

**REPORT**  
on  
**SECOND-CLASS MAIL**  
to the  
**Postmaster General**

Submitted by  
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*Special Consultant*

**May 21, 1946**

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POST OFFICE DEPARTMENT

WASHINGTON, D. C.

May 21, 1946.

HONORABLE ROBERT E. HANNEGAN,  
*Postmaster General.*

DEAR MR. HANNEGAN:

Herewith is submitted a report on "Second-Class Mail Matter" undertaken at the request of former Postmaster General Frank C. Walker to provide the Congress with information regarding a postal rate situation referred to by the Chairman of the Committee on Ways and Means in a letter to the Department, dated July 8, 1942, containing the following paragraph:

The Committee recognizes the magnitude and importance of the subject but it also appreciates the fact that the question of bringing rates of postage in the second and third class of mail matters more closely in line with the cost of handling such mail has been the subject of consideration and discussion for the past thirty or thirty-five years. Certainly you realize that it is not good business practice to permit these deficits to continue without some remedial action. In spite of past discussions, nothing has ever been done.

This letter also indicated that correction of this situation should have possibilities for large savings to the Government.

For the fiscal year 1945, there was a deficit from second-class mail of about \$115,000,000, and for the 16 years—1930 to 1945 inclusive—the deficits aggregated approximately \$1,450,000,000. These were, for the most part, met by the excess of revenues over expenditures from first-class mail and by appropriations from the United States Treasury.

Second-class mail revenues for 1945 paid for only about 20 per cent of the cost incurred by the Postal Service in handling this class of mail during that year. With the increased postal wages and salaries since made effective for the fiscal year 1946 and thereafter (which add approximately \$35,000,000 annually to second-class costs), this percentage will, in the absence of an increase in revenues, show a material decrease. At the same time the present large subsidies already accorded this class of mail will be substantially increased.

The many aspects and problems requiring careful examination and study in preparing this report have delayed its completion. The report aims to present an independent approach to the problem,—particularly that of the citizen using first-class mail service and of the taxpayer meeting the deficits rather than the viewpoint of one officially connected with the Postal Service or associated with the publishing industry. In the interest of equity and consistent with sound business procedure, this report assumes (a) that each Class of mail and special service should pay substantially the cost of its handling by the Postal Service and that second-class matter should ultimately be placed on this basis and (b) that the large subsidies accorded those who mail second-class matter, many conducting profitable enterprises, are no longer necessary in the interest of the public welfare.

course of Congressional hearings before Post Office Com-  
m. m. luring the past two years on rates for other classes of  
ma. tter, frequent requests have been made for a report re-  
garding second-class mail which might be considered concurrently.  
Such a report is now made available to those who desire this  
information.

Respectfully submitted,

C. A. HEISS,  
Special Consultant.

## SECOND-CLASS MAIL MATTER

### Scope of the Report

This Report regarding second-class mail matter, i.e. newspapers and other periodicals qualifying for this classification, was undertaken at the direction of former Postmaster General Frank C. Walker and carried to completion during the administration of Postmaster General Robert E. Hannegan. The report has two major objectives:

(a) To provide information to meet the suggestion of the Congressional Committee on Ways and Means in 1942 that consideration should be given to bringing the rates of postage on second-class mail more closely in line with the cost of its handling,—this, as indicated by the Committee, being a matter which had been the subject of consideration and discussion for many years without remedial action and one which if corrected had possibilities of large savings to the Government and,

(b) To meet the requests of the House Committee on the Post Office and Post Roads for information with respect to this class of mail.

Any reasonable compliance with these objectives requires at least an examination of the major problems presented by second-class mail matter, among which are present low rates of postage with the large annual deficits resulting therefrom, inconsistencies and differences in rates for the same type of mail matter handled under not materially different conditions, difficulties presented by way of classification and in administering the governing statutes, and abuses of permits under which it is mailed.

The large annual deficits on this class of mail over many years have been a matter of serious concern to Presidents, members of Congress, postal executives and others in high public position; also educators and business executives, in brief to those who have been cognizant of the situation and have had the best interests of the public at heart. That these deficits have not heretofore been the subject of substantial public criticism can be attributed to the fact that the public at large has had little information regarding their size, not only from the viewpoint of second-class matter considered by itself, but when contrasted with the substantial excess of first-class mail revenues over expenses apportionable to that class of mail. For the fiscal year 1945 the second-class deficit was upwards of \$115,000,000 and for the 16-year period then ended these deficits aggregated \$1,450,000,000.

The serious character of these deficits is further emphasized by the fact that they are incurred in large part in connection with postal service performed for publications issued by enterprises operated on a commercial basis where the profit motive is not absent; and also that they are met from the excess of revenues over expenditures contributed largely by senders of first-class mail (in connection with which the government has a monopoly and should not profit), or to the extent that available first-class or other revenues are inadequate, from funds in the United States Treasury supplied by taxpayers generally.

As regards classification and administration, the act of March 3, 1879 which established present second-class requirements is so general in character, with terminology undefined, as to permit of very broad interpretations of the purpose of the Congress regarding this class of mail. The Postal Commission of 1906 described

this terminology as "so broad as to include everything and exclude nothing." This situation and the low level of rates have resulted over the years in abnormally increasing the number of publications seeking second-class permits. There have also been changes in the character of publications and it would be difficult in some cases to find therein, contributions to the public good justifying governmental aid. The second-class permit has not infrequently been welcomed as a 'badge of merit.' Such conditions, and others, have increased the work of the Department and presented many difficult administrative problems, with the result that second-class permits, if one may presume to judge the purpose of the Congress in 1879, are enjoyed by publications which should not be so favored.

This report is not concerned with the general character or content of second-class publications that the publishing industry may issue nor in the media, other than the mails, used for their distribution. Its scope is confined solely to a consideration of problems confronting the postal service when publications of this class, not debarred from the mails, are presented to it for classification, handling, transportation and delivery.

The report presents suggestions for the correction of some of these unsatisfactory conditions and inconsistencies.

During the past one hundred and seventy years of the existence of the postal service there have been many changes in the statutes appertaining to mailable matter and rates of postage. However, for purposes of this report, the period down to about 1850 may be passed over with the brief statement that for mailable matter now classified as "second class", the rates were materially higher than at present but somewhat less than for letters, packets and other dispatches. For much of the period the charges for publications were based broadly on distance transported. Some consideration was given to the size of pieces and frequency of issue, but the weight of pieces was not a factor until 1845. "Free in county" service (discussed in more detail later), was provided in 1851, although for a two-year period beginning in 1845, small newspapers could be transmitted through the mails, free of postage, by publishers thereof to all subscribers or other persons within 30 miles of the place of publication. Beyond these few items and the further fact that the postal service was operated generally on a self-sustaining basis, this early period contributes little of interest in connection with a study of what should be reasonable present day classifications and rates for second-class mail.

The years after 1850, however, present many important developments with respect to this class of mail, such as the character thereof, the average weight per piece, the extent to which advertising matter is included, the distance transported, and the facilities provided for its delivery.

The last major revision of mail classification by the Congress is contained in the act of March 3, 1879. This act provided for four classes of mail matter: First-class—written and sealed matter; Second-class—periodical publications; Third-class—miscellaneous printed matter; and Fourth-class—merchandise. These four classifications, with minor changes, have been maintained to the present time.

## Principal Statutory Provisions governing classification of Second-Class Mail Matter

As regards second-class mail matter the act of March 3, 1879 provided that:

Second-class matter shall embrace all newspapers and other periodicals which are issued at stated intervals, as frequently as four times a year, and meet the following conditions upon which a publication shall be admitted to the second class:

1. It must regularly be issued at stated intervals as frequently as four times a year, and bear a date of issue, and be numbered consecutively.
2. It must be issued from a known office of publication.
3. It must be formed of printed paper sheets, without board, cloth leather, or other substantial binding, such as distinguish printed books for preservation from periodical publications.
4. It must be originated and published for the dissemination of information of a public character, or devoted to literature, the sciences, arts, or some special industry, and having a legitimate list of subscribers: *Provided, however,* That nothing herein contained shall be construed as to admit to the second-class rate regular publications designed primarily for advertising purposes, or for free circulation, or for circulation at nominal rates.

There may be inserted in periodicals advertisements attached permanently to the same.

Publications of the second class, when sent by the publisher thereof and from the office of publication, or when sent from a news agency to actual subscribers thereto, or to other news agents, shall be entitled to transmission through the mails at the postage rate of 2 cents a pound or fraction thereof; except that publications of the second class, one copy to each actual subscriber residing in the county where the same are printed, in whole or in part, and published, shall go free through the mails; but the same shall not be delivered at letter carrier offices or distributed by carriers unless postage is paid thereon at the rate of 2 cents a pound or fraction thereof: *Provided* That the rate of postage on newspapers, excepting weeklies, and periodicals not exceeding 2 ounces in weight, when the same are deposited in a letter-carrier office for delivery by its carriers, shall be uniform at 1 cent each; periodicals weighing more than 2 ounces shall be subject, when delivered by such carriers, to a postage of 2 cents each.

(Emphasis supplied).

The act of July 16, 1894 extended the second-class privilege to periodical publications issued (a) by benevolent or fraternal societies or orders organized under the lodge system and having a bona fide membership of not less than 1,000 persons, (b) by regularly incorporated institutions of learning, (c) by or under the auspices of a trades-union, and (d) to all publications of strictly professional, literary, historical, or scientific societies, also bulletins issued by State boards of health, when such matter is originated and published to further the objects and purposes of these organizations.

The act of August 24, 1912 extended the second-class privilege to periodical publications issued by State boards or departments of public charities and corrections. It extended the right to carry advertising matter to periodical publications issued by or under the auspices of benevolent or fraternal societies or orders, or trades-unions, or by strictly professional, literary, historical or scientific societies; provided such periodicals were not designed or published primarily for advertising purposes and their circulation through the mails was limited to copies mailed to such

## Second-Class Permits

members as pay therefor, either as part of their dues or assessments, or otherwise, not less than 50 per centum of the regular subscription price; to other bona fide subscribers; to exchanges, and 10 per centum of such circulation as sample copies. The act also provided that when such members paid for their copies as a part of their dues or assessments, individual subscriptions or receipts would not be required. The legislation also required further that the office of publication of any such periodical publication should be fixed by the association or body by which it is published, or by its executive board, and that the publication must be printed at such place and entered at the nearest post office.

Under this act the editor, publisher, business manager, or owner of every publication entered as second-class matter, except religious, fraternal, temperance and scientific or other similar publications, was required to file, not later than April 1 and October 1 of each year, and to publish a statement of ownership, management, and also in the case of daily newspapers, the average of the number of copies of each issue of such publication sold or distributed to paid subscribers during the preceding 6 months.

All editorial and other reading matter in second-class publications for the publication of which money or other valuable consideration was paid, accepted, or promised was required to be plainly marked "advertisement," and failure to do so constituted an offense punishable by a fine of not less than \$50 nor more than \$500.

It was not until some time after the passage of the act of March 3, 1879 (under which it was necessary to qualify in respect of certain rather general requirements), that publishers were required to obtain formal permits to qualify for the second-class privilege.

By 1916 there were in effect approximately 30,000 second-class permits issued to publishers and 1,800 newsdealers' permits, compared with about 24,000 and 600 respectively, of such permits at the present time. This decline is to a considerable extent accounted for by the discontinuance of small newspapers for one reason or another. The consolidation of news agencies and scarcity of newsprint paper and labor in recent years were also factors.

Several factors influenced the volume of these permits, particularly prior to 1916. Among these were the low rate of 2 cents per pound established for second-class matter in 1879 and the decrease of this rate to 1 cent a pound in 1885 (compared with the then cost to the Post Office for handling of upwards 7 cents per pound); the act of March 3, 1879 which falls far short of being an automatic or self-construing law defining clearly its terminology; and the substantial industrial and mechanical progress which started in the 80's. The latter was reflected in the publishing industry, both in the production of the chief raw material—paper, and in the productive processes of the industry itself. The price of paper gradually decreased and the productivity of compositors and printers increased many times by the invention of the Mergenthaler linotype and modern power presses. These conditions provided a basis for tremendous expansion, particularly since the 1885 reduction, which remained in effect for about 33 years, established a rate for this type of mail matter that was so far below the cost of its handling that it did not even cover the bare cost of transportation. With a prevailing average postage rate of about 8 cents per pound—eight times as great as the second-class rate—for other forms of printed matter, e.g., circulars, books, pamphlets, etc.,—there was a definite incentive, wherever possible, to adjust the "make-up" of printed matter to "periodical" form under the broad and loosely defined and easily met conditions for entry into the second-class fold presented by the act of March 3, 1879. Experience during the period 1900-1910 affords a fair illustration of this situation. In that period the Post Office Department received upwards of 58,000 applications for second-class permits. Of these about 46,000 was granted and 12,000 were denied. Many publications, however, that entered the field did not survive even under the liberal governmental subsidy extended to them.

Competition for volume of circulation also led to various abuses, the most serious of which have been gradually eliminated, but along with their elimination, others have crept into the picture and some of these remain a present day problem.

The Post Office Department has over the years been confronted in many instances with great difficulty in disposing of applications for permits in the face of what was considered to be the purpose of the act of 1879 because of the broad interpretations

could be read into it, or made by skillful advocates for the printing industry. Problems are presented by the character of the subject matter—to illustrate, is the publication "originated and published for the dissemination of information of a public character, or devoted to literature, the sciences, arts, or some special industry?" What is "information of a public character," or what is "literature" and so on, that contributes to the public good? Is the publication designed "primarily for advertising purposes"—that is, how much of its contents may be advertising before it must be denied a second-class permit; or is it entitled to a permit regardless of a large content of advertising matter if its contents pertain, say, incidentally to "art," "science," or a special industry or include some matter of a literary or informational character, for which the claim may be made that it is devoted to one or the other of these purposes; or is the assumed purpose of a publication controlling; or is reading matter when so prepared as to serve an advertising purpose—as has been the tendency in recent years—"reading" matter or "advertising" matter?

These are but a few of these problems presented by applications for permits and the solutions thereof while in themselves difficult, are aggravated by the fact that in a situation where many applications must be processed by the Department, the personnel of which changes with the years, there are obviously, differing views and interpretations regarding the purpose of the 1879 legislation. In the interest of administration alone, the act of March 3, 1879 requires revision and clarification to minimize these problems,

## Volume and Financial Data—Fiscal Year

The number of pounds of domestic second-class "transient" matter handled during the fiscal year 1944 was approximately 1,470,000,000, and the number of pieces handled was upwards of 4,635,000,000.

An approximate distribution of these pieces by rate classifications was:

4,143,443,000—at pound rates
841,329,000—"free in county"
76,076,000—at per copy rates
74,632,000—at "transient" rates
<hr/>
4,635,480,000

Of the total pieces upwards of 11% were presented for local delivery. The average weight per piece has increased over the years from 3.3 ounces in 1911 to approximately 5 ounces for the fiscal year 1944. Much of the increase in the average weight per piece over this period can be accounted for by the increase in advertising content. (The 1944 average weight per piece is based on 1942 studies. During World War II this average weight, because of the paper shortage, was somewhat less than under the more normal conditions prevailing in 1942 and prior thereto, with the result that the number of pieces shown above may be slightly understated.) Of the pieces handled, about 60% weigh from a small fraction of an ounce up to 4 ounces, about 23% weigh between 4 and 8 ounces, and the remaining 17% over 8 ounces. Revenue and Expenditure data for the fiscal year 1944 follow:

### All domestic Second Class

Revenues	\$ 29,488,000
Expenses (including about \$7,645,000 for "free in county" service)	197,678,000
Deficit	108,188,000
Average revenue per pound	2.01¢
Average expense per pound	9.36¢
Average deficit per pound	7.35¢
Average revenue per piece	.84¢
Average expense per piece	2.97¢
Average deficit per piece	2.33¢
Average weight per piece	5.10 ozs.

