

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

POSTAL RATE AND FEE CHANGES, 2006)

Docket No. R2006-1

RESPONSES OF AMAZON.COM, INC.
WITNESS JOHN HALDI TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE (USPS/AMZ-T1-1-18)
(October 19, 2006)

Amazon.com, Inc. hereby submits responses of witness John Haldi to the following interrogatories of the United States Postal Service: USPS/AMZ-T1-1-18, filed on October 4, 2006. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

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**Response of Amazon.com witness John Haldi to
Interrogatory of the U.S. Postal Service**

USPS/AMZ-T1-1.

Please refer to your testimony at page 5, lines 15-17. Please explain fully how, for non-expedited packages, Amazon determines which subclass to use.

Response:

I am advised that Amazon.com's selection of mail subclass is based on providing the best value to the end customer. The principal variables incorporated into the selection process are content/mailing restrictions, cost, and transit-time.

**Response of Amazon.com witness John Haldi to
Interrogatory of the U.S. Postal Service**

USPS/AMZ-T1-2.

Please refer to your testimony at page 6, lines 1-5.

- a. Does your proposal to allow books and closely related items that are published in an “electronic format” to be mailed at Bound Printed Matter rates include magnetic tapes such as cassettes and VHS as well as CDs and DVDs? Please explain your reasoning fully, including your definition of “electronic format.”
- b. With reference to the additional information in your Appendix III as well, does your proposal also apply to legacy forms of sound recordings, such as records, record albums, and reel-to-reel tapes? Please explain your reasoning fully.

Response:

- a. Yes. My proposal takes the focus off of format. Just as I see no sound reason for distinguishing between material that is in an electronic format and the same or similar material in a printed and bound book, I see no reason to attempt to distinguish between a book on a CD (or DVD) or one on a magnetic tape, such as VHS (which is becoming obsolete as a new product offering). Further, implementation of my proposal should allow for the fact that the forms of electronic or magnetic storage are subject to ongoing evolution; for examples, see my response to USPS/AMZ-T1-15.
- b. My personal opinion is that legacy forms of sound recordings, such as records, record albums and reel-to-reel tapes should be included (for simplicity and ease of administration), provided, of course, that (i) they are part of a bulk mailing consisting of at least 300 pieces that qualify for

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BPM, and (ii) each package weighs less than 15 pounds. As legacy forms are somewhat obsolete by standards of existing and evolving technology, I would not foresee many shipments involving legacy formats. More important is that the proposal allow for evolving formats, and not be restricted to existing formats, as discussed in my response to part a. See my response to USPS/AMZ-T1-18 for proposed alternative DMCS language that would leave final determination to the Postal Service.

**Response of Amazon.com witness John Haldi to
Interrogatory of the U.S. Postal Service**

USPS/AMZ-T1-3.

Please refer to lines 4-8 on page 8 of your testimony.

- a. Please define “closely related to books.”
- b. Please provide the percentage of movies that are “closely related to books.”
- c. If CDs and DVDs closely related to books would qualify for Bound Printed Matter rates under your proposal, is it your proposal that CDs and DVDs not closely related to books will not qualify for Bound Printed Matter rates? If so, how can the Postal Service distinguish between those CDs and/or DVDs that are closely related to books and those that are not? If not, what is the purpose of the “closely related to books” criterion?

Response:

Please note that my testimony on page 8 does not use the phrase “closely related to books.” It does, however, discuss situations where “contents of the book and the movie obviously have a close relationship.”

- a. Movies with a close relationship to a book are those that use the plot, the story line, the characters, and perhaps even the title of the book. Such movies typically try to attract readers of the book as part of the initial audience. Examples are numerous, and readily available; see Appendix III of my testimony.
- b. I do not have available to me the means to determine the approximate percentage of movies that are based on published books or plays, as opposed to original screenplays.
- c. The proposal contained in Appendix II of my testimony would enable all

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CDs and DVDs to qualify. My response to USPS/VP-T1-18 sets out an alternative which would leave to the Postal Service the determination of which CDs and DVDs would qualify. If only those CDs and DVDs related to books qualify, then I would note that since books are published and subject to copyright, material based on a book generally contains an acknowledgment. For example, the musical *My Fair Lady* was based on George Bernard Shaw's book, *Pygmalion*, even though George Bernard Shaw never wrote any music, and the book itself did not contain any songs. Consequently, material accompanying recordings of *My Fair Lady* (e.g., cover jackets) and DVDs of the movie both contained an acknowledgment to *Pygmalion*. In other words, it should be possible to distinguish between (i) a tape, CD, or DVD which acknowledges a published book as all or part of its source, and (ii) a tape or CD containing only music with no source, such as a book or play. Second, I note that from 1976 to 1990 the Postal Service somehow was able to distinguish between a book with advertising and a book without advertising, even though a book with advertising that was submitted as BPM might have been boxed or wrapped, and otherwise indistinguishable from the same book without advertising and when boxed and submitted as media mail.

