates, provided that they are  
6 included as part of otherwise qualified presort BPM mailings consisting  
7 of 300 or more pieces. Second, I propose a reduction in coverage of BPM  
8 from that proposed by the Postal Service. In addition, I propose a  
9 classification change that would change the subclass name from “Bound  
10 Printed Matter” to, simply, “BPM.”

1 **II. INTRODUCTION**

2 This testimony is presented on behalf of intervenor Amazon.com,  
3 Inc. (“Amazon.com”).

4 Amazon.com was founded in 1994. It is incorporated under the  
5 laws of the State of Delaware and has its headquarters in Seattle,  
6 Washington. Amazon.com had approximately 12,500 full and part-time  
7 employees at the end of 2005. In 2005, Amazon.com had sales of  
8 approximately \$8.5 billion, world-wide, and is publicly traded on the  
9 NASDAQ stock exchange under the symbol “AMZN.”

10 Amazon.com is a leading Internet-based retailer, offering literally  
11 millions of items for sale to the public in categories that include health  
12 and personal care, jewelry and watches, gourmet food, sports and  
13 outdoors, apparel and accessories, books, music, DVDs, electronics and  
14 office, toys and baby, and home and garden.

15 Amazon.com makes use of a number of subclasses of mail for  
16 order fulfilment (including Media Mail, BPM, Priority Mail, Parcel  
17 Post/Parcel Select, and Standard Mail), as well as First-Class Mail.  
18 United States fulfilment and warehouse operations total 7.5 million  
19 square feet, in facilities located in Delaware, Kansas, Kentucky, Nevada,

1 Pennsylvania, and Texas. Additionally, Amazon.com affiliates operate  
2 websites for which products are fulfilled from the United Kingdom,  
3 Germany, France, Canada, Japan, and China.

1                                   **III. PROPOSED BPM CLASSIFICATION CHANGES**

2                   As discussed below, the BPM subclass has been changing and  
3                   evolving at least since 1976, when books containing advertising first were  
4                   allowed to be sent at BPM rates. In Docket No. R2000-1, the Postal  
5                   Service estimated that a majority of BPM volume, *i.e.*, 52 percent,  
6                   consisted of books, and the share of books in BPM volume may have  
7                   grown even larger since then.

8                   During the last 30 years, while BPM was evolving, some important  
9                   changes also were occurring in the world of book publishing. From the  
10                  viewpoint of proposals made in this testimony, one of the most important  
11                  is that many books now are published not only in the traditional bound  
12                  book format, but also in an electronic format, such as audio and video  
13                  tapes, CDs, or DVDs. Many people, especially those who regularly drive  
14                  for extended periods, such as on long commutes to and from work, take  
15                  advantage of these electronic formats to listen to books, rather than read  
16                  them.

17                  Books published in an electronic format today are eligible to be  
18                  sent as Media Mail. In this docket, I propose a logical extension of the  
19                  content requirement for BPM to allow books and closely-related items

1 that are published in an electronic format to be mailed at BPM rates  
2 when such items are part of a presort shipment of 300 or more pieces  
3 that qualify for BPM.

4 Further, many books are the basis for audio tapes and CDs as well  
5 as movies on VHS and DVD (see Appendix III for more details on the  
6 connection between (i) books and (ii) sound and video recordings). When  
7 that occurs, which is often, contents of the book and the movie obviously  
8 have a close relationship. Moreover, when movies are released in an  
9 electronic format, such as VHS or DVD, physical dimensions of a box  
10 containing the movie can be similar to those of a box containing the  
11 book. In view of the similarity regarding both content and physical  
12 dimensions, in this docket I also propose a change in the content  
13 requirement for BPM to allow movies published in electronic format to be  
14 mailed at BPM rates when such items are part of a presort shipment of  
15 300 or more pieces that qualify for BPM. Today, CDs and DVDs contain  
16 books and movies eligible to be sent as Media Mail.

17 The following sections explain why the Commission should  
18 recommend these two proposed classification changes at this time.

19 Appendix II contains proposed DMCS language.

1       **A.     Evolution of the BPM Classification Has Made It a Highly-**  
2       **Resilient and Useful Subclass.**

3           The BPM subclass originally was established for catalogs and  
4       similar advertising matter consisting of 24 or more pages and weighing  
5       between one and 10 pounds. Although usage of the BPM subclass was  
6       restricted to catalogs for many years, starting in 1976 books containing a  
7       certain amount of advertising were allowed to be mailed at BPM rates.<sup>1</sup> A  
8       number of larger publishers then adopted the practice of publishing two  
9       editions of a book, one with, and the other without, advertising. The  
10      principal, and almost sole, purpose of publishing a book with advertising  
11      was to enable the book to be mailed at BPM rates. Ten years later, by  
12      1986, the volume of books in BPM had grown to the point where books  
13      constituted approximately one-third of total BPM volume.

14           In Docket No. R87-1, the Postal Service, recognizing that the  
15      advertising requirement was not an effective constraint on migration of  
16      books from Media Mail to BPM, and that it did not serve any real  
17      purpose, proposed to allow books without advertising to be mailed at  
18      BPM rates. The Commission rejected the Postal Service's proposal in  
19      that docket. However, in the next omnibus rate case, Docket No. R90-1,  
20      the Postal Service again proposed to allow books without advertising to

---

<sup>1</sup>       Testimony of Postal Service witness Thomas E. Thress, USPS-T-7,  
p. 186.

1 be mailed at BPM rates. This time the Commission agreed, and  
2 recommended that the content requirement be changed to allow the  
3 inclusion of books without advertising in BPM. Since then, books  
4 containing advertising appear to have become something of a rarity.

5 By the time of Docket No. R2000-1, the Postal Service indicated  
6 that books had grown to 52 percent of total BPM volume. Without  
7 books, the BPM subclass would serve far fewer mailers, as well as  
8 recipients. Although the BPM subclass is no longer homogeneous (from  
9 the perspective of catalog mailers), the above-described classification  
10 changes have been successful in producing a useful result for both  
11 mailers and the Postal Service. The content restrictions in BPM, Media  
12 Mail, and Library Mail are shown in Table 1.

13 Another classification change in BPM occurred in Docket No.  
14 MC97-3, when the Commission accepted an unopposed Stipulation and  
15 Agreement, and recommended that the maximum allowable weight for a  
16 piece of BPM be increased from 10 pounds to 15 pounds. The perceived  
17 needs of some mailers were satisfied by this increased weight range. It is  
18 not a pertinent consideration here, however, as the content of even the  
19 largest book can be stored on various forms of readily available electronic  
20 format, any and all of which weigh less than the book.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

---

**Table 1**

**Basic Content Standards — Types of Materials Permitted in  
BPM, Media Mail, and Library Mail**

| <b>Contents</b>                 | <b>BPM<sup>2</sup></b> | <b>Media Mail<sup>3</sup></b> | <b>Library Mail<sup>4</sup></b> |
|---------------------------------|------------------------|-------------------------------|---------------------------------|
| Catalogs                        | <b>X</b>               |                               |                                 |
| Directories                     | <b>X</b>               |                               |                                 |
| Editorial Material              | <b>X</b>               |                               |                                 |
| Advertising                     | <b>X</b>               |                               |                                 |
| Books                           | <b>X</b>               | <b>X</b>                      | <b>X</b>                        |
| Video Recordings                | <b>P<sup>5</sup></b>   | <b>X</b>                      | <b>I</b>                        |
| Sound Recordings                | <b>P<sup>5</sup></b>   | <b>X</b>                      | <b>X</b>                        |
| Film and Film Catalogs          |                        | <b>X</b>                      | <b>X</b>                        |
| Printed Music                   |                        | <b>X</b>                      | <b>X</b>                        |
| Test Materials                  |                        | <b>X</b>                      | <b>X</b>                        |
| Playscripts and Manuscripts     |                        | <b>X</b>                      | <b>X</b>                        |
| Computer Media                  |                        | <b>X</b>                      | <b>I</b>                        |
| Bound Academic Volumes          |                        | <b>X</b>                      | <b>X</b>                        |
| Educational Reference Charts    |                        | <b>X</b>                      | <b>I</b>                        |
| Medical Looseleaf Pages/Binders |                        | <b>X</b>                      | <b>I</b>                        |
| Scientific or Math Kits         |                        |                               | <b>X</b>                        |
| Museum Specimens                |                        |                               | <b>X</b>                        |
| Library and Museum Materials    |                        |                               | <b>X</b>                        |

---

X = Express  
I = Implied  
P = Amazon.com proposed

---

<sup>2</sup> DMCS § 522.1.a.; DMM 463.2.1.c.  
<sup>3</sup> DMCS § 523.1.a.-j.; DMM 473.2.2.  
<sup>4</sup> DMCS § 524.13-14; DMM 483.2.3-2.4.

