

**PREPARED STATEMENT OF
VICTOR S. NAVASKY
ON BEHALF OF *THE NATION*,
AND *THE COLUMBIA JOURNALISM REVIEW*, AND OTHERS,
BEFORE THE
FEDERAL WORKFORCE, POSTAL SERVICE AND DISTRICT OF
COLUMBIA
SUBCOMMITTEE OF THE
HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
110TH CONGRESS, 1ST SESSION
(October 3, 2007)**

My name is Victor Navasky. I have served as editor, then publisher and now publisher emeritus of *The Nation*, America's oldest weekly magazine, from 1978 until the present. As publisher I testified before the Postal Rate Commission as a rebuttal witness for the American Business Press in 1995. I am presently Chairman of the *Columbia Journalism Review* (CJR), Director of the Delacorte Center for Magazines and Delacorte Professor of Magazine Journalism at the Graduate School of Journalism, Columbia University, New York. I am the author of *A MATTER OF OPINION*, which won a George Polk award in 2006 and deals with, among other subjects, the relationship between postal rates and our democratic heritage. I have published articles about postal policy and democracy in *The Nation* and CJR, but also in *The Washington Post* and *The Washington Monthly*, and I have written a chapter in the forthcoming Public Affairs Press book *WHAT GEORGE ORWELL DIDN'T KNOW* (November, 2007), on Time Warner's role in the recent round of rate increases and how high postal rates can result in de facto censorship to the detriment of the public sphere. (It's title: "Neither Snow Nor Rain Nor Dark of Night Shall Keep Our Couriers From the Swift Completion of Their Appointed Rounds, But What About Big Media?")

I am grateful for the opportunity to testify before this subcommittee, but let me make it clear that I hope to speak today not only on behalf of CJR and *The Nation*, and on behalf of small-circulation political journals, but also on behalf of the highly influential readers of these periodicals – journals in general, editorial writers, legislators and their staffs, non-profit executives, corporate public affairs officers, the academic community, students and teachers, among others. In other words, all of those engaged in, and informed by, the public discourse these magazines exemplify.

A PERSONAL STATEMENT

Before I present my formal testimony, let me confess my personal bafflement and bias. I know all about the Postal Reorganization Act of 1970 and its ostensible requirement that each class of mail pay its own way, but I have never understood why of all the services government provides – defense, education, environmental protection, health, housing, highways and the rest – only the mails are required to break even or make a profit.

The founders, who saw the mails as the circulatory system of our democracy, made no such presumption. George Washington himself was in favor of the free delivery of newspapers (which, by the way, in those days were often weekly and usually partisan, and as such the equivalent of today's journals of political opinion). These journals, whose core franchise is public discourse about public affairs, are, like water, national defense, public highways and public education, a public good and as such it would seem to me ought to be paid for out of public funds (i.e. general tax revenues).

But I know this view is generally regarded as quaint and unrealistic – utopian, as it were – and so the rest of what I have to say does not depend on it, but I thought in the interests of full disclosure, and the hope that it might set some of you to thinking, that I ought to share it.

Also, before I talk about the postal situation, I want to say a word about the Internet, but for what it's worth, my view is that whatever its virtues – and with its low-cost high-speed interactivity, they are considerable – it is not and will never be a substitute for old-fashioned hard-copy, portable journals such as *The Nation*, *CJR*, *National Review* and others which speak with an authority that reflects the editorial

vetting, fact-checking and deliberative characteristic of journals of opinion, which are after all in the business of setting the standard for political discourse. The authority and legitimizing function these journals enjoy is in my opinion unavailable to the speeded-up, un-fact-checked blogosphere, where shorter attention spans don't allow articles of much more than 1,000 words in length. Moreover, the Internet, where most content is provided free of charge, has yet to come up with a viable business model (and advertisers have historically resisted supporting the kind of content found in journals of opinion of the left or right).

THE PROBLEM

As you know and as David Straus has appropriately put it, we meet to lock the barn door after the horse has gotten out. As a result of the new periodical postal rates in place as of July 15 of this year, precisely those magazines that devote the most space to public affairs – to covering in depth events like the hearings before this very subcommittee – are put in serious jeopardy. In the case of *The Nation*, the cost of mailing the magazine is already more than three times the cost of the paper on which it is printed. Its president, Teresa Stack, after consulting its printer, has concluded that the new rate increase will be 18% and will cost the magazine an additional \$500,000 a year. Last year, the magazine lost circa \$348,000 as reflected on its federal income tax form, and *The Nation*, which has the highest circulation among the opinion weeklies and biweeklies, is in better shape than many small-circulation periodicals, some of which will undoubtedly expire in the months ahead.

CJR estimates that unless it is able to co-mail (see below), its postal rate increase could be as high as 30%. As with almost all such journals, publishing CJR is not a money-making proposition. Although CJR had a good year in fiscal 2006 and raised substantial support from philanthropic sources, had the new rates been in effect its budget would have been broken. *The American Journalism Review*, the only other impartial media-monitoring journal in the country, has announced that it may have to go out of business by year's end.

Here is the best estimates other journals of opinion have made of how the new rates will affect them:

The American Conservative: +58%

The National Review: +17% (see attached memorandum)

The New Republic: +15.5%

In These Times: +23%

New York Review of Books: +15%

The Washington Monthly: +15%

Commonweal: +15%

UU World: +21.5%

Commentary: +16%

As a class, small-circulation magazines and journals of our sort face a financial crisis, dramatically exacerbated by the recent action of the postal authorities. These small-circulation journals, whose influence far exceeds their numbers (because of the quality of their readers and the seriousness of their content), are mostly underfunded, yet they bear the brunt of the recent periodical rate increase, whereas more opulent mass-

market magazines with a high percentage of advertising content enjoy a lower rate increase or, as we understand it, in some cases actual rate decreases.

