

UNIVERSAL SERVICE OBLIGATION	)	Docket No. PI2008-3
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## TESTIMONY OF JAMIE TROWBRIDGE

**June 19, 2008**

My name is Jamie Trowbridge. I am the President and CEO of Yankee Publishing, Inc., which is headquartered in Dublin, New Hampshire. I appreciate this opportunity to testify before the Commission.

Yankee was founded in 1935 by my grandfather Robb Sagendorph, a frustrated freelance writer who had a vision of a magazine that was to be "the expression of our great New England culture." Yankee was not very successful at first, but Robb bought the rights to publish The Old Farmer's Almanac in 1939, and things started looking up financially. The Almanac is America's oldest continuously published periodical. It was started by Robert B. Thomas in 1793, when George Washington was still in his first term as President. Yankee still publishes both titles. We have 55 employees -- 45 at the company headquarters in Dublin, New Hampshire, and 10 at a sales office in Boston. The company is still family-owned.

Today, we use the Postal Service quite extensively to distribute Yankee Magazine to our 325,000 subscribers. Yankee Magazine is "New England's Magazine," the essential resource for people who want to know and enjoy the New England way of life today.

Our readers live in both rural and urban areas, and about half live outside New England. The "outsiders" use the magazine as a way of staying in touch with the region they love.

In January 2007, we cut our publishing frequency to six issues per year and reduced our circulation in an effort to recast the magazine's publishing economics. Reducing our frequency and our rate base was a way to reduce our production and distribution expenses. At the same time, we increased the physical size of the magazine. Increasing trim size not only provided a better visual experience for our readers but gave readers more content per issue. Some of our readers were disappointed by the changes, but many were pleased.

Changing the size of Yankee magazine from digest size to a more common size allowed us to join the comail pool of our printer, Quad Graphics. Through comailing, we are able to qualify more than 80 percent of our copies for Carrier Route rates and over 90 percent of our copies for destination entry rates.

In addition to distributing Yankee magazine to subscribers through the Postal Service, we also use the Postal Service extensively to support subscriptions (sending acknowledgements, invoices, and renewal notices) and to attract new subscribers (sending promotions and special offers for magazines and related products).

The Postal Service is extremely important to Yankee because mail serves as our primary means of contact with our readers. While we do sell copies on newsstands,

subscriptions comprise more than 90 percent of our circulation. We expect that the subscription channel will continue to be the major component of our magazine's circulation for the foreseeable future. All subscription copies are delivered by the Postal Service.

Given the large increase in recent years in the costs of producing and distributing magazines, as well as changes in media consumption patterns, Yankee magazine has established a successful companion Internet site, YankeeMagazine.com, where we serve about 90,000 unique visitors per month. We are focusing our investment resources on our Web sites, as we expect are many mail users, as businesses in general continue to explore ways in which technology can facilitate quicker, less expensive, and more effective communication with customers.

While we don't expect circulation of our hard copy magazine to grow much in the future, we do believe the magazine will continue to publish in print for a long time to come. I have been told that magazines and other mailed periodicals have been called an anchor of the mailbox – eagerly awaited by consumers – and I feel confident that is true for Yankee's subscribers. There is a good reason that mail with “educational, cultural, scientific, and informational” value, such as magazines and newspapers, have received special treatment under postal law throughout the years.

Ever-increasing production and distribution costs may force magazines to raise prices for consumers and advertising customers. Unfortunately, our subscribers and

advertisers are more focused on their costs than ours and they are very price sensitive. Realistically, the only way we can accommodate increased costs is by cutting back the least profitable parts of our business as they turn unprofitable. That decreases the volume of our business and the volume of the USPS. Thus begins the downward spiral. To keep our businesses viable, we need a viable, reliable and affordable Postal Service now and in the future.

I wish to offer the following observations in response to the Commission's questions regarding universal postal service.

- Maintaining a universal postal system is in the national interest. Facilitating nationwide distribution of the printed word was a fundamental justification for the original establishment of America's government-sponsored postal system. More than 200 years later, magazines still make a difference in people's lives, and in the life of the nation.
- What does universal service mean? Several features of universal service are particularly important to Yankee and magazine publishers in general:
  - Postal rates must remain affordable. Consistent with the recently-enacted postal reform law, this can be achieved by constraining Periodicals rate increases to inflation. As a small mailer, I can tell you how hard it is to absorb increasing business costs, paper, fuel, health insurance, and postage.

- As the only truly universal service provider, the Postal Service should continue delivery to each and every business and residence as it does today.
- Six day per week delivery should be continued. Certain magazines may be best received just prior to or on the weekend when readers have more time to devote to perusing the magazine. Other magazines may be best received early in the week to provide useful information a reader can utilize during the workweek.
- The Postal Service should provide reliable service, with clearly articulated service standards, a service measurement and reporting system, and avenues of recourse if the standards are not met. We believe that current service levels provide adequate service for magazines and should be maintained.
- The Postal Service must continue to deliver the variety of mail that publishers (and other mailers) want to send. Publishers use the Postal Service to distribute a broad spectrum of magazine formats – ranging from ounces to pounds; from digest size to tabloid size; from unwrapped to polywrapped.
- I realize that potential declines in mail volumes could make funding universal service more challenging in the future. It is likely that the Postal Service will

need to look internally for cost reduction opportunities. I understand that one such opportunity is for the Postal Service to streamline its processing network to reach an optimal configuration. The Postal Service should be given substantial flexibility to do so as long as it continues to meet its universal service obligation.

I wish to offer the following observations in response to the Commission's questions regarding postal monopoly laws.

- One reason the Postal Service is able to pay for its nationwide and truly "universal" network of carriers delivering mail to each and every business and residence in the nation is through the monopolies it has been granted over the delivery of letters and access to mailboxes. This seems to be a reasonable approach. The Commission should not recommend changes to these monopolies that could jeopardize universal service.
- I understand that magazine publishers have tested alternate delivery options and have concluded that efficient and affordable delivery requires large quantities of mail. Allowing new entrants to "cream-skim" the Postal Service's most profitable mail volume could deprive the Service of the volume and revenue needed to underwrite the cost of the universal service obligations.

Thank you for your time and attention. I would be pleased to answer any questions you may have.