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The Presidential Commission on the United States Postal Service
1120 Vermont Ave N.W.
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Washington, DC 20005

RE: Rebuttal Comments of the Independent Press Association to initial public comments filed with the Commission.

Dear Commissioners and staff,

The Independent Press Association, (IPA), represents hundreds of small-circulation political, lifestyle, ethnic, environmental, regional, literary and cultural periodicals across the nation. These publications include well-known journals, magazines and newspapers like *American Prospect*, *Biblical Archeology Review*, *Chicago Reporter*, *Harpers Magazine*, *Jewish Week*, *Orion*, *Reason*, and the *Texas Observer*, among many others. The majority of IPA members mail their publications at nonprofit periodical rates. The Postal Service is the lifeline for IPA members to reach their multiplicity of reading interests. IPA desires to respond briefly to specific points in the comments of the Association of Postal Commerce (PostCom), the Direct Marketing Association (DMA), AOL Time Warner (AOL) and the Magazine Publishers of America (MPA).

Background

IPA has been an active participant in Postal Rate Commission proceedings. Its member publications, like 93% of all periodicals handled by LISPS, distribute fewer on average than 25, 000 copies per issue. This means that like other smaller circulation publications, IPA members cannot take full advantage of postal discounts the way the relatively few but high volume magazines can. Thus, IPA member publications, which average over 80% editorial content per issue, nevertheless have been hit with postal hikes of over 30% since 2001. (This commission may not be aware that USPS data demonstrates that the weight of advertising in not only IPA member-publications, but in 65% of the publications in the Periodicals class, is less than 30%. The increases inflicted on high-

editorial IPA members and on most periodical titles are substantially higher than those paid by mass circulation publications which have the density even on national distribution to take advantage of the largest discounts available.

The U.S. Postal Service plays a key role in our democracy helping to circulate ideas, information, and insight through the delivery of magazines and periodicals that publish outside of the corporate mainstream.

These magazines perform a heroic service, ensuring that ideas circulate, views are exchanged, and communities are able to learn about each other. For high editorial content magazines and newspapers which receive little or no advertising revenue, and which must support costs on a small subscriber base, equitable postal rates are critically important to ensure distribution and production.

While independent periodicals make up a tiny fraction of the total volume of mail passing through the Postal Service, we provide the lion's share of information and ideas, the distribution of which helps the Postal Service to fulfill its historic responsibility to serve the national interest. The current devastating spiral of postal rate increases coupled with the on-going restructuring of LISPS threatens the very existence of thousands of small circulation magazines and periodicals in the United States. We ask this Commission to preserve the role of the LISPS in preserving democracy and to prioritize the postal delivery of independent, high editorial content, periodicals that do so much to serve our nation's interest.

Rebuttal

1. In part LB of PostCom's comments, there is an assertion that "All products should be grouped by common cost characteristics." PostCom views mail as a commodity, interchangeable if viewed simply as groups which have similar or different cost characteristics. Whatever the situation may be for the unsolicited advertising mail that PostCom's members mail or print, PostCom's view contradicts very purpose of a Periodical class and nonprofit rates. These should be preserved regardless of what other changes this Commission recommends. Compared with the massive volumes of advertising that PostCom's members mail or print, the volume of

Periodicals Class as a whole, and especially that of the 93% of the class with less than 25,000 circulations, is negligible in numbers but critical in terms of the editorial and educational information periodicals provide in hundreds of interest categories. Periodicals are not commodities.

In the words of the Postal Rate Commission, "The editorial content of publications and the willingness of readers to request or pay to receive that content is what separates second class [now Periodical] mail from all other matter carried by the United States Postal Service." (Opinion and Recommended Decision, Docket R90-1, p. V-121). Thus, PostCom's formula of "market-based" rates for all mail flies in the face of public policy established by Congress since the founding of the Postal Service during the American Revolution up to the present era of an independent Postal Rate Commission.

2. DMA

DMA, like PostCom, supports "market-based" rates. For the reasons expressed above, the mechanical calculation involved in demand pricing is inappropriate for periodical pricing. If adopted, market based rates would enable advertising mail to pay far less a share of the fixed institutional costs of LISPS (much of which consists of the letter carrier costs which the Standard mailers say they would continue to use as they claim they don't need much of the rest of the postal system). Small periodical publishers and the average citizen would be left holding the bag while the biggest users of mail pay for only what they choose to pay for.

