

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

COMPLAINT OF TIME WARNER INC. ET AL.
CONCERNING PERIODICALS RATES

Docket No. C2004-1

DIRECT PREPARED TESTIMONY OF JOYCE MCGARVY
ON BEHALF OF AMERICAN BUSINESS MEDIA
(September 9, 2004)

1 My name is Joyce McGarvy, and I am submitting this testimony on behalf of
2 American Business Media in order to comment on the rate and restructuring proposals
3 that have been advanced in this proceeding by Time Warner, Newsweek, Readers
4 Digest, TV Guide and Conde Nast (which I will at times collectively refer to as “Time
5 Warner” to make this testimony more readable).

6 As a general matter, I agree that Periodicals mailers should take whatever steps
7 are reasonably possible to reduce their own postage costs as well as the Postal
8 Service’s costs (that are, after all, passed through to mailers). It appears to me,
9 however, that the Time Warner restructuring proposal—especially with the rates
10 suggested but not directly at issue here—is too much, too fast. If implemented, they
11 would sacrifice many small publications in order to assure guaranteed rate reductions
12 for Time Warner and would result in speculative, modest benefits, at best, for the
13 Postal Service and most other Periodical mailers. I draw these conclusions not as an
14 economist or a Postal Service costing expert but as a person who, unlike the Time
15 Warner witnesses who presented the proposal, has actually been involved in both

1 producing and distributing Periodicals through the mail. Theory is nice, but reality is
2 often different.

3 **Autobiographical Sketch**

4 My present position is Corporate Distribution Director for Crain Communications,
5 where I have been employed for twenty-five years. Crain Communications is primarily a
6 publishing company with thirty titles providing vital news and information to industry
7 leaders and consumers. Each newspaper or magazine has become required reading
8 and an authoritative source in its own sector of business, trade and consumer market.
9 In my present position, which I have held for nineteen years, my responsibilities include
10 managing the distribution of all of Crain's weekly, bi-weekly and monthly publications, a
11 job that includes managing the company's postal affairs.

12 During my years at Crain, I have been very active in the industry. I am presently
13 the Vice-Chair of the Mailers Technical Advisory Committee (MTAC) and President of
14 the Red-Tag News Publications Association. I have served on MTAC for approximately
15 nine years, during which time I served on numerous committees and work groups,
16 including serving as Industry Co-chair for the Electronic Publication Watch and the
17 Electronic Mail Improvement Reporting (eMIR) work groups. I am the Industry Co-chair
18 for the Periodicals Operations Advisory Committee (POAC), and I serve as Industry Co-
19 chair for the Postal Service's Periodicals National Focus Group and the Great/Lakes
20 area, and I am a member of the Periodicals Advisory Group.

21 I have a degree in Transportation from the College of Advanced Traffic, Chicago,
22 IL, a Bachelor's Degree in Business Administration from Cleary College, and a Master's
23 of Science in Administration Degree from Central Michigan University.

1 **Overview**

2 Time Warner proposes a radical restructuring of the Periodicals class that would
3 produce changes far more drastic than those previously rejected by the Commission,
4 such as in its several decisions refusing to zone the editorial pound rate and its decision
5 in the 1995 reclassification case, MC95-1. There appear to be several basic rationales
6 advanced for the proposal, including: (1) present rates are unfair, because some
7 publications pay too much while others pay too little, (2) the present rates do not send
8 the right “price signals,” so that mailers are not given the incentives to make their mail
9 less costly for the Postal Service to handle and (3) with proper rates and price signals,
10 most (but not all) mailers will be able to change the way that they prepare their mail and
11 avoid the large rate increases that would otherwise befall them. Underlying much of the
12 Time Warner presentation is the suggestion that a large number of Periodical mailers
13 are doing things like mailing in low-volume sacks for no good reason—simply because
14 they can without paying a rate penalty.