<sup>5</sup> Note: **sound recordings** and **video recordings** (as well as other printed and nonprinted materials) are currently permitted in BPM as attachments and enclosures subject to certain weight and cost limitations. See DMM 463.2.4.

1       **B.     Evolution of the BPM Rate Structure Has Made It a Highly-**  
2       **Efficient and Useful Subclass for Mailers.**

3             It is worth noting that the rate structure in the BPM subclass,  
4             through a series of steps over many years, has been de-averaged so as to  
5             reflect costs far more accurately than it once did. Today, the rate  
6             structure of the BPM subclass promotes efficient mailing practices  
7             possibly more than any other subclass.

8             For instance, BPM rates are zoned. When rates are not zoned, it  
9             obviously is not possible to reflect transportation costs accurately.<sup>6</sup> This  
10            is an important consideration in any subclass, but especially so in a  
11            subclass where weight can range up to 15 pounds. In addition to zoned  
12            rates, the BPM rate structure also has cost-based discounts for  
13            destination entry at all points, which reduce handling by the Postal  
14            Service, and also give mailers a positive incentive to dropship into  
15            destinating facilities.<sup>7</sup> Likewise, the BPM rate structure offers discounts  
16            for presortation, which also helps to reduce Postal Service handling.<sup>8</sup> A  
17            barcode discount is offered whenever the Postal Service can use a

---

<sup>6</sup> Rates for First-Class, Standard, Media Mail, and Library Mail are not zoned, for instance.

<sup>7</sup> Discounts for destination entry are not available in First-Class or Media Mail.

<sup>8</sup> Presort discounts are available in all bulk subclasses, but Media Mail does not offer discounts for presortation to carrier route.

1 barcode to process BPM on its mechanized or automation equipment.  
2 Finally, for several years BPM has had a shape-based rate differential,  
3 which reflects the difference in cost when handling flats or parcels.<sup>9</sup>

4 Development of this highly de-averaged, cost-based rate structure  
5 has helped protect those BPM mailers who submit highly-prepared and  
6 highly-efficient mail from suffering rate increases on account of less-  
7 efficient and more costly mail being averaged into the rate structure. It  
8 also has helped to restrain cost and rate increases in BPM. This is as it  
9 should be. So long as rates continue to reflect costs, the existing BPM  
10 rate structure will continue to serve the interest of those who make  
11 extensive efforts to workshare. In comparison with the Media Mail  
12 subclass, where zoned rates and destination entry discounts are  
13 precluded by statute, the BPM subclass offers mailers far more options  
14 and incentives to promote more efficient mailing practices.

15 It is not anticipated that Commission recommendation of the  
16 classification changes proposed here will increase BPM costs. The  
17 inclusion of books in the BPM subclass does not appear to have  
18 increased subclass unit costs for other mailers, and neither should the

---

<sup>9</sup> The Postal Service is just now getting around to shape-based rates in some other major subclasses, such as First-Class and Standard. Media Mail, most of which is entered at single piece rates, does not have shape-based rates.

1 inclusion of books and closely related items that are published in an  
2 electronic format. Nor should my proposed classification changes  
3 increase subclass average costs. Packages will be predictably  
4 lightweight; on average, they can be expected to weigh less than a book.  
5 As proposed here, packages are required to be part of a presort mailing,  
6 and will be virtually indistinguishable from packages containing lighter-  
7 weight books.<sup>10</sup>

8 **C. Non-print Material Has Been Permitted in BPM Since 2001.**

9 On June 5, 2001, the Postal Service published in the *Federal*  
10 *Register* a final rule change to the Domestic Mail Manual (“DMM”) that  
11 modified the standards governing permissible attachments and  
12 enclosures in BPM.<sup>11</sup> This new standard specifies that such non-print  
13 attachments and enclosures must constitute no more than 25 percent of  
14 the weight of the BPM in the mailpiece, and that the individual cost of

---

<sup>10</sup> See Appendix I for further discussion.

<sup>11</sup> 66 Fed. Reg., 30,065 (June 5, 2001). The preliminary notice for comment was published in the *Federal Register* on March 26, 2001 (66 Fed. Reg. 16,431). This change, which allows non-print items to be mailed at BPM rates, has not been incorporated into the DMCS, nor was it acknowledged in the Commission’s description of BPM in the *Opinion and Recommended Decision* in Docket Nos. R2001-1 and R2005-1, both of which appeared after this change became effective. Before the rule was broadened to allow any non-print material, the Postal Service allowed “merchandise samples” to accompany BPM.

1 each non-print attachment and enclosure must be less than or equal to  
2 the cost of a “low-cost” item (currently \$8.60, which is revised each year  
3 by the Department of the Treasury). In addition, the combined cost of all  
4 non-print attachments, or enclosures, must not exceed two times the  
5 cost of a “low cost” item (currently \$17.20). Such qualifying contents  
6 might be an audio tape, a CD, a DVD, or anything else with an individual  
7 cost to the sender of \$8.60 or less and a weight that does not exceed 3.75  
8 pounds — *i.e.*, one-fourth the maximum weight of 15 pounds (it also  
9 could be a coffee mug, a T-shirt, a small picture frame, etc.).

10 The origin or purpose of this DMM change regarding the contents  
11 that may be mailed as an enclosure at BPM rates is not stated in the  
12 *Federal Register* announcement. It may have been prompted by a desire  
13 to provide nonprofit organizations with a low-cost means of sending  
14 token gifts to substantial donors. However, use of this non-print  
15 exemption is not restricted to nonprofit organizations. Nor, for that  
16 matter, is it restricted to items that otherwise would qualify to be entered  
17 as Media Mail. Any low-cost, non-print item that weighs less than 3.75  
18 pounds, and is enclosed with qualifying print matter that weighs three  
19 times the non-print item, can be mailed at BPM rates.

20 Even before this non-print exemption was published in the *Federal*  
21 *Register*, BPM and Media Mail had overlapping content restrictions with

1 respect to books, as shown in Table 1. This overlap enabled a  
2 substantial portion of Media Mail book volume to migrate to BPM. With  
3 no content requirement, this standard for non-print enclosures already  
4 could enable many of the items that now are entered as Media Mail  
5 instead to be mailed at BPM rates (assuming they cost the sender less  
6 than \$8.60 each), if accompanied by a sufficient weight of catalogs or  
7 other bound printed matter consisting of 24 or more pages.<sup>12</sup> One  
8 cannot help but observe that there is a certain illogic to allowing printed  
9 books, along with any such non-print items, to be mailed at BPM rates,  
10 while simultaneously disallowing books published in an electronic  
11 format.

12 **D. BPM Has a Higher Coverage and Unit Contribution than Media**  
13 **Mail, which Helps Assure that Migration Will Be Profitable.**

14  
15 For Media Mail, Postal Service witness Nina Yeh (USPS-T-38)  
16 projects the average after-rates revenue will be \$2.54, with an average  
17 cost of \$2.33, and a per-piece contribution of \$0.21. The subclass  
18 coverage is 109 percent.<sup>13</sup>

---

<sup>12</sup> According to USPS-LR-L-141 (rev. Aug. 10, 2006), the average weight of Media Mail parcels, including packaging, is about 2.0 pounds. Net weight of contents in many Media Mail parcels is thus 2.0 pounds or less.

<sup>13</sup> USPS-T-38, WP-MM-15 (rev. Aug. 10, 2006). Library Mail has a slightly lower per-piece revenue.

1           For BPM, witness Yeh projects the average after-rates revenue will  
2 be \$1.20, with an average cost of \$0.96, and a per-piece contribution of  
3 \$0.24.<sup>14</sup> This unit contribution is \$0.03 more than in Media Mail. The  
4 BPM subclass coverage proposed is 25 percent, substantially higher than  
5 the coverage in Media Mail.

6           Based purely on averages, it would appear that each piece which  
7 migrates from Media Mail to BPM would increase the contribution to  
8 overhead by \$0.03, which represents a 14 percent gain over the  
9 contribution in Media Mail. However, reliance on averages such as these  
10 can of course be deceptive, because no mailer makes decisions based on  
11 averages.

12           Since BPM rates are zoned, while Media Mail rates are not zoned, a  
13 critical issue raised by the classification changes proposed here is  
14 whether migrating mail would “cherry-pick” the rates. That is, whether  
15 low-cost Media Mail would migrate, while leaving high-cost long-distance  
16 pieces in Media Mail so as to benefit from the unzoned rates. The  
17 Commission is rightly concerned about the possibility of any such  
18 unpleasant and unintended consequences.

19           Addressing the migration issue requires some detailed analysis,  
20 which is contained in Appendix I. In brief, however, the result is that

---

<sup>14</sup> USPS-T-38, WP-BPM-28 (rev. Aug. 10, 2006).