WHY DIDN'T WE INTERVENE SOONER?

I am not interested today in playing the blame game, and I want to move quickly to what is to be done. But before I do, there is one misunderstanding that requires clarification. It is said that since the Postal Regulatory Commission held public hearings for more than ten months, including the opportunity for public commentary and interpretation, prior to making its recommendations to the USPS Board of Governors, small-circulation magazines had the same opportunity as Big Media to have their voices heard, to make their views known; and that failure to do so should disqualify them from complaining after the fact. (The assumption here is that had small-circulation journals of our sort intervened, it would have made a difference in the PRC's recommendations. Perhaps.)

Why didn't journals of opinion intervene? On the surface it's a good question. Clearly in retrospect they should have done so. But here let it be said that the cost of intervention – lawyers and lobbyists – is more than journals of opinion as a class can bear. When I asked lawyers and lobbyists who have monitored and intervened in past PRC hearings on behalf of corporate clients about their fees, cost estimates ranged from \$250,000 to more than \$1 million per rate case. (If I were a member of this Committee I would ask Time Warner precisely how much it has spent trying to influence the rate-setting process.) A few years ago the sole trade organization representing small-circulation political and cultural journals, the San Francisco-based Independent Press

Association (IPA), with a membership of more than 400 independent journals, managed to hire a top-notch Washington lawyer-lobbyist at rock-bottom pro bono prices, to represent their interests. Both *The Nation* and CJR were members. Let me tell you what happened. IPA did get to present its case, but subsequently it went out of business for lack of funds, and its lawyer-lobbyist, after decades in DC, decided to quit being a lawyer-lobbyist and now teaches high school.

A second reason journals like ours didn't intervene was that the information we thought we had about what the PRC's recommendation would be (based on what the USPS had recommended for the 2006 rate case) turned out to be unreliable on two counts: One, the rate of increase – at least for small-circulation periodicals – was not the anticipated 11% but for some small journals two or three times as much. Two, the formula by which the rate was determined turned out – unlike the last dozen rate cases, which treated large and small magazines more or less equally – to work in favor of large corporations and to the great disadvantage of small, stand-alone publishers. In the past the formula for the rate increase now adopted by the USPS had been put on the table by Time Warner, the largest magazine publisher in the world, and been rejected by the PRC, presumably as inequitable and unwise. In fact, when I testified before the PRC in October 1995 (as a rebuttal witness for the American Business Press), others pointed out at great length the problems the Time Warner proposal posed, and I addressed the harsh burden this proposal would visit on small political magazines (and had a fascinating colloquy with the PRC, which is reflected in 158 pages of testimony); it never occurred to me that having turned such a problematic proposal down time and again that the PRC would recommend and the Board of Governors would adopt it now. (By the way, IPA

went out of business not primarily as a result of its lobby's activities. It also served as a newsstand distributor for small magazines, and its distribution subsidiary went bankrupt. But of course one of the reasons it went into the newsstand distribution business in the first place was the high cost of mailing subscriber copies, and another had to do with the difficulty of securing retail display space, otherwise occupied by large-circulation titles.)

HOW DID IT HAPPEN?

How it happened is a mystery to me. Officially it happened as a result of a public process that is documented in however many hundreds of thousands of pages of PRC documents and testimony, as a result of which the PRC in its wisdom made a recommendation that the Board of Governors accepted. Unofficially, to those outside the process unable to afford to participate (or too naive to devote energy and resources before now) it appears as if Time Warner lobbyists carried the day. How precisely they persuaded the PRC to override the recommendation of the USPS and accept that of Time Warner I cannot tell you. From the perspective of those of us outside the process, all we know is that we were given just eight working days to prepare a response to a 758-page rate plan. (It included rate formulas so complex that to this day some magazine computer models are still struggling to catch up with the PRC's recommendations.) One result is that while some magazines are actually enjoying rate decreases, hundreds of smaller titles face rate increases of more than 30%.

Earlier I said I do not want to play the blame game, and I don't. If this Committee through its hearings can tell the behind-the-scenes story, I think that would be a considerable public service. But even lacking that story, if one takes the PRC and the

USPS at their word, we know that however the PRC and the Governors made up their minds it was based on inadequate data.

According to the rate case, the database that the PRC used to make its recommendation turned out to be deeply flawed. As its own report acknowledged, “The database is not a completely representative sample...”

That the database the PRC relied upon to assess the impact of its rates was not representative is an awful admission. The PRC had a sample of only 251 publications’ rates to assess the impact on 30,000 publications of every size and distribution pattern imaginable. The USPS furnished the sample, but it was not a representative sample. The technical term is projectable. If a sample is not projectable to the universe it is representing, valid statistical inference can’t be made. There are standard procedures for obtaining projectable random samples. These were not followed by the USPS. Nonetheless, the PRC used the sample because that is all that it had. Consequently the PRC could not make reliable inferences from the sample.

The scandal is that the PRC went ahead and radically changed the rate structure for what it knew was a fragile group of publications even though it did not know the impact of the new structure. The PRC should have ordered the USPS to provide a projectable sample of the 30,000 odd publications or deferred taking such action until a reliable impact assessment could be made.

Nevertheless, in the name of "efficiency" the PRC recommended and the USPS accepted a formula whereby corporations that could pre-sort, drop ship, palletize and all the rest would be charged less than those that could not afford such economies of scale. On the surface the plan has certain logic. In effect Time Warner and large mailers like

Hearst and Condé Nast were saying, We will do the work that the Post Office used to do – we will in effect sort and deliver the mail, and you should pay us for it – in the form of reduced postal rates. In the non-postal world this is called outsourcing, or privatization. Take your pick. (But the PRC neglected to include a provision requiring that the rate-break for periodicals be spread evenly over the entire class, and as a result, small-circulation periodicals are bearing a grotesquely disproportionate share of the postal rate increase.)

