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

NA-T-1

POSTAL RATE AND FEE CHANGES, 2000) **Docket No. R2000-1**

DIRECT TESTIMONY OF VICTOR NAVASKY
On Behalf Of

THE NATION, L.P.

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1 *The Nation*, founded in 1865, is America's oldest , continuously published weekly
2 magazine. It is a journal of opinion whose contributors, through the years, have included
3 such as H.L. Mencken, Albert Einstein, Arthur Miller, Emily Dickinson, W.E.B. DuBois,
4 Martin Luther King, Jr., Garcia Lorca, I.F. Stone, Kurt Vonnegut, Gore Vidal and Toni
5 Morrison. Its original prospectus promised that "*The Nation* will not be the organ of any
6 party, body or sect." We have done our best to be faithful to that trust down to the
7 present day.

8 In recent years, the magazine has won more than its share of awards (the National
9 Magazine Award, the George C. Polk Award, the Overseas Press Club Award, the
10 Heywood Broun Award, etc.), its editorial board includes a Nobel Prize-winning novelist
11 and a Pulitzer prize-winning historian, and it is routinely cited, praised and attacked on
12 editorial pages ranging from *The Wall Street Journal* to the alternative press.

13 My name is Victor Navasky: I am the publisher and editorial director of *The*
14 *Nation*. I was the editor from 1978 to 1994 when our publisher made me an offer I
15 should have refused and sold me the magazine for money I didn't have. Prior to my
16 employment at *The Nation*, I was an editor with the *New York Times Magazine*, and I
17 wrote a monthly column for the *New York Times Book Review* about the publishing
18 business ("In Cold Print"). I am the author of, among other books, *Kennedy Justice*, a
19 book about the U.S. Department of Justice under Robert F. Kennedy, and *Naming Names*,
20 a book about the McCarthy era, which won an American Book Award in 1981. I am co-
21 editor with Katrina vanden Heuvel of a forthcoming anthology, *The Best of The Nation*.

22 I was founding editor and publisher of *Monocle*, a satirical journal. I have a B.A.
23 from Swarthmore College, I am a graduate of Yale Law School and have lectured and

24 taught at various colleges and universities. I am the George Delacorte Professor of
25 Magazines and Director of the Delacorte Center for Magazines at Columbia University's
26 Graduate School of Journalism.

27 I appear here formally as publisher of *The Nation* and informally on behalf of the
28 community of small circulation periodicals represented by the Independent Press
29 Association.

30 Like most journals of opinion -- Bill Buckley's *National Review*, *The New*
31 *Republic*, and *The Washington Monthly* included -- *The Nation* loses money. In fact it
32 has lost money for all but three of its 135 years, and magazine-historians have had trouble
33 locating which three. Historically, however, the journal of opinion exercises influence
34 far beyond its numbers. We are not organized as a non-profit only because under the law
35 that would preclude us from endorsing candidates for public office or devoting any but a
36 small percentage of our pages to try to influence legislation. .

37 For most of its history, *The Nation* has been published by public-spirited
38 philanthropists. That changed in 1994 when Arthur Carter, whose net worth the New
39 York Times reported as between \$100,000,000 and \$200,000,000, sold it to yours truly.
40 Lacking the personal assets to make up the annual deficit, which was running over
41 \$500,000 a year, I organized a limited partnership which consists of a small group of
42 large shareholders and a "Circle of 100" small shareholders. I even took the OPM course
43 at the Harvard Business School -- It's special program for Owners, Presidents and CEO's
44 -- to learn how to professionalize our business operation

45 We worked up a business plan which requires us to meet and pass the break-even
46 point within the next two or three years, and we put in place a highly professional

47 business staff headed up by Teresa Stack, our president, who came to us from Fairchild
48 Publications – all dedicated to meeting our ambitious goal: To become self-sustaining.

49 Despite our modest resources, until we heard about the proposed postal rate
50 increase we thought we had begun to turn the economics of the magazine around. *The*
51 *Nation's* circulation has increased by almost 10% since I last testified at the 1995
52 hearings of this commission. Based on our most recent audit statement, circulation is
53 97,213 with 94,176 mailed subscriber copies and 3,037 single copy newsstand sales. (It
54 may sound tiny to you, but not to me. The influence of these publications is, of course, a
55 tribute to the quality rather than the quantity of their subscribers, and we had only 20,000
56 subscribers when I arrived in 1978.) We currently use two entry points: we truck copies
57 bound for the northeast to New York City and the remainder enter the mail stream in
58 Harrisburg, PA, near our printer, Fry Communications in Mechanicsburg. We bar code
59 copies and presort down to carrier-route level where possible. (11% of a recent
60 representative issue was sorted down to the carrier-route.)

61 We have installed money and timesaving telecommunication equipment. We are
62 operating with a smaller staff than when I last appeared before you. We have
63 computerized our production process. We have developed several ancillary sources of
64 revenue, building on the unique loyalty of our readers -- a seminar cruise and an affinity
65 credit card. We have aggressively sought competitive bids on everything from printing
66 our magazine to cleaning our carpets. And during that time we have absorbed lesser
67 postal increases.