1 any perceived cherry-picking problem by mail migrating to BPM presort  
2 categories does not exist. Any migration from the Media Mail subclass to  
3 the BPM subclass most likely would be approximately revenue neutral,  
4 and perhaps a small increase in contribution.<sup>15</sup>

5 **E. The Proposed Classification Changes Are Consistent with Prior**  
6 **Commission Positions.**

7 The Commission has a long history of making available to mailers  
8 low-cost options when possible, and when they further the policies in the  
9 Postal Reorganization Act of 1970 (“the Act”). In the course of following  
10 this practice, and through a series of steps, the Commission has de-  
11 averaged the BPM rate structure and has made it useful to those  
12 commercial mailers who mail books, without causing an increase in rates  
13 for those catalog mailers who presort their mail finely and enter it at  
14 destination facilities.

15 Recommending the classification changes proposed herein would  
16 give mailers a lower-cost way to mail books and closely related items

---

<sup>15</sup> The situation here is not unlike (i) the Negotiated Service Agreements (“NSAs”) with Bank One Corporation, Discover Financial Services, Inc., and HSBC North American Holdings, Inc., all of which seek to migrate mail from one subclass to another subclass with a higher contribution, and (ii) the NSA with Bookspan, which seeks to migrate mail from a flat rate category to a letter rate category with higher unit contributions. The proposal here, however, should not be likened to an NSA. My proposed classification changes would be available to all similarly situated mailers on an equal basis.

1 when customers prefer to purchase such items in an electronic format,  
2 rather than in the usual printed format. In my opinion, approving these  
3 proposed classification changes would be a correct decision that would  
4 help in the maintenance of a fair and equitable classification system.

5 When the Commission recommended the proposed classification change  
6 to permit books to be mailed as BPM, it observed:

7           Although section 3683 of the Act provides for  
8           special-rate fourth class for books, we believe  
9           that the intent of the Act is to encourage  
10          widespread dissemination of ideas by  
11          considering the postage paid by the senders of  
12          books. Our efforts to make low cost options  
13          available *if possible* furthers the policies found in  
14          the Act.<sup>16</sup>

15 **F. The Proposed Classification Changes Will Help Preserve the**  
16 **Nature of the BPM Subclass, While Observing the Statutory**  
17 **Mandate to Preserve Media Mail.**

18  
19           BPM originally was designed to be a commercial subclass for bulk  
20 mail. As witness Yeh points out, to this day it essentially has continued  
21 as such — less than 5 percent of BPM volume consisted of single piece  
22 mail in FY 2005.<sup>17</sup> The classification changes proposed here have been

---

<sup>16</sup> Docket No. R2000-1, *Op. and Rec. Dec.*, para. 5879 (emphasis in original), citing Docket No. R90-1, *Op. and Rec. Dec.*, para. 6508.

<sup>17</sup> Testimony of witness Yeh (USPS-T-38) indicates that the Postal Service not only regards BPM as a commercial subclass, but also prefers to maintain that status; see fn. 2 at p. 6 of her testimony. Also see responses to  
(continued...)

1 limited deliberately to pieces that are included in BPM presort mailings  
2 that contain at least 300 pieces. One purpose for this restriction is to  
3 help preserve the commercial nature of the BPM subclass.

4 At the same time, while some migration from Media Mail can be  
5 expected (especially from presort Media Mail), the Media Mail (and  
6 Library Mail) subclass will continue to be available to all mailers, most  
7 especially those who mail at single piece rates.<sup>18</sup>

8 **G. The Proposed Classification Changes Will Help BPM Evolve**  
9 **into the Digital Era and a Change in the Subclass Name Is**  
10 **Recommended.**

11 The invention of movable type by Johannes Gutenberg circa 1450  
12 was a remarkable milestone in the development of modern civilization.  
13 Since that time, books, catalogs, and other printed matter in various  
14 forms have come to pervade almost every aspect of society. It is time for  
15 the mail classification system to recognize, however, that the world has  
16 changed, and it continues to change with respect to the way that

---

<sup>17</sup>(...continued)

DFC/USPS-T38-1, 12 (Tr. 8/1962, 8/1969) and 18; and DFC/USPS-68.

<sup>18</sup> Single piece Media Mail accounted for approximately 80 percent of total Media Mail volume in FY 2005. USPS-T-38, WP-MM-2 (FY 2005 Billing Determinants).

1 information is both disseminated and stored.<sup>19</sup> For an example of how  
2 the world has changed in this regard, one need look no further than the  
3 Commission itself, where filings now are routinely submitted via the  
4 Internet, with printed paper copies no longer being served by any party.

5 As noted above, in 2001 the Postal Service breached what might be  
6 described as the “Gutenberg-restriction” in BPM when it permitted  
7 virtually any low-weight, low-cost item to be sent at BPM rates as an  
8 attachment or enclosure. The proposal here is not nearly so expansive.  
9 The proposed content requirement is similar to that which exists now. It  
10 simply recognizes that the formats now available for storing and  
11 retrieving content have changed, and it would help move BPM content  
12 requirements into the digital era. BPM and Media Mail are often  
13 described as “content-restricted” subclasses. Failure to broaden BPM in  
14 the manner proposed here would make BPM a “content **and format**  
15 restricted” subclass (in contrast to Media Mail, which makes no  
16 distinction with respect to format).

17 The subclass name, “Bound Printed Matter,” is already somewhat  
18 inappropriate, and would be more so if the other classification changes

---

<sup>19</sup> The Commission’s use of the Internet for disseminating and archiving all filings in all dockets is as good an example as any.

1 proposed here are adopted. Accordingly, I recommend that the name of  
2 the subclass be changed to what it generally is called anyway, “BPM.”<sup>20</sup>

3 **H. The Proposed Classification Changes May Help Avoid Loss of**  
4 **Volume to Internet Downloads.**

5 Information stored in an electronic format can be transmitted  
6 electronically, as is well known. In theory, therefore, anything on a tape,  
7 CD, or DVD, including books and movies, could be transmitted  
8 electronically, at very low cost, rather than sent through the mail.  
9 Already, a great deal of digital music and video is being downloaded every  
10 day.<sup>21</sup> In this instance, it is because consumers prefer to receive much of  
11 their music that way (especially popular music), rather than in the form  
12 of albums on CDs.

13 Allowing CDs and DVDs to be mailed at the lower BPM presort  
14 rates achievable through work-sharing may help the Postal Service to  
15 retain more of this volume, and lose less of it to Internet downloads. The

---

<sup>20</sup> Many corporations have made similar name changes after the original name no longer was an appropriate description of what the corporation did. For example, (i) National Cash Register Corporation became NCR, and (ii) Food Machinery Corporation became FMC.

<sup>21</sup> On Monday, August 28, 2006, Universal Music, the world’s largest music company, announced that it would sponsor a new website that will allow consumers to download songs for free. Its business model will rely on advertising for revenue. “Universal Backs Free Music Rival to iTunes,” *Financial Times*, August 29, 2006, p. 1.

1 Postal Service clearly is faced with intense competition from the Internet,  
2 and over time any attempt to force items, such as CDs and DVDs, to  
3 remain in higher rate categories is almost sure to be self-defeating.  
4 Allowing CDs and DVDs to be shipped via BPM will help the Postal  
5 Service retain as much of this business as possible, for as long as  
6 possible. As witness Thress points out, “the Internet represents an  
7 alternate delivery source.”<sup>22</sup>

8 **I. The Proposed Classification Changes Satisfy the Criteria**  
9 **Contained in the Postal Reorganization Act.**

10 The Commission is directed to “make a recommended decision on  
11 establishing or changing the [mail classification] schedule in accordance  
12 with the policies of [Title 39]” and the following six enumerated criteria.<sup>23</sup>

- 13 (1) The establishment of a fair and equitable  
14 classification system for all mail;
- 15 (2) The relative value to the people of the kinds of  
16 mail matter entered into the postal system and  
17 the desirability and justification for new or  
18 special classifications and services of mail;
- 19 (3) The importance of providing classifications with  
20 extremely high degrees of reliability and speed of  
21 delivery;

---

<sup>22</sup> USPS-T-7, p. 196, ll. 11-12.

<sup>23</sup> 39 U.S.C. § 3623(c).

- 1           (4)    The importance of providing classifications  
2                    which do not require an extremely high degree of  
3                    reliability and speed of delivery;
- 4           (5)    The desirability of special classifications from  
5                    the point of view of both the mail user and of the  
6                    Postal Service; and
- 7           (6)    Such other factors as the Commission may deem  
8                    appropriate.

9            As explained above, allowing books and similar material that are  
10           published in a format that differs from a bound book to be included in  
11           presort mailings does not alter the basic content requirement for BPM.  
12           Nor does it alter the commercial nature of the BPM subclass. Finally, in  
13           light of the fact that under certain specified conditions BPM already can  
14           include any non-print item as an attachment or enclosure, the proposed  
15           changes are fair and equitable (criterion 1).