### Publishers' paid domestic Second Class

(Excludes "transient" and "free in county" mailings)	
Revenues	\$ 26,852,000
Expenses	127,291,000
Deficit	100,439,000
Average revenue per pound	1.94¢
Average expense per pound	9.18¢
Average deficit per pound	7.24¢
Average revenue per piece	.64¢
Average expense per piece	3.02¢
Average deficit per piece	2.38¢
Average weight per piece	5.26 ozs.

The averages above for "All domestic Second Class" are in relation to an overall average weight per piece of approximately 5 ounces with the average weight for "free in county" mailings somewhat less than for other second-class matter. When the num-

be the cost of the postage paid may be less than heavy weight publications, while in the case of the exception the postage may amount to 60% or more of such cost. The average postage paid in the fiscal year 1944 ("free in county" excluded) was about 23% of the cost of handling. While comprising nearly 21% of the total weight of mail handled, second-class contributed only 2.8% of the total postal revenue.

The deficit for the fiscal year 1944 which is relatively larger than for years immediately prior to World War II, reflects increased postal service costs, principally increased compensation to employees, higher Star Route expense levels, and increased cost of supplies.

The act of March 3, 1879 fixed publishers' paid second-class mail charges at a flat rate of 2 cents per pound—a rate which as has been stated, was less than the cost then incurred by the Postal Service in its handling. Since that date much has been accomplished by way of expanded and improved service for all classes of mail. In 1879 there was but little city delivery service (at \$8 offices with 2,359 carriers) and no rural mail delivery service. Today there are nearly 60,000 city delivery carriers and about 32,000 rural delivery routes. These two added services, including vehicle service, alone add approximately \$58,000,000 to the cost incurred in handling second-class mail.

For the fiscal year 1944 the average postal revenue per pound from publishers' paid second-class mail was 1.94¢, or slightly less than in 1879. Furthermore, the purchasing power of the dollars received, when expended for labor and supplies, has decreased materially in the interim. Considering both the expanded services and facilities provided over the years and the decreased purchasing power of the dollars received, it is apparent that the subsidy now accorded per pound to this class of mail has increased substantially since 1879, even though, as will be shown later, such occasion as there may have been earlier for governmental aid has decreased in importance. Viewed also from the size of the present deficit, much of the benefit of the savings which the Department has produced through efficiencies in the handling of this class of mail has gone to enhance the value of the subsidy rather than to benefit the public or the United States Treasury. The revenue received in 1944 barely covered the amount (upwards of \$27,000,000) paid to railroads and others for transportation leaving but little if anything to meet other expenses incurred for handling this class of mail.

## Volume and Financial Data—1930-1944, in

There follow five statistical statements, the first two of which show for the 16-year period, 1930 to 1944, inclusive, the approximate pieces, weight, revenues, expenditures and deficits (or surplus), also the related averages of revenue and expense "per piece" and "per pound" for:

- (a) Total Second-Class Mail
- (b) Publishers' Second-Class Mail
- (c) "Free in County" Second-Class Mail
- (d) Transient Second-Class Mail (mailings generally by others than publishers or news agents)

The fifth statement in this group, "Fifteen-year Summary (approximate, of Postal Operations, 1930-1944, inclusive)" covers all postal operations and sets forth separately by classes of mail and services those which contributed an excess of revenues over expenditures from those for which expenditures exceeded revenues. The largest contributor to the postal deficits shown was second-class mail which, if the cost of "free in county" service (\$115,611,000) is included amounted to about \$1,359,000,000. It is apparent from an analysis of the statement that this deficiency was made up either from the excess of revenues collected from senders of first-class mail, or in part from that source and the remainder from other net revenues and the United States Treasury.

**Total Second-Class Mail**

[Includes Publishers' and Transient Second Class and "Free in County" Mailings]

Fiscal year	Pieces (number)	Weight (pounds)	Revenues		Expenditures*		Excess of expenditures over revenues	Average revenue per pound	Average expense per pound	Average revenue per piece	Average expense per piece
			Amount	Percent of total from all classes of mail	Amount	Percent of total for all classes of mail					
1930.....	4,968,371,363	1,659,937,714	\$30,708,810	4.9	\$120,410,648	16.9	\$89,701,838	Cents 1.85	Cents 7.26	Cents 0.62	Cents 3.42
1931.....	4,856,857,633	1,496,270,381	27,471,247	4.7	124,145,866	17.4	96,674,619	1.84	8.30	.57	2.86
1932.....	4,652,420,062	1,276,547,168	23,149,305	4.4	128,293,696	17.7	105,144,391	1.81	8.82	.61	2.75
1933.....	3,969,495,920	991,340,058	19,837,184	3.8	108,040,147	17.3	88,202,963	2.00	10.90	.61	2.79
1934.....	3,955,918,078	1,047,487,273	21,204,195	4.1	98,827,422	17.5	77,623,227	2.02	8.43	.64	2.50
1935.....	4,137,843,379	1,141,229,262	20,075,004	3.6	106,823,641	17.2	86,748,637	1.78	8.23	.49	2.57
1936.....	4,352,640,000	1,234,358,016	21,960,984	3.7	112,946,087	17.0	90,985,103	1.78	9.14	.80	2.59
1937.....	4,528,543,438	1,360,239,499	24,363,969	3.8	112,309,580	16.9	88,945,611	1.79	8.23	.64	2.50
1938.....	4,377,394,639	1,356,765,660	24,467,440	3.8	114,076,718	16.9	89,608,278	1.80	8.41	.86	2.61
1939.....	4,310,282,105	1,320,813,784	23,929,305	3.6	111,193,432	16.2	87,264,127	1.81	8.42	.86	2.58
1940.....	4,576,787,908	1,369,433,876	24,949,510	3.6	110,330,537	15.6	85,381,027	1.82	8.06	.66	2.41
1941.....	4,006,666,177	1,409,872,186	25,724,960	3.5	109,244,706	14.9	83,519,746	1.82	7.76	.66	2.37
1942.....	4,571,040,995	1,450,969,939	26,793,528	3.5	112,828,243	14.8	86,034,715	1.85	7.78	.69	2.47
1943*	4,750,929,051	1,522,566,770	28,867,400	2.4	126,968,226	15.1	98,100,826	1.80	8.34	.61	2.67
1944.....	4,633,480,924	1,470,887,079	29,487,912	3.0	137,675,885	14.7	108,187,973	2.01	9.36	.64	2.97
Totals.....	67,080,671,862	20,110,258,695	872,980,753	3.8	1,731,813,734	16.3	1,368,832,981	1.85	8.61	.86	2.68

\*Expenditures taken from cost ascertainment studies for the years listed. Data for 1943 partly estimated due to partial suspension of cost ascertainment tests.

**Publishers' Second-Class Mail**

[Includes Newspapers and Periodicals other than "Free in County" Mailings]

Fiscal year	Pieces (number)	Weight (pounds)	Revenues		Expenditures*		Excess of expenditures over revenues	Average revenue per pound	Average expense per pound	Average revenue per piece	Average expense per piece
			Amount	Percent of total from all classes of mail	Amount	Percent of total for all classes of mail					
1930.....	4,503,153,271	1,669,326,382	\$29,065,756	4.6	\$111,421,144	15.7	\$82,355,388	Cents 1.85	Cents 7.10	Cents 0.65	Cents 2.47
1931.....	4,386,955,595	1,411,152,080	25,969,850	4.4	114,518,326	16.1	88,548,476	1.84	8.12	.69	2.61
1932.....	4,113,019,227	1,200,182,008	21,781,031	4.2	115,449,017	16.3	93,667,986	1.81	9.62	.83	2.81
1933.....	3,462,981,384	927,515,198	18,761,667	3.6	98,704,624	15.8	79,942,957	2.02	10.64	.64	2.85
1934.....	3,522,244,244	981,552,332	19,972,755	3.8	90,176,221	16.0	70,203,466	2.03	9.19	.67	2.56
1935.....	3,694,880,335	1,072,032,912	18,864,989	3.4	97,353,291	15.8	78,488,302	1.76	9.08	.61	2.63
1936.....	3,903,594,429	1,161,957,811	20,649,350	3.5	103,460,068	15.6	82,810,718	1.78	8.90	.63	2.65
1937.....	4,088,414,500	1,283,973,879	23,148,099	3.6	104,390,197	15.5	81,242,098	1.80	8.13	.67	2.65
1938.....	3,933,645,178	1,280,907,041	23,144,787	3.6	104,807,149	15.5	81,662,362	1.81	8.18	.69	2.66
1939.....	3,886,342,506	1,246,784,784	22,571,065	3.4	102,390,824	14.9	79,819,759	1.81	8.21	.68	2.63
1940.....	4,161,976,254	1,295,300,186	23,668,192	3.5	102,202,443	14.8	78,534,251	1.83	7.89	.67	2.46
1941.....	4,191,700,446	1,234,460,276	24,309,630	3.4	101,262,686	13.8	76,952,956	1.82	7.69	.68	2.42
1942.....	4,163,293,704	1,872,953,633	25,168,116	3.3	104,654,685	13.8	79,486,569	1.83	7.62	.60	2.51
1943*	4,350,974,126	1,444,178,365	26,865,753	2.2	118,905,379	14.2	91,939,626	1.86	8.23	.62	2.72
1944.....	4,219,519,356	1,285,951,476	26,852,158	2.8	127,291,225	13.6	100,439,067	1.94	8.18	.64	3.03
Totals.....	60,582,694,558	18,968,228,363	260,773,198	3.6	1,696,887,179	16.0	1,246,113,981	1.85	8.42	.68	2.64

\*Expenditures taken from cost ascertainment studies for the years listed. Data for 1943 partly estimated due to partial suspension of cost ascertainment tests.

"Free In County" Second-Class Mail

Fiscal year	Pieces (number)	Weight (pounds)	Revenues	Expenditures*		Average expense per pound	Average expense per piece
				Amount	Percent of total for all classes of mail		
1900	419,854,885	74,683,447		\$7,910,161	1.1	10.46	1.86
1901	427,877,488	69,861,089		8,428,242	1.2	12.06	1.97
1902	398,285,861	67,876,657		8,480,674	1.2	13.71	2.15
1903	373,687,428	53,373,908		8,271,222	1.3	14.00	2.21
1904	394,876,534	54,190,401		7,864,355	1.3	13.94	1.91
1905	406,064,100	57,197,863		8,124,767	1.3	14.12	2.00
1906	404,919,356	61,204,618		8,277,868	1.2	13.52	2.04
1907	402,235,428	64,870,007		7,908,711	1.2	12.26	1.97
1908	400,204,712	63,360,186		8,118,070	1.2	12.12	2.03
1909	390,844,629	60,855,289		7,640,669	1.1	12.63	2.01
1910	371,935,741	60,255,866		7,020,978	1.0	11.59	1.81
1911	371,124,066	61,267,929		6,892,408	0.9	11.23	1.85
1912	369,097,690	60,110,800		6,899,029	0.9	11.41	1.91
1913	343,468,462	58,881,056		6,801,402	0.8	11.50	1.86
1914	341,329,267	56,745,280		7,444,902	0.8	13.10	2.24
<b>Total</b>	<b>4,796,101,237</b>	<b>924,868,381</b>		<b>116,611,356</b>	<b>1.1</b>	<b>12.66</b>	<b>1.99</b>

\* Expenditures taken from cost ascertainment studies for the year listed. Data for 1943 partly estimated due to partial suspension of cost ascertainment tests.

"Transient" Second-Class Mail

Fiscal year	Pieces (number)	Weight (pounds)	Revenues		Expenditures*		Average revenue per pound	Average revenue per piece
			Amount	Percent of total from all classes of mail	Amount	Percent of total for all classes of mail		
1900	45,961,197	15,947,855	\$1,643,054	0.8	\$1,176,843	0.2	10.30	3.68
1901	42,324,550	15,257,212	1,601,397	0.8	1,202,298	0.2	9.84	7.89
1902	41,176,665	13,788,508	1,268,274	0.8	1,263,905	0.2	10.07	8.17
1903	32,947,108	10,448,952	1,076,617	0.2	1,064,291	0.2	10.29	8.26
1904	38,997,200	11,744,640	1,231,440	0.2	1,098,646	0.2	9.24	8.18
1905	36,868,944	12,028,498	1,210,015	0.2	1,049,683	0.2	10.06	8.73
1906	44,126,216	13,228,680	1,301,634	0.2	1,028,151	0.2	9.84	9.13
1907	37,919,610	11,895,613	1,218,870	0.2	1,012,672	0.2	10.32	8.51
1908	43,644,919	12,608,514	1,322,653	0.2	1,183,499	0.2	10.57	8.21
1909	43,094,970	13,473,711	1,258,240	0.2	1,162,049	0.2	9.23	7.98
1910	42,905,913	13,671,624	1,281,818	0.2	1,107,119	0.2	9.23	7.98
1911	43,041,645	14,124,681	1,415,330	0.2	1,089,712	0.2	10.02	7.79
1912	43,094,970	13,473,711	1,258,240	0.2	1,162,049	0.2	9.23	7.98
1913	46,649,701	19,657,848	1,625,412	0.2	1,214,629	0.2	9.08	7.55
1914	66,486,463	19,657,848	2,001,647	0.2	1,661,445	0.2	10.36	8.64
1915	74,632,271	26,687,323	2,635,764	0.2	2,738,768	0.2	10.36	8.64
<b>Total</b>	<b>672,876,070</b>	<b>221,462,001</b>	<b>22,207,655</b>	<b>0.2</b>	<b>19,316,200</b>	<b>0.2</b>	<b>8,922,856</b>	<b>8.73</b>

\* Expenditures taken from cost ascertainment studies for the year listed. Data for 1943 partly estimated due to partial suspension of cost ascertainment tests. Expenditures exceeded revenues.

*Fifteen-year Summary (Approximate) of Postal Operations  
1930-1944 inclusive.*

<b>A. Excess of Revenues over Expenditures from—</b>	
First-class mail—except local delivery letters.....	\$1,441,000,000
First-class mail—local delivery letters.....	876,000,000
<b>Total</b> .....	<b>1,817,000,000</b>
Postal Savings.....	77,000,000
Other items *.....	92,000,000
<b>Total</b> .....	<b>\$1,986,000,000</b>
<b>B. Excess of Expenditures over Revenues from—</b>	
Second-class mail, excluding "free in county" service....	\$1,244,000,000
Third-class mail.....	866,000,000
Fourth-class mail, including Books and Catalogs.....	303,000,000
Foreign mail, other than Air Mail.....	180,000,000
Special services—excluding Postal Savings.....	304,000,000
<b>Total</b> .....	<b>2,397,000,000</b>
Air Mail, Domestic and Foreign **.....	115,000,000
<b>Total—Revenue producing services</b> .....	<b>2,512,000,000</b>
Free services, including "free in county".....	428,000,000
<b>Total</b> .....	<b>\$2,935,000,000</b>

**C. Postal Deficit for period met from U. S. Treasury funds....** \$ 949,000,000

\* Net of items of revenue and expense not assignable to classes of mail and Special Services.

\*\* These services are at present self-sustaining.

**Principal Rate Changes since 187**

The act of March 3, 1879 established a rate for second-class matter of 2 cents per pound or fraction thereof for other than (a) "free in county" service and (b) for newspapers (other than weeklies) and periodicals deposited in a letter carrier office for delivery by its carriers. In the case of (b) the rate was 1 cent per copy except for periodicals exceeding 2 ounces in weight for which the rate was 2 cents per copy.