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USPS/AMZ-T1-4.

Please refer to your testimony at page 8, lines 8-11.

- a. Please provide the physical dimensions and the average weight of Amazon's boxes containing "a book."
- b. Please provide the physical dimensions and average weight of a box containing a "closely related" CD or DVD.
- c. Please provide the same information for audio tapes and VHS tapes, if they are included within your proposal.

Response:

- a. The average weight of Amazon.com packages containing "a book" is between one and two pounds. Many books are sent in variable depth folders which conform to the book's dimensions, and therefore the dimensions are slightly larger than the size of the book, which could be of almost any size. Larger books (or multiple books) may be mailed in boxes with dimensions of 9" x 12" x 4" (432 cubic inches) or larger.

Also see my response to USPS/AMZ-T1-7.
- b. Amazon.com packages containing a "closely related" CD or DVD sent via Media Mail generally are entered at the two-pound rate; see response to USPS/AMZ-T-7. CDs and DVDs shipped by Amazon.com are mailed using flexible packaging known as Levimatic. Some of the most commonly used sizes for CDs and DVDs are as follows:

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Description	Length (inches)	Width (inches)	Depth (inches)	Cube (inches³)
BL1	5.750	5.000	0.500	14.375
BL4	7.500	5.400	0.600	24.300
BL2	5.750	5.000	1.000	28.750
BL3	5.750	5.000	1.500	43.125
BL5	7.500	5.400	1.200	48.600
BL7	7.500	5.400	2.125	86.063

Levimatec packages with the greater depths shown above are used for shipments containing multiple CDs/DvDs. Also see my response to USPS/AMZ-T1-7.

- c. I am advised that Amazon.com no longer stocks audio and VHS tapes. For this diminishing part of the market, packages containing a single audio tape or VHS tape likely would be entered at the one- or two-pound rate.

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USPS/AMZ-T1-5.

Do you believe that books, with or without advertising, are “closely related” to catalogs weighing more than a pound, in the way that you believe some DVDs and CDs are “closely related” to books?

Response:

No, I do not believe that books, either with or without advertising, are closely related to catalogs that weigh more than one pound. That is one reason why, at page 10 of my testimony, I described the BPM subclass as “no longer homogeneous (from the perspective of catalog mailers).” One difference, obviously, is that recipients who receive mailed books typically have solicited (*i.e.*, “ordered” or “purchased”) the book, whereas catalogs are typically mailed as unsolicited matter.

**Response of Amazon.com witness John Haldi to
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USPS/AMZ-T1-6.

What is the basis for your belief that the non-homogeneous Bound Printed Matter subclass containing both books and heavy catalogs has been successful for both the mailers and the Postal Service? Please include in your answer an explanation of the underlying causes of the success.

Response:

One way to measure success is by the extent to which mailers use the subclass; see Postal Service witness Yeh's response to AMZ/USPS-T38-25(b), Tr. 8/1933.

According to Postal Service library reference USPS-LR-L-74, in 1976 the volume of BPM was 75 million pieces, at which time books **with** advertising were first allowed to be mailed at BPM rates. By 1990, when books **without** advertising were first allowed to be mailed at BPM rates, the volume had grown to 345 million pieces. By 2005, the volume of BPM was 584 million pieces, a further increase in volume of 239 million pieces since 1990. This growth in usage can be interpreted as evidence that the subclass has been successful for mailers.

To the extent that the volume growth in BPM consists of books, it likely represents migration from Media Mail (formerly Fourth Class special rate), which is the subclass in which books most likely would have been mailed. In most years since 1976, the markup on Media Mail has been 6.0 percent or less, while the markup on BPM has been in a somewhat higher range, from 13.1 to as much as 74.0 percent (see Docket No. R2005-1, *Opinion and Recommended Decision*, Appendix G, Schedule 3). Having the volume in the BPM subclass with a somewhat higher average markup makes

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it more successful for the Postal Service than would be the case if the same volume were in a subclass with a much lower markup.