CO-MAILING: AN ILLUSORY SOLUTION

To magazines that couldn't afford to drop ship and other economies of scale, the PRC said, Well, you can solve your cost problems in other ways. For example by co-mailing. That may work for some non-weeklies. But it just doesn't work for time-sensitive periodicals or non-standard-sized magazines. The Commission thought that it addressed the problem of co-mailing for small-circulation publications with time-sensitivities (news values) when it proposed removing time-sensitive editorial content (an unacceptable condition for most weeklies). This past summer *The Nation* tried to co-mail, and here's what we found:

Our plan called for testing four issues during the late summer months of this year, when our frequency temporarily drops to every other week. Our sense was that this was the optimum time to test, given the unknowns regarding co-mailing and how it would affect timely delivery. The results of our test at least in our case made clear that co-mailing caused more problems than it solved. The first issue tested, immediately following the July 15 rate increase, did not even enter the mail stream until five to six

days AFTER we would have normally mailed, due to the problems our printer experienced with that week's now extremely complex co-mail pool. Delivery of the issue, which featured one of our most important investigative stories of the year, did not reach our readers until on average NINE DAYS after our normal non-co-mailed delivery would have occurred (and as long as 17-22 days later to the West Coast). While this first issue's results were due in part to problems on our printer's end, they speak to the complications of actually implementing the new rate structure, the pressures on our printer caused by the increased demand for co-mailing services and the vagaries of organizing a large number of titles in a co-mailing pool that changes every week. Any of these variables can and do cause substantial delivery delays, intolerable to a weekly title.

The second and fourth test issues co-mailed as designed, on time and without incident. But, as the third issue approached, our printer informed us that it was experiencing problems similar to the early ones, and we decided to pull the issue from the co-mailing pool at the last minute, lest we experience the same unacceptable delivery delays as we did with the first issue. But for the second and fourth issue, which mailed properly, in the 17 cities we tracked across the country, delivery was delayed on average by SEVEN days, ranging from a four-day delay into Detroit to an 11-day delay into Raleigh, NC, and Washington, DC. And while the postage savings was substantial, around \$3,500 per issue, an additional week to deliver a weekly magazine is simply unacceptable. The value of our content is dramatically reduced, if not erased, if we cannot reach our readers in a timely manner, which we have done consistently for over 140 years via the well-run and publicly minded operation that was the United States Postal Service.

Some will tell us to change printers. Like most periodicals, *The Nation* has a long-term printing contract, not easily cancellable even if we wanted to (which we don't). Our printer, Fry Communications in Mechanicsburg, Pa., has printed *The Nation* magazine for the last 10+ years. Our current contract began in June 2006 and runs through 2010. At the time the last contract expired, we undertook a thorough search for other printers that might successfully print and deliver our weekly publication. Obviously we looked at who could handle our volume, our paper stock, our weekly schedule and our mechanical specifications, and most important, ensure good delivery of our timely content. We sent out RFPs to many printers and evaluated our options in great detail. While several dozen printers nationally could handle our printing-specific needs, mailing capabilities became the leverage point in our final decision. Given the postal requirements at the time, and what we anticipated for the future, we made what we believe was the correct decision to stay with Fry, which offered us both excellent pricing and strong mailing capacity. The finalists in the RFP process all spent many hours looking at ways that we might improve delivery and lower costs, including co-mailing, co-binding, co-palletizing, shared drop-shipping arrangements and even utilizing satellite printing plants in geographically dispersed areas closer to in-home delivery centers. After much research, it became clear that as a weekly with a very tight operating budget (a magazine that has in fact lost money for almost all of its 140+ years), our options to deliver in a timely and affordable manner were extremely limited, even at the most state-of-the-art facilities provided by printers such as Donnelly or Quebecor. Fry has been co-mailing since 2002, and has one of the largest co-mailing machines in the industry.

The postal consultants at our fulfillment house, Kable, and our printer, Fry, assure us that as a single title, we mail as efficiently as possible, fully presorting our mail and using the most efficient containers available given our volume and geographic concentrations. We continue to look at other options, such as co-binding, which may offer some smaller savings and perhaps fewer delivery delays vs. co-mailing. Yet our potential co-binding partner (the religious weekly magazine *World*) has been so devastated by the rate increases that it plans to cut its frequency in half in January, making it an unsuitable candidate for co-binding. Other experts we spoke to at the Magazine Publishers Association, while expressing sympathy for our predicament, offered small comfort: we might as well co-mail, they tell us, since rumor has it that the USPS plans to downgrade the service to single-title weeklies anyway. The alleged plan: delivery will get slower and slower, till such time as it matches the current co-mailing delivery schedule.

If this venerable institution, the USPS, goes forward with plans to further decrease its service levels, it will indeed be a sad state of affairs. (I am old enough to remember when mail was delivered twice a day.) Shifting work and costs onto the private sector may sound good in theory, but in fact what it will mean is that the largest and most profitable players (with their lobbying clout) will increase their profits while the USPS ignores the postal principle deemed by the founders to be essential to the enlightenment of the Republic. Namely, preferred treatment for the press, which in their day was largely radical, revolutionary and partisan.

WHAT THE POST OFFICE DID AND DIDN'T DO

In the name of “efficiency,” what the USPS did do (based on a moderated version of Time Warner’s proposal) was adopt a formula whereby each magazine would pay its own way (instead of averaging costs within the class, as used to be the case). What the USPS didn’t do was weigh the public interest against the so-called “efficiency” interest; the social interests of readers and the democratic public sphere in the circulation of information and opinion against the economic interests of the powers that be in so-called “efficiency” (so defined as to be available only to mega-magazine publishers in a position to achieve economies of scale). It’s important to remember that the magazine class has always been subsidized (as per the founding fathers’ mandate); currently it does not contribute to USPS overhead, unlike other classes of mail. Over the years, these big magazines have received far more actual dollars of support than all the magazines like *The Nation* combined. And with this rate decision, they will receive even more.