The act of March 3, 1885 reduced the 2-cent per pound rate to 1 cent.

The act of October 3, 1917 changed materially the second-class rate structure but did not increase the average revenue per pound much beyond 2 cents—the rate established in 1879. Along with other changes it established a rate for the "reading" matter portion of publications and placed rates on the "advertising" portion on a zone basis, the zone limits being the same as those established in 1913 for fourth-class mail. This act fixed the rates of postage on publications entered as second-class matter (including sample copies to the extent of 10 per centum of the weight of copies mailed to subscribers during the calendar year) when sent by the publisher thereof from the post office of publication or other post office, or when sent by a news agent to actual subscribers thereto, or to other news agents for the purpose of sale, as follows:

- (a) For the portion of such publication devoted to matter other than advertisements the rate established was—
- (1) On and after July 1, 1918, and until July 1, 1919, 1½ cents per pound or fraction thereof;
  - (2) On and after July 1, 1919, 1¼ cents per pound or fraction thereof.
- (b) For the portion of such publication devoted to advertisements the rates per pound or fraction thereof for delivery within the several zones applicable to fourth-class matter were to be:

For delivery within—	Date effective			
	7-1-18	7-1-19	7-1-20	7-1-21
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Zones 1-2.....	1½	1¼	1¼	2
Zone 3.....	1½	2	2½	3
Zone 4.....	2	3	4	5
Zone 5.....	2½	3½	4½	6
Zone 6.....	3½	4	5½	7
Zone 7.....	5	5	7	9
Zone 8.....	8½	8½	7½	10

When the space devoted to advertisements did not exceed 5 per centum of the total space, the rate of postage was to be the same as if the whole of such publication were devoted to matter other than advertisements.

This act further provided—

(a) That where the total weight of any one edition or issue of any publication mailed to any one zone did not exceed 1 pound the rate of postage should be 1 cent; also that the zone rates provided should relate to the entire bulk mailed to any one zone and not to individually addressed packages.

(b) That in the case of newspapers and periodicals entitled to be entered as second-class matter and maintained by and in the interest of religious, educational, scientific, philanthropic, agricultural, labor, or fraternal organizations or associations, not organized for profit and none of the net income of which inured to the benefit of any private stockholder or individual, the

uld be, irrespective of the zone in which delivered: [except when, in a letter carrier office for delivery by carriers, in which case—see (c)—were to be the same as then provided by law] 1½ cents a pound or fraction thereof on and after July 1, 1918 and until July 1, 1919 and on and after July 1, 1919, 1½ cents a pound or fraction thereof.

(c) That the rate of postage on newspapers (other than weeklies) and periodicals when the same are deposited in a letter carrier office for delivery by carriers, should continue at 1 cent or 2 cents each as provided in 1879; that there should be no change in the "free in county" privilege or rates on second-class mail matter within the county of publication.

(d) That the rate on newspapers and periodicals mailed by others than the publisher or his agent or a news agent or dealer should continue to be 1 cent for each 4 ounces or fraction thereof.

The act of February 28, 1925 changed, effective April 15, 1925, the rates of postage per pound on the advertising portions of publications entered as second-class matter from those made effective on and after July 1, 1921, to the following:

For the first and second zones, 2 cents; third zone, 3 cents; fourth, fifth and sixth zones, 6 cents; and seventh and eighth zones, 9 cents. This act also increased the rate of postage on publications of the second class maintained by and in the interest of religious, educational, scientific, philanthropic, agricultural, labor, and fraternal organizations or associations not organized for profit and none of the net income of which inured to the benefit of any private stockholder or individual, from 1¼ cents to 1½ cents per pound or fraction thereof. It also provided that the rate of postage on publications entered as second-class matter, when sent by others than the publisher or news agent, (i.e., "transient second class"), should be 2 cents for each 2 ounces or fraction thereof for weights not exceeding 8 ounces, and for weights exceeding 8 ounces, the rates prescribed for fourth-class matter should be applicable.

The act of May 29, 1928 reduced the rates of postage per pound on the advertising portion of publications entered as second-class matter, from those fixed by the act of February 28, 1925, and provided rates as follows: First and second zones, 1½ cents; third zone, 2 cents; fourth zone, 3 cents; fifth zone, 4 cents; sixth zone, 5 cents; seventh zone, 6 cents; and eighth zone, 7 cents. This act also established "multiple" rates which provided that when the number of individually addressed copies or packages of publications sent *outside the county* of publication was more than 32 and not in excess of 48 to the pound, double the regular rates should be charged; when there were more than 48 and not in excess of 64 such copies or packages to the pound, three times the regular rates should be required, and for each additional 16 individually addressed copies or packages to the pound in excess of 64 there should be a corresponding increase of postage over the regular rates. It reduced the rate of postage on publications entered as second-class mail, when sent by others than the publisher or news agent, from 2 cents, to 1 cent for each 2 ounces or fraction thereof.

The act of June 6, 1932 increased for a two-year period on and after July 1, 1932 the rates of postage per pound or fraction thereof on the advertising portion of any publication entered as second-class matter subject to zone rates of postage to the following: First and second zones, 2 cents; third zone, 3 cents;

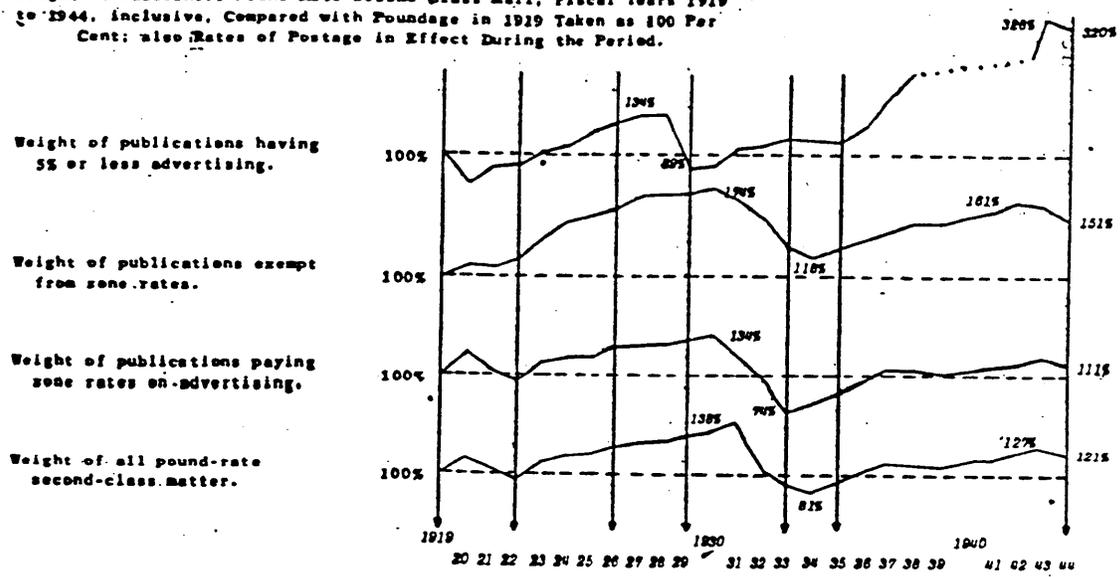
fourth zone, 5 cents; fifth zone, 6 cents; sixth zone, 7 cents; seventh zone, 9 cents; and eighth zone, 10 cents. These rates were the same as those in effect for the fiscal years 1922 to 1925, inclusive, during which period there was a material increase in the total weight of publications despite the fact that the rates were the highest in effect after advertising was placed on a zone rate basis in 1918.

The 1932 act limited the increase in rates of postage on second-class matter to a period of 2 years, and the rates made effective thereby lapsed as of July 1, 1934. By order No. 5506, dated May 28, 1934, issued by the Postmaster General, the zone rates applicable to the advertising portion of second-class publications were restored as of July 1, 1934 to those in effect prior to July 1, 1932, such rates being as follows: First and second zones, 1½ cents; third zone, 2 cents; fourth zone, 3 cents; fifth zone, 4 cents; sixth zone, 5 cents; seventh zone, 6 cents; and eighth zone, 7 cents.

During the three fiscal years, 1931 to 1933, inclusive, the volume, both pounds and pieces, decreased. This decrease was doubtless due largely to the effect on business of the depression which began in the fiscal year 1930. Since the percentage decrease in pounds presented for handling by the Postal Service during this 3-year period was more than twice as great as the decrease in pieces, it is reasonable to assume the reduced weight resulted to a considerable extent from a decrease in the amount of advertising matter contained in publications. That causes other than rates of postage contributed to this decrease in volume is apparent from the fact that during 1931 and 1932 the low level of zone rates on advertising established in 1928 was in effect. During the fiscal year 1933, the higher rates established July 1, 1932 were operative, and the decrease in volume continued. However, during the fiscal year 1934, a year during which the higher rates imposed in 1932 were also in effect, both pounds and pieces presented for handling *increased*. It would not appear, therefore, that the higher level of rates imposed in 1932 was, to any material extent, responsible for the decrease in the volume of mail offered in the fiscal year 1933. Rather the major factor affecting volume was the depression. The 1934 reduction in rates of postage on zone mailings of the advertising portion of second-class matter, based on the volume of business later presented, was not in the best interests of Postal Service revenues to the extent of from four to 6 millions of dollars on an annual basis.

The chart—"Weight of Publishers' Pound Rate Second-Class Mail, Fiscal Years 1919 to 1944, inclusive, compared with poundage in 1919 taken as 100 percent; also rates of postage in effect during the period," which follows, presents graphically the trend of volume for the principal types of second-class matter during a 26-year period when zone rates for the advertising portion, in excess of 5 percent, were in effect. It also presents for convenient comparison the related rates of postage in effect during this period. The effect of the depression which began early in the fiscal year 1930 and began to ease off gradually after the fiscal year 1933 is reflected by the trend lines shown.

Weight of Publishers Pound-Rate Second-Class Mail, Fiscal Years 1919 to 1944, inclusive, Compared with Foundage in 1919 Taken as 100 Per Cent; also Rates of Postage in Effect During the Period.



Rate Changes Effective	7-1-18	7-1-19	7-1-20	7-1-21	8-15-25	7-1-28	7-1-32	7-1-34
Reading Portion, Found	1-1/4	1-1/2	1-1/2	1-1/2	1-1/2	1-1/2	1-1/2	1-1/2
Advertising, Found. Zones 1-2	1-1/4	1-1/2	1-3/4	2	2	1-1/2	2	1-1/2
3	1-1/2	2	2-1/2	3	3	2	3	2
4	2	3	4	5	5	3	5	3
5	2-1/4	3-1/2	4-3/4	6	6	4	6	4
6	2-1/2	4	5-1/2	7	7	5	7	5
7	3	5	7	9	9	6	9	6
8	3-1/4	5-1/2	7-3/4	10	10	7	10	7

The Present Second-Class Rate Stru...

The present second-class rate structure, particularly the portion thereof applicable to publishers' domestic mail, is highly complicated. Changes and modifications over the years have added to this situation. The structure presents inconsistencies which are in violation of sound and logical rate making principles. Different rates are charged for substantially similar services and different services are performed at the same rates. It also contains illogical as well as grossly inadequate rates and is clearly responsible for the large annually recurring and increasing deficits on this class of mail. A revision of the structure in the interest of consistency, simplification, economy of operation, and reduced deficits appears highly desirable. For that purpose, which calls for an adequate conception of its character and the objections to it, a more detailed description of some of its deficiencies follows:

Postage on second-class matter is now collected, with minor exceptions, on a "pound" or weight basis. This procedure does not give proper consideration to the number of pieces which must be handled and delivered for a given amount of postage since in the case of very small publications many pieces are handled for as little as one cent. To correct this situation publishers' second-class rates should logically be comprised of two parts, a "piece" rate for each piece supplemented by a "pound" rate, on bulk weight graduated by zones for all except possibly the matter mailed for delivery within the county of publication at offices which have no carrier or rural delivery service. With such a rate structure "piece" rates would be effective in meeting the postage problem presented by the smaller weight pieces while the "pound" rates would more effectively cover the heavier weight pieces and the distance hauled. Pieces are now recognized only in the "per copy" charges applicable to publications, other than "weeklies" addressed for delivery locally by city or village carriers and to some extent in the "multiple" rates which apply on deliveries outside the county of publication. "Per copy" rates apply only to a very limited portion of the second-class mail.

The county is the initial unit established by postal statutes for second-class matter and charges within the county are related to frequency of issue and to some extent to the method of delivery. When the publication must be carried beyond the county in which it is printed and published, a different rate procedure obtains and the method of delivery and the frequency of issue do not affect the charge. The tabulation which follows shows present rates—(I), the rates within the county, and (II) those applicable outside the county of publication.

### Addressed for Delivery Within the County

(a) At Local Office	Rate
<i>Method of Delivery</i>	
At post offices not having city or village carrier service...	Free
At post offices having city or village carrier service— for deliveries made therefrom by rural or star route carrier post office box, or general delivery.....	1¢ per pound
By city or village carrier:	
Weekly publications.....	1¢ per pound
Publications issued more frequently than weekly.....	1¢ per copy
Publications issued less frequently than weekly, 2 ounces or less.....	1¢ per copy
over 2 ounces.....	2¢ per copy
 (b) At Other than Local Office	
Post offices not having city or village carrier service.....	Free
Post offices having city or village carrier service.....	1¢ per pound

### II. Addressed for Delivery Outside the County

For these deliveries the method of delivery and frequency of publication are not factors in charges for postage.

<i>Type of Content</i>	<i>Rate cents per pound</i>
(a) Reading portions of publications containing more than 5 percent of advertising.....	1½
<i>Zones</i>	
(b) Advertising portions of pub- lications containing more than 5 percent of advertising and not exempted from zone rates.....	1-2 3 4 5 6 7 8
	1½ 2 3 4 5 6 7
(c) Publications containing not more than 5 percent of ad- vertising.....	1½
(d) Publications issued by and in the interests of religious, educational, scientific, philanthropic, agricultural, labor, or fraternal organizations or associations not organized for profit	1½

When the number of individually addressed copies or packages of second-class matter sent *outside the county* of publication is more than 32, the schedule of "multiple" rates established in 1928 (see page 18) is applied. When the total weight of any one edition or issue of any publication mailed to any one zone does not exceed one pound, the rate of postage is one cent and the "multiple" rates do not apply.

The "free in county" privilege provided in 1851 is accorded only to mail addressed for delivery *within the county* in which the newspaper or periodical is printed and published and then only at offices where city or village letter carrier service has not been provided. This privilege is also extended to deliveries from such offices by a rural delivery carrier but not to deliveries on rural routes which emanate from post offices which have city or village delivery service.

The "per copy" rates apply principally for delivery *at the local office*, that is, the office of mailing, and then only when delivery is made by city or village carrier. The "per copy" rates do not apply to deliveries made by rural carriers and also do not apply to publications which are issued *weekly*. The "per copy" rate, when applicable, is 1 cent per copy, regardless of weight, for publications issued more frequently than weekly, but for publications issued less frequently than weekly the rate is 1 cent for those

weighing not over 2 ounces and 2 cents for those weighing more than 2 ounces.

The 1 cent "per pound" rate applies to all matter for delivery *within the county* which is not accorded the "free in county" privilege and to which the "per copy" rates, above mentioned, do not apply, namely:

*Weekly* publications (newspapers and other) addressed for local delivery at *letter carrier* offices.

All publications addressed for local delivery at *letter carrier* offices if delivery is made by other means than by city or village carrier.

All publications addressed to other offices in the county where *letter carrier* service has been established.

Publications originally entered within the county but which may not be printed or published in whole or in part therein.