16           Large numbers of books published in electronic format are  
17           purchased and mailed regularly, and the content of such items already  
18           qualify for special treatment within the Media Mail subclass. As  
19           explained above, the rate structure for presort BPM offers mailers more  
20           options and incentives designed to promote maximum mailing efficiency.  
21           No new mail classification is proposed, but allowing commercial mailers  
22           of books and closely related items that are published in an electronic  
23           format to take advantage of the benefits offered by BPM will increase the  
24           relative value of the postal system to mailers and recipients (criterion 2).

1           The BPM subclass does not receive extremely high speed of  
2 delivery nor do the items that might be mailed as BPM under the  
3 classification changes proposed here require extremely high speed of  
4 delivery, hence criterion 3 is not applicable.

5           The BPM subclass, as part of the Parcels class, provides mailers  
6 with a low-cost means of sending material that does not require an  
7 extremely high degree of reliability and speed of delivery. At the same  
8 time, by providing discounts for entry at destination facilities, mailers  
9 who take advantage of such discounts can save money for themselves,  
10 reduce Postal Service costs and reduce the time that their mail spends in  
11 the postal network. Allowing books and similar material in electronic  
12 format to be mailed at BPM rates would satisfy criterion 4.

13           BPM is already a specialty subclass from the viewpoints of both  
14 existing mail users and the Postal Service. The BPM subclass has  
15 satisfied criterion 5 long ago. The issue here is whether the proposed  
16 classification changes conform to the purposes for which BPM exists.  
17 BPM is a essentially a commercial subclass, and that characteristic  
18 would not be changed. Traditionally, BPM has had a restriction on  
19 **content** requirement, and that would not be changed.<sup>24</sup> BPM also has

---

<sup>24</sup> For non-print items sent as attachments and enclosures, BPM has restrictions on cost and weight.

1 restrictions on **format** — *i.e.*, printed, bound matter — and those would  
2 change so as to recognize the expanding use of electronic formats for  
3 storing and retrieving information. These electronic formats have already  
4 met with widespread consumer adoption, hence recognizing such  
5 widespread changes is obviously desirable from the viewpoint of both  
6 mailers and end users, and it most certainly should be considered  
7 desirable by the Postal Service (criterion 5).

8           With respect to criterion 6, such other factors as the Commission  
9 may deem appropriate, the preceding discussion offers the Commission a  
10 number of factors worthy of its consideration, all of which provide further  
11 reasons to support the classification changes proposed here.

12           By way of summary, the classification changes proposed here  
13 satisfy all of the relevant criteria contained in Section 3623(c).

1 **IV. THE PROPOSED COVERAGE ON BPM IS TOO HIGH**  
2 **AND SHOULD BE REDUCED**

3 The Commission has long held that its last, and most recent,  
4 decision represents the most reasonable position from which to consider  
5 whether changes are warranted. The last fully-litigated rate case in  
6 which the Commission considered all opposing evidence and rendered a  
7 decision thereon was Docket No. R2000-1. In that docket, the  
8 Commission recommended a coverage for BPM of 113.9 percent. Also,  
9 for Media Mail and Parcel Post, the two other commercial subclasses  
10 within Package Services, the Commission recommended coverages of  
11 101.9 and 114.9 percent, respectively.

12 In this docket, the Postal Service's recommended coverages for the  
13 three commercial subclasses within Package Services are as follows:<sup>25</sup>

|               | Coverage<br>(%) |
|---------------|-----------------|
| ● Parcel Post | 115             |
| ● BPM         | 125             |

---

<sup>25</sup> USPS-T-31 (rev. Aug. 25, 2006), p. 31, ll. 7-8; p. 32, ll. 18-19; and p. 36, ll. 2-3.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18

Rather than proposing a coverage for BPM that is somewhere between Media Mail and Parcel Post (and closer to Parcel Post than Media Mail), the Postal Service now proposes an increase in the coverage for BPM that is completely unwarranted by any intervening change in facts or circumstances since Docket No. R2000-1.<sup>27</sup>

For reasons discussed below, I recommend that the Commission continue to adopt a coverage on BPM that is slightly less than the coverage on Parcel Post, and moderately higher than the coverage on Media Mail. My proposal with respect to coverage is in full accord with the Commission’s prior recommendation in Docket No. R2000-1. Specifically, my recommendation is that the coverage on BPM be set at between 113 to 114 percent, which is slightly below the Postal Service’s proposed coverage of 115 percent for Parcel Post and comfortably above the 109 percent proposed for Media Mail.

The Commission is of course required by statute to set coverages in accord with the non-cost criteria contained in Section 3622(b).

---

<sup>26</sup> For purposes of collecting costs and establishing coverage, Library Mail and Media Mail are combined, although they are separate subclasses.

<sup>27</sup> USPS witness O’Hara, the Postal Service pricing witness, could not identify any change that supports the increase in BPM coverage relative to Parcel Post. Oral cross-examination of witness O’Hara (Tr. 17/5140, l. 12 to Tr. 17/5141, l. 22).

1 Following is a discussion of the criteria that the Commission has found  
2 most pertinent to coverages in Package Services, including BPM.

3 **A. Consideration of ECSI (Criterion 8)**

4 Although BPM is a subclass within the Parcels class (formerly  
5 fourth-class mail), it originally consisted exclusively of catalogs (*i.e.*, it  
6 had no parcels). To this day, catalogs still constitute a significant portion  
7 of BPM (perhaps as much as 40 percent), although the share of catalogs  
8 in BPM volume continues to decline gradually.<sup>28</sup> It costs the Postal  
9 Service less to handle flats than it does to handle parcels, and in order to  
10 treat catalogs fairly, BPM is the only Parcels subclass in which the rate  
11 structure explicitly recognizes the lower cost of flats, which receive a  
12 significant discount from the rate for parcel-shaped pieces of  
13 corresponding weight.

14 Two other Parcels subclasses, Media Mail and Library Mail, also  
15 receive ECSI consideration with respect to their coverage. For Media  
16 Mail and Library Mail, 100 percent of the items therein would qualify for  
17 ECSI consideration, based on their contents, and the Commission

---

<sup>28</sup> The Commission consistently has held that telephone directories, catalogs, and any other advertising matter in BPM are not entitled to ECSI consideration. Consequently, BPM does not receive the same ECSI consideration as Media Mail or Periodicals.

1 appropriately gives full ECSI consideration to the entire volume of Media  
2 Mail and Library Mail.<sup>29</sup> On this basis, in Docket No. R2000-1, the  
3 Commission recommended a cost coverage of 102 percent. In this  
4 docket, the Postal Service's recommended coverage for Media Mail and  
5 Library Mail is 109 percent, which reflects an increase from the previous  
6 coverage, and allows the implicit coverage on Library Mail (for which  
7 rates are set 5 percent below Media Mail rates) to cover attributable (and  
8 incremental) costs.<sup>30</sup>

9 The other subclass within Packaging Services is Parcel Post, which  
10 receives no ECSI consideration.<sup>31</sup> The Postal Service's recommended  
11 coverage for Parcel Post is 115 percent. What is not in line here is the  
12 proposed coverage on BPM.

13 As indicated previously, books started migrating from Media Mail  
14 to BPM in 1976. As the share of books in BPM has grown, when setting  
15 the coverage for BPM, the Commission has recognized the changing  
16 contents of BPM and given it increased ECSI consideration. As noted  
17 previously, in Docket No. R2000-1, the Postal Service estimated that 52

---

<sup>29</sup> Witness O'Hara considers 100 percent of the content of Library Mail and Media Mail to qualify for ECSI consideration. Oral cross-examination of witness O'Hara (Tr. 17/5139, ll. 4-12).

<sup>30</sup> See generally USPS-T-38, p. 14, ll. 5-9, discussing Pub. L. 106-384.

<sup>31</sup> Oral cross-examination of witness O'Hara (Tr. 17/5133, ll. 9-20).

1 percent of BPM consisted of books. That datum, which dates from 1997,  
2 was derived from information on postage statements, and such  
3 information is no longer collected; no other source is available to provide  
4 the percentage of BPM that contains books.<sup>32</sup>

5 In this docket, Postal Service witness Donald J. O'Hara (USPS-T-  
6 31) states that "[o]ver a period of years, an increasing number of books  
7 have been mailed as BPM."<sup>33</sup> In light of the previous trend and the  
8 number of years that have elapsed since 1997, an estimate that books  
9 now constitute between 55 and 60 percent of BPM volume would appear  
10 to be reasonable, and in line with previous data and the underlying long-  
11 term trend. There is certainly no evidence that books constitute any  
12 smaller share of BPM now than they did in 1997, or in 1999, the Base  
13 Year of Docket No. R2000-1. On this basis alone, BPM deserves to  
14 receive at least as much ESCI consideration now as it received in Docket  
15 No. R2000-1. Moreover, if the Commission should accept the  
16 classification changes proposed in Section III of my testimony, the  
17 volume of books and other cultural material in BPM would increase still  
18 further, albeit most likely by a modest amount relative to the existing  
19 volume of books already in BPM. Nevertheless, any such increase would

---

<sup>32</sup> Response of the Postal Service to Amazon.com question posed to witness Yeh, at hearings on Aug. 11, filed Aug. 30, 2006.