15 In my opinion, the presentation in support of the changes requested is a mixture
16 of truth, questionable assumptions and wishful thinking. It fails to take into account
17 mailers’ desire for better service, the degree to which rates already reflect cost
18 differences and the changes that are now underway in the industry without any
19 additional rate “incentives.” And it suggests near indifference to the service and other
20 problems that could confront many publishers of small-circulation Periodicals if they
21 sought to avoid the very large rate increases that a new structure could impose.

22 From the response of the Postal Service to the Complaint and comments of
23 Postal Service officials in the past few years, it appears that it intends to move forward

1 with certain rate design changes, but to do so with caution in order to make certain that
2 its mission to “bind the nation together” is not unduly impeded by the unintended
3 consequences of a massive, one-time shift in rate design. Although “ready, fire, aim”
4 may be a valid and profitable corporate philosophy for Quad/Graphics, according to
5 witness Schick (Tr. 442), I do not think that it is an appropriate credo for the Postal
6 Service.

7 **The Industry is Changing**

8 Witness Schick remarked more than once during the hearing that the present
9 rate schedule provides ample incentives for co-mailing (Tr. 403, 504), and he also
10 testified that Quad/Graphics is able under the present rates to justify drop-shipping of
11 Periodicals with editorial content of 15% or even less. (Tr.436) He is absolutely correct.
12 That is why Crain has five of its small circulation publications co-palletized by
13 Quad/Graphics and nine of its small circulation publications co-palletized by RR
14 Donnelley. All of these co-palletized publications are drop shipped. The present
15 incentives are also why other American Business Media members co-palletize and co-
16 mail and why some of the complainants’ publications are co-palletized or co-mailed.

17 Time Warner submitted a number of interrogatories to American Business Media,
18 asking American Business Media to confirm that it has been encouraging its members
19 to investigate co-palletizing and co-mailing and that they are doing so. Combined with
20 the educational efforts of others, including the complainants themselves, printers and
21 other vendors, those efforts now are paying off. I understand that in the past couple of
22 years, monthly publications of American Business Media members, and I would
23 assume, smaller circulation publications of non-members, have begun to be co-mailed

1 or co-palletized. I have seen full page ads from Publishers Press, which specializes in
2 shorter run publications, touting its co-palletizing capabilities, and it is well-known in the
3 industry that, last month, Quebecor World announced that it is moving forward with the
4 purchase of two 30-pocket co-mailers and will actively market that service to short-run
5 publications. Even more recently, Fairrington, a transportation services company with
6 substantial involvement in the Periodicals industry, announced that it is moving forward
7 with a consolidation, co-palletization and transportation initiative that, it is hoped, will
8 eventually allow publishers who use printers that cannot co-palletize to have their mail
9 co-palletized and drop-shipped.

10 I know very well, and have worked closely with, key people at Quebecor World
11 and Fairrington and am confident that they would not be investing time, money and
12 management attention to co-palletizing and co-mailing endeavors based upon
13 speculation that the postal rate structure will change dramatically. Rather, I am certain,
14 or as certain as I can be without being in their board rooms, that they—like
15 Quad/Graphics and Publishers Press—understand that the present postal rates,
16 combined with mailers' desire to get out of sacks whenever they can, have produced an
17 environment in which Periodical mailers are changing and will continue to change. We
18 do not like excessive sack use any more than the printers do, or the Postal Service
19 does, because sacking mail imposes costs on printers that are passed on to us.

20 I know that I cannot predict, and I do not suppose that anyone can, whether the
21 changed mailing patterns that are certain to occur in the next couple of years without a
22 massive rate design shift will move enough mail so that the remaining high-cost mail will
23 impose a minimal and acceptable burden on the subclass. That is certainly a

1 possibility, however. When Crain co-palletized fourteen of its publications, we were
2 able to eliminate 900,000 sacks a year from the mail. Multiply that number by the
3 hundreds or thousands of Periodicals that will begin to comail and co-palletize as
4 Quebecor World, Fairrington and others ramp up their operations, and it is apparent that
5 a major shift has just begun.