68 As I pointed out in a colloquy with the Postmaster General at the meeting of the
69 AMP which I attended at Boca Raton earlier this year, even the smaller postal rate

70 increase he envisioned would work disproportionate hardship on journals of opinion –
71 which almost by definition have few ads, low circulation and operate with razor-thin
72 margins.

73 Thus we were shocked when we asked the mailing specialist at our printer for a
74 preliminary analysis of our circulation file and the impact of the proposed rate increase.
75 He has informed us that the new rates would mean an increase of 18.6% to *The Nation*, or
76 approximately \$140,000 annually.

77 It is difficult to imagine how we will absorb such a large increase and continue on
78 the path towards self-sustaining economics. To give you an idea of what \$140,000 will
79 do to our budget, consider the following: Our entire freelance editorial budget for the
80 year (including costly investigative reporting) is \$250,000. One hundred and forty
81 thousand dollars represents 60% of our annual rent, 50% of our employee health care
82 costs, or the paper expense for printing 19 issues of *The Nation*. None of these
83 expenditures could be cut without serious injury to the quality of the magazine.

84 At the 1995 hearings, it was suggested that we should pass increased postal costs
85 on to our readers. We have tested this possibility and we find that it is unrealistic. For
86 the last seven years we have been unable to raise the new subscriber rates without
87 decreasing the overall response to the point where we end up losing more money in the
88 aggregate. We will, of course, continue to test with every new sales effort. And our
89 long-term readers are paying more, absorbing renewal price increases over the last few
90 years to help cover previous postal increases. Unfortunately, our price testing here also
91 suggests we have reached the outer limits and that additional increases will impact

92 overall circulation to the point where we are earning even less. Circulation and other
93 subscriber-related contributions account for almost 80% of our revenues.

94 At the hearing in 1995 we were also advised to raise our advertising rates. Unlike
95 most consumer magazines, advertising accounts for only 13% of our revenues. For
96 reasons that are beyond our comprehension most advertisers seem unenthusiastic about
97 appearing in the pages of a magazine which routinely offers its readers independent,
98 controversial, and unpopular ideas, not to mention running exposés of its own advertisers.
99 Magazines in our category do not attract the lucrative advertising contracts that less
100 contentious, mainstream consumer magazines generate. Despite all of these obstacles, we
101 have grown our ad sales, by incrementally raising our rates, by investing in more
102 experienced sales personnel, by careful market research, by expanding into new ad
103 categories, and by developing a web site selling banner ads. We will continue to grow in
104 this area, but the growth is slow and hard won and it will be years before we could ever
105 cover an additional \$140,000 in expenses via increased ad sales.

106 People familiar with the operations of the postal system tell us that ironically
107 magazines such as *The Nation* are among the least expensive to mail: we're not
108 polybagged, or clogged with scent strips or free internet discs, nor are we loaded with the
109 extra poundage of fall fashion advertising. We are a simple lightweight journal delivered
110 on newsprint, taking advantage of all the postal presorting and bundling options available
111 to us. We've explored the option of co-mailing, but have yet to find another publisher
112 working with compatible deadlines or with complementary business imperatives. We
113 have been doing everything in our power to become as efficient as possible, alleviating as

114 much of the postal burden as we can while running our business in a smart and fiscally
115 responsible manner.

116 Our readers depend on us. Those who have been with us four years or more
117 renew at an 80% rate. For many, once they discover us they subscribe for a lifetime. We
118 are, they tell us, "a candle in the dark." And as we testified in the 1995 rate case, we
119 believe that the Founding Fathers correctly saw the dissemination of opinion as the
120 precondition of self-governance. Maybe one day e-mail will change that, but right now
121 the postal system continues to constitute the circulatory system of our democracy. That's
122 why George Washington himself believed that all newspapers, which in those days were
123 the equivalent of journals of opinion, should be delivered free of charge. We don't
124 expect the Commission to adopt George Washington's postal platform. But we do
125 implore you to hold the line against further incursions on the dissemination of opinion.

126 In connection with the preparation of this testimony I have been in touch with the
127 executive director of the Independent Press Association, whose organization represents in
128 addition to *The Nation*, more than 200 public interest periodicals, including such
129 magazines as *American Prospect*, *Mother Jones*, *Lingua Franca*, and the Bulletin of
130 Atomic Scientists. He tells me that *The Nation* is among the most solvent of IPA'S
131 members, (most of whom have circulations under 50,000) and urged me to urge you to
132 take their plight into account. For advertising-heavy periodicals, with circulation in the
133 millions, the proposed new rates will cut into their profits; for journals of opinion, there
134 are no profits to cut into. The proposed new rates could put a number of them out of
135 business.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document in accordance with Section 12 of the Rules of Practice this 22nd day of May 2000



Stephen M. Feldman