<sup>33</sup> USPS-T-31 (rev. Aug. 25, 2006), p. 33, ll. 14-15.

1 further buttress the argument for maintaining the previously-accorded  
2 level of ECSI consideration, if not increasing it.

3 **B. Value of Service (Criterion 2)**

4 Another important criterion for determining coverage of subclasses  
5 in Parcels is the relatively low value of service, reflecting the  
6 nonpreferential processing and transportation received by all subclasses  
7 within Parcels, including BPM. The own-price elasticity of BPM, as  
8 computed by witness Thress (USPS-T-7), is -0.491.<sup>34</sup> This is slightly  
9 higher than non-destination entry Parcel Post (-0.374),<sup>35</sup> which indicates  
10 a slightly lower value of service for BPM than non-destination entry  
11 Parcel Post, and does not justify the proposed increase in coverage. The  
12 own-price elasticity of Media Mail and Library Mail is -1.196, which  
13 indicates that these subclasses have a somewhat lower value of service  
14 than BPM.<sup>36</sup> On this basis, the coverage for BPM should be above that  
15 for Media Mail and Library Mail, which accords with my  
16 recommendation.

---

<sup>34</sup> USPS-T-7, p. 191, ll. 11-12.

<sup>35</sup> USPS-T-7, p. 175, ll. 21-22. It is somewhat less than the own-price elasticity of destination entry Parcel Post (-1.399), which witness Thress computes separately.

<sup>36</sup> USPS-T-7, p. 200, ll. 4-5.

1       **C.     Effect of Rate Increases (Criterion 4)**

2             Yet another important consideration is Criterion 4, the effect of  
3     rate increases on the public, mailers, and competitors (*i.e.*, alternate  
4     delivery carriers). The 11.7 percent average rate increase proposed for  
5     BPM is significantly above the systemwide average.<sup>37</sup> A higher-than-  
6     average increase in costs is no reason to increase the coverage for BPM  
7     above that established by the Commission in Docket No. R2000-1. The  
8     reduction in coverage proposed here would help ameliorate the impact of  
9     the above-average rate increase.

10       **D.     Fairness and Equity (Criterion 1)**

11            A coverage for BPM that is between 113 and 114 percent will  
12     provide revenues well above incremental cost. My proposed coverage  
13     reflects a more appropriate balance among all criteria of Section 3622(b),  
14     in accord with the Commission's most recent decision, and is fair and  
15     equitable.

---

<sup>37</sup>       USPS-T-38 (rev. Aug. 10, 2006), p. 3, ll. 9-10.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17

**Appendix I**

**Analysis of Migration Effects of  
Proposed Classification Changes**

The classification changes proposed here would enable certain items that are stored in an electronic format and that currently qualify for Media Mail rates also to be mailed at BPM presort rates — just as books now can be mailed as either BPM or Media Mail. Since Media Mail rates are unzoned, while BPM rates are zoned, allowing certain additional items to qualify for dual eligibility where it does not now exist can be expected to result in some amount of migration, similar to the migration that occurred after books were allowed to use BPM.

In general, any Media Mail parcels now being sent to less-distant zones could be expected to migrate to the BPM subclass in order to take advantage of the lower rates available in BPM for less-distant zones. We therefore need to consider (i) possible effects on BPM, (ii) possible effects on Media Mail, and (iii) the impact on contribution to Postal Service overhead.

1       **A.     Analysis of Impact on BPM**

2             Important questions can be raised about the effect migration, such  
3             as may result from the changes proposed here, would have on the BPM  
4             subclass. For example, what category of BPM would be used by pieces of  
5             Media Mail that migrate to BPM? And would the migrating pieces from  
6             Media Mail have cost characteristics that are higher than average for  
7             whatever BPM rate category they use? In other words, would the  
8             migration drive up unit costs (and, in time, the rates) for other mailers  
9             who now use BPM?<sup>38</sup>

10            In this particular case, the answer to the above questions is that  
11            no adverse impact on existing BPM mailers would be expected because,  
12            as explained in Section III-B of my testimony, the BPM rate structure has  
13            been highly de-averaged and BPM rates now are cost-based as much as,  
14            and possibly more than, any other subclass. For instance, it is expected  
15            based on content and packaging that migrating Media Mail pieces would  
16            be parcel-shaped, and hence they would be required to pay the higher  
17            rate that is applicable to parcels in BPM.<sup>39</sup> Similarly, the rate paid by  
18            migrating pieces would reflect the degree of presort, point of entry, and

---

<sup>38</sup> This was a legitimate matter of concern after books started to migrate from Media Mail to BPM.

<sup>39</sup> Stated perhaps more precisely, migrating parcels would not qualify for the discount that the BPM rate structure provides for flats.

1 distance traveled (*i.e.*, zone). Under the BPM rate structure as it now  
2 exists, rate-averaging is rather limited, and it therefore is difficult to  
3 perceive how migrating pieces entering BPM might take advantage of  
4 rate-averaging, as may have occurred in BPM during some prior years,  
5 and as can occur in other subclasses where rates have not been de-  
6 averaged to the same extent as they have in BPM.

7 **B. Analysis of Impact on Media Mail**

8 From the perspective of Media Mail, the critical issue is whether  
9 Media Mail pieces to more-distant zones (*e.g.*, zones 7 and 8) would  
10 migrate to BPM, or remain in Media Mail. Should newly-qualified Media  
11 Mail pieces with below-average costs migrate, while Media Mail pieces  
12 with above-average costs elect not to migrate, the net effect would be to  
13 raise the average cost of all pieces remaining in Media Mail (including  
14 those that did not migrate). For this reason, the analysis here focuses on  
15 whether Media Mail pieces for delivery to more distant zones also would  
16 migrate, or rather would elect to remain in Media Mail.

17 The analysis is restricted to pieces that weigh no more than 15  
18 pounds, because that is the weight limit for BPM. Within Media Mail,  
19 data on the volume of pieces by individual pound increment are not

1 available. And since Media Mail is not zoned, no data are available on  
2 the volume to each zone.<sup>40</sup>

3 Because of the requirement that any migrating Media Mail be  
4 submitted as part of a presort mailing, it can be presumed that migrating  
5 Media Mail necessarily will be eligible for one of the four presort rate  
6 categories in BPM. The rate category (or categories) for which the  
7 migrating Media Mail pieces are eligible will depend in large part on the  
8 mailer's pre-existing BPM volume. For example, if the mailer already  
9 has sufficient volume to qualify for DBMC rates, the mailer then might be  
10 able to enter migrating Media Mail at BPM DBMC rates. Otherwise, it  
11 would be entered at BPM Basic Presort rates.

12 Of the four **presort** categories in BPM, Basic Presort has the  
13 **highest** rates. Pieces of Media Mail that can qualify only for BPM Basic  
14 Presort rates will thus have the greatest incentive to remain in Media  
15 Mail, especially if they are for delivery to higher zones. The analysis in  
16 the following sections is therefore focused on a comparison of proposed  
17 Media Mail rates with proposed BPM Basic Presort rates to more distant  
18 zones; *e.g.*, zones 6, 7, and 8.

---

<sup>40</sup> Interestingly, such data are available for Single Piece BPM even though the volume in FY 2005 was only 27.9 million pieces, which represented less than 5 percent of all BPM. See USPS-T-38, WP-BPM-4 and 5.

1           **Analyses of Media Mail Volume.** The following items may be sent  
2 as Media Mail: books, sound and video recordings, certain films and film  
3 catalogs, printed music, certain test materials, play scripts and  
4 manuscripts, computer readable material, and certain other qualified  
5 items.<sup>41</sup> Within Media Mail, format restrictions are non-existent. No  
6 data are available on the contents of items that are entered as Media  
7 Mail, hence there is no way to estimate the share of Media Mail volume  
8 that would become eligible for BPM under the classification change  
9 proposed here.

10           Media Mail has three rate tiers, based on presort: (i) Single Piece,  
11 (ii) Basic Presort, and (iii) 5-Digit Presort. FY 2005 total volume, shown  
12 in Table A-1, amounted to some 180 million pieces, and almost 80  
13 percent of Media Mail was entered at the single piece rate. We are  
14 concerned with possible migration from these three categories, each of  
15 which is discussed separately in the following sections.

---

<sup>41</sup> USPS-T-38, p. 12, ll. 5-8.