6 **But There Are Limits to that Change**

7 If all Periodical mailers could move from small sacks to either big sacks or
8 pallets, and from small bundles to big bundles, and could then drop ship their mail, there
9 would be less concern about the rate design (and rates) proposed by Time Warner,
10 assuming of course that their implementation were delayed until the infrastructure
11 changes have taken place. But, unfortunately, it would be a huge mistake to push
12 forward with rate structure and level changes on the assumption that all publishers have
13 the ability to adapt to that rate structure. I know from the study we and a few other
14 American Business Media members did of the impact of the proposed rates, the results
15 of which were provided to Time Warner in discovery and provided as an exhibit to Lou
16 Bradfield's testimony, that rate increases of 50% and more under the proposed rates
17 would not be rare. I recognize that in some of those cases it would be possible, in
18 theory, to reduce the increase to a significant extent (but not necessarily without cost in
19 terms of money and service), but even the complainants recognize that this is not a "no
20 publisher left behind" recommendation.

21 Crain publishes both weekly and monthly publications, and I'll be the first to admit
22 that a publisher's flexibility with respect to monthly publications is greater than it is for
23 dailies or weeklies. The complainants concede that co-mailing and co-palletizing are

1 extremely problematic for weeklies (Tr. 425), because they must be entered into the
2 mail immediately after printing and cannot wait around the plant for the several days it
3 takes to complete a co-mail or co-palletizing program. But weeklies and dailies,
4 especially, also cannot simply increase sack sizes, rather than build pallets, to avoid the
5 brunt of the proposed rate increase, because of our concern that the service we need
6 will be seriously eroded if we move, for example, from 5-digit sacks to 3-digit sacks.

7 I recognize that this is a somewhat controversial issue, although witness Schick
8 understood (Tr. 340) that mail in 5-digit sacks is likely to be delivered more quickly than
9 if that mail were on an ADC pallet. As I understand it, there is no *theoretical* reason
10 why, for example, mail arriving at a destination SCF in a 3-digit sack should not be
11 processed and delivered on the same day as mail received at that SCF in a 5-digit sack
12 that is sent directly from the SCF to the DDU. As a member of the Periodicals
13 Operations Advisory Committee, I also know that, with product supplied by Crain
14 containing Planet Codes (used to track delivery), the Postal Service just completed a
15 very small experiment in Carol Stream, Illinois, to determine whether this belief is
16 accurate. The results of that study were not consistent with our belief that service would
17 be eroded, but everyone involved recognizes that the sample was far too small to permit
18 any conclusions, other than that a better test should be conducted. Because delivery
19 times are absolutely crucial for weekly publications, we cannot afford to make a mistake
20 in this area. In the business-to-business world, if the information is not delivered when it
21 should be, which is often on Monday, the ramifications for the publisher can be very
22 serious. A publisher faced with eroded service or much higher rates would face a
23 Hobson's choice—a choice I hope that Crain and I never have to make. In fact, for the

1 small test in Carol Stream we were so concerned about service that we did not use our
2 subscriber copies but added new addresses (of postal employees) for the test copies.

3 The proposed rate structure would present other problems for small publishers
4 as well. Crain is a relatively large and, I submit, sophisticated publisher of short-run
5 publications numbering around 30, with one larger publication (*Autoweek*). It can afford
6 to have a distribution department of the type I head, and it is large enough to be an
7 attractive client for large and sophisticated printers. As a result, we can find a printer,
8 such as Quad/Graphics and RR Donnelley, that will co-palletize our publications, and
9 we have the knowledge, the software access and, frankly, the money that would permit
10 us to at least attempt to weigh rate versus service issues and to make the horrendously
11 complex sacking, palletizing, bundling and drop shipping decisions that would be
12 necessary for every mailing under the proposed rate structure.