Publications, except as noted below, addressed for delivery *outside the county* in which they are mailed are charged the rate of 1½ cents per pound for the portions devoted to reading matter, other than advertising, while zone rates ranging from 1½ cents per pound for the first and second zones to 7 cents for the eighth zone are applied to the advertising portion. Publications containing not over 5 percent of advertising matter are treated as if their entire contents were "reading" matter and are charged the rate of 1½ cents per pound regardless of the zone of delivery. Publications maintained by and in the interests of religious, educational, scientific, philanthropic, agricultural, labor or fraternal organizations or associations not organized for profit are "exempt" from zone rates on the advertising portions and pay the rate of 1½ cents per pound on their entire contents.

There follow analyses in greater detail of "multiple", "exempt" and "free in county" mailings:

#### "Multiple" Rates

"Multiple" rates provide that when the number of individually addressed copies or packages of second-class matter sent *outside the county* of publication is more than 32 and not in excess of 48 to the pound, double the regular rate shall be charged; when there are more than 48 and not more than 64, three times the regular rate shall be required, and for each additional 16 individually addressed copies or packages to the pound over 64 there shall be a corresponding increase over the regular rate. These rates do not apply to the large volume of small weight mailings for local delivery to points *within the county* of publication. They are accordingly but a very limited recognition of the additional expense incurred when there are numerous pieces (in excess of 32) to the pound. The piece content per pound has been fixed so high that these rates now return only about \$30,000 of additional postal revenue annually. Of the pieces of second-class mail handled about 525,000,000, or upwards of 12%, do not exceed 1 ounce in weight, that is, 16 or more pieces to the pound.

It is questionable whether the additional revenue of \$30,000 is sufficient to warrant the work required in the administration of this statutory requirement. The rates are, however, sound in principle since they recognize, however slight the benefit, that second-class mail is necessarily handled and delivered by the piece, and not by the pound, and that more postage should be paid as the number of pieces to the pound increases. Nevertheless even after

pound rates have been doubled, tripled, or quadrupled. The average per piece is still but a small fraction of a cent.

The two tables following show the results obtained after applying the rates to the average number of pieces in each bracket of a multiple rate schedule up to 112 pieces to the pound.

The first table is applicable to second-class matter of any type addressed to the first and second zones, to publications exempt from zone rates on the advertising portions and to those containing 5 percent or less advertising addressed to all zones.

Average pieces to pound	Base rate per pound	Multiple rate per pound	Postage per piece	Number of pieces for 1¢ of postage
40	1 1/2¢	2¢	.075¢	13
56	1 1/2¢	4 1/2¢	.080¢	12
72	1 1/2¢	6¢	.085¢	12
88	1 1/2¢	7 1/2¢	.085¢	12
104	1 1/2¢	9¢	.087¢	12

The second table is applicable to zone rate publications containing 40 percent of advertising and addressed to the eighth zone:

Average pieces to pound	Base rate per pound	Multiple rate per pound	Postage per piece	Number of pieces for 1¢ of postage
40	2.7¢	7.4¢	.185¢	5.41
56	3.7¢	11.1¢	.198¢	5.05
72	3.7¢	14.8¢	.204¢	4.85
88	3.7¢	18.5¢	.210¢	4.76
104	3.7¢	22.2¢	.213¢	4.69

It is apparent from these tables that even after the basic rates have been increased 6 times, the postage received for a single piece is very low and many pieces are distributed, transported and delivered for a single cent of revenue. Throughout the first table, the postage per piece is less than 1/10th of a cent. A large portion of the mail to which multiple rates are applicable is destined to the first and second zone. In the second table, the postage per piece is higher, but still very low despite the fact that a haul of more than 1,800 miles is involved in every case. Yet even with this haul, the postage per piece is less than 1/4th of a cent.

Examination of multiple rate mailings at New York City for the fiscal year 1942 showed 61,879 pounds containing 3,282,365 pieces, an average of 53 pieces to the pound. The postage at base rates would have amounted to \$968.00 but this was raised to \$2,811.00 by the application of multiple rates. Nevertheless, the average postage per piece was only about 9/100 of a cent, which meant that more than 11 pieces were handled and delivered for one cent of postage. As regards mailings by these same publications for delivery *within the county*, to which the multiple rates did not apply, there were 9,388 pounds containing 520,010 pieces, an average of 55 pieces to the pound. The mailings bore total postage of \$94.00, or an average postage per piece of approximately 18/100 of a cent.

Similar examinations were made of mailings for the December quarter, 1944 at Atlanta and Minneapolis covering 52 publica-

tions. The combined mailings of these publications that period subject to multiple rates comprised 27 pieces, an average of 65 pieces to the pound, for which the postage amounted to \$199.00, or about 7/100 of a cent per piece. About 13 pieces were handled for 1 cent postage. For mailing 465,600 pieces of the same publications, delivered *within the county* of publication, about 65 pieces were handled for 1 cent of postage.

Until the individually addressed *piece*, which is a major factor in postal costs, is definitely recognized in second-class rates, there is no hope for any improvement in revenue approximating a substantial portion of the cost of the service rendered. The answer as regards this type of mail, as for all other second-class matter, lies in combined "piece" and "pound" rates proportioned fairly to the expense incurred by the Postal Service. Their establishment would lay the groundwork for correction of the highly unsatisfactory conditions now existing in this type of mail matter. Under such a system the present multiple rates would have no place.

#### "Exempt" or "Special Rate" Second-Class Mail.

The act of October 3, 1917 provided that the rate of postage on publications maintained by and in the interests of religious, educational, scientific, philanthropic, agricultural, labor or fraternal organizations or associations, not organized for profit and none of the net income of which inured to the benefit of any private stockholder or individual, should be 1 1/2 cents per pound regardless of advertising content. The effect of this act was to exempt from zone rates the advertising portions of such publications—commonly designated as "exempt" or "special-rate." Two increases in the rate have been made since 1917. The present rate is 1 1/2 cents per pound and applies only *outside the county* of publication. *Within the county*, rates applicable to other second-class matter obtain. In September 1944, there were 4,500 such publications, including mailings of news agents.

The 1917 act did not govern admittance to second class but merely established rates. Publications exempted from zone rates by this act had previously been admitted, if qualified, to second-class privileges under the basic act of March 3, 1879, or under the special acts of July 16, 1894 or August 24, 1912. The special acts, in 1894 and 1912, provided for admission to second class under certain conditions, of the publications of benevolent or fraternal societies; trades-unions; professional, literary, historical or scientific societies; State boards of health; institutions of learning; State boards or departments of public charities and corrections.

For the fiscal year ended June 30, 1944, the Division of Cost Ascertainment developed the following data for "exempt" mailings presented for distribution *within* and *outside* the county:

Revenues	\$ 2,114,000
Cost (computed)	20,250,000
Pounds	131,215,000
Pieces	805,900,000
Copies	987,169,000

cost of handling, transporting and delivering these publications during the same period was  $9\frac{1}{2}$  times the postage and comparatively much greater than on zone rate publications.

These mailings contributed 7.8 percent of the total publishers' second-class revenue, 9.0 percent of the weight, 17.6 percent of the pieces, and 16.3 percent of the copies. Average revenue per pound was 1.6 cents compared with 1.9 cents, average revenue per piece was .26 of a cent as compared with .59 of a cent and average weight per piece was 2.6 ounces as compared with about 5 ounces, for all publications. The average haul of approximately 780 miles, a distance greater than for other pound-rate matter, is doubtless accounted for in part by the fact that the rate charged is uniform regardless of distance. The number of pieces to the pound is about twice that for other second-class matter, while the average revenue per piece is less than one-half as much. While zone-rate publications may be confined in some cases to nearby circulation because of the higher rates on advertising matter to distant points, this situation is not a consideration in the case of "exempt" publications. The "exempt" rate of  $1\frac{1}{2}$  cents per pound permits numerous pieces to be sent to the most distant point for a single cent, regardless of advertising content. Publishers of zone-rate publications complain that the large number of pieces of "exempt" publications carried at the low rate constitutes a heavy burden on the postal service, to the disadvantage of other second-class publications more nearly paying their way.

The 4,500 "exempt" publications for the September quarter, 1944, comprised the following:

Agricultural -----	201	Philanthropic -----	104
Educational -----	1,606	Religious -----	1,690
Fraternal -----	378	News Agents -----	66
Labor -----	114	Miscellaneous -----	113
Scientific -----	228		

These represent nearly one-fifth of all second-class publications.

Many publications, including religious, educational and philanthropic, entitled by their character to this special classification, have not applied for it and are thus not included in this "exempt" group. When the advertising content is small or their principal circulation is in the first and second zones, or both, they now pay only  $1\frac{1}{2}$  cents per pound, and thus would derive little or no benefit from the "exempt" classification.

Some "exempt" publications carry advertising, and it is estimated that during the fiscal year 1944 about \$350,000 additional postage might have been collected if the advertising portions had been subject to zone rates.

The requirement that none of the net income of the organizations or associations in the "exempt" group may inure to the benefit of any private individual is no assurance that such an organization is not conducted for the personal benefit of those operating it, even though performing a useful and beneficial service.

Many persons or groups are benefited by the exemption from zone rates granted these "exempt" publications without apparent justification therefor. Fraternal insurance societies may in fact be large "business" concerns, and while describing themselves as fraternal or benevolent their dealings with members are on a

strictly contract basis. If the member fails to pay assessments he will generally not benefit should the need arise. In fact these societies are not materially different from ordinary business concerns of similar type. In these and similar organizations the officers or promoters may continue in charge year after year at substantial emolument.

Trade and professional journals circulated among engineers, doctors, plumbers, train dispatchers, or dairymen, for example, may enjoy the preferential rate if these journals are publications of scientific or agricultural societies or labor organizations, while at the same time a serious inconsistency exists in that similar publications distributed in the interests of other, but not materially unrelated, fields of activity serving a generally similar purpose, can not qualify for the preferential rate since they are not publications of an organization or association now exempted by postal statutes. Physicians, engineers, chemists, farmers, and members of lodges or trades-unions, are in general, able to pay reasonable rates of postage and there appears to be no sound reason for "exempt" or "special" rates as far reaching in scope as at present.

The wide dissemination of current intelligence has been put forward as a justification for low postage rates on this as well as on other types of second-class matter. These rates however, have been so low over the years as to recover only a minor part of the handling and transportation costs. It would appear logical, therefore, that for the most part these "exempt" publications should be placed on a zone rate basis and required to make a larger contribution to postal revenues than at present. If the policy of granting preferential treatment to certain "non-profit" publications is to be continued, it should preferably not be granted to any publication with an advertising content in excess of, say, 50 per cent and be confined to the following:

**Religious publications;**

Publications of definitely philanthropic and charitable bodies organized primarily for the purpose of extending such service beyond their own organizations;

Official publications and bulletins of educational institutions (other than of a strictly private character) for which the authorities of the institution assume full responsibility, not including those of students or any which are not a definite part of the educational program; and

Official bulletins and publications of State boards or departments of health, public charities, corrections, and agriculture.

The adoption of such a policy would mean withdrawal of the special rate preference from periodicals published by agricultural, labor, fraternal and scientific organizations or associations, which is now accorded on the assumption that they are "not organized for profit." While such a policy would undoubtedly incur considerable opposition, a fair analysis fails to disclose a basis for continuing this preferential status to organizations where the benefit derived therefrom goes primarily to special groups. Agricultural publications distributed by organizations of farmers, even though such organizations may not make a "profit," are for the benefit and financial advantage of the members making up that group, and only indirectly for the public as a whole. The publications of labor organizations are devoted primarily to furthering the inter-

...bettering the condition of members. Preference has already  
be to fraternal organizations, some of which provide life  
or insurance for their members but such activity is for  
the part conducted strictly as a business undertaking. Pub-  
lications issued by scientific organizations usually go to doctors,  
dentists, engineers, and other professional men who generally pass  
business costs to their clients in fees. Many of these publications  
can well be considered in a class with text books, instruments and  
other tools needed to carry on a profession. That certain of these  
organizations may carry on some charitable or benevolent activi-  
ties does not change their purpose which is primarily to provide  
benefits for their members.

In proposing the exclusion of these organizations from the  
preferential rate status no reflection is intended on them or their  
publications. Those admitted to the second-class privileges consti-  
tute proper activities within a democracy where citizens may bet-  
ter themselves by individual or group effort. But when the activity  
is primarily for the advantage of the particular groups or persons  
concerned it is not apparent that the Postal Service should pro-  
vide assistance to them at the expense of other mail users or from  
public funds as distinguished from other groups equally worthy.  
To provide for all would cover a wide field and place an unjus-  
tifiable burden upon other mail users or upon the Treasury. If  
these organizations are entitled to special consideration on their  
mailings of second-class matter it would appear equally consistent  
to extend to them a discount on first-class mail and on other postal  
services. Concessions in postal rates over the years to special  
groups have aggravated the indefensible deficit situation under  
which a person mailing a first-class letter pays a "gratuity" of  
upwards one cent—the excess over cost—toward the deficit from  
this and other types of second-class matter.

About 3,100 of the "exempt" publications are issued monthly  
or less frequently. For a publication weighing 3 ounces, which is  
above average for this type, published monthly a postage charge  
of 1/2 cent per piece, plus a pound charge ranging from 1 1/2 cents  
for local delivery to 7 cents for the eighth zone, would mean an  
annual increase per subscription (12 issues) of from 8 cents for  
the first and second zones to 19 cents for the eighth zone. For  
handling, transporting, and delivering such a publication for one  
year the Department now receives postage of about 3 cents, while  
the cost is estimated at from 24 to 48 cents, depending upon the  
zone of delivery. Also among these publications are about 700  
issued weekly. Considering such a one weighing 3 ounces, the  
Department now receives postage of 15 cents per year for han-  
dling and delivering 52 issues. The annual cost to the Department  
per subscription in this case is estimated at from \$1.26 to \$1.85,  
depending upon the zone of delivery. A charge of 1/2 cent per piece  
plus the zone pound charges would mean an annual increase per  
subscription of from 31 cents for the first and second zones to 79  
cents for the eighth zone. These increases would, for the present  
at least, appear reasonable and produce more revenue than is now  
realized. Should the Congress desire to favor the more limited  
group (see page 27), for which a preferential rate may be justi-  
fied, it could give them a discount as high as 50 percent, which  
for these publications would result in but small increases, mate-  
rially less than those mentioned above.

### Second-Class Rates within County Area also "Free in County" service

As a background to the charges for second-class mail applicable  
within county areas, a brief resume of the situation down to 1879  
in respect of free mail service generally, is of interest as reflecting  
the varying views held by the Congress during a period when there  
was definitely more need for media to keep rural communities in-  
formed and more closely joined together than under present more  
densely populated conditions, with well developed means of trans-  
portation and communication.

In 1792 a printer of a newspaper was permitted to send one  
copy to every other printer of a newspaper within the United  
States free of postage. In 1825 the President, certain public offi-  
cials and members of Congress were granted the privilege of  
receiving free of postage, not more than one daily newspaper, or  
two papers published thereon.  
In 1845 an act conferring the right or privilege to receive  
or transmit newspapers through the mails, free of postage, were  
repealed. At the same time however, there was granted to Mem-  
bers of Congress and certain public officials the right to receive  
and send for limited periods, free of postage, newspapers not  
exceeding 2 ounces in weight, and there was continued the right  
of exchange, free of postage, of newspapers between the publishers  
thereof. Revised legislation also provided that all newspapers of  
not more than 1,900 square inches in size might be transmitted  
through the mails, free of postage, by the publishers to all sub-  
scribers or persons within 30 miles of the place of publication.  
This latter privilege, however, was withdrawn in 1847.