A little history may be in order.

As I suggested above in my personal statement, the founding fathers of this country believed that the circulation of information, opinion and what they called intelligence was a pre-condition to self-governance. They saw the postal service as the circulatory system of democracy. Also, they thought it would help bind the country together. As one contemporary put it, the postal system helped transform the country from a confederation of separate states into “one great neighborhood.”

That is why among other reasons, Benjamin Franklin agreed to serve as Postmaster General. That is why Thomas Jefferson sought to persuade Washington, who believed that all newspapers should be delivered free of charge, to name the great pamphleteer Tom Paine as Postmaster General. In defense of the view that periodicals

should be mailed free, Rep. Elisworth Gerry of Massachusetts declared, “wherever information is freely circulated, there slavery doesn’t exist, or if it does, it will vanish as soon as information has been generally diffused.”

For the next two hundred years we proceeded on this assumption that the mail, especially periodicals including information and opinion relating to public affairs, was a public good. Had the postal authorities properly factored this into their deliberations and weighed it against their narrow definition of efficiency, it is difficult to see how they could have ended up with the invidious formula they ultimately adopted.

Had they done so, they might have considered the option of reallocating costs within the periodicals class itself to benefit the public interest, i.e. for example, charge even less to publications with a higher percentage of editorial content and more to periodicals with a higher percentage of advertising content; less to publications that devote more space to public affairs and more to publications that ignore public affairs. None of these ideas is easy to implement. Each of these proposed acts comes with delicate and nuanced First Amendment and other issues to be worked out, but in the interests of a robust democratic public sphere the exercise may be more than worth the trouble.

WHAT IS TO BE DONE

The members of this Committee know better than I what CAN be done by way of legislation, and on what sort of timetable, but I know better than you what could happen if nothing is done, the damage to be inflicted on the very same periodicals – left, right, center, libertarian and communitarian, Democrat and Republican, secular and religious –

whose core mission is to cover the public sphere, to set the standard for reasoned argument and public discourse.

Over the years any number of people involved with magazines such as *The Nation* and *The New Republic*, but also *Harper's* and the late *Saturday Review*, have given much thought to matters postal. Here are some of the ideas it seemed to me worth bringing to your attention.

(1) Change the law so that in the future either the requirement that each class pay its own way be struck and/or that social mission be emphasized in the allocation of charges within each class; in other words that the rate-setters better balance the post office's historic mission against so-called prudent business practices only available to large mailers.

(2) Congress should take back the rate-setting prerogative it gave away in 1970. What appeared then to be delegation turns out now to have been abdication in favor of Big Media.

(3) Congress should pass a resolution condemning the new rate structure and urging the Board of Governors to reverse itself.

(4) The Commission should issue its own fact-finding report including a history of postal policy (see Kelibowitz and Joseph) but also impact studies, using an enlarged and open database, on small-circulation magazines.

(5) Dumb Question: If it is true that the postal service has been losing volume at least in part due to increased fees, isn't the alternative to lower rates and thereby increase volume?

(6) First Class mail consists of mail that private citizens want and pay to send. Second Class (now called periodicals class) mail consists of mail that private citizens want and pay to receive. First and Periodical Class mail is a service to the public. Third Class mail – direct or junk-mail – is said to be doing well when it realizes a return of 2%.¹ But that means that 98% of the people who receive direct mail don't want it. It's an advertising medium. Why not raise the price class of mail that nobody wants anyway and use it to subsidize the periodical class mail, which 100% of its receivers have paid good money for and which performs a public service?

(7) If one thinks of the mails as a communication channel and one thinks of our other communication channels a question arises: Unlike most other nations the US has turned over certain channels of communications (television first and foremost among them) to profit-making corporations. Unlike the post office, which oversees the mails, the television channels are not required to break even. Fair enough. But if every TV station were asked to pay a reasonable rental fee for the use of its channels, then resulting revenue would erase the postal debt overnight. Think about it.

(8) In the future, when setting periodical class rates, why doesn't Congress take into account the size of circulation, profitability, as well as some of the other variables outlined above? In other words, why doesn't Congress take a holistic approach and charge less for publications that are published in the public rather than for-profit interest? (To a degree this already happens for non-profits, but in the political periodical business publications that might otherwise be non-profit retain their for-profit status because they

¹ (I know because both *The Nation* and CJR depend on direct mail.)

want to be free to endorse candidates and push for legislation – something non-profits are not allowed to do under the law.)

As *The New Republic* has pointed out, “to subsidize the mail is not to underwrite a political view of one special interest over another. It is to underwrite a diversity that invigorates democracy.”

(9) Why not revive the proposal put forward by Congressman Morris “Moe” Udall and supported by Barry Goldwater and others many years ago: That the first 250,000 copies of all publications be mailed at reduced rates? Or the legislation proposed as recently as 2002 by Bernie Sanders that would place a moratorium on postal increases for magazines with a low percentage of advertising content, low circulation or non-profit status?

(10) Finally, and immediately, under the new postal bill the USPS has the flexibility, working in tandem with Congress, to roll back and/or redistribute rates now – before the end of the year. I propose that Congress ask the USPS to extend non-profit rates to small-circulation political magazines (without imposing upon them the restrictions that bar the endorsement of candidates or attempt to influence legislation).