13 Make no mistake about it—if rates were as proposed by Time Warner, the task of
14 figuring out how to best “package” a mailing would be enormous and, I would think,
15 simply beyond the capability of many small publishers. I know that we were not even
16 able to calculate the postage at the proposed rates with our present mailing
17 characteristics without mail.dat files (that not all publishers produce) and a new program
18 developed by Time Warner. One ABM member that wanted to calculate that impact for
19 its publications gave up and asked me to do it. The task of simply calculating the rates
20 for a publication with specified characteristics, which is what we did, is far less
21 complicated than calculating when, for example, it might cost less under the proposed
22 rate structure to mail large sacks than small pallets, where the crossover point lies
23 between larger, less finely sorted bundles and smaller, more finely sorted bundles, and

1 the myriad other calculations that would have to be made and repeated to minimize
2 postage under the proposed structure.

3 There are other reasons as well why co-palletizing and co-mailing may not be
4 available to, especially, small publishers. There is no escaping the fact that a co-pallet
5 or co-mail program needs a threshold volume to be efficient. It is no accident that
6 nearly all of Quad/Graphics' co-mail pools have at least one participant with more than
7 100,000 pieces in the pool (Tr. 391), or why witness Schick would not confirm that its
8 small pool is an economic (as opposed to promotional) success (Tr. Tr. 496-97). Small
9 printers of short-run publications may simply not have the volumes necessary create
10 efficient pools, especially for publishers of tabloids, which cannot be co-mailed with
11 standard trim size Periodicals (Tr. 449).

12 Although Crain does not publish anything with circulations in the thousands, as
13 opposed to the tens of thousands, there are many out there who are not represented in
14 this case and who, due to their size, are not candidates for co- anything and are no
15 doubt stuck with small sacks. They, too, must be considered, especially because, if I
16 am correct that the industry is changing, they will not impose an undue burden on the
17 remainder of the class.

18 Finally, the country's major printers, the printers with the volume and the capital
19 to enter the co-palletizing and co-mailing business, are generally not interested in
20 printing one or two short-run publications, if that's all the publisher has. Even if they
21 were interested, they would likely not provide the kind of assistance and "hand holding"
22 that some small publishers need, and Time Warner's witnesses agreed (Tr. 509
23 (Schick) and 1002 (Mitchell)) that switching printers is not something to be taken lightly.

1 Even if a publisher were able to overcome these obstacles and switch to a printer that is
2 able to co-mail or co-palletize, there is likely to be a delay of up to several years in order
3 to avoid breaching a printing contract that, typically, would be of 3-5 year duration (Tr.
4 509).

5 **The Need for a “Measured Pace”**

6 The above considerations, as well as those addressed by the other American
7 Business Media witnesses, require that if any fundamental changes are going to be
8 made to the Periodicals rate structure, they be made with adequate notice and at the
9 “measured pace” witness Mitchell claims to have adopted (Tr. 803) but in my opinion
10 did not (see Tr. 923).

11 Before he testified in this case, Mitchell understood and explained that changes
12 such as those he now proposes should not be imposed upon an unprepared Postal
13 Service by the Postal Rate Commission. In a May 8, 2003 presentation to the Envelope
14 Manufacturers Association, he argued that Postal Service rates are in need of
15 fundamental change to eliminate averaging and properly reflect costs, yet he also
16 pronounced (at Tr. 902) that “USPS must do studies to support changes” of the type he
17 sought then and seeks now. He admitted during cross-examination (Tr. 1146-47) that
18 he knows of no such studies undertaken since he asserted that studies are needed. In
19 addition, in that same presentation, Mitchell explained that “USPS must play the
20 leadership role” and that “[t]he changes cannot be made by the Postal Rate
21 Commission.” He does not explain what has happened in the past year to justify
22 changes ordered by the Commission in the absence of Postal Service “leadership” and
23 the once-necessary studies.