Demand for delivery service is a derived demand. Or, as Postal Service witness Thress, USPS-T-7, page 187, lines 6-7, says, “[t]he demand for package delivery services will be largely driven by the demand for the goods being delivered.” In the case of BPM, which is a content-restricted subclass, success is due largely to the demand for books that have been purchased via the Internet, book clubs, or from catalogs. Many people apparently have found purchasing books via the Internet to be not only more convenient but also less expensive. I note that this is one instance where the Internet is building postal volume rather than eroding it. (The BPM demand equation used by witness Thress incorporates as an independent variable Mail Order Retail Sales, which include far more than just books, but which may be regarded as a proxy for book demand.) On a personal level, I have heard favorable comments about book reviews that are available online. That said, success of the BPM subclass also is due to the plethora of worksharing options that have resulted from successful rate de-averaging, and the lower rates that mailers can obtain through worksharing in comparison to Media Mail rates.

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USPS/AMZ-T1-7.

Please refer to your testimony at page 10, line 20. What is the approximate range of weights of the books (not the packages) that Amazon mails? What is the approximate range of weights of CDs containing those books? Does it differ from the range of weights of all CDs and DVDs that Amazon mails, regardless of their content? If so, please provide that range and explain the reason for the differences.

Response:

I am advised of the following: The weight of books ranges from a few ounces (*e.g.*, paperbacks) to as much as 3 pounds (*e.g.*, large hardcover books), and a small percentage weigh more than 3 pounds. The approximate weight distribution of packages containing books is as follows (note: this distribution reflects postage pounds, and some packages may contain more than one book):

0-2 lbs.: 67%

2-3 lbs.: 18%

3-5 lbs.: 11%

> 5 lbs.: 4%

The weight of a CD/DVD containing a book, when boxed and ready for shipment, does not exceed two pounds. The weight profile of books on CDs/DVDs is similar to that of regular CDs/DVDs. The approximate weight distribution of CDs/DVDs is as follows (note: this distribution reflects postage pounds, and some packages may contain more than one CD/DVD):

0-1 lbs.: 44%

1-2 lbs.: 43%

> 2 lbs.: 13%

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USPS/AMZ-T1-8.

Please explain your understanding of the differences in postal cost-causing characteristics among the following three hypothetical pieces, all mailed with 299 other identical pieces: (1) a 3-pound shrink-wrapped catalog measuring 9" x 12" x 4"; (2) a box containing a book, with the same total weight and cube; (3) the piece you described in response to USPS/AMZ-T1-4 containing a "closely related" CD or DVD.

Response:

The cost-causing characteristics recognized in the BPM rate structure are (i) degree of presort, (ii) point of entry, (iii) distance (zone) to final address, and (iv) weight. Since the interrogatory stipulates the same number of pieces (*i.e.*, 300) for all three mailings, I will assume that (1) all three mailings are (hypothetically, of course) to the same addresses, (2) they have the same degree of presort, (3) they are entered at the same facility (unlikely to be a DDU with only 300 pieces), and (4) they must travel the same distance to the final address. Under these assumptions, in terms of cost-causing characteristics, the principal differences between the three mailings are weight and cube. The 300 catalogs and books, each weighing 3 pounds and, with the specified dimensions, would have a total weight of 900 pounds, and a total cube of 75 ft.³ With respect to the 300 packages containing a "closely related" CD or DVD, Amazon.com would mail them using Levimatic packaging described in my response to USPS/VP-T1-4, and they would have an average weight of about 1.5 pounds, a total weight of about 450 pounds, and a total cube of 2.5 to 5.0 ft.³

Thus, in the three mailings which your question asks me to compare, weight of the CDs/DVDs likely would be no more than 50 percent of the weight of the

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catalogs/books, and the cubic space occupied by the 300 CD/DVD packages would be about 4 to 7 percent of that occupied by the larger and heavier catalogs/books.

To the extent that the cost of weight is fully and appropriately recognized in the rate structure, the 300 CDs/DVDs would weigh less, cost less, and pay less than the 300 catalogs/books. To the extent that the 2 cents per pound for non-transportation cost related to weight does not adequately reflect the cost of weight (see my response to USPS/AMZ-T1-17 for more discussion on this point), the heavier catalogs/books would cost disproportionately more than the CDs/DVDs.