To recapitulate: I do not pretend to have the simple solution to solve the crisis that confronts us. But if you/we do nothing, the impact of the new postal rate increase on the flow of ideas and opinions in America is likely to be significant. It is no accident that the President of *The Nation* and the Publisher of *National Review*, two periodicals on the opposite sides of the political spectrum, recently teamed up to write an Op Ed essay sounding the alarm (see attached page). Such small political journals – which, by the way, carry the most discourse – bear the heaviest rate increases. The unpopular ideas and

opinions that these journals propagate and circulate today often turn out to be tomorrow's wisdom. They act as intellectual and political gadflies, they prod their larger and staidier colleagues, they question conformity and complacency.

By helping them recover from the grievous wound inflicted upon by the recent rate increase, this Committee will have deepened and strengthened our democracy.

Los Angeles Times opinion, May 28, 2007

Magazines feeling postal pinch: High-circulation periodicals enjoy discounted rates, while smaller publications get hit with steep rate hikes.

By Teresa Stack and Jack Fowler

TERESA STACK is president of *The Nation*. JACK FOWLER is publisher of the *National Review*.

The cost of getting magazines into your mailbox will shoot up July 15. How much? It depends.

Magazine publishers are facing a radical postage rate restructuring that favors those with large circulations and transfers costs to small- and mid-circulation publications.

Past increases to periodical postage were applied fairly equally across all publications. But this time, things are drastically different—and potentially damaging to the diversity of voices that our founders strove to foster when they created the national postal system.

Our respective magazines—*The Nation* and the *National Review*—sit on opposite ends of the political spectrum and disagree on nearly every issue. But we concur on this: These proposed postal rate hikes are deeply unfair.

It is not simply that we want to avoid a massive increase in our mailing costs, though that is a factor. More important to us is that we believe in a vibrant marketplace of ideas (where we each think our ideas will prevail). We are not afraid of intellectual competition; we welcome it.

For this latest round of rate hikes, the U.S. Postal Service proposed a 12% increase that would have affected magazines more or less equitably. Then, in an unprecedented move, that plan was rejected by the Postal Regulatory Commission, the body responsible for setting rates. Instead, it approved a complicated pricing system based on a proposal by Time Warner Inc., the largest magazine publisher in the country. Rather than base rates on total weight and total number of pieces mailed, the new, complex formula is full of incentives that take into account packaging, shape, distance traveled and more.

It adds up to this: discounts for some periodicals; as far as we can see, mostly the huge-circulation titles associated with firms like Time Warner. At smaller magazines like ours, rates will go up 15% to 25%. Research by McGraw-Hill Cos. concludes that the rate increases for some small-circulation publications could hit 30%.

Time Warner and the Postal Regulatory Commission say this scheme rewards efficiency. But the rates appear to have been adopted with little research into their effect on publishers and with no meaningful public input.

How will small magazines that operate on the economic margins—yet have an outsized effect on public discourse—accommodate \$500,000 (in the case of *The Nation* and the *National Review*) in additional postage expense? Will we be forced to cut back on reporting, raise our prices, reduce our staffs or our number of pages to stay afloat? For some titles, the change may prove fatal. It certainly will make it more difficult to start a new magazine, and publishing will be less competitive as a result.

Time Warner and the postal commission seem to have little understanding of the crucial role the Postal Service has played in establishing an open marketplace of ideas. It has always been a central policy of the Postal Service to use its pricing mechanism to encourage smaller publications and competition.

Since the time of James Madison and the founders in the 1790s, it has been understood that low rates for small publications make it possible to have the rich, open and diverse media that a self-governing people require. This is what is at stake today. And because so much of the material online originates in print magazines, these postal rates could have the unintended effect of shrinking the digital marketplace of ideas as well.

We urge the relevant congressional committees to hold a hearing to investigate this coming crisis before it is too late. The last 215 years of postal policy were instrumental in the creation of the extraordinary free press we have in the U.S. today. We should not begin to overturn this magnificent tradition.

Copyright 2007 Los Angeles Times

Appendix

Attached to this testimony are the written statements of a number of other magazines that have been similarly impacted by the rate increases. They are included here for the record.

NATIONAL REVIEW

215 Lexington Avenue
New York, NY 10016
212-679-7330

www.nationalreview.com

Statement by Jack Fowler, Publisher, concerning the Periodical Postal Rate Increase of July 15, 2007
Submitted September 28, 2007

*To the Honorable Danny Davis, Chairman, the Honorable Kenny Marchant, Ranking Member, and all
Esteemed Members of the Federal Workforce, Postal Service and District of Columbia Subcommittee*

National Review is a conservative journal of news and opinion. Founded in 1955 by William F. Buckley Jr., the magazine has enjoyed 52 years of full, vigorous, and influential participation in America's ongoing important public debate of ideas.

We contend that America benefits from the existence of opinion magazines, which in addition to *National Review* include *The Nation*, *The American Conservative*, *Human Events*, *The New Republic*, *The American Spectator*, *The Progressive*, *The Weekly Standard*, and others. Despite our conflicting ideologies and frequencies and formats, our magazines share one thing: we receive little advertising support, particularly when compared to popular mass circulation publications which discuss celebrity, gossip, sports, and other topics far afield from political speech and debate, the form of speech most central to protection by the First Amendment.

This is the life we have chosen. But we have chosen it knowing that, while advertisers may be wary of associating with the opinions published in our collective pages, at least the United States Post Office and Postal Service historically recognized the vital role our journals played in the life of our Republic. That special recognition seems to have ended on July 15th, with the imposition of new rates that particularly impact opinion magazines.

On June 7, 2007, *National Review* mailed 161,443 copies of the June 25th issue, which totaled 60 pages and weighed 0.26 pounds per copy. On August 9, 2007, three weeks after the new rates commenced, we mailed 161,321 copies of the August 27th issue. This smaller issue totaled 52 pages and weighed 0.23 pounds per copy. Our postage bill for the June 25th issue was \$41,779.59, or \$0.2587 per copy. The postage bill for the smaller August 27th issue was \$48,823.80, or \$0.3026 per copy. That represents a 17% increase. That is huge.