1

2

3

4

5

6

7

8

9

10

11

12

13

---

**Table A-1**

**Media Mail Volume  
FY 2005**

|                          | (1)                | (2)                         |
|--------------------------|--------------------|-----------------------------|
| <b>Rate<br/>Category</b> | <b>Volume</b>      | <b>Distribution<br/>(%)</b> |
| Single Piece             | 143,440,895        | 79.9                        |
| Basic Presort            | 34,288,305         | 19.1                        |
| 5-Digit                  | <u>1,871,375</u>   | <u>1.0</u>                  |
| <b>TOTAL</b>             | <b>179,600,575</b> | <b>100.0</b>                |

---

Source: USPS-T-38, WP-MM-2

14

15

16

17

18

19

20

21

22

**Analysis of Single Piece Media Mail.** Table A-2 compares the proposed rates for single piece Media Mail (column 2) with proposed rates for BPM Basic Presort, zones 6 to 8 (columns 3-5).<sup>42</sup> BPM rates shown in bold are the only rate cells where BPM zoned rates exceed the Media Mail rate for the corresponding weight. From Table A-2 it can be observed that any Media Mail parcel that qualifies for BPM and that weighs less than 2.5 pounds would have no incentive to opt for Media Mail, even pieces for zone 8. For parcels weighing 3.0 to 3.5 pounds, the BPM rate to zone 8 is slightly more than the unzoned Media Mail rate (by 3 cents).

---

<sup>42</sup> Media Mail rates increase in pound increments, whereas BPM rates increase in half-pound increments up to 5 pounds, after which BPM rates also increase in pound increments.

1 For parcels that weigh between 3.5 and 4.0 pounds, BPM offers lower  
2 rates, except to zone 8.

3 In FY 2005, the average weight of Single Piece Media Mail was 1.9  
4 pounds, and over 91 percent of all single piece Media Mail parcels  
5 weighed less than 8 pounds; *see* Table A-3. Since material published in  
6 an electronic format is light-weight by nature, it seems highly unlikely  
7 that those single piece items in Media Mail that weight in excess of 4  
8 pounds would consist of such items. This means that few, if any, newly-  
9 qualified Single Piece Media Mail parcels would fail to migrate. In other  
10 words, since mailers must have sufficient density (300 pieces) to qualify  
11 for BPM Basic Presort rates, then virtually **all** of their qualifying Media  
12 Mail parcels would be expected to migrate, regardless of the zone. Within  
13 Single Piece Media Mail, there would be almost **no** incentive for cherry-  
14 picking.

15 In the absence of any cherry-picking, for migrating Single Piece  
16 Media Mail it therefore becomes reasonable to expect that the Postal  
17 Service could realize a modest average net gain of at least \$0.02, and  
18 perhaps \$0.03, on Media Mail pieces that migrate to BPM. At the same  
19 time, mailers now using Single Piece Media Mail who can take advantage  
20 of the worksharing opportunities that BPM offers will be able to save a  
21 considerable sum of money on those pieces that would qualify for BPM

1 under the classification change proposed here, most especially those  
2 mailers who can use destination entry rates.<sup>43</sup>

3 Should the Commission adopt my recommendation to reduce the  
4 coverage on BPM, the rates for BPM would be lower than the Postal  
5 Service proposed rates shown in Table A-2, thereby reducing even further  
6 any incentive for cherry-picking by Single Piece Media Mail.

---

<sup>43</sup> When single piece Media Mail rates are compared with single piece BPM rates, BPM proposed rates for zones 1-5 are less than proposed Media Mail proposal rates, while BPM proposed rates for zones 6-8 are higher than Media Mail rates. Under this circumstance, mailers of single piece Media mail would have an incentive to cherry-pick; *i.e.*, leave their high-cost pieces in Media Mail, and migrate only the low-cost pieces to BPM. Limiting the proposed classification change to the presort categories of BPM will preclude such cherry-picking.

1

2

**Table A-2**

3

**Proposed Rates for Single Piece Media Mail  
and BPM Basic Presort, Zones 6-8**

4

5

6

7

8

9

| Weight<br>Not Over<br>(lbs).<br>(1) | Media<br>Mail<br>Single<br>Piece<br>(2) | Bound Printed Matter<br>Basic Presort Rates |               |               |
|-------------------------------------|---|---|---------------|---------------|
|                                     |   | Zone 6<br>(3)                               | Zone 7<br>(4) | Zone 8<br>(5) |
| 1.0                                 | 2.09                                    | 1.72  | 1.77          | 1.89          |
| 1.5                                 | 2.47                                    | 1.88  | 1.96          | 2.14          |
| 2.0                                 | 2.47                                    | 2.05  | 2.14          | 2.39          |
| 2.5                                 | 2.85                                    | 2.21  | 2.33          | 2.63          |
| 3.0                                 | 2.85                                    | 2.37  | 2.51          | <b>2.88</b>   |
| 3.5                                 | 3.23                                    | 2.53  | 2.70          | 3.12          |
| 4.0                                 | 3.23                                    | 2.69  | 2.89          | <b>3.37</b>   |
| 4.5                                 | 3.61                                    | 2.85  | 3.07          | <b>3.62</b>   |
| 5.0                                 | 3.61                                    | 3.01  | 3.26          | <b>3.86</b>   |
| 6.0                                 | 3.99                                    | 3.33  | 3.63          | <b>4.35</b>   |
| 7.0                                 | 4.37                                    | 3.66  | 4.00          | <b>4.85</b>   |
| 8.0                                 | 4.75                                    | 3.98  | 4.37          | <b>5.34</b>   |
| 9.0                                 | 5.13                                    | 4.30  | 4.74          | <b>5.83</b>   |
| 10.0                                | 5.51                                    | 4.62  | 5.11          | <b>6.32</b>   |
| 11.0                                | 5.89                                    | 4.94  | 5.48          | <b>6.81</b>   |
| 12.0                                | 6.27                                    | 5.27  | 5.85          | <b>7.31</b>   |
| 13.0                                | 6.65                                    | 5.59  | 6.22          | <b>7.80</b>   |
| 14.0                                | 7.03                                    | 5.91  | 6.60          | <b>8.29</b>   |
| 15.0                                | 7.41                                    | 6.23  | 6.97          | <b>8.78</b>   |

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

Source: USPS-T-38, WP-MM-12 and WP-BPM-17.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13

---

**Table A-3**

**Single Piece Media Mail Volume By Weight  
FY 2005**

|             | <b>Postage<br/>Pounds</b> | <b>Distribution<br/>(%)</b> |
|-------------|---------------------------|-----------------------------|
| First Pound | 143,440,895               | 42.9%                       |
| Pounds 2-7  | 163,074,044               | 48.8                        |
| Pounds 7-80 | <u>27,605,294</u>         | <u>8.3</u>                  |
| TOTAL       | 334,120,233               | 100.0%                      |

---

Source: USPS-T-38, WP-MM-2.

**Analysis of Basic Presort Media Mail.** Basic Presort constitutes 19.1 percent of Media Mail volume; see Table A-1. For Basic Presort Media Mail that might migrate to BPM, the picture is a bit more complicated. Table A-4 shows how the proposed rates for Basic Presort Media Mail (column 2) compare with BPM rates to zones 6 to 8 (columns 3-5). As in Table A-2, the BPM rates shown in bold are the rate cells where zoned BPM rates exceed the unzoned Media Mail rates.

The BPM Basic Presort rates in Table A-4 are identical to the rates shown in Table A-2. However, Media Mail rates for Basic Presort are \$0.40 lower than the Single Piece rates in Table A-2. As a result, all BPM rates to zone 8 now exceed the unzoned Media Mail rate for the corresponding weight. For zone 7, Media Mail rates are lower for all

1 parcels that weigh between 5 and 10 pounds. Under 5 pounds, the  
2 picture for delivery in zone 7 is mixed because BPM rates increase in  
3 half-pound increments, whereas Media Mail rates increase in pound  
4 increments. Finally, for a one-pound parcel to zone 6, the Media Mail  
5 rate is slightly lower than the BPM rate (by 3 cents).

6 On the surface, it might appear that all Basic Presort in Media Mail  
7 to zone 8 would have an incentive to continue taking advantage of the  
8 unzoned Media Mail rate, along with some parcels to zone 7, and one-  
9 pound parcels to zone 6. Although the possibility of such adverse  
10 selection, or cherry-picking, cannot be denied, by no means is it  
11 inevitable. For example, if the mailer's volume of Media Mail that  
12 migrates to zones 1-6 in BPM were to cause the number of pieces in  
13 Media Mail to be reduced to less than 300, the remaining pieces for  
14 zones 7-8 then would have to be entered at single piece rates. Referring  
15 back to the comparison of single piece Media Mail rates with BPM Basic  
16 Presort rates in Table A-2 shows that the mailer then could be faced with  
17 a bit of a dilemma: either maintain a sufficient volume in Media Mail to  
18 qualify for the Basic Presort rate, or else enter virtually **all** pieces in BPM.

19 As was the case with Single Piece Media Mail, when all pieces to  
20 every zone can be presumed to migrate, the net impact on contribution to  
21 the Postal Service's overhead would range from neutral to slightly

1 positive. That is, the Postal Service would average a \$0.21 loss in Media  
2 Mail, and gain, on average, \$0.24 in BPM.