With respect to cube, it is not recognized as an independent cost-causing factor in the rate structure, and I am not aware of any record evidence in this docket that shows the effect of cube on cost. There may not be a measurable relationship between cube and cost. I would note, though, that small packages containing CDs/DVDs will fit into mail boxes more readily than larger boxes containing books. If any such relationship exists between cube and cost, it would seem entirely reasonable to expect that increases in cube will cause some increase in cost — *i.e.*, I would not expect an increase in cube to result in a decrease in cost. Thus, the dramatically lower cube of 300 packages containing electronic media should result in unit handling and delivery costs that are equal to **or lower than** the unit handling and delivery costs of the 300 catalogs/books.

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USPS/AMZ-T1-9.

Please refer to your testimony at page 13, lines 15-18. Are you referring to books with advertising, books without advertising, or both? What years' cost data underlie your conclusion?

Response:

The answer to your first interrogatory is that my reference is to books generally, both those with advertising and those without advertising. As the amount of advertising previously contained in books mailed at BPM rate was relatively small, and usually just sufficient to satisfy the Postal Service requirement for BPM, inclusion of advertising probably did not increase the weight or unit cost by a measurable amount, and elimination of the advertising requirement (along with deletion of the advertising itself) probably did not decrease unit cost by a measurable amount.

With respect to your second interrogatory concerning costs, any comparison of costs before and after books were allowed into the BPM subclass must necessarily refer to costs prior to and after 1976, when books were first permitted to be mailed in BPM. I would hasten to add, however, that before further de-averaging was put into effect, unit costs for various categories within BPM were creeping up and, consequently, the cost (and rates for "low-cost" mailers) also were creeping up. The Commission, in its *Opinion and Recommended Decision* in Docket No. R2000-1, noted that "books and catalogs may exhibit different cost characteristics. For example, catalogs may be entered into the system more deeply and, on average, weigh less per piece." (p. 502, para. 5881.) The Commission went on to state (p. 503, para. 5882) that:

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Concerns were raised then [in Docket No. R90-1] that the inclusion of books would cause an increase in BPM unit costs. Over time, notwithstanding contentions that migration already had occurred and that book mailers would embrace worksharing, *unit costs have increased*. The specific causes for *these rising unit costs* are not successfully documented in this record. As a consequence, *the low costs that made migration to BPM initially attractive are less beneficial*. Rates for BPM are still substantially lower than the rates for Special (now Media) Mail; however, they apparently now more accurately reflect the impact of the migration of books into the subclass. [Emphasis added.]

The Commission further noted (p. 504, para. 5885) that:

in Docket R90-1, the Commission recommended a separate rate category be established for BPM catalogs. PRC Op. R90-1, para. 6510. The Governors rejected the proposed classification change. Decision of the Governors, R90-1 (January 22, 1991) at 4-5. At a minimum, the Commission encourages the Postal Service *to study the distinct cost characteristics of books and catalogs mailed as BPM*. [Emphasis added.]

In Docket No. R2000-1, the Postal Service proposed destination entry rates, including rates for DDU entry. To the extent that mailings of catalogs often have sufficient density to enable them to be entered at DDUs, and mailings of books do not have such density, this de-averaging of rates provided a way for the rate structure to recognize a unique cost-causing characteristic of catalogs. Subsequently, passthroughs for destination entry have been increased and, in addition, as Postal Service witness Yeh notes at page 5 of her testimony (USPS-T-38, Revised 8-10-06), a discount for flats (*i.e.*, catalogs) was introduced in Docket No. R2001-1. This de-averaging of rates by shape gave further recognition in the rate structure to the low-cost characteristics of

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catalogs (and also, by implication, recognized the higher cost characteristics of parcels), and has been instrumental in holding down the cost increases for catalogs. Straightforward rate de-averaging based on full recognition of cost-causing characteristics thus appears to have successfully pre-empted any need for a separate rate category based on content, such as a rate category for catalogs.

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USPS/AMZ-T1-10.

Is the non-print material that has been permitted in BPM since 2001, as discussed in your testimony in part III.C., limited to merchandise that is “closely related” to books?

Response:

Other than the weight and value restrictions that were published in the *Federal Register* and discussed in my testimony, I am not aware of any such limitation on nonprint attachments and enclosures that may be included in BPM.

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USPS/AMZ-T1-11.

What percent of Amazon's Bound Printed Matter volume contains non-print enclosures or attachments?