The new rates place a higher increase in postal costs on opinion journals than on popular magazines on the rationale that such should incentivize opinion journals to find new efficiencies. This assumes that 1) proposed efficiencies which are enjoyed by large-circulation publications may also be enjoyed by *National Review* (they cannot, or, when they can, they risk severely impacting the delivery of our time-sensitive publication), and 2) we are not constantly seeking ways to save costs (we are).

In response to previous postal rate increases, *National Review* has been forced to do a number of things, including the following: 1) reduce our paper stock and quality to the bare minimum which we believe will be acceptable for advertising, 2) reduce the number of editorial pages in each issue, and 3) lessen our frequency from 25 times annually to 24 times.

In response to this latest large and disproportionate increase, we now ask that this Committee and this Congress take appropriate action to reduce the new periodical rates imposed on opinion magazines, at least to the level enjoyed by those magazines which utilize the services of the United States Postal Service in order to inform America about drunken heiresses and the latest doings of former Heisman Trophy winners.

Thank you for considering this important appeal.



THE NEW REPUBLIC

September 27, 2007

Statement of Allen Chin on behalf of THE NEW REPUBLIC for the Federal Workforce, Postal Service, and District of Columbia Subcommittee of the House Committee on Oversight and Government Reform, 110th Congress, 1st Session (October 3, 2007):

I am writing to inform you of the financial impact of the postage-rate increase that took effect on July 15, 2007. Since that time, THE NEW REPUBLIC has seen a 15.5 percent increase in postage costs. Annualized, this represents an additional \$40,000 in postage, a significant amount for a magazine with a small subscriber base.

Due to our small subscriber base, we are unable to take advantage of the discounts that reward efficiencies in mail preparation and entry. And that's a real loss to the nation: For more than 90 years, THE NEW REPUBLIC has been a significant part of America's institutional memory. With unconventional takes on major political changes, cultural shifts, and the issues of the day, THE NEW REPUBLIC does not just catalogue, but shapes the policies that affect the country. In short, THE NEW REPUBLIC has an important role to play both in journalism and in the history of the nation, delivering intelligence to the nation's most intelligent and creating a discussion that is about changing American discourse—not about popularity.

The New York Review of Books

1755 Broadway, 5th Floor, New York, NY 10019 Tel: 212-757-8070 FAX: 212-333-5374

September 24, 2007

Subcommittee on the Federal Workforce, Postal Service and The District of Columbia
Danny Davis, Chairman

Re: Periodical Postal Rate Increase effective July 15, 2007.

Dear Chairman Davis,

I am writing in support of the testimony of Victor Navasky, Publisher Emeritus, *The Nation*, regarding the recent periodical postage rate increases.

The New York Review of Books is a journal of ideas published twenty times per year since 1963. The *Review* has served as a forum for writers and thinkers to discuss not only current books but also the complex issues of American culture, society, economics, politics, and the arts. The *Review* is not a mass-market, advertising-driven magazine. It has a modest but devoted subscriber base that is its primary source of financial support.

As a small, independent publisher we are disproportionately affected by any substantial increase in our postal expense. We have taken steps in order to minimize this postal increase as much as possible. We have reduced the weight of the *Review's* paper stock to the minimum that can be handled by the postal equipment. We also are paying our printer to drop ship copies to postal BMCs, rather than paying the USPS for these shipments, whenever we can recognize net savings. Unfortunately, as a tabloid publication, we are unable to take advantage of other potential savings such as co-mailing and co-palletization, which our printer does not offer for publications of our dimensions.

After taking all these steps *The New York Review of Books* has seen a 15% increase in postage costs. Annualized, this represents an additional \$100,000 in postage, a substantial increase in expense for a small, single-title publisher.

Please consider the undo burden that this rate increase has placed on small publishers who are least able to absorb substantial cost increases. Thank you for providing a hearing for these concerns.

Sincerely,



Rea S. Hederman
Publisher

The American Conservative

“Statement of Scott McConnell on behalf of The American Conservative for the Federal Workforce, Postal Service and District of Columbia Subcommittee of the House Committee on Oversight and Government Reform, 110th Congress, 1st Session (October 3, 2007)”

I regret to report that the postage increases we are facing under the new provisions are little less than catastrophic. Magazines like ours operate on a very tight margin. We are right now just beginning a push to expand beyond our initial subscription base. But suddenly we are faced with an increase of postage costs of 58 percent, a rise in postage per copy from \$0.198 to \$0.315. This will raise our annual postage rates to more than \$60,000, whereas they used to be under \$40,000 a year. Before the increase, postage represented a 15 percent of our cost of goods sold. It now rises to 23.7 percent. It is my understanding that these increases are higher even than they are for larger publications, because there are fewer opportunities for us to take advantage of discounts.

This increase forces a publication like ours to confront some very painful choices. We could try to absorb the cutbacks by cutting editorial expenses--what we pay writers, what we pay editors, what we pay artists. These sums are hardly grand--like most little magazines, our contributors make a large sacrifice when they write for us. But to cut them further risks a kind of dilution of editorial quality that could obviate the reason for our existence. Perhaps we could change our format, and publish the magazine less frequently, but that would put us in an entirely different market category, and would also be harmful to our editorial influence.

Short of such measures, I am really at a loss as to what we might do. I earnestly hope the rate increase is reconsidered.

Mother Jones

www.motherjones.com

222 Sutter Street Suite 600
San Francisco, California 94108

T 415 321 1700

F 415 321 1701

October 1, 2007

To: Subcommittee on the Federal Workforce, Postal Service and the District of Columbia. Danny Davis, Chairman

Re: Periodical Postal Rate Increase effective July 15, 2007.

Dear Chairman Davis,

Thank you for inviting testimony on the matter of the 2007 revisions to the postal rate structure.