3 It should be kept in mind that from the standpoint of the Postal  
4 Service the scenario evaluated here is a “worst case” — *i.e.*, it considers  
5 the highest presort rates (to zone 8) to see what incentive mailers would  
6 have to use Media Mail for such pieces. Some mailers whose volume  
7 qualifies for Basic Presort Media Mail rates, upon migrating to BPM, also  
8 may be able to qualify for destination entry rates. For those mailers,  
9 their savings would be quite substantial, and they could be expected to  
10 migrate all of their qualifying Media Mail to BPM.

11 Should the Commission adopt my recommendation to reduce the  
12 coverage on BPM, the rates for BPM would be lower than the Postal  
13 Service proposed rates shown in Table A-4, thereby reducing even further  
14 any incentive for cherry-picking by Basic Presort Media Mail.

1

2

**Table A-4**

3

**Proposed Rates for Basic Presort Media Mail  
and BPM Basic Presort, Zones 6-8**

4

5

6

7

8

9

| <b>Weight<br/>Not Over<br/>(lbs).<br/>(1)</b> | <b>Media<br/>Mail<br/>Basic<br/>Presort<br/>(2)</b> | <b>Bound Printed Matter<br/>Basic Presort Rates</b> |                       |                       |
|---|---|---|-----------------------|-----------------------|
|   |   | <b>Zone 6<br/>(3)</b>                               | <b>Zone 7<br/>(4)</b> | <b>Zone 8<br/>(5)</b> |
| 1.0   | 1.69  | <b>1.72</b>   | <b>1.77</b>           | <b>1.89</b>           |
| 1.5   | 2.07  | 1.88  | 1.96                  | <b>2.14</b>           |
| 2.0   | 2.07  | 2.05  | <b>2.14</b>           | <b>2.39</b>           |
| 2.5   | 2.45  | 2.21  | 2.33                  | <b>2.63</b>           |
| 3.0   | 2.45  | 2.37  | <b>2.51</b>           | <b>2.88</b>           |
| 3.5   | 2.83  | 2.53  | 2.70                  | <b>3.12</b>           |
| 4.0   | 2.83  | 2.69  | <b>2.89</b>           | <b>3.37</b>           |
| 4.5   | 3.21  | 2.85  | 3.07                  | <b>3.62</b>           |
| 5.0   | 3.21  | 3.01  | <b>3.26</b>           | <b>3.86</b>           |
| 6.0   | 3.59  | 3.33  | <b>3.63</b>           | <b>4.35</b>           |
| 7.0   | 3.97  | 3.66  | <b>4.00</b>           | <b>4.85</b>           |
| 8.0   | 4.35  | 3.98  | <b>4.37</b>           | <b>5.34</b>           |
| 9.0   | 4.73  | 4.30  | <b>4.74</b>           | <b>5.83</b>           |
| 10.0  | 5.11  | 4.62  | <b>5.11</b>           | <b>6.32</b>           |
| 11.0  | 5.49  | 4.94  | 5.48                  | <b>6.81</b>           |
| 12.0  | 5.87  | 5.27  | 5.85                  | <b>7.31</b>           |
| 13.0  | 6.25  | 5.59  | 6.22                  | <b>7.80</b>           |
| 14.0  | 6.63  | 5.91  | 6.60                  | <b>8.29</b>           |
| 15.0  | 7.01  | 6.23  | 6.97                  | <b>8.78</b>           |

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

Source: USPS-T-38, WP-MM-12 and WP-BPM-17.

1           **Analysis of 5-Digit Presort Media Mail.** The volume of Media  
2 Mail that qualifies for 5-Digit Presort rates amounted to only 1.9 million  
3 pieces in FY 2005, and constituted only 1.0 percent of all Media Mail; *see*  
4 Table A-1. Despite the comparatively low volume in this rate category, it  
5 too deserves to be analyzed with a view to seeing whether some of it  
6 would have an incentive to migrate, while letting more costly pieces to  
7 higher zones remain in Media Mail.

8           Whether the content of any of the pieces entered at 5-Digit Presort  
9 Media Mail presort rates would enable them to qualify to be entered at  
10 BPM rates under the classification change proposed here is not known.  
11 If none qualify, the issue is then academic. The worst case scenario, of  
12 course, is that they all would qualify.

13           The question then becomes, if 5-Digit Presort pieces could qualify  
14 as BPM, for which of the four BPM presort rate categories would they  
15 qualify? It is conceivable that pieces might have sufficient density to  
16 qualify for 5-Digit Presort in Media Mail would be able to qualify for BPM  
17 destination entry rates (either Basic Presort or Carrier Route), especially  
18 if the mailer could combine migrating 5-Digit Media Mail with other BPM.  
19 In this event, the unzoned Media Mail 5-Digit Presort rate exceeds the  
20 BPM destination entry rate for all weights (up to 15 pounds) and all

1 intra-BMC zones, including zone 5. Hence, under this scenario all 5-  
2 Digit Media Mail pieces could be expected to migrate to BPM.

3 On the other hand, if migrating 5-Digit Presort Media Mail pieces  
4 could not qualify for BPM destination entry rates, they clearly would have  
5 sufficient density to qualify for either Basic Presort or Carrier Route BPM  
6 rates. If either of these should be the applicable rate schedule, mailers  
7 then would have some incentive to cherry-pick rates in the two  
8 subclasses, **provided** they have sufficient volume to split their mailings  
9 and still meet the 300 piece minimum for both Media Mail and BPM.

10 This can be seen from Table A-5, which compares the rates for 5-Digit  
11 Presort Media Mail with the BPM rates for Basic Presort Media Mail,  
12 zones 4-6 (BPM rates to zones 7 and 8 are not shown, because the 5-  
13 Digit Presort rate in Media Mail is less than BPM Basic Presort or Carrier  
14 Route rates for all weights).

15 For lighter-weight packages not over 2 pounds (which constitutes  
16 about half of all existing parcels, and could be expected to constitute well  
17 over half of all parcels containing items stored in electronic format), the  
18 5-Digit Presort rates in Media Mail are more advantageous than the BPM  
19 Basic Presort rates for all zones beyond zone 3. Consequently, expected  
20 migration from 5-Digit Presort would tend to be bi-modal. That is,  
21 mailers who can use destination entry rates in BPM would shift all

1       qualifying parcels to BPM, while those who could not use destination  
2       entry rates would shift few, if any, of their parcels to BPM — *i.e.*, only to  
3       zones 1 to 3, and only if after such migration they still have a sufficient  
4       volume in Media Mail to continue qualifying for the 5-Digit Presort rate.

5               Should the Commission adopt my recommendation to reduce the  
6       coverage on BPM, the rates for BPM Basic Presort would be lower than  
7       the Postal Service proposed rates shown in Table A-5, and that could  
8       increase marginally the incentive for cherry-picking by any 5-Digit  
9       Presort Media Mail that cannot qualify for destination entry rates in  
10      BPM. Fortunately, as noted previously, 5-Digit Presort Media Mail  
11      constitutes only 1.0 percent of all Media Mail, so in no event should it  
12      present a significant problem.

1

2

**Table A-5**

3

**Proposed Rates for 5-Digit Presort Media Mail  
and BPM Basic Presort, Zones 4-6**

4

5

6

7

8

9

| <b>Weight<br/>Not Over<br/>(lbs).<br/>(1)</b> | <b>Media<br/>Mail<br/>5-Digit<br/>Presort<br/>(2)</b> | <b>Bound Printed Matter<br/>Basic Presort Rates</b> |                       |                       |
|---|---|---|-----------------------|-----------------------|
|   |   | <b>Zone 4<br/>(3)</b>                               | <b>Zone 5<br/>(4)</b> | <b>Zone 6<br/>(5)</b> |
| 1.0   | 1.29  | <b>1.61</b>   | <b>1.66</b>           | <b>1.72</b>           |
| 1.5   | 1.67  | <b>1.71</b>   | <b>1.79</b>           | <b>1.88</b>           |
| 2.0   | 1.67  | <b>1.81</b>   | <b>1.92</b>           | <b>2.05</b>           |
| 2.5   | 2.05  | 1.91  | <b>2.05</b>           | <b>2.21</b>           |
| 3.0   | 2.05  | 2.01  | <b>2.18</b>           | <b>2.37</b>           |
| 3.5   | 2.43  | 2.12  | 2.31                  | <b>2.53</b>           |
| 4.0   | 2.43  | 2.22  | <b>2.44</b>           | <b>2.69</b>           |
| 4.5   | 2.81  | 2.32  | 2.57                  | <b>2.85</b>           |
| 5.0   | 2.81  | 2.42  | 2.70                  | <b>3.01</b>           |
| 6.0   | 3.19  | 2.63  | 2.96                  | <b>3.33</b>           |
| 7.0   | 3.57  | 2.83  | 3.21                  | <b>3.66</b>           |
| 8.0   | 3.95  | 3.03  | 3.47                  | <b>3.98</b>           |
| 9.0   | 4.33  | 3.24  | 3.73                  | 4.30                  |
| 10.0  | 4.71  | 3.44  | 3.99                  | 4.62                  |
| 11.0  | 5.09  | 3.65  | 4.25                  | 4.94                  |
| 12.0  | 5.47  | 3.85  | 4.51                  | 5.27                  |
| 13.0  | 5.85  | 4.05  | 4.77                  | 5.59                  |
| 14.0  | 6.23  | 4.26  | 5.03                  | 5.91                  |
| 15.0  | 6.61  | 4.46  | 5.29                  | 6.23                  |

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

Source: USPS-T-38, WP-MM-12 and WP-BPM-17.