Response:

I am advised that Amazon.com does not capture data on percentage of SKUs that ship BPM and contain (as part of the published/manufactured unit) an enclosed or attached CD or DVD. I am also advised that the percentage of products shipped at BPM rates for which Amazon.com includes a non-print marketing insert (something free that the customer has not ordered) is less than 0.1 percent.

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USPS/AMZ-T1-12.

Are otherwise permissible enclosures or attachments mailable as Bound Printed Matter in the absence of an accompanying book or catalog?

Response:

I interpret your interrogatory to mean, “*If my proposal were adopted, would otherwise permissible enclosures or attachments [be] mailable as Bound Printed Matter in the absence of an accompanying book or catalog?*” Assuming that this is what your interrogatory intends, my answer is yes. Altering or modifying the existing rules that govern otherwise permissible enclosures likely would add to complexity and unnecessarily complicate matters. Further, since the weight of permissible enclosures or attachments is limited to 25 percent of the weight of the BPM item, the light weight of CDs and other electronic formats would limit the permissible enclosures or attachments far more than a heavier weight book.

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USPS/AMZ-T1-13.

Please refer to lines 13-14 on page 28 of your testimony.

- a. Please confirm that your proposed cost coverage for Bound Printed Matter to be set between 113 to 114 percent will produce a Test Year After Rates contribution in the range of \$0.12 and \$0.13.
- b. If you do not confirm, please provide the corresponding TYAR contribution. If you do confirm, please refer to Section D on pages 16-18 of your testimony and confirm that under your proposed cost coverage, the unit contribution of Bound Printed Matter is approximately \$0.09 less than that of Media Mail. If you do not confirm that difference, please provide the difference in unit contribution between Bound Printed Matter and Media Mail under your proposed BPM cost coverage.

Response:

- a. Confirmed that my proposed coverage will produce a Test Year After Rates contribution in the range of \$0.12 to \$0.13 **per dollar of attributable cost**. The unit contribution will be reflected in the rate, and the absolute amount of the contribution will vary depending on the weight, zone, point of entry, etc.
- b. Under Postal Service witness Yeh's (USPS-T-38) proposed coverage of 109 percent for Media Mail, the Postal Service will receive \$0.09 **per dollar of attributable cost** for Media Mail. It is correct that, on average, pieces of Media Mail pay a considerably higher rate than do pieces of BPM and, consequently, the Postal Service may receive a lower unit contribution from a package that migrates from Media Mail to BPM. Note, though, that because of Media Mail's lower coverage, the

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Postal Service must incur a considerably greater expense in order to earn a slightly higher unit contribution.

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USPS/AMZ-T1-14.

Please refer to your testimony at page 21, lines 17-18. To what extent is the subclass name “somewhat inappropriate”? If it is due to the permissibility of attachments or enclosures, is not “Periodicals” also “somewhat inappropriate,” since non-Periodicals material is allowed to be attached or enclosed?

Response:

At present, I would say that the subclass name is “somewhat” inappropriate because enclosures that are neither printed nor bound may be sent with Bound Printed Matter. It would become more inappropriate if various electronic formats were to be allowed.

Whether “Periodicals” is a “somewhat inappropriate” description of what was formerly Second Class Mail is a judgement call. Personally, I rather liked the old First, Second, Third, and Fourth Class as a way of distinguishing between the various classes of mail. Those prior terms were simple, unambiguous, and readily understood by most people.

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USPS/AMZ-T1-15.

Please refer to your testimony at page 22, lines 1-2.

- a. Why do you believe that “BPM,” which stands for “Bound Printed Matter,” is a more appropriate name for your proposed expanded subclass than “Bound Printed Matter” itself?
- b. Would a name that better reflects your proposed expanded content and reflects more marketing panache be a better choice? If so, have you any suggestions?

Response:

- a. As you correctly note, the acronym “BPM” currently stands for “Bound Printed Matter.” If my proposal is adopted, however, the subclass then would contain various electronic media which are neither bound nor printed. Included currently would be tapes, cassettes, CDs, and DVDs, but new media formats — such as iPods and USB memory devices (*e.g.*, flash drives, store ’n go memory drives, one-stick memory drives) — also may become commonplace. However, once all references to “Bound Printed Matter” are deleted, and replaced simply by “BPM,” there is no reason why the acronym “BPM” must be interpreted as (or read as) “Bound Printed Matter.” Over time, a reference to the BPM subclass could stand on its own, just as corporate names such as NCR and FMC do now (I would like to think that the Postal Service is not uncomfortable with acronyms). If “BPM” must stand for something, it could be interpreted as “Bulk Published Material.”