As pedestrian as the topic may sound, these new rates touch virtually every citizen who feeds her interest in public issues by reading thought-centered periodicals. Radically increased postal costs – non-profit *Mother Jones'* postal expenses have now increased more than 25% in the last two years – have the effect of *punishing* political discourse at a time when our country is wrestling with some of the most difficult issues it has ever faced. Is this a time to push engaged citizens -- people with the willingness to educate themselves and engage in the search for solutions – away from idea-centered print journalism?

Mother Jones is a bi-monthly magazine of independent investigative reporting, published by the non-profit foundation for National Progress. Our circulation is approximately 230,000, making us relatively large within the ranks of independent publications but still small for an enterprise dedicated to the (time-intensive and thus expensive) work of reporting. Our advertising base is very modest – ad sales account for less than 15% of our total revenue. The change in the postal rate structure hurts publications such as *Mother Jones* disproportionately.

The Postal Rate Commission introduced the new structure, one that followed in significant respects a proposal made by Time-Warner, after only a very brief

window of public comment. In adopting the plan, the PRC consistently asserted the goal of increased efficiency, certainly a desirable trait in the system. But in implementing a structure which gives such clear financial preference to publications with large subscriber lists and lots of advertising, the new system shifts significant costs *onto* publications whose volumes are smaller, whose “postal sorts” yield smaller bundles, and who carry modest number of ad pages. And while it is true that smaller publications can, in theory, achieve greater volume and increased postal discounts by “co-mailing” with other publications, that practice can itself be difficult and costly. The net effect of these changes is thus to selectively harm the set of periodicals that are in the business of ideas at a time when we are also dealing with other dramatic changes in the media world. Trying to compete with *Time* on the one hand and Google on the other may make for a David v. Goliath story line – but the odds aren’t good for political discourse.

I urge the committee to consider the impact of the new postal rate structure on independent magazines of ideas and to re-introduce into the mandate of the PRC the notion, core to the founding ideals of the country, that the nourishment of thought in our democracy has a value that trumps “cost efficiency.”

Sincerely,

Jay Harris
President & Publisher

Statement of Joel Bleifuss on behalf of *In These Times* for the Federal Workforce, Postal Service and District of Columbia Subcommittee of the House Committee on Oversight and Government Reform, 110th Congress, 1st Session (October 3, 2007).

In August 2007, *In These Times*, an independent magazine based in Chicago, was hit hard by a 23% postal rate increase. This complex new rate structure, designed by and for the benefit of the largest publishing companies, has severely impacted our small magazine's ability to do business. We face an immediate threat to our financial health. These reckless postal rate increases are aimed at the heart of our nation's independent press. I urge you to ask the spokespeople of the media conglomerates whether they would support these increases if their mailing costs had risen 23%.

This is a democracy issue. The founding fathers, in their infinite wisdom, created a system that made it cheaper for smaller publications, irrespective of viewpoint, to launch and survive. In 1792 the United States Congress converted the free press clause in the First Amendment from an abstract principle into a living reality for Americans by providing newspapers with low postal rates. These low rates were crucial for the growth and spread of the abolitionist movement, the progressive movement and, later, the civil rights movement. More broadly, they have been central to the development of participatory democracy in general. Today, low postal rates remain crucial to the survival of independent American publications like *In These Times*.

A national monthly magazine with a circulation of 20,000 people, *In These Times* is committed to providing a forum for discussing the politics that shape our lives, and to producing a magazine that is read by the broadest and most diverse audience possible. Throughout its 31-year history, *In These Times* has published the writings of such invaluable American authors and political figures as Kurt Vonnegut, Studs Terkel, Alice Walker, George McGovern and the late Sen. Paul Wellstone, who was one of our first subscribers.

Three decades after its founding, *In These Times* remains committed to covering the controversial issues of our time. Through five presidential administrations, *In These Times* has adhered to the belief that in order to thrive, our nation's citizens need independent media to inform, educate and orient themselves. Our nation's founding fathers believed this, too. The postal rate policy they enacted has served free thought in America for more than 200 years. We ask Congress to provide some rate relief and reverse this substantial attack on the viability of our nation's independent press.

UUWORLD

THE MAGAZINE OF THE UNITARIAN UNIVERSALIST ASSOCIATION OF CONGREGATIONS

September 25, 2007

House Subcommittee on Federal Workforce,
Postal Service, and the District of Columbia
The Hon. Danny K. Davis, chair
U.S. House of Representatives
110th Congress
Washington DC 20515

TESTIMONY CONCERNING THE PERIODICALS POSTAGE RATE INCREASE

UU World is the nonprofit religious magazine published four times a year for 125,000 member households affiliated with the Unitarian Universalist Association of Congregations. The magazine is the primary way the Association serves all members of its 1,000+ congregations in the United States. (We also mail several hundred copies to our religious partners internationally.)

Changes in the periodicals postage rate, effective July 15, 2007, increased *UU World's* postage expenses by 21.5 percent. Like many magazines, we had expected an increase of between 11 and 12 percent. Although consumer magazines might find it relatively easy to absorb a \$20,000 annual increase in postage costs, for a nonprofit membership organization's quarterly magazine, the amount is significant.

It is disturbing to learn that the new rates abandon the long-standing American tradition of supporting a diverse marketplace of ideas with a fair and uniform postage rate for periodicals. Historically, the periodicals rate allowed small journals of opinion to reach a national audience. But the new rates reward high-circulation periodicals with discounts that smaller-circulation periodicals simply cannot qualify for. Instead, we face a steep and unfair increase in mailing costs.

UU World already takes advantage of the cost-cutting measures offered by our printer, one of the country's largest. We allow delays in delivery to put as many magazines as possible on pallets for shipping to regional distribution centers, rather than mailing them from a central location. But the simple truth is that a national magazine with only 125,000 subscribers cannot take advantage of the discounted rates the new periodicals scheme makes available to the largest magazines.