The act of March 3, 1851 provided that *weekly newspapers*, not  
exceeding 3 ounces in weight, should circulate in the mails, free  
of postage, *within the county* where published. This is the first  
reference in the statutes to the "free in county" privilege.

In 1863 the 3 ounce weight limit on weekly newspapers was  
abolished and publishers of periodicals, magazines and newspapers  
were permitted to interchange reciprocally a single copy of their  
issues, if not in excess of 16 ounces in weight.

In 1868 the "free in county" privilege then enjoyed by weekly  
newspapers was limited to those which were *not* delivered by city  
or village carriers or at letter carrier offices.

The act of March 3, 1873 repealed all laws and parts of laws  
permitting the transmission by mail of free matter of whatever  
nature.

Note: Included in this repeal action, but not related to "free in county"  
service, was a provision whereunder the Post Office Department had been  
paid \$500,000 per year by the Treasury for the transportation of mail matter  
for the Congress and the other departments and offices of the Government.

The act of June 23, 1874 restored the "free in county" privilege  
to newspapers except for deliveries at letter carrier offices or dis-  
tributions by city or village carriers.

The act of March 3, 1879 reenacted the then existing "free in  
county" legislation, and extended this privilege to all second-class  
publications—newspapers and periodicals—by providing that pub-  
lications of the second class, one copy to each actual subscriber

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reside in the county where the same are printed, in whole or in part, and published, shall go free through the mails; but not be delivered at letter-carrier offices, or distributed by carriers (city or village) unless postage is paid thereon. There has been no change in this privilege since 1879. Prior to this act the "free in county" privilege was limited to newspapers.

In September 1944 there were 12,400 newspapers in the United States. Of these, 1,985 were issued daily and 10,415 were, with minor exceptions, issued weekly. Among those issued daily about 1,370, and of those issued less frequently (weekly and other) about 8,000 were in position to take advantage of the "free in county" privilege. Publications, other than newspapers, contributed less than one per cent of the mail matter sent under the "free in county" privilege.

The following summarizes the present situation with respect to Second-Class mailings made within the county:

(a) At all offices within the county which do not have city or village carrier service, a publication printed and published within the county is delivered without charge regardless of whether delivery is made through general delivery, post-office box, or by rural or star-route carrier. (These mailings are designated as "free in county" service.)

(b) With respect to postage to be paid for delivery at letter carrier offices within the county, the rates of postage are—

(1) If delivery is made at the mailing office by letter carrier the "per copy" rates of 1 cent or 2 cents apply except to "weekly" publications for which the rate is 1 cent per pound. The 1 cent "per copy" rate applies to newspapers, regardless of weight and to periodicals weighing not over 2 ounces. For periodicals weighing over 2 ounces the rate is 2 cents per copy.

NOTE: The Department has defined, for this purpose, a "newspaper" to be a publication issued at intervals of not longer than one week and a "periodical" to be one which is issued less frequently than weekly.

(2) If delivery is made at the mailing office by any means other than by letter carrier, such as delivery through a post-office box or by rural or star-route carrier, the rate is 1 cent per pound.

(3) If delivery is made at a letter-carrier office other than the office of mailing, the rate is 1 cent per pound regardless of the means of delivery (including delivery by letter or rural carrier).

During the fiscal year 1944 the "free in county" mailings of second-class matter were as follows:

2,727,000 pounds for local delivery	58,748,000 total pounds
56,021,000 pounds for non-local delivery	25,852,000 pieces for local delivery
	315,477,000 pieces for non-local delivery
	341,329,000 total pieces

The average weight of pieces mailed "free in county" was 2.7 ounces as compared with about 5.2 ounces for publishers' paid second class. The "free in county" averaged 5.8 pieces to the pound as compared with about 3 pieces for paid second class.

The free mailings accounted for 4 per cent of the publishers' second-class weight, and 7.5 percent of the total expense incurred of Cost Ascertainment has computed the total expense incurred for "free in county" service during the fiscal year 1944, to be approximately \$7,645,000. The expense for publishers' paid second-class mailings averaged about 9.2 cents, and for "free in

county" mailing 18 cents per pound, the latter the greater number of pieces to the pound requiring higher and delivery. The expense per piece for publishers' paid mailings was 3 cents, and for free mailings 2.2 cents. The average haul of the non-local "free in county" pieces was about 21 miles as compared with upwards of 600 miles for all publishers' second class. The cost of transportation for the "free in county" mail is a small item, approximately \$30,000.

The following tables show the total mailings of paid and "free in county" matter during the September quarter, 1944, by newspapers and by other publications:

Publications	Total pounds mailed	Pounds of "free in county"	Percent of total mailings sent free
Newspapers	143,048,000	14,464,000	10.108
Other publications	186,361,000	136,000	.084
	331,409,000	14,610,000	4.407

By types of publications the "free in county" mailings of 14,610,000 pounds were distributed approximately as follows:

Pounds	
250,000	by leading metropolitan dailies
9,757,000	by smaller dailies
4,087,000	by weekly newspapers
380,000	by newspapers published bi-weekly, semi-weekly, tri-weekly, monthly and at other intervals
156,000	by publications other than newspapers
14,610,000	

"Free in county" mailings of publications, other than newspapers, amounting to 156,000 pounds were distributed approximately as follows:

Publications	Pounds
Standard magazines	10,860
Agriculture	26,570
Business	2,080
Scientific and professional	2,370
Religious, educational and welfare	8,910
Art, literature, labor, group or subject	28,410
From some States	55,570
From other countries	49,440
From other countries	1,550,000

The greater quantity of "free in county" mailings by newspapers is accounted for by the fact that circulation is to a greater extent localized than for other types of publications. The smaller dailies receive the principal financial benefit from the privilege, with weekly newspapers participating to a lesser extent. As regards publications other than newspapers, the better known periodicals of national circulation, made little use of the "free in county" privilege. For example, during the September quarter, 1944, 89 of the large nationally circulated magazines mailed a total of 98,467,450 pounds, of which only 1,056 pounds (.001 percent) were "free in county"; 16 of the better known farm publications mailed 6,855,100 pounds, of which 7,588 pounds (.119 percent)

wer. e in county"; and 23 of the more widely circulated publications exempt from zone rates on advertising portions mailed 7,382,400 pounds, of which only 666 pounds (.099 percent) were "free in county".

During the same period total mailings and the "free in county" mailings by newspapers segregated by frequency of issue were:

Frequency of newspaper	Total pounds mailed	Pounds of "free in county"	Percent of all "free in county"	Percent of total mailings sent free
Daily	11,638,000	10,090,000	86.2	9.0
Weekly	29,373,000	4,987,000	28.3	13.9
Semi-weekly	1,065,000	245,000	1.7	24.0
Other frequencies	952,000	116,000	.8	11.8
	143,038,000	14,451,000	100.0	10.1

The free mailings of the metropolitan newspapers are relatively much smaller than those of newspapers published in smaller cities. This is illustrated by the fact that in the September quarter, 1944, the free mailings of 73 of the leading daily newspapers of the United States, including practically all of the largest, amounted to only 233,998 pounds, (.551 percent) out of total mailings of 42,497,730 pounds.

During the fiscal year 1944 the total "free in county" mailings were distributed by classes of offices about as follows:

	Pounds	Percent
First-class offices	41,700,000	71.04
Second-class offices	11,865,000	20.21
Third-class offices	5,060,000	8.62
Fourth-class offices	75,000	.13
	58,700,000	100.00

None were made at New York, Philadelphia, Washington, Detroit, San Francisco, and Brooklyn, and practically none at Boston, St. Louis, and Cincinnati since, with minor exceptions, the areas supplied by these offices are covered completely by letter carrier service.

At the smaller first-class offices the "free in county" mailings comprise about 15 to 20 percent of all second-class mailings; at second-class offices, approximately 25 percent; at third-class offices, 41 percent; and at fourth-class offices, 24 percent.

A general picture of the approximate circulation of weekly newspapers outside metropolitan areas taken from data published in 1944 shows:

	Number of newspapers	Number of copies
Circulation less than 500 about	1,000	1,000
Circulation less than 1,000 about	4,000	4,000
Circulation less than 2,500 about	7,400	7,400
Circulation less than 5,000 about	9,500	9,500

As has been pointed out, when the "free in county" privilege is not applicable to second-class mail for delivery within the county such mail is sent—

- (a) At 1 cent per pound, or
- (b) At "per copy" rates of 1 cent or 2 cents per copy.

The special rates ("per pound" or "per copy") rate the handling of matter presented for mailing and further more result in substantially similar service being charged for at one office while given free at another, or charged for at a different rate. Stated in greater detail—

(a) When the delivery office is provided with city or village carrier service, matter addressed for delivery from that office by rural or star-route carrier, through a post office box, or general delivery, is charged with postage at the rate of 1 cent per pound, while the identical service is given at non-carrier offices within the county without charge. The service of box or general delivery is generally no more valuable or expensive when given at an office where letter carrier service has been provided than at a non-carrier office.

(b) Publications, other than those issued weekly, are charged the substantially higher 1 or 2 cent "per copy" rates, at the office of mailing if such office has city or village carrier service, than they are charged for similar service at other such carrier offices within the county. At these latter offices the charge is only 1 cent "per pound," despite the fact that more service is generally given since transportation and some additional handling to the point of delivery are required.

(c) Higher "per copy" rates are charged for publications weighing over 2 ounces and issued less frequently than weekly than for those issued more frequently. There is no logical justification for a difference in rate because of frequency of issue.

(d) The "per copy" rates do not apply to publications issued weekly. For these the postage charge is 1 cent "per pound," a lower rate than for publications issued less, or more, frequently than weekly. Frequency of issue does not justify a difference in rate.

Mailings within the county now have the "free in county" privilege when delivered by any means (including rural carrier) from offices without city or village carrier delivery service, while the following mailings for delivery within the county, pay a postage charge of 1 cent per pound:

(a) Weekly publications addressed for local delivery at carrier offices regardless of whether delivery is made by city or village carriers, rural delivery carrier, star-route carrier, through general delivery or post-office box.

(b) All publications, other than weekly, addressed for local delivery at city or village carrier offices but delivered by other means than by such carriers—such as by rural-delivery carriers, star-route carrier, through general delivery or post-office box.

(c) Publications addressed to other offices in the county having city or village carrier service. The "per pound" rate applies in such cases regardless whether delivery is made by city or village carrier, rural-delivery carrier, through general delivery or post-office box.

(d) Publications originally entered within a county but which are not printed and published in whole or in part in the county.

The several paragraphs above illustrate some of the complexities and complications inherent in the present second-class rate structure.

The 1 cent "per pound" rate is obviously too low. The Haghe Commission in its report on second-class rates in 1911 recommended that this rate be abolished and that except for the "free in county" privilege the same charge should be made within, as without, the county. During the fiscal year 1944, 70,041,600 pounds were mailed within the county at the 1 cent "per pound" rate, producing postage of only about \$700,000.

In those cases where the "per copy" rates are charged, they apply only to publications, other than those issued weekly, when delivered by city or village carriers at the office of mailing (also offices of additional entry). The volume to which this rate now applies is comparatively small and the total revenue therefrom

in was about \$1,140,000. These rates however, produce at least \$500,000 more than would have been collected if the existing "per pound" rates had been applied to these mailings.

"Per copy" or "per piece" rates are equally as sound in principle for weekly as for other than weekly publications and for deliveries within, and without, the county. The present system of charges for like service *within the county*, in some cases on a "per pound" basis and in other cases on a "per copy" basis should be eliminated and a "per piece" rate substituted therefor. When it is appropriate to give recognition to differences in weight, distance hauled or other factors the "per piece" rates should be supplemented with a "per pound" charge. Such a combined rate would provide a more equitable distribution of the postal burden, more adequate revenues and a much needed simplification in the present confused "county" rate structure.

Another inconsistency in the present second-class rate structure for mailings addressed for delivery *within the county* is that "multiple" rates do not apply in the case of such mailings. Mailings of this type of matter are relatively heavier within the county than to other points and there is no logical basis for an exception.

With greater density of population in rural areas; better communication facilities such as by automobile, telephone, leased wire press service, and radio—which largely ignore distance; the extension of rural delivery service into remote sections; the greater availability of printing press facilities and the substantial circulation of daily newspapers in rural areas—for the most part developments since 1879—the importance of the "county" area from the postal viewpoint has changed. These developments suggest that the existing special "county" rates and the "free in county" privilege are no longer necessary to provide local areas with all the benefits considered essential when they were established many years ago, and that the time is ripe for revision in line with present conditions and requirements.

As regards the "free in county" privilege it would appear entirely appropriate in view of the changed conditions mentioned, to make some charge for postal service performed. It should however, be one which would accord, at least to some types of publications, reasonable recognition of the services which they are now rendering.

A rate procedure, simple and equitable by way of application, and which would continue to serve in reasonable measure some of the purposes originally expected to be accomplished by the "free in county" privilege and other "special" county rates, but at the same time provide additional revenue, would be—

(a) For the copies of any second-class publication—newspapers and other—mailed to actual subscribers for *delivery within the county* where published and printed, in whole or in part, at post offices which do not have city, village, rural or star-route delivery service, establish a flat "piece" charge for postage.

(b) For all other mailings of second-class publications at any post office, the postage chargeable should be a rate combining a flat "piece" charge (higher than for (a) above) and an appropriate zone "pound" charge on total weight—the latter to give recognition to the varying weight of publications and the haul

factor. Under this procedure the postage charged *should bear an approximate relation*, at least, to service rendered, including handling and hauling.

Note: Matter addressed for delivery at offices *within the county* of mailings which have city, village, rural or star-route delivery service would be charged the combined "piece" and "pound" rates established for local services or for the first and second zones, whichever is applicable.

There would be a few situations under this system of charges, where a small amount of mail matter through the elimination of existing inconsistencies might pay less postage than at present but the overall revenues from all mailings would be increased.

In the case of the smaller newspapers, with a circulation not exceeding 7,500 (about 10,000 of the 12,400 in the United States) and for publications in the "exempt" classification (restricted as indicated on page 27) the postage charged could readily be adjusted to recognize their contributions to the public good should the Congress grant them a concession of, say, 50 percent from the combined "piece" and "pound" charges established. With respect to newspapers that would be accorded this concession, these would continue to serve, at least in part, the purposes originally justifying the "free in county" privilege, and furthermore, their volume of circulation and income are generally such as to warrant some consideration in order to insure their continuance.

The cost to the Government of the "free in county" privilege for the fiscal year 1944 was approximately \$7,645,000. Under the procedure proposed at least some portion of this cost could be recovered.

A schedule of proposed charges for second-class mail consistent with this rate procedure and designed to meet present conditions will be found in a later section of this report. (See pages 95 and 96.)

**Analysis of Second-Class Poundage Handled and Postage  
Collected thereon during the fiscal year 1944**

The tabulation which follows summarizes the approximate pounds mailed and postage collected in the fiscal year 1944 from each of the types of second-class mail which have been described. The data are exclusive of "transient" second-class mail.