DMA specifically states its position as follows: ""The continued unbundling of all functions upstream from the ultimate delivery of the mail should be a paramount objective for the `new' Postal Service in order to optimize efficiency and constrain costs...." (pp. 5-7). In effect, DMA proposes to dismantle a postal system which provides universal service to everyone and "binds the Nation together". DMA apparently, like PostCom, wants its members to pay for one function (delivery) but not the other essential functions LISPS has to provide in order to fulfill its universal

^I For a complete description of the history of mail classes, including periodicals, *see*, Dr. Richard Kielbowicz, "A History of Mail Classification and its Underlying Policies and Purposes", Postal Rate Commission: 1995.

service mandate. There is absolutely no evidence presented in DMA/PostCom comments, or in Postal Rate Commission proceedings, that if major mailers "bailed out" of the postal system, using only delivery service, that USPS total costs would fall. Rather, escalating postal costs would fall on the shoulders of already overburdened publishers and on citizens who use first-class mail. This is fundamentally unfair, and this gutting of our national postal system should not be recommended by this Commission. The solution as many parties have suggested is not to make it advantageous for mailers to leave the Postal Service, but to find ways to increase labor efficiency and facility utilization so as to make the Postal Service the most cost-efficient national carrier. With USPS' unmatched volumes, it should be able to purchase transportation at lower prices than any private party can, and it should be able to lower costs through better productivity. USPS has needlessly made itself a scapegoat for those who would forego most USPS system costs under the assumption that non-postal mail handling and transportation inevitably are more expensive than private sector services. That is the problem to be fixed, not putting prices for small publishers out of reach and reducing the number of voices that the American people can hear.

3. AOL

AOL, a major publisher of the mass circulation periodicals which generate a majority of periodical volume but a small minority of total publications in the mail, likewise sets forth an unbundling style solution for big mailers to evade USPS cost escalation. To its credit, AOL has been a leader at the Postal Rate Commission in battling the imposition of unexplained processing costs on all periodicals, large and small alike. (See, AOL comments, pp. 8-9. AOL, comments pp. 3-4, also calls for consideration of public funding of USPS' public service functions that are not self-supporting) . However AOL's self-interest leads it to propose an unbundling proposal not unlike the advertising mail associations' unbundling plan. (See, AOL comments, p.13). The family of Time, Inc. publications benefit greatly from the existence of a periodical class that provides a low markup over cost and better service than Standard mail. Surely, the existence of the content based and editorial-drive periodical categories have helped Time and other AOL-owned magazines grow to the preeminent positions they hold in the consumer magazine business. These magazines benefit more than the vast majority of titles in Periodical class from

the array of discounts now offered: these magazines make heavy use of the highest discount (including automation discounts) in the class, i.e., the carrier route discount. These magazines already avoid significant postal handling and transportation costs because of their volume-driven efficiencies which most publications cannot achieve, due to their specialized natures and therefore relatively low volumes. AOL's publications do not have to mail at Periodical rates if AOL does not like the Periodical rate structure: they can move to Standard Mail like DMA and PostCom members. If Periodical class rates are based on editorial content, then these chop-up-USPS proposals make no sense.

Indeed, to assist those who already pay the highest Periodical rates, larger editorial discounts should be implemented to reward publications like IPA members and church publications which contain the highest percentages of editorial content.

We live in an information society in which competition of ideas is the foundation of both economic and intellectual growth. The revenue, actual and figurative, generated by the activities stimulated by high-editorial periodicals to the nation as a whole is significant, and pays for whatever use these periodicals make of USPS. A chopped up, hollow postal system will not serve the needs of this country in the future.

4. The IPA rebuttal comments directed at AOL also apply to the portion of MPA's comments in which MPA echoes AOL by calling for a "menu" of rates, comments at p. 13, which is another version of I'll pay what I want and I don't care about the overall cohesiveness of the USPS. Like DMA, PostCom, and AOL, MPA's menu lists a recipe for mailers opting "to purchase only the services that they need". This kind of short-sighted plan will do nothing but give indigestion to the vast number of high editorial and small circulation publications which must use USPS. One doesn't get to avoid taxes if one does not have children in school, or never visits a wildlife refuge.

Especially for the Periodical class, based on public policy and not on cost alone, an invitation to avoid USPS will cause those who already pay the most, i.e., the vast majority of periodicals, pay

even more, while rates fall for those who already pay the least, like the large consumer member magazines of MPA.

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