1 I would like to point out that today's rates are not as unfair and insulated from
2 cost considerations as Time Warner suggests. I note that the large circulation
3 magazines published by Time Inc. already pay much lower postage than we pay. For
4 example, for their main files, Time now pays 17.67 cents per copy, Sports Illustrated
5 pays 18.73 cents per copy, People pays 19.12 cents per copy and Entertainment Week
6 pays 17.2 cents per copy (Tr. 116). The Time Warner proposal would reduce these per
7 copy charges by roughly 2 to 3 cents (Tr. 116). In contrast, we have one publication
8 mailed by itself (Advertising Age's Creativity) that weighs roughly the same as these
9 Time Warner publications-- .35 ounces for ours versus .32 ounces, .39 ounces, .36
10 ounces and .27 ounces for Time Warner's (Tr. 116). Our editorial content is 50%,
11 compared with their average of 55.5%. Our per-copy postage is now around 30.14
12 cents, or 66% more than the 18.18 cents unweighted average Time Warner per copy
13 postage for these four publications. The Time Warner proposed rates would increase
14 the postage for Advertising Age's Creativity to 44.47 cents per copy, which is 184%
15 more than the 15.64 average postage at the proposed rates for the four Time Warner
16 publications (Tr. 116).

17 I am not complaining about the present, 66% difference between what they pay
18 and what we pay for a Periodical of approximately the same weight and only slightly
19 higher advertising content. I know that Time Warner palletizes nearly all of its copies of
20 these publications and rarely mails beyond zones 1 and 2. By contrast, we can now
21 palletize only 21% of Creativity , which has a mailed circulation of 31,320, and we do
22 not drop ship it. I point out these numbers in order to show with real life examples that
23 the current rates do in fact to a very substantial extent reflect differences in Postal

1 Service processing costs and reflect as well my general understanding that, over the
2 past ten or fifteen years, smaller circulation publications have faced larger rate
3 increases than the mass circulation magazines. It would be a mistake to believe that
4 Crain Communications does not see the present difference of about 12 cents per copy,
5 or \$45,000 a year for this one, small Periodical, as a strong price signal. If we could
6 mail like Time does and pay the postage Time pays, we would.

7 **Conclusion**

8 I do not blame Time Warner and its allies for seeking lower postage rates, even
9 though, because Periodicals rates are now to a large degree cost based, their postage
10 costs per copy are typically well below ours. Our calculations, based upon the “before
11 and after” postage figures and the circulation figures that the complainants provided in
12 discovery for their main files, show that the five companies initiating this case would
13 save, collectively, more than \$50 million annually at the rates they propose without
14 changing a thing about the way they prepare and present their mail, and without saving
15 the Postal Service a penny. More specifically, Time Warner would save \$16.7 million,
16 Conde Nast would save \$10.7 million, Reader’s Digest Association would save \$6.7
17 million, Newsweek would save \$4.4 million, and TV Guide would save \$13.5 million.
18 The calculations that produced these results are attached as Exhibit JM-1.

19 They would save these amounts even if everything they say about postal costs,
20 the responsiveness of postal costs to changes in mail preparation and the ability of
21 mailers to change is absolutely incorrect. The postage savings would not reflect any
22 incremental cost reductions to the Postal Service, because there are no changes in
23 mailing necessary to achieve them. Others of their size would see huge savings as

1 well. On other hand, as a representative of smaller circulation Periodicals, I am
2 concerned that if Time Warner is wrong in these forecasts, these postage reductions,
3 which would occur in any case, will require postage increases of equal magnitude for
4 the remainder of the class merely to maintain the very modest cost coverage for the
5 class.

6 It would be far preferable, I submit, for the Postal Rate Commission at the
7 conclusion of this case to encourage the Postal Service to investigate and study all of
8 the issues raised in this proceeding, and to propose in the next case any rate structure
9 changes, with associated rates, that it believes will both encourage mailers to continue
10 the move away from sacks and give some degree of protection to those mailers who,
11 due to their size, their business models or other factors would not be able to avoid large,
12 crippling increases if the proposals did not account for their existence.

13 I understand that the rapid increase in Periodical processing costs that
14 characterized much of the past twenty years is finally leveling off, see Tr. 192. I fully
15 expect that the combination of greater mailer awareness and the entry of new co-
16 mailing and co-palletizing providers is just the beginning of a major trend in that
17 direction that will have a very significant impact on processing costs of the type that
18 Time Warner says it is seeking through a carrot and stick change in rate design. I've
19 said it before: mailers don't like sacks. Give us a reasonable way to get out of them, or
20 to reduce the sack count by increasing the sack size with assurance that service will not
21 be compromised, and we will. It looks like we are getting there, and doing it without
22 inflicting harm on countless small and under-represented publications that will become
23 the collateral damage of the Time Warner proposal.