<i>Delivery within county</i>	<i>Pounds</i>	<i>Postage</i>
"Free in county"-----	58,750,000	.....
At 1¢ per pound-----	89,950,000	\$ 699,000
At 1¢ and 2¢ per copy-----	28,670,000	1,142,000
<b>Total—within county</b> -----	<b>157,370,000</b>	<b>1,841,000</b>
<i>Delivery outside of county of publication</i>		
Zone rate publications (per pound) read- ing portions (1½¢)-----	578,340,000	8,727,000
Advertising portions		
1st and 2nd zones (1½¢)-----	235,020,000	3,546,000
3rd zone (2¢)-----	86,380,000	1,733,000
4th zone (3¢)-----	67,670,000	2,036,000
5th zone (4¢)-----	50,630,000	2,032,000
6th zone (5¢)-----	17,940,000	900,000
7th zone (6¢)-----	17,600,000	1,059,000
8th zone (7¢)-----	28,450,000	1,997,000
<b>Total advertising</b> -----	<b>503,690,000</b>	<b>13,303,000</b>
<b>Total zone rate</b> -----	<b>1,082,030,000</b>	<b>22,030,000</b>
Publications with 5% or less advertising (1½¢ per pound)-----	86,340,000	\$ 1,303,000
"Exempt" from zone rates (1½¢ per pound)-----	127,070,000	1,912,000
<b>Total outside county</b> -----	<b>1,295,440,000</b>	<b>25,245,000</b>
Deduct, Foreign at pound rates-----	8,110,000	279,000
<b>Total domestic—outside county</b> -----	<b>1,287,330,000</b>	<b>24,966,000</b>

From these data it may be noted that during the fiscal year 1944 the "reading" portion of zone rate publications,—newspapers and periodicals—comprised overall about 53% and advertising matter about 47% of the weight of such publications. The contribution to postal revenues of these two types of matter, reading and advertising, was about 40% and 60%, respectively. However, no additional revenue over that derived from reading matter was received from nearly one-half of the total advertising content of publications since it was delivered within the first and second zones where the pound rate, 1½ cents, is the same as for the reading portion. For delivery beyond these zones of the remainder, approximately 53% of the total advertising portion, carried at rates ranging from 2 to 7 cents per pound, only about \$5,700,000 additional revenue was collected. It cannot be said therefore, that the zoning of the advertising portion of publications in 1918 was of any substantial assistance in disposing of the annually recurring second-class deficit, and especially not after the July 1, 1934 reduction in rates (see page 19). The adoption of zone rates for the advertising portion, together with the flat increase in the rate for the reading portion now accomplishes but little more than to remove the bad effects from the reduction in 1885—from 2 cents to 1 cent per pound—of the second-class rate.

The average charge now collected on the advertising portion of second-class zone rate publications is 2.6 cents per pound. With the reading portion carried at 1.5 cents per pound, there was realized during the fiscal year 1944 a composite revenue on the two types of matter of 1.94 cents as contrasted with about 2 cents per pound in 1880 when there was very little city delivery service and no rural delivery and the dollar had a greater purchasing power than at present.

While comparisons of average rates per pound are of limited value in arriving at rates for specific types of mail they are nevertheless of value in showing inconsistencies in overall charges for the several classes of mail. For example, the average revenue per pound from first-class mail during the fiscal year 1944 was \$1.12 as contrasted with approximately \$0.02 per pound for second-class mail, or about 56 times as large. While it must be, and has been, recognized that the two classes of mail are entirely different in character and that second-class mail should not be handled in the mails at first-class rates, yet giving full recognition to its character and the difference in handling costs, the differential of \$1.10 per pound is entirely too large. It emphasizes the present unjustifiedly low second-class rates and gives some indication of the subsidy accorded second-class mail.

A further comparison may be made with third-class rates which now yield about \$0.20 per pound, (but should yield about \$0.28 to be self-sustaining). Much of third-class mail, except for the fact that pieces are limited to 8 ounces, is not materially different in character from mail matter accorded the second-class privilege.

In Appendix "A" is included an analysis of second-class publications by types, number with related weights, average advertising content and postage paid, for the September quarter, 1944.

### Additional Entries for Second-Class Mailings

The act of October 3, 1917, establishing zone rates on advertising content of publications provided for acceptance of second-class matter from publishers or news agents at (a) the post office of publication or (b) other post office. The words "other post office" constitute the legal authority for the granting of additional entries. The act of July 7, 1932, provided a fee of \$10 to be paid in connection with the request of a publisher for an additional entry. Upon receipt of application for an additional entry the Third Assistant Postmaster General determines whether the office in question is so located as to avoid excessive transfer or "back-haul" of mail, and has not been selected near a large city for the purpose of avoiding payment of "per copy" rates for deliveries in that city. The Department as a mutual convenience permits publishers to use mail bags for freight shipments to additional entry points if the contents are for mailing at those points, but not for portions of the freight shipments distributed outside of the mails.

Additional entries have been of greatest value to the larger periodical publications, thus making possible the shipment of their product by freight, truck or water routes to distant points for distribution by the Postal Service. They thereby obtain lower rates of postage on the advertising portions thereof than would be paid if sent from the office of publication. Such a business procedure is not subject to criticism.

On September 12, 1945 there were in force 606 additional entries granted 416 publications. Of these 390 publications had additional entry at only one office other than that of publication and for most of them the additional entry was obtained because of the location in different cities of the business offices and the printing and mailing office. The remaining 26 publications had additional entries at 2 or more offices. Of these, each of 3 nationally known magazines had 23 additional entry points, one had 20, one had 19, one had 11, and the other 20 had 10 or less.

Publishers using additional entry offices are required to mail at each office the copies addressed for local delivery therefrom. In the case of publications other than weeklies, an appreciable but undetermined amount of revenue is realized from postage at "per copy" rates on these local mailings. On the local mailings of weeklies the rate of 1½ cents per pound is charged. For mailings other than local, zone rates are charged, and the "free in county" privilege, with its related 1-cent per pound rate for delivery at offices having village or city carrier service, does not apply.

There are instances involving very long hauls from the office of publication, where the post office derives some benefit from these additional entries. For example, a study made of the mailings for the year 1941 by a large nationally distributed magazine making the greatest use of the additional entry privilege shows that the publisher paid about \$371,600 postage on mailings at the office of publication, and \$608,500 on mailings at upwards of 20 additional entry offices, a total of \$980,100 for the year. Had all mailings been made at the publication office, about \$568,000 additional postage would have been paid, making a total of \$1,548,100 of postage on

these mailings. The Postal Service would have realized \$371,600 additional postage, but it would have been required to pay to railroad companies approximately \$719,000 to transport this additional matter from the publication office to the delivery areas. The Department in this instance saved about \$151,000 as the overall result of the use of additional entry offices. However, on mailings of this type at six of the entry points nearest the office of publication, there was a net loss to the Department of about \$8,000.

Whether the Postal Service derives any benefit or loses from additional entries depends generally upon the haul from the office of original entry to the office of additional entry and also upon the relative location of the additional entry office within a zone. These factors in turn determine the cost of storage space on cars and also to a considerable extent the rate of postage on the advertising portions of publications. Each such case, however, presents an individual problem.

The Postal Service is not concerned with the financial benefits derived by the publication from the use of additional entry offices. However, it may be stated that in the case of the publication referred to above the practice reduced its average postage per pound from 2.62 cents to 1.66 cents, out of which saving it paid freight, as well as loading, unloading and trucking costs. There was also some advantage from carload freight rates in connection with shipments of newsdealers bundles intended for delivery outside the mails.

The use of additional entry offices to reduce postage costs, nevertheless, illustrates a situation which is of more than passing interest to the Postal Service, namely, that the larger publishers and many other users of the service are interested in mail service only to the extent that it is to their advantage to use it and they will doubtless make less use of that service when and if cheaper or more favorable means of transporting and distributing their product become available. There has been a definite tendency in this respect over the years and with competition from private trucking and delivery services in the post war period and competition between publishers to speed delivery, or from programs to reduce costs, this trend toward the use of other media for getting publications to their readers will doubtless intensify. One may well ask, therefore, whether under these competitive conditions there is not a real justification for the Postal Service receiving for the service remaining for it to perform, a greater portion of its cost than at present, if not the full cost, since other distributors are presumably paid at least their cost.

For some years prior to 1921, the Post Office Department operated a "blue-tag" service under which it shipped periodicals by fast freight from the office of entry to distant distribution points. The Department thereby saved the difference between (a) the costs incurred in shipping by freight and (b) the costs of transporting in railway post office or storage cars. There was some dissatisfaction with this service, publishers complaining that shipment of their publications by freight compelled them to close their forms too early and that this resulted in loss of advertising with a time value. At the same time it was difficult to obtain the full cooperation of publishers in mailing sufficiently

to assure delivery on the desired date. After the zoning of second-class matter some publishers, through increased use of the additional entry privilege, provided a generally similar service for themselves. With little demand for the "blue-tag" service offered by the Department, it was discontinued.

#### "Transient" Second Class

The rate of postage on publications entered as Second-Class matter, when sent by others than the publisher or news agent, is 1 cent for each 2 ounces or fraction thereof regardless of distance carried, except when postage at the rates prescribed for fourth-class matter is lower, in which case the latter rates apply. This charge is commonly referred to as the "transient" rate and matter so mailed as "transient" matter. Sample copies in excess of the 10 percent, permitted by law to be sent at pound rates, mailed by publishers and copies mailed by publishers to persons not properly includable in the legitimate list of subscribers, are subject to the "transient" rate.

This charge is computed on each individually addressed copy, or package of unaddressed copies, and not on the aggregate weight of shipments as in the case of publishers' pound-rate matter. Partial or incomplete copies of publications are not accepted at the "transient" rate, but take the third- or fourth-class rate, whichever is applicable.

The cost ascertainment studies for the fiscal year 1944 show the following information regarding "transient" second-class matter:

Number of pounds .....	25,687,000
Number of pieces .....	74,632,000
Average weight per piece.....	5.5 ounces
Revenue per piece.....	3.5 cents
Expense per piece.....	3.7 cents
Total revenue .....	\$2,636,000
Expenditures .....	\$2,740,000
Deficit .....	\$ 104,000

Similar studies for some years past have indicated a small profit from "transient" second-class mail handled by the Postal Service. A more comprehensive analysis made during 1944 regarding the cost factors involved in handling this type of mail, largely by the piece, in contrast with second-class matter mailed by publishers in bulk has resulted in assigning to "transient" mail a slightly larger share of the originating office expense than in the past with the result that a small deficit rather than a profit is now shown.

No information is available as to the number of "transient" pieces in the several weight brackets, that is, the number weighing less than 2 ounces, between 2 and 4 ounces, and so on. The average expense per piece, 3.7 cents, is an average for all such mailings. The low rate of 1 cent for the initial 2 ounces is obviously less than the cost of handling. Cost ascertainment studies show for first-class mail, an average weight per piece of .4 of an ounce, with an average expense per piece of about 1.80 cents; and for third-class mail, an average weight per piece of 1.15 ounces with an average expense per piece of 1.99 cents. The average haul of "transient" matter, about 900 miles, is considerably greater than for the first- and third-class, as well as for other types of second-class mail. The character of the average "transient" piece is such as to present a cost of distribution definitely in excess of that for matter of the first- and third-class and the loss on this type of mail matter may doubtless be attri-

o pieces that weigh not to exceed 2 ounces and produce cent of postage.

Several alternatives are possible to place "transient" mail on a substantially self-sustaining basis: (a) transfer this type of matter to third class and apply rates for that class; (b) retain the present classification and charge 2 cents for the first 2 ounces and 1 cent for each additional 2 ounces; or (c) charge a rate of 2 cents for the first 4 ounces or fraction thereof, and 1 cent for each additional 2 ounces which would assure fully the recovery of cost. However, in consideration of the comparatively slight annual loss on this type of mail, a change in rates thereon at this time is not of material importance.

#### Identical charge for Advertising and Reading Portions of Second-Class Publications

The act of March 3, 1879 provided that nothing contained therein should be so construed as to admit to the second class rate regular "publications designed primarily for advertising purposes." That act, however, neither defined what constituted a "publication designed primarily for advertising purposes," nor what advertising content made it such a publication. The interpretation of this provision accordingly became a responsibility of the Post Office Department where there were differences of opinion but generally liberal construction in favor of granting the second-class privilege, if some support could be found therefor in the reading content. In certain instances the second-class privilege is now enjoyed by publications containing upwards of 70% of advertising matter.

Since July 1, 1918 a flat rate has been applied to the "reading" portion and a separate set of rates to the "advertising" portion of second-class publications addressed for delivery *outside the county of publication*. The flat rate on the "reading" portion is now  $1\frac{1}{2}$  cents per pound. For the first and second zones the rate for "advertising" portions is also  $1\frac{1}{2}$  cents per pound, but for all other zones the rates charged for this type of matter are higher, ranging from 2 cents per pound for the third zone to 7 cents per pound for the eighth zone. Newspapers and periodicals maintained by and in the interests of religious, educational, scientific, philanthropic, agricultural, labor or fraternal organizations or associations not organized for profit are exempt from zone rates on their advertising portions and such publications are handled in the mails at the flat rate of  $1\frac{1}{2}$  cents per pound.

The higher rate for the advertising portion of publications was doubtless based to some extent on the premise that such matter produced greater revenue for, and was more profitable to, the publisher, thus giving him "better ability to pay." This is neither the rate philosophy established by Congress for fourth-class mail in the act of May 29, 1928, nor should it be the rate policy for any class of mail. To some extent also the publication of advertising matter has been viewed as being to a greater degree than the reading matter a "business" undertaking by the publisher. When all pertinent facts are considered there is but little basis for this assumption.

The Post Office Department's primary responsibility is to receive, transport and deliver second-class publications presented to it for handling. Beyond assuring itself that publications so presented meet second-class mailing requirements; contain nothing scurrilous, obscene, seditious, or are otherwise debarred by Congress from the mail and are in the class, even though accommodating the widest varieties and tastes, which makes a contribution to the public good, the Department should not be particularly concerned with the content thereof—whether reading or advertising matter—provided the latter is included in reasonable proportion. The cost to the Department of providing its service is not increased by reason of the character of the contents and thus from that viewpoint, taken by itself, there is no

ation for a higher charge for the "advertising" portion than for the "reading" portion.

Fully 60% of all second-class publications are commercial undertakings conducted with a profit motive. With respect to the remainder, other objectives generally predominate. As regards volume presented for handling, however, that of commercial undertakings comprises considerably more than 60% of the total.

The reading and advertising portions of the publications issued as commercial undertakings are largely interrelated. Publications must have readers (circulation) in order to obtain advertising. The cost to the publishers, with few exceptions, of preparing original copy is frequently in excess of subscription revenues, and there must be advertising revenue to apply against the cost of production in order to sell the publication at a price sufficiently low to continue to attract readers and increase their number. Readers may thus at times, because of the advertising content, benefit in the price paid for a publication but their number also helps in the price charged the advertiser. Generally the program set by publications, issued as commercial undertakings has been to obtain, as an average, about 35 percent of their revenue from circulation and about 65 percent from advertising.

Advertisers frequently insist on "paid circulation" rather than total circulation since the reader of the publication is assumed to read it with more care, and thus be more certainly affected by the advertising pages.

The reading portion of a publication must appeal to its readers or subscriptions will be lost and if the advertising does not attract or interest them, advertising contracts cannot be obtained. Advertising to be effective, must also appeal to the type of reader who buys the particular publication, which means that reading and advertising matter must be generally syncretized. The reading matter is also frequently so placed throughout the publication as to require readers to come in direct contact with the advertisements. Then there is also a tendency to include reading matter, much of which is both interesting and informative, in the advertisements.

In many magazines and on the pages of some newspapers there is a very close association between the reading text and the advertising matter. For example in magazines devoted to articles on home care and construction, decoration, and the like, the character of the reading matter is closely related to the advertising content. Fashion magazines and trade journals present similar examples of the interrelation of reading and advertising matter and such textual matter gives the advertising greater force. Many news articles pertain directly to the type of product being advertised and this is especially true when new products are developed. On the pages of many newspapers in which amusements of various kinds are advertised, the reading portions contain articles concerning motion pictures, plays, actors and actresses which keep up the reader's interest in the features advertised. Reading matter which has good indirect advertising value and is closely connected to the advertising display is to be found in many of the larger daily newspapers under attractive captions which draw attention to one or more articles, give descriptions and not

infrequently make mention of prices as well as places where merchandise may be purchased. Other periodicals have interspersed regular reading sections with matter that has so clearly an advertising flavor as to make it difficult from the viewpoint of applying rates to determine the classification into which the matter falls—reading or advertising. (As a general rule the Department construes "advertising" to be those parts of a publication for the insertion of which the publisher receives payment and similar matter to promote his interests.)