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- b. Assuming that my proposal is adopted, it is certainly conceivable that other names might be more descriptive, or more appropriate, than simply “BPM.” However, my suggestion does have the advantage of brevity, simplicity, and continuity. Of course, names of classes and subclasses are not immutable. They can and do change, as occurred in Docket No. MC95-1 (and subsequently, as occurred when “Standard A” was shortened to “Standard”). With respect to a new name that might reflect “more marketing panache,” I would opine that the high degree of rate de-averaging and worksharing options, coupled with the cost and rate advantages which these options provide, will make the BPM subclass sufficiently attractive to bulk mailers, and thereby preclude any need for more “marketing panache.” (N.B. for a fundamental, yet highly cost-effective service, such as BPM, “more marketing panache” has a dangerous ring to it. What the Postal Service must avoid is allowing costs to creep up, or service to decline, and then try to substitute marketing panache for a decline in the fundamentals.) On possibility might be “Bulk Book Matter,” or, simply, “BBM.”

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USPS/AMZ-T1-16.

Would your proposed content change apply to single-piece (Nonpresort) Bound Printed Matter? If not, what factors justify the exclusion?

Response:

No. The Postal Service has indicated its desire and its decision to restrict single-piece BPM as a retail offering, and I would concur with this decision. BPM's low unit cost derives in large part from the fact that it is essentially a bulk subclass (single-piece BPM amounts to less than 5 percent of total volume) with the largest number of worksharing options available to any subclass, and those options can be utilized only by bulk mailers. As a practical matter, single-piece mailings cannot be presorted, destination entered, or pre-barcoded. As Postal Service witness Yeh (USPS-T-38) has noted, retail customers can use Media Mail for their single-piece mailings. Opening up zoned BPM to single-piece items that otherwise would be sent as Media Mail only invites adverse selection, without encouraging more efficient practices by mailers.

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USPS/AMZ-T1-17.

Have you done any analysis of the effects of your proposed change on costs? If so, please provide it.

Response:

No. Detailed cost analysis did not appear necessary, other than the cost analysis in my Appendix I. Since rates in BPM now are highly de-averaged and reflective of virtually all known, important cost drivers, it would appear that each rate cell stands on its own (*i.e.*, is financially self-supporting). Possibly the biggest shortcoming in the costs that underlie BPM rates is the relationship between weight and cost. I am not asserting that the weight-cost relationship built into rate structure is wrong — just that it is not well documented. To elaborate, the weight-related cost for transportation, supplied by Postal Service witness Mayes (USPS-T-25), is reasonably well documented. However, the 2 cents per pound that is added on for weight-related handling costs, regardless of entry point or presort condition, has never been documented, nor has it been increased to allow for inflation since the time when it was first implemented. I do not possess the means to conduct an analysis of the effect of weight on Postal Service handling costs (including delivery). The weight-cost relationship may be a less important consideration in BPM than it is in the other parcel subclasses, because the weight limit on BPM is 15 pounds, much BPM is destination-entered, and the cost of weight probably is related to the amount of internal handling and processing required.

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USPS/AMZ-T1-18.

To be consistent with your testimony, shouldn't your proposed DMCS language say: "...sound recordings or video recordings, including incidental announcements of recordings and guides or scripts prepared solely for use with such recordings, that are closely related to books, ..." If your answer is no, please how [sic] your discussion of the importance of the close relationship is or is not actually reflected in the substance of the language that you propose that the Commission recommend.

Response:

My proposal in as set out in Appendix II of my testimony. This would allow all sound and video recordings related to books to be carried as BPM, but it is understood that to achieve optimal ease of administration, this would necessarily allow sound and video recordings not related to books to be carried as BPM as well.

As an alternative proposal, however, I set out below DMCS language which would leave implementing details to the Postal Service to specify in the DMM whether all or just some sound and video recordings would be permitted. For example, if the Postal Service decided to permit only those sound and video recordings "based on a book" to be entered as BPM, those qualifying CDs/DVDs "based on a book" which are readily ascertainable from the title or jacket of the item in question would presumably be permitted, and if necessary the Postal Service could develop more refined procedures to deal with situations where such a showing were not so obvious. See my response to USPS/AMZ-T1-7. The only change in the DMCS language below is the bolded words that have been added to new paragraph b:

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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, as specified by the Postal Service, 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.