Current and Proposed Postage Costs

Exhibit JM-1 – page 1

	Publication	Frequency	Volume (pieces/issue)	Current Postage (cents/piece)	Total Current Annual Postage	Proposed Postage (cents/piece)	Total Proposed Annual Postage	Difference
Time Weekly	Time	51	3,977,381	17.67	\$35,842,964.36	15.30	\$31,035,503.94	\$4,807,460.41
	Sports Illustrated	51	3,323,687	18.73	\$31,748,855.33	15.40	\$26,104,237.70	\$5,644,617.63
	People	51	2,446,528	19.12	\$23,856,583.83	16.76	\$20,911,942.73	\$2,944,641.10
	Entertainment Weekly	49	1,842,991	17.20	\$15,532,728.15	15.11	\$13,645,321.06	\$1,887,407.08
	Time for Kids	26	114,686	29.51	\$879,939.80	37.78	\$1,126,537.64	-\$246,597.84
	<i>Total - Time Weekly</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$107,861,071.47</i>	<i>N/A</i>	<i>\$92,823,543.08</i>	<i>\$15,037,528.39</i>
Transworld	BMX	12	16,959	38.54	\$78,431.98	40.54	\$82,502.14	-\$4,070.16
	Motocross	12	37,038	41.26	\$183,382.55	46.40	\$206,227.58	-\$22,845.04
	Ride BMX	9	18,495	42.05	\$69,994.33	44.65	\$74,322.16	-\$4,327.83
	Skateboarding	12	66,601	58.38	\$466,579.97	60.70	\$485,121.68	-\$18,541.72
	Snowboarding	8	63,658	53.06	\$270,215.48	56.59	\$288,192.50	-\$17,977.02
	Surf	12	32,564	44.07	\$172,211.46	48.06	\$187,803.10	-\$15,591.64
	<i>Total - Transworld</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$1,240,815.76</i>	<i>N/A</i>	<i>\$1,324,169.17</i>	<i>-\$83,353.41</i>
Time Monthly Publications	Coastal Living	8	444,101	41.61	\$1,478,323.41	37.58	\$1,335,145.25	\$143,178.16
	Cooking Light	11	1,308,587	30.01	\$4,319,776.55	26.12	\$3,759,832.17	\$559,944.38
	Field & Stream	11	1,270,058	25.73	\$3,594,645.16	22.62	\$3,160,158.32	\$434,486.84
	Fortune	26	842,421	28.59	\$6,262,052.26	26.80	\$5,869,989.53	\$392,062.73
	Golf	12	1,190,680	33.77	\$4,825,111.63	27.55	\$3,936,388.08	\$888,723.55
	In Style	13	838,815	61.50	\$6,706,325.93	53.37	\$5,819,782.35	\$886,543.57
	Money	13	1,781,577	22.96	\$5,317,651.03	19.81	\$4,588,095.25	\$729,555.78
	Outdoor Life	9	751,210	26.15	\$1,767,972.74	24.37	\$1,647,628.89	\$120,343.84
	People en Español	11	308,485	25.52	\$865,979.09	23.17	\$786,235.72	\$79,743.37
	Popular Science	12	1,267,993	25.85	\$3,933,314.29	23.24	\$3,536,178.88	\$397,135.41
	Progressive Farmer	14	599,217	20.44	\$1,714,719.37	18.41	\$1,544,421.90	\$170,297.47
	Real Simple	10	1,169,973	39.01	\$4,564,064.67	33.35	\$3,901,859.96	\$662,204.72
	Ski	8	245,277	24.99	\$490,357.78	23.42	\$459,550.99	\$30,806.79
	Skiing	7	294,742	22.50	\$464,218.65	20.71	\$427,287.48	\$36,931.17
	SI for Kids	12	695,289	18.73	\$1,562,731.56	17.28	\$1,441,751.27	\$120,980.29
	Teen People	10	1,105,195	26.58	\$2,937,608.31	23.01	\$2,543,053.70	\$394,554.62
	This Old House	10	882,666	30.71	\$2,710,667.29	26.60	\$2,347,891.56	\$362,775.73
	Sunset	12	1,207,735	28.21	\$4,088,424.52	23.40	\$3,391,319.88	\$697,104.64
	Business 2.0	11	586,437	26.26	\$1,693,981.92	22.79	\$1,470,138.92	\$223,843.00
	Yachting	12	96,479	45.75	\$529,669.71	44.45	\$514,618.99	\$15,050.72
	Southern Living	12	2,355,590	29.56	\$8,355,748.85	24.41	\$6,899,994.23	\$1,455,754.62
	Southern Accents	6	311,780	49.92	\$933,843.46	44.83	\$838,625.84	\$95,217.61
	Saltwater Sportsman	12	148,675	33.13	\$591,072.33	32.06	\$571,982.46	\$19,089.87
Motorboating	12	141,018	33.06	\$559,446.61	31.88	\$539,478.46	\$19,968.15	
<i>Total - Time Monthly</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$12,663,762.87</i>	<i>N/A</i>	<i>\$10,834,838.89</i>	<i>\$1,828,923.98</i>	
<i>Total - All Time Inc. Cos.</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$121,765,650.10</i>	<i>N/A</i>	<i>\$104,982,551.14</i>	<i>\$16,783,098.96</i>	