These situations emphasize that the reading and advertising portions in many second-class publications are closely interrelated. The reading matter at times frequently has an advertising motive, but is not charged for as such, and commercial considerations influence its character and position. To make it attractive there may also be a liberal content of pictures, comic and similar matter. With costs to the Postal Service no greater for overall handling of the advertising portion, page by page, than for the reading portion, there would appear to be no logical basis for charging a lower rate for reading than for advertising matter. The Postal Service should not follow a "commercial" practice in its charges for matter contained in the same publication, since when all facts are considered there is no basis for a differential.

The principal reasons given by those who attempt to justify a differential, briefly stated with comment thereon in parentheses, are:

(a) Advertising is clearly commercial and its inclusion in publications is primarily a profit undertaking. (This implies that the reading portion is not issued for profit, whereas it is an integral part, of a commercial or business undertaking.)

(b) Advertising, when included, is the profitable part of second-class publications. (Reading matter must be included to effect the sale of a publication, and thus to float the advertising. Publications are not bought for the advertising contained therein, and any attempt to separate the profit contribution as between the two types of interrelated matter would be meaningless.)

(c) The amount of advertising content in a second-class publication shows the extent to which it is a commercial or business venture and rates should give recognition to its character. (A publication carrying no advertising would, under this approach, be "non-commercial," which view is incorrect, since there are publications which are profitable ventures that contain little or no advertising. The entire publication is a business undertaking.)

(d) Zone rates for advertising impose no material limitation on the dissemination of information so long as a low flat rate is retained for reading matter. (This is true only if the major part of the cost of a publication can be absorbed by advertising revenue. However, increased publisher's costs are generally reflected in the retail or subscription price and may readily affect circulation. A subscriber does not purchase the reading and advertising portions separately. He pays one price for the entire publication.)

The placing of the entire publication—reading and advertising—on a zone-rate basis, would simplify the computation of postage with resultant economy to publishers and the Postal Service. The publisher is now required to measure the advertising content of each issue of his publication and determine the percentage content, an exacting task, and thereafter the publisher's work must be checked by the postmaster at the mailing point. At times it is not practicable for the postmaster to determine what constitutes advertising and other than advertising and a decision must be obtained from the Department. To cite one example requiring such a decision: Fashion magazines may contain what is com-

/ designated "merchandise" text. Such matter consists of pictures of garments, hats, or shoes accompanied by text which may mention the name of the dealer or manufacturer from whom they can be obtained, and the price. Since the dealers or manufacturers named are usually advertisers in the same publication, a decision must be had as to whether the matter in question is or is not to be treated as additional advertising for postage rate purposes, since the postmaster at the office of entry may not be in position to do so.

Mention has been made in another section of this report that zone rates on the advertising content produce but a relatively small amount of additional revenue. In 1944 this additional revenue amounted to approximately \$6,700,000, or about \$1,500,000 more than was realized in the fiscal year 1942. This higher amount in 1944 resulted largely from the longer haul given second-class publications incident to the war, together with a somewhat greater percentage of advertising content. The postal revenue produced by zone rates on advertising is limited by the large portion of advertising matter destined to the first and second zones on which the rate—1½ cents per pound—is the same as on the portion devoted to reading matter. In 1944 only about 53 percent of the advertising content in zone rate publications was carried beyond these two zones, thus producing something more postal revenue than the reading matter. Excluding "exempt" publications, only about 20 percent of the total weight of publishers' pound-rate mail was charged rates ranging from 2 cents to 7 cents per pound.

If there is to be any substantial increase in second-class revenues over those realized under the present "pound-rate" system, higher rates for this class of mail must be applied to a broader field than is now covered. To this end and in view of the character of many second-class publications with reading and advertising matter interrelated and interdependent, the differential in the postal charge between the two types of matter should be eliminated and the same charge for postage applied to both reading and advertising portions.

In addition, until such time as the rates on second-class publications which are issued for the most part as commercial undertakings, return substantially the cost of rendering postal service to them and are no longer accorded a subsidy on the assumption that they make a contribution to the public good, it would appear appropriate to limit more specifically than at present the amount of advertising which a second-class publication may contain. After allowing for a liberal advertising content, say, 50 percent of the publication, the Congress under its broad classification and rate fixing powers could doubtless establish a schedule of surcharges when this limit is exceeded.

Congress could, for example, provide that a second-class publication containing in excess of 50 percent of advertising, but not exceeding 60 percent, should pay a surcharge of 10 percent over the regular postal charge and if in excess of 60 percent a surcharge of 15 percent, or the third- or fourth-class (catalog) rate, whichever is the lower. Such a surcharge might tend to develop a more effective compliance with the purpose for which

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the subsidy is granted—presumably a contribution to the public good—and would not appear to present any aspects of censorship. Publishers would doubtless prefer to have the present differential in charges for "reading" and "advertising" matter continued since the reading portions are not subject to zone charges for the longer hauls and as long as there is a flat rate thereon it must necessarily be a rate that is not unreasonable for the shorter hauls. There is, at the same time as a practical matter, a limit beyond which zone rates on advertising cannot be raised. Thus publishers have some assurance that they will not be called upon under the present rate structure, to pay materially higher rates than at present.

The preceding paragraphs proposing identical charges for the "advertising" and "reading" portions of second-class matter may be summarized briefly:

(a) The advertising and reading matter for many second-class publications, which as a class are permitted to accommodate themselves to the widest variety and taste, are so definitely interdependent and interrelated that it is illogical to treat them separately for rate purposes.

(b) A higher charge for the "advertising" portion of publications based on the assumption of "better ability to pay," or that such matter is to a greater degree than the "reading" portion a business undertaking has no justification as a postal rate policy.

(c) The relative amounts, in reasonable proportions, of reading and advertising matter is secondary to having an appropriate rate of postage toward meeting the cost of handling, transportation and delivery of publications. Their contribution to the public good is also a consideration. Until such time as second-class publications pay rates to meet the cost of service performed for them, the Congress should place a limit on advertising content carried at regular rates and establish surcharges when this limit is exceeded. These charges would doubtless act to contribute to the public good and thus help in justifying the subsidy accorded.

(d) The adoption of uniform rates for advertising and reading matter would simplify the computation of postage.

(e) The additional revenue obtained from the present higher zone rates for advertising only, is comparatively small and no practicable increase in these rates, because of their limited application, would be effective in materially reducing the existing second-class deficit. A broader rate base is required for this purpose and this would be provided by an identical charge for the two types of matter.

(f) Zone rates are sound in principle for second-class matter. In the case of the heavier items of mail, they impose charges in relation to distance carried—a factor which should be recognized as definitely in respect of "reading" as in "advertising" matter.

The foregoing discussion of an identical charge for reading and advertising matter, while pertaining primarily to publications which are issued as commercial enterprises and contain a sizeable amount of advertising, is equally applicable to other second-class publications in which the advertising content may be small. Postage on these latter publications, including also those which have no advertising content, is generally small per piece and relatively less than that on publications which carry substantial advertising matter. The amount paid is now much less than the cost to the Postal Service of handling and any revision of rates of postage thereon to a more nearly self-sustaining level should, therefore, not be burdensome.

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## Views regarding the Second-Class problem held by Congressional Commissions, also by Presidents and Members of Congress

The deficits and other problems presented by second-class mail have over many years been a matter of serious concern to those charged with responsibility for its handling, and there were also divergent views.

At the suggestion of the Post Office Department, the Congress, by the act of June 26, 1906, created the Postal Commission on second-class mail matter frequently referred to as the "Penrose-Overstreet Commission." This Commission was directed to inquire into and report to the Congress its conclusions on the operation and the effect of the existing law relative to second-class mail, and what changes if any, should be made.

Extensive hearings were held at New York and Washington, between October 1 and November 28, 1906 at which witnesses representing the Department, the publishing industry and other mail users not connected with the publishing industry were heard. A full report of the investigation was issued in 1907, and although written 40 years ago, the report contains much that is directly relevant today in connection with any effort to improve the second-class mail situation.

There are given below only some excerpts and summaries of findings of the Commission which directed its inquiries primarily along the following lines:

(1) Whether the revenue from the second-class of mail matter should not be commensurate with the actual cost of the service rendered in handling it, and whether its classification should not be accordingly grounded on practical rather than ideal considerations?

(2) In case second-class matter is not placed on a cost-paying basis what limitations should be placed upon the matter which may properly be placed in that class?

(3) By what amendments of existing law may the changes which appear to be advisable be most effectually brought about?

The findings of the Commission with respect to rates may be summarized as follows:

(1) The difference (8 to 1) between the second-class rate and the next higher rate (third-class) was too great, i.e., the second-class rate was relatively too low, being such as to give mailers an "almost irresistible temptation" to have printed matter in periodical form.

(2) Wholly dissimilar service within the second class was being performed for the same charge, this disparity resulting from the automatic operation of the pound rate, which gave no recognition to the weight of individual pieces or the number of pieces requiring individual delivery in a pound.

(3) Substantially similar services were charged different rates, second-class matter for delivery in substantially the same area being subject to the "per copy" rates in some instances or the pound rates in others. In addition, since the "per copy" rates did not vary with the weight, for lighter pieces they were above the pound rates and for heavier pieces they were frequently below the pound rates.

(4) The second-class rate was probably too low, absolutely speaking. The Commission, however, here recognized that the costs of handling each class of mail were not definitely known. It was its opinion that the costs assignable to second-class mail should not be confined to the "out-of-pocket" or additional costs above the cost of maintaining a plant for handling first-class mail—that such a view was "historically false."

NOTE: The Commission described these 4 as "cardinal defects" in the system of charges.

(5) A horizontal increase in the existing second-class rate would tend to destroy some marginal publishers.

(6) A system of zone charges for second-class mail was not practicable because of complexity and the difficulty that would be encountered in its administration and in accounting for revenue.

NOTE: Zone charges were introduced in connection with fourth-class matter in 1913, and for some second-class matter in 1918.

(7) Second class produced some first-class revenue but this factor should not be recognized in the rate since the condition was not peculiar to second class—it being generally true for all classes of mail—and also that the degree to which second-class mail contributed to first-class revenues was a matter of speculation and conjecture.

(8) Separate rates should be provided for (a) bundles and (b) subscribers' copies to meet "a fundamental and existing distinction in the service rendered," as follows:

(a) Maintenance of the existing rate of 1 cent per pound for bulk lots weighing not less than 10 pounds, which, by comparison with express rates appeared to be approximately commensurate with the cost of the service.

(b) For periodicals to be transported, distributed and delivered to individual addressees, the rates to be charged to each separately addressed piece should begin with a minimum charge based on the handling of the individual copy, increasing with the weight of each piece. The incremental rate for heavier pieces should be greater than the initial rate in order to realize greater revenue from the larger publications which presumably contained more advertising.

The recommendations of the Commission with respect to classification may be summarized as follows:

1. Refuse the second-class rate to periodical publications consisting wholly of fiction, relegating fiction carrying magazines and papers, having no true element of periodicity, to another class.

2. Emphasize in the administrative enforcement of the law, the element of currency as an essential characteristic of a periodical.

3. Enforce the requirement that a periodical must be issued and circulated only in response to a genuine public demand, by the following restrictions:

(a) Reduce to a minimum the sample copy, one of the main agencies of inflation of circulation

(b) Abolish all premiums whether of printed matter or merchandise.

(c) Either prohibit all combination offers or require that in all cases a price be set upon both elements of the combination and that the full advertised price of the periodical be paid.

(d) Require that the publication print conspicuously, its regular subscription price and any reduced price at which it is offered in clubbing arrangements.

(e) Charge the publisher a higher rate for returning any undeliverable copy sent otherwise than in response to an actual demand.

NOTE: Some of the above have been corrected or minimized since 1907.

4. Limit advertisements to not more than 60 percent of the contents.

5. Vest the final administration of the law pertaining to second-class mail in a permanent commission. This was originally recommended by the Third Assistant Postmaster General, and favored generally by the publishers.

This Commission also recommended studies to determine the costs of all classes of mail, extensive weighings of all classes of mail by the Post Office Department and a review of the Department's accounting and business methods by experts from outside the postal service.

As regards the types of publication which could be given second-class status under the fourth condition of the act of March 3, 1879, this Commission's report made the following pertinent comment:

Now, the object of a definition is to define, to delimit. It should serve as a means of separating the things contained under the term defined from all other things. But in what way can it be said that a requirement that a cer-

ta. . . . .ted matter should be "devoted to literature" serves to mark it off from anything else that can be put into print. There is practically no form of expression of the human mind that can not be brought within the scope of "public information," "literature, the sciences, art, or some special industry." It would have been just as effective and just as reasonable for the statute to have said, "devoted to the interests of humanity," or "devoted to the development of civilization," or "devoted to human intellectual activity."

The prime defect in the statute is, then, that it defines not by qualities, but by purposes, and the purpose described is so broad as to include everything and exclude nothing.

With the exception of a few instances where the publication has been excluded because the information was deemed not to be public, no periodical has ever been classified by the application of tests of this kind. Any attempt to apply them generally would simply end in the press censorship.

With respect to the reduction of the pound rate on second-class matter in 1885, from 2¢ to 1¢, the report included the following:

When the rate upon second-class matter was reduced in 1885 from 2 cents to 1 cent a pound, it seems to have been so reduced simply upon a brief letter of the Postmaster General, dated January 23, 1885, addressed to the Chairman of the House Committee on the Post Office and Post Roads, in favor of such reduction. The following extract from his letter gives the only known basis of his recommendation:

"I have the honor to acknowledge the receipt of your letter of this date enclosing a copy of Senate Bill No. 1843 and asking for my opinion as to its merits and as to the expediency of its early passage.

I am decidedly in favor of a reduction of the postage on newspapers. The requirements in favor of such reduction can not be fairly stated in a communication of this character, but they are numerous, strong, and well founded."

So far as we are aware, there is no evidence that the matter was ever considered by the Post Office Department, by any committee of Congress, or by either House. There seems to have been no debate upon the subject at all. The general impression seems to be that the reduction was made because the revenues of the postal service had for a short time been in rather flourishing condition. But no thought seems to have been taken as to whether that increase of revenue was not wholly due to the natural expansion of letter mail, or whether the reduction should not properly have inured to the benefit of the class which created revenue."

In his annual message to the Congress in 1909, President William Howard Taft had the following to say regarding second-class mail matter:

The deficit every year in the Post Office Department is largely caused by the low rate of postage of 1 cent a pound charged on second-class matter, which includes not only newspapers, but magazines and miscellaneous periodicals. The actual loss growing out of the transmission of this second-class mail matter at 1 cent a pound amounts to about \$63,000,000 a year. The average cost of the transportation of this matter is more than 9 cents a pound.

It appears that the average distance over which newspapers are delivered to their customers is 291 miles, while the average haul of magazines is 1,049, and of miscellaneous periodicals, 1,128 miles. Thus, the average haul of the magazine is three and one half times and that of the miscellaneous periodical nearly four times the haul of the daily newspaper, yet all of them pay the same postage rate of 1 cent a pound. The statistics of 1907 show that second-class mail matter constituted 63.91 percent of the weight of all the mail, and yielded only 5.19 percent of the revenue.