I urge you to consider the role of smaller periodicals in America's civic life and to look for ways to restore fairness to periodicals postage.

Gratefully yours,

Christopher L. Walton
Editor

The Progressive

Statement of Matthew Rothschild,
Editor and Publisher, The Progressive Magazine
for the Federal Workforce, Postal Service and District of Columbia
Subcommittee of the House Committee on Oversight and Government Reform, 110th Congress,
1st Session (October 3, 2007)

Chairman Waxman and Members of the Committee,

The Progressive magazine was founded in 1909 by Republican Senator Robert M. La Follette—"Fighting Bob," as we call him even today.

One of the things he fought for was a fair playing field in the media arena.

He knew, as we know, that big media corporations have a huge influence over the electorate.

He knew, as we know, that they have resources well beyond the wildest fantasies of struggling little magazines like ours.

And he would be outraged, as we are outraged, that the government is allowing the Postal Rate Commission to engineer a rate hike that favors the already favored media giants and makes life even more precarious for small, underfunded political magazines.

These magazines, from the left and from the right, offer the lively political give and take that our founders understood was so crucial to our democracy.

At *The Progressive*, we need to watch every penny. We budget carefully, and we have no owners or philanthropists who bail us out with five-figure or six-figure donations when times get tough.

And so, when postal rates jump beyond our budgeted figures, we suffer. The postal hike is costing us at least \$20,000 more than we bargained for. Unlike most businesses, magazine publishing is particularly sensitive to postal hikes. Because our customers subscribe and pay for our service in advance, we cannot simply print and deliver less of our product and remain in business.

We generally expect and plan for modest postal rate increases. Significant hikes like this one, however, threaten to obliterate the most conservative budget projections and increase the likelihood of layoffs and bankruptcy.

The Progressive has published the words of many fine members of the U.S. Congress, from La Follette himself to Senators Gaylord Nelson, Hubert Humphrey, Paul Wellstone, and John F. Kennedy. We've also published articles by, or interviews with, Representatives David Obey and Tammy Baldwin, as well as Sherrod Brown and Bernie Sanders before they became Senators.

This is just one of the public services we provide.

But by raising the postal rates on *The Progressive* we'll be hard-pressed to continue to provide this or any of the other services we offer in our attempt to enrich our democracy.

Fighting Bob La Follette, were he in this Congress today, would urge you, as I urge you, to overturn the decision by the Postal Rate Commission and reestablish that level playing field that is so crucial to the free exchange of ideas.

October 1, 2007

Statement of Claire Iseli, Vice President of Circulation and Business, on behalf of the *Washington Monthly*, for the Federal Workforce, Postal Service and District of Columbia Subcommittee of the House Committee on Oversight and Government Reform, 110th Congress, 1st Session (October 3, 2007):

Re: Periodical Postal Rate Increase effective July 15, 2007

We support the testimony of Victor Navasky, Publisher Emeritus, *The Nation*, regarding the recent periodical postage rate increases.

As a small-circulation nonprofit magazine published ten times a year since 1969, we serve as an important independent source of reporting on government and politics in the Nation's Capital, presenting thoughtful and thought-provoking articles on what needs to be done to move the country forward. We are also a training ground for some of the country's best journalists, many of whom got their start at the *Washington Monthly*. Under the best of circumstances, the economics of publishing a single title are difficult. That is why the steep increase in periodicals postal rates – an unavoidable cost of doing business – has hit us so hard. We have taken every possible step to minimize the impact, including co-mailing and co-palletization, yet we are facing a 15% increase that will cost us additional thousands of dollars each year to get our magazine to our subscribers.

More and more, it seems as if the national conversation is being controlled by the large media corporations. We hope that this Subcommittee will help to preserve a network of independent voices by reversing the postal rate increases that have placed an unfair burden on small publishers.

Thank you for providing us the opportunity to express our concerns.

Commentary

165 East 56 Street
New York, New York 10022
(212) 891-1400
Fax (212) 891-6700



Statement of Sarah Stern on behalf of Commentary for the Federal Workforce, Postal Service and District of Columbia Subcommittee of the House Committee on Oversight and Government Reform, 110th Congress, 1st Session (October 3, 2007)

Commentary prides itself on being America's most distinguished monthly journal of ideas. Although the magazine has a relatively modest circulation, it is widely considered to be the most influential opinion magazine in the country.

Commentary is published by Commentary, Inc., a registered not-for-profit. Its primary goal is to be an important voice in public debate and to promote reasoned discussion of the pressing issues of the day. Although it has always striven to keep costs to a minimum, like other small-circulation opinion magazines it runs at a deficit, and indeed has lost money every year since its founding in 1945.

Given these ongoing losses, the magazine has been compelled to keep its personnel costs--its single largest expense--low. It has also continually worked hard to reduce its second highest expense--printing and production--while still publishing a handsome and high-quality product. The third biggest budget item is postage, something over which the magazine has had no control.

This most recent postal increase has hit the magazine's bottom line very hard. Costs have risen by over 16 percent for the two issues that have been mailed since the new rates went into effect. Why? Commentary's circulation rate base is now 27,000, most of which consists of individual subscribers. Although the discount offered by the postal service goes to publications that are able to "bundle," only 2 percent of Commentary's mail is shipped in bundles; the rest, 98 percent, is sent piece-rate to subscribers who are dispersed widely throughout the nation. Many of Commentary's readers, although they are remarkably loyal to the magazine, are likely to reject a subscription price increase of the magnitude now becoming necessary to make up for the shortfall caused by the new rate structure.

In sum, this latest rate increase could have a severe impact on the future of a 62-year old publication that continues to make a significant contribution to American culture and to inform and enlighten public discourse on the most urgent issues of the day.