Current and Proposed Postage Costs

Exhibit JM-1 – page 2

	Publication	Frequency	Volume (pieces/issue)	Current Postage (cents/piece)	Total Current Annual Postage	Proposed Postage (cents/piece)	Total Proposed Annual Postage	Difference
Condé Nast Publications	Allure	12	730,829	35.96	\$3,153,673.30	27.55	\$2,416,120.67	\$737,552.63
	Gourmet	12	541,296	35.96	\$2,335,800.50	27.55	\$1,789,524.58	\$546,275.92
	GQ	12	787,374	35.96	\$3,397,676.28	27.55	\$2,603,058.44	\$794,617.84
	Self	12	938,348	35.96	\$4,049,159.29	27.55	\$3,102,178.49	\$946,980.80
	Vogue	12	781,038	35.96	\$3,370,335.18	27.55	\$2,582,111.63	\$788,223.55
	Bon Appetit	12	1,087,157	36.86	\$4,808,712.84	29.92	\$3,903,328.49	\$905,384.35
	The New Yorker	52	920,991	21.82	\$10,449,932.28	18.69	\$8,950,927.33	\$1,499,004.95
	Glamour	12	1,392,461	38.34	\$6,406,434.57	30.36	\$5,073,013.92	\$1,333,420.65
	Vanity Fair	12	752,414	51.51	\$4,650,821.42	40.63	\$3,668,469.70	\$982,351.72
	Modern Bride	12	160,309	65.44	\$1,258,874.52	60.69	\$1,167,498.39	\$91,376.13
	Brides	12	127,165	55.02	\$839,594.20	49.07	\$748,798.39	\$90,795.81
	Traveler	12	682,900	34.90	\$2,859,985.20	28.70	\$2,351,907.60	\$508,077.60
	Teen Vogue	12	351,859	29.17	\$1,231,647.24	25.56	\$1,079,221.92	\$152,425.32
	House & Garden	12	336,844	30.96	\$1,251,442.83	25.02	\$1,011,340.43	\$240,102.40
	Golf Digest	12	738,446	30.96	\$2,743,474.58	25.02	\$2,217,110.27	\$526,364.31
	Golf World	46	179,244	22.80	\$1,879,911.07	22.40	\$1,846,930.18	\$32,980.90
<i>Total - Condé Nast</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$54,687,475.30</i>	<i>N/A</i>	<i>\$44,511,540.42</i>	<i>\$10,175,934.88</i>	
Fairchild Pubs.	DNR	52	10,508	27.70	\$151,357.23	27.51	\$150,319.04	\$1,038.19
	Footware News	52	14,583	27.70	\$210,053.53	27.51	\$208,612.73	\$1,440.80
	Supermarket News	52	31,472	27.70	\$453,322.69	27.51	\$450,213.25	\$3,109.43
	Home Furnishing News	52	16,699	27.70	\$240,532.40	27.51	\$238,882.53	\$1,649.86
	Details	10	313,842	34.47	\$1,081,813.37	29.31	\$919,870.90	\$161,942.47
	Children's Business	12	12,185	34.78	\$50,855.32	37.16	\$54,335.35	-\$3,480.04
	Executive Technology	12	30,273	38.97	\$141,568.66	41.34	\$150,178.30	-\$8,609.64
	In Furniture	16	23,292	34.65	\$129,130.85	37.67	\$140,385.54	-\$11,254.69
	W Magazine	12	431,514	38.44	\$1,990,487.78	30.23	\$1,565,360.19	\$425,127.59
	Women's Wear Daily	260	28,560	24.67	\$1,831,895.52	25.80	\$1,915,804.80	-\$83,909.28
	<i>Total - Fairchild</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$6,281,017.34</i>	<i>N/A</i>	<i>\$5,793,962.64</i>	<i>\$487,054.70</i>
<i>Total - CN & Fairchild</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>\$60,968,492.64</i>	<i>N/A</i>	<i>\$50,305,503.06</i>	<i>\$10,662,989.58</i>	