1       **C.     Impact on Postal Service Finances**

2             For Single Piece and Basic Presort Media Mail that migrates to  
3       presort BPM as a result of the classification changes proposed here,  
4       cherry-picking, or adverse selection, would be *de minimis*. Consequently,  
5       for almost 99 percent of Media Mail volume (*see* Table A-1), the impact  
6       on contribution to Postal Service overhead ranges from neutral to slightly  
7       positive.

8             For the remaining 1.0 percent of Media Mail volume that consists  
9       of 5-Digit Presort, the picture is less clear. If qualifying Media Mail  
10       volume with sufficient density for 5-Digit Presort can take advantage of  
11       BMC destination entry, the mailers would save substantial money by  
12       migrating all of it to BPM, in which case the Postal Service also would be  
13       slightly better off. That is, the Postal Service would gain an average  
14       contribution to overhead of \$0.24 on each additional piece of BPM, while  
15       seeing a reduction of \$0.21 in the contribution to overhead on each piece  
16       of Media Mail that migrates. On the other hand, if 5-Digit Presort Media  
17       Mail cannot qualify for BMC destination entry in BPM, mailers would  
18       have incentive to use BPM for pieces to close-in zones, and use Media  
19       Mail for more distant zones, provided they have sufficient volume to  
20       qualify for presort rate in both subclasses. This potential for cherry-  
21       picking and the estimate associated with it appear to be small, and

1 possibly would be offset by other contribution gains; this should not  
2 impede making a change that would benefit both the Postal Service and  
3 mailers.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

## Appendix II

### Proposed DMCS Amendments

#### **522 Bound Printed Matter BPM Subclass**

**522.1 Definition.** The ~~Bound Printed Matter~~ BPM subclass consists of Package Services mail weighing not more than 15 pounds and not having the nature of personal correspondence, which either:

- a. i. Consists of advertising, promotional, directory, or editorial material, or any combination thereof;
- ~~b.~~ ii. Is securely bound by permanent fastenings including, but not limited to, staples, spiral bindings, glue, and stitching; loose leaf binders and similar fastenings are not considered permanent;
- c. iii. Consists of sheets of which at least 90 percent are imprinted with letters, characters, figures or images or any combination of these, by any process other than handwriting or typewriting;
- ~~d.~~ ~~Does not have the nature of personal correspondence;~~
- ~~e.~~ iv. Is not stationery, such as pads of blank printed forms; or
- b. Consists of sound recordings or video recordings, including incidental announcements of recordings and guides or scripts prepared solely for use with such recordings, if they are mailed at Basic Presort Rate or Carrier Route Presort Rate.

1 **Appendix III**

2 **The Extensive Connection**  
3 **Between Books and Audio/Video Recordings**  
4

5 The purpose of this Appendix is to lend further support to my  
6 proposed reclassification change in the BPM subclass, to permit the  
7 mailing of certain items closely related to books — **sound recordings**  
8 (primarily audio tapes and CDs) and **video recordings** (VHS tapes and  
9 DVD's)<sup>44</sup> by demonstrating the links between books (which already  
10 constitute at least 52 percent of BPM) and sound and video recordings.

11 **Sound Recordings**

12 Many of the sound recordings (audiotapes and CD's) which I  
13 propose for eligibility to travel as BPM are audio versions of books. Some  
14 sound recordings of books are unabridged, but even those which are  
15 abridged are no less a book, as some books are abridged versions of the  
16 original as well. These sound recordings are “books” in a slightly  
17 different format, designed to permit listening. The recording essentially  
18 is the book, the only difference being how it is enjoyed, *i.e.*, listening to  
19 the CD is equivalent to reading the book. The only difference concerns

---

<sup>44</sup> Currently, both sound recordings and video recordings are permitted to be mailed as BPM, as attachments, provided they meet certain weight and cost limitations. See DMM 463.2.4.

1 the sensory perception of the experience. In short, these CD's are the  
2 functional equivalent of books. Particularly for those who commute by  
3 automobile, as well as those who are visually impaired, these sound  
4 recordings provide the modern day equivalent of book-reading.  
5 Consequently, all of the reasons for allowing books to be eligible for  
6 mailing as BPM should apply at least to these CD's and DVD's as well.

7 Other sound recordings may not be the functional equivalent of  
8 books, such as certain music recordings, but even some sound  
9 recordings with music are sound-tracks of movies based on books, or  
10 performances of plays, short stories and novels (*e.g.*, the CD of *My Fair*  
11 *Lady* was based on the book *Pygmalion* by George Bernard Shaw).

## 12 **Video Recordings**

13 Just as many sound recordings are audio books, many video  
14 recordings are video books. Modern cinema is awash with movies based  
15 on books. Quite literally, thousands upon thousands of films have roots  
16 in non-fictional stories, biographies and autobiographies, novels, short  
17 stories, poems, plays, children's books, even comic books, and many  
18 other types of books. For example, timeless film classics such as  
19 *Lawrence of Arabia*, *Wizard of Oz*, *Gone with the Wind*, and *The Maltese*  
20 *Falcon*, as well as recent blockbusters such as *The Pianist* and *The War of*

1        *the Worlds*, all began as novels. Many hundreds of books and plays that  
2        are considered literary classics — for example (although the list seems  
3        endless), *Don Quixote*, *Hamlet*, *Crime and Punishment*, *Pride and*  
4        *Prejudice*, *The Scarlet Letter*, *Little Women*, *20,000 Leagues Under the Sea*,  
5        *Tom Sawyer*, *Dr. Zhivago* and *The Chronicles of Narnia* — have been made  
6        into successful movies.

7                Websites dedicated to cataloging the more recent and more famous  
8        examples of books turned movies also exist.<sup>45</sup> Wikipedia.com not only  
9        has lists of movies based on books, but also has a **list of those lists**,  
10       including “List of films based on comic strips,” “List of films based on  
11       poems,” “List of films based on war books” and “List of films based on  
12       spy books.”<sup>46</sup>

13                Countless dozens of Walt Disney movies, such as *Peter Pan*, *101*  
14        *Dalmations*, *Old Yeller*, *The Jungle Book*, *The Hunchback of Notre Dame*,  
15        and *Bambi* started as children’s stories. Over a hundred movies are

---

<sup>45</sup>        See e.g., <http://www.mcpl.lib.mo.us/readers/movies/> (“‘Based on the Book’ is a compilation of over 1,200 books, novels, short stories, and plays that have been made into motion pictures. Utilizing the Internet Movie Database as the authority, all movies in this collection have been released as feature-length films in the United States, in English, since 1980.”), <http://library.christchurch.org.nz/Guides/BooksIntoFilm/>, <http://www.bookreporter.com/features/books2movies.asp>, [http://www.randomhouse.com/rgg/category.pperl?cat\\_id\\_ex=Books+into+Movies:10001](http://www.randomhouse.com/rgg/category.pperl?cat_id_ex=Books+into+Movies:10001), <http://www.fairfaxcounty.gov/library/reading/adult/movie.htm>.

<sup>46</sup>        [http://en.wikipedia.org/wiki/Lists\\_of\\_film\\_source\\_material](http://en.wikipedia.org/wiki/Lists_of_film_source_material)

1 based on the Bible alone. Based on a search of [www.imdb.com](http://www.imdb.com), John  
2 Grisham's work has been the basis for over a dozen movies, Michael  
3 Crichton's of over two dozen, and Stephen King's of over 100. William  
4 Shakespeare tops the list with over 650 movies based on his work.

5 Even those video recordings which are based on an original  
6 screenplay not drawn from a book are not far from constituting the  
7 modern functional equivalent of books as well. Watching a video  
8 recording could even be considered a heightened book-reading  
9 experience, since the words of the book are projected with images for the  
10 eyes to see. And, in the case of persons who lack sufficient hearing or  
11 language acuity (*e.g.*, in the case of foreign films), reading the subtitles  
12 brings back even more of the traditional book-reading experience.

### 13 **Persons With Disabilities**

14 Obviously, there are many persons who, because of blindness or  
15 other conditions, cannot enjoy a book in the conventional way or reading;  
16 for such people, audio and sound recordings offer alternative ways to  
17 enjoy the content. Alternative formats have enhanced the world of  
18 books, and made the number of "bookreaders" grow.