Current and Proposed Postage Costs

Exhibit JM-1 – page 3

	Publication	Frequency	Volume (pieces/issue)	Current Postage (cents/piece)	Total Current Annual Postage	Proposed Postage (cents/piece)	Total Proposed Annual Postage	Difference
Reader's Digest Ass'n	Reader's Digest	12	10,714,401	20.00	\$25,714,562.40	17.00	\$21,857,378.04	\$3,857,184.36
	Selecciones	12	285,705	22.00	\$754,261.20	21.00	\$719,976.60	\$34,284.60
	Taste of Home	6	4,194,396	30.00	\$7,549,912.80	26.00	\$6,543,257.76	\$1,006,655.04
	Birds & Blooms	6	1,957,124	26.00	\$3,053,113.44	21.00	\$2,465,976.24	\$587,137.20
	Quick Cooking	6	2,699,170	26.00	\$4,210,705.20	23.00	\$3,724,854.60	\$485,850.60
	Country	6	1,157,640	25.00	\$1,736,460.00	23.00	\$1,597,543.20	\$138,916.80
	Country Woman	6	1,215,720	27.00	\$1,969,466.40	25.00	\$1,823,580.00	\$145,886.40
	Light & Tasty	6	1,455,997	28.00	\$2,446,074.96	25.00	\$2,183,995.50	\$262,079.46
	Reminisce	6	1,088,311	26.00	\$1,697,765.16	24.00	\$1,567,167.84	\$130,597.32
	Reminisce Extra	6	340,799	26.00	\$531,646.44	25.00	\$511,198.50	\$20,447.94
	Crafting Traditions	6	249,769	28.00	\$419,611.92	27.00	\$404,625.78	\$14,986.14
	Country Discoveries	6	340,481	27.00	\$551,579.22	25.00	\$510,721.50	\$40,857.72
	<i>Total - Reader's Digest</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	\$50,635,159.14	<i>N/A</i>	\$43,910,275.56	\$6,724,883.58
NW	Newsweek	51	2,856,420	17.44	\$25,406,142.05	14.51	\$21,137,793.64	\$4,268,348.41
	Budget Travel	10	426,512	29.48	\$1,257,357.38	26.59	\$1,134,095.41	\$123,261.97
		<i>Total - Newsweek</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	\$26,663,499.42	<i>N/A</i>	\$22,271,889.05
TV	TV Guide (All Plants)	52	6,285,141	16.54	\$54,057,240.71	12.39	\$40,493,906.43	\$13,563,334.28