The figures given are startling, and show the payment by the Government of an enormous subsidy to the newspapers, magazines, and periodicals, and Congress may well consider whether radical steps should not be taken to reduce the deficit in the Post Office Department caused by this discrepancy between the actual cost of transportation and the compensation exacted therefor.

A great saving might be made, amounting to much more than half of the loss, by imposing upon magazines and periodicals a higher rate of postage. They are much heavier than newspapers, and contain a much higher propor-

tion of advertising to reading matter, and the average distance of their transportation is three and a half times as great.

The total deficit for the last fiscal year in the Post Office Department amounted to \$17,500,000. The branches of its business which it did at a loss were the second-class mail service, in which the loss, as already said, was \$63,000,000, and the free rural delivery, in which the loss was \$28,000,000. These losses were in part offset by the profits of the letter postage and other sources of income. It would seem wise to reduce the loss upon second-class mail matter, at least to the extent of preventing a deficit in the total operations of the Post Office.

I commend the whole subject to Congress, not unmindful of the spread of intelligence which a low charge for carrying newspapers and periodicals assists. I very much doubt, however, the wisdom of a policy which constitutes so large a subsidy and requires additional taxation to meet it.

Following the expression of President Taft's views, hearings were held by the House Post Office Committee in January and February 1910 on the question of fixing rates on magazines at a higher level than rates on newspapers but no change was made.

In March, 1911 Congress approved by joint resolution the appointment of a "Commission on Second-Class Mail Matter." This Commission, generally referred to as the "Hughes Commission" had as its members the Honorable Charles E. Hughes, then Associate Justice of the United States Supreme Court; President A. Lawrence Lowell of Harvard University and Mr. Harry A. Wheeler, President of the Association of Commerce of the city of Chicago. The Commission held exhaustive hearings in the summer of 1911 and rendered its report on February 2, 1912. Relevant sections of the findings of the Commission follow:

There appears to be at present no deficit in the operations of the Post Office Department as a whole, and from the arguments submitted to us it is apparent that some have supposed that the only reason for proposing an increase in rates was to cover a deficit. While postal rates should be adequate to meet the expenses of the department, the chief reason for an increase in the rate on second-class matter is not the existence of a deficit, for that might be covered by raising all rates or in some other way. The true reason for the change is to apportion the cost of the service more equitably among the different classes of mail matter, and at present the second-class pays far less than its share. We have already observed that if in the future there would be a substantial surplus in the post office it might well be applied to lowering the rate or, perhaps better still, to making further improvements in the service to business and to the people at large of low rates and good service in the transportation of letters.

The original object in placing on second-class matter a rate far below that on any other class of mail was to encourage the dissemination of news and of current literature of educational value. This object has been only in part attained. The low rate has helped to stimulate an enormous mass of periodicals, many of which are of little utility for the cause of popular education. Others are of excellent quality, but the experience of the post office has shown the impossibility of making a satisfactory test based upon literary or educational values. To attempt to do so would be to set up a censorship of the press.

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Thus the educational purpose has been accomplished only in part; it is wholly impracticable to make a low rate for publications with a considerable educational value and a higher rate for the rest; and, under the actual working of the law, large business enterprises, which are maintained by the commercial advantages they offer as advertising media, receive the benefit of a rate so low as to amount to a subvention by the Government.

In these circumstances there would seem to be no reason why there should be such a wide difference between rate and cost, and it is the judgment of the Commission that there should be an increase in the charge for second-class mail in order that a more equitable adjustment may be made.

On the other hand, the historic policy of encouraging by low postal rates the dissemination of current intelligence, and the extent to which it has

proved successful, should not be overlooked. Enterprises, those with slender resources as well as the large and highly successful—religious and philanthropic, together with those conducted for pecuniary gain—have been established on the faith of this policy; and no change should be made which would seriously hamper the circulation of useful information or dislocate an industry. The increase should be a moderate one; and, after it has been provided for, time should be allowed to permit the business to adapt itself to the new conditions before the change goes into effect. And, in addition, provision should be made in the department for the maintenance of an adequate cost system, so that the operation of rates may be observed continuously and accurately, and further modifications may be determined.

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The Commission is further of the opinion that it would be a mistake to discriminate between newspapers and magazines or other periodicals. So far as educational value is concerned no satisfactory distinction can be made. And we have no basis for the conclusion that the comparative cost of transporting and handling would justify a difference in rate.

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We conclude, therefore, that, whatever increase be made, should apply alike to newspapers and periodicals admitted to second-class, and that it is impracticable in the case of newspapers to charge a higher rate for space given to advertisements. It has been suggested that the proportion of this space should be limited for all second-class matter, but the true definition of such matter is that which is devoted primarily to the dissemination of news and of current literature and instruction, and we are not convinced that this can be measured by an arbitrary standard of the proportion of space given to advertisement.

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In the interest of simplification we approve the recommendation to abolish the copy rates for newspapers and periodicals when mailed at city carrier offices for local delivery.

The question of raising the rate on second-class matter mailed by publishers and news agents from 1 cent to 2 cents is a more serious one. But we are of the opinion that the change is reasonable and should be made. To deny such a moderate increase is virtually to say that the present rate, despite the heavy loss it entails must be deemed satisfactory, or if not that it is wholly impracticable to attempt any change in it. We regard either conclusion as without foundation.

Such an increase will not, in the opinion of the commission, bring distress upon the publishers of newspapers and periodicals, or seriously interfere with the dissemination of useful news or information. A reasonable time should be allowed, after the rate is fixed, before it is put into effect. While the new rate will be very far from compensating the Government for the carriage and handling of second-class matter, it will to some extent relieve the existing burden and result in a more equitable adjustment of rates.

#### Conclusions as to rates

Accordingly, we recommend the following rates for second-class mail:

- (1) The rate of 2 cents a pound on copies by publishers to subscribers, to news agents, and as sample copies; and by news agents to their subscribers or to other news agents.
- (2) The rate of 1 cent for each 4 ounces for copies mailed by other than publishers and news agents; that is, the present transient rate.
- (3) The present free-in-county privilege retained, but not extended.

Further, as we have said, the department should maintain an adequate cost system, so that the effect of the new rates may be closely observed and a proper basis may be secured for the consideration of any future proposals.

President Taft's message transmitting to the Congress the report of the "Hughes Commission," contained the following statement:

That newspapers and magazines have been potent agencies for the dissemination of public intelligence and have consequently borne a worthy part of the development of the country all must admit; but it is likewise true that the original purpose of Congress in providing for them a subvention by way

of nominal postal charges in consideration of their value as mediums of public information ought not to prevent an increase, because they are not only educational but highly profitable. There is no warrant for the great disparity between existing postage rates on periodicals and the cost of the service the Government performs for them.

A statement made by Senator Hardwick of Georgia, a member of the Senate Post Office Committee, on May 28, 1917, before the Senate Committee on Finance contained the following view of the second-class mail situation:

Now as to second-class mail matter the situation is different, and I think is one which absolutely demands a change in the present rates, for while we are making a clear profit of substantially \$60,000,000 a year on first-class mail matter we are losing \$70,000,000 a year in round figures on second-class matter.

I quite understand the principle upon which the latter rates were fixed and have been kept so low, and I readily concur in that principle. The principle is that under a free government the diffusion of news and intelligence among the people is indispensable, and in order to promote it the postal system should carry matter of this kind at a very nominal rate, even if a heavy expense to the Government is thereby entailed. At the same time it is improper to have this privilege abused by publications that have no particular value either from a news or an educational standpoint, and which are primarily, if not wholly, business enterprises and commercial ventures. To permit this is to permit the prostitution of a great and correct principle, and yet to a great extent this is exactly what has happened in recent years, and newspapers, magazines, and publications of all kinds which are almost wholly commercial enterprises and having little news or educational value are being carried through the mails at an annual loss to the Government of \$70,000,000, as I have stated above.

Senator Gooding of Idaho made the following pertinent comment on May 2, 1928 during the debate on a bill fixing postal rates which included a reduction in the zone rates on advertising matter in the second class:

My advices from the Post Office Department, I think, are that it is around \$86,000,000. If the Senate amendment is adopted, it means an additional loss of \$7,610,000 on top of a very, very large deficit already sustained in carrying second-class mail matter.

Mr. President, why should we carry second-class mail matter at a great loss to the Government? Can not every line of business afford to pay the Government the actual cost of transacting its business? Why do we favor second-class mail matter by carrying it at a loss, or any other class of mail matter, so far as that is concerned—I do not care what it is? I do not think that any line of business has a right to ask the Government to transact its business for it at a loss, be it great or small; and the loss to the Government in carrying second-class mail is enormous, and that is admitted.

On May 27, 1932, during a debate on a proposed amendment to the Revenue Act involving an increase in second-class rates, Senator Norris of Nebraska expressed his views as follows:

Mr. President, I can not see any real, fundamental difference between this amendment and any other tax-increasing amendment that we put on this bill. It is not, perhaps, because we desire to increase this rate, although it is an open secret, as I understand, that under existing law the Post Office Department loses about \$90,000,000 a year on account of carrying second-class mail matter for less than actual cost.

Now, when we are going to be compelled to get additional revenue and find some place where we can make the levy to produce that revenue, why is it not appropriate to increase the second-class rates, under which at the present time we are losing millions and millions of dollars? Even when this increase is made, if this amendment should be agreed to, we will still lose many millions of dollars in carrying second-class mail matter.

Why should not newspapers stand their proper share of these increased burdens that must rest heavily upon the shoulders of all classes? Why should

we select them as a special class and give them tax-free opportunities that now cost the Government more than \$90,000,000 more than the Government is getting out of them?

President Franklin D. Roosevelt was quoted in the press on January 8, 1938 as describing the deficit on second-class matter as unhealthy and one with respect to which the publishers of the country should take some action.

The Chairman of the House Committee on Ways and Means in a communication to Postmaster General Frank C. Walker in 1942 indicated the attitude of the committee at that time regarding certain phases of the postal rate situation as follows:

The committee recognizes the magnitude and importance of the subject but it also appreciates the fact that the question of bringing rates of postage in the second and third class of mail matters more closely in line with the cost of handling such mail, has been the subject of consideration and discussion for the past 30 or 35 years. Certainly, you realize that it is not a good business practice to permit these deficits to continue without some remedial action. In spite of past discussions, nothing has ever been done.

#### Views of Postal Executives in respect of the Second-Class Mail situation since 1879

Postal executives have not infrequently over the years criticized the deficits and other of the more serious problems presented in connection with second-class matter.

The low rates established in 1879 and their further reduction in 1885 were of course, primarily responsible for the deficit situation. Competition among publications and the desire for large circulation led to abuses, such as the failure to collect subscription charges when due, the issue of excess sample copies, and the allowance of excessive commissions to agents. While some of these conditions, of which mention is made in the following paragraphs, have been corrected and the situation has been improved somewhat, others have come into the picture.

In the annual report for the fiscal year 1890 Postmaster General John Wanamaker made the following comment:

It does not seem fair to letter-writers to take the profit made upon the transportation of letters and give it away for the support of the War, the Agricultural, or the Interior Department, or to let it go to book and newspaper publishers of a certain class. The Post Office Department would be self-sustaining if it had credit for the work it does for nothing, and practically nothing, and if these different classes of mail matter were all put on a self-supporting basis.

Postmaster General William L. Wilson, in the report for the fiscal year 1895 stated:

No criticism is intended of the long-standing and approved policy of carrying "county-free" matter, nor of the policy of carrying at nominal and losing rates the newspapers and periodical publications originally contemplated in the enactment of the law; but allowing for all these, it must be apparent that under what seems a necessary and inevitable interpretation and abuse of a statute founded upon enlightened and liberal ideas an immense and undesirable mass of additional matter is now admitted to the mails and transported at second-class rates, which was never intended or foreseen, at an expense to the people which seriously cripples their postal service and lessens their postal facilities. I respectfully and earnestly recommend to Congress a careful scrutiny into this abuse and such remedial legislation as shall be deemed necessary and effective for its correction.

Postmaster General James A. Gary, in the report for the fiscal year 1897 expressed his views regarding the second-class mail situation as follows:

The injustice inflicted both upon the postal revenues and the people by existing laws regulating the carrying of second-class mail matter has been represented to Congress in reports from this Department for 10 years past with cumulative force, but without effect in remedial legislation.

By acts of Congress passed in 1874, 1879, 1885, and in 1894, a privileged class has been created, entitled to the use of the United States mail service either free of charge or at a cost far below the price the Government is compelled to pay the railroad companies for the transportation of the mails thus carried. The right thus conferred is entirely distinct from the right to frank official documents, which is given to Members of Congress and the officials of the Executive Departments and other public servants. It is bestowed upon persons engaged in private enterprises, and inures simply to their emolument, without any appreciable benefit to the public at large while the loss on this service, now amounting to more than \$26,000,000 a year, is defrayed out of the proceeds of taxation drawn from all classes of people.

These figures convey their own comment. It is impossible to continue the present system of second-class mail transportation without eventually swamping the revenues of the postal service.

Annual Report for the fiscal year 1901 Postmaster General. Charles E. Smith, an executive of long experience in newspaper work, both as an editor and a proprietor, severely criticized the second-class mail situation. Excerpts from that report follow:

### *Abuses of Second-Class Matter*

In my annual report for 1899 I said: "The most urgent need of the postal service is the rectification of the enormous wrongs which have grown up in the perversion and abuse of the privilege accorded by law to second-class matter." Time and experience only emphasize this statement. It is the most urgent need, because it aims at the one great overshadowing evil of the service, and because it underlies and overtops all other reform and advance. It would relieve the Department from the one oppressive burden which cripples and weighs it down, and which stands as a constant and formidable barrier against improvement and progress for the benefit of all the people in many directions. Deeply impressed with this conviction, the Department has taken positive steps, in orders issued on July 17, 1901, to correct the abuses and accomplish substantial reform, so far as it is possible, by administrative action.

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The second-class matter constitutes nearly 60 percent of the weight of the entire mail of the country, and yet, while the postal revenue for the last fiscal year was \$111,631,193, the second-class matter paid only \$4,294,445 of that amount. That is, while making three-fifths of the mail in weight, it furnished only one twenty-eighth part of the revenue. The transportation of the mails is paid for chiefly by weight. The enormous disproportion of return to cost in second-class matter is thus apparent at a glance.

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### *The True Public Policy*

If the mail thus carried at a heavy loss were limited to what the law intended, there would be nothing more to be said. In that case it would be a deliberate and rational public expenditure for a well-defined, justifiable and worthy public object, and taking the service as a whole there would be no loss at all. Our free institutions rest on popular intelligence, and it has from the beginning been our fixed and enlightened policy to foster and promote the general diffusion of public information. Congress has wisely framed the postal laws with this just and liberal conception. It has uniformly sought to encourage intercommunication and the exchange of intelligence. As facilities have cheapened it has gradually lowered all postage rates. It has never aimed to make the postal service a source of profit, but simply to make it pay its own way and to give the people the benefit of all possible advancement. In harmony with this sound and judicious policy it has deliberately established a low rate of postage for genuine newspapers and periodicals, with the express design of encouraging and aiding the distribution of the recognized means and agencies of public information. It is not a matter of favor, but of approved judgment. It is not for the publishers, but for the people. But in adopting this special rate for a legitimate public end Congress has sought to restrict its privilege to legitimate publications with a manifest public aim and a clear public demand. It never meant to open the flood gates for an inordinate stream of purely private enterprises which have no public object whatever within the contemplation of the law, and which have seized upon the low rate of postage solely for private profit at the public expense.

### *The Intent of the law*

The intent of the law is clear from its terms. It seeks to define the boundaries and to prescribe conditions which shall limit the privilege to the kind of publications really designed to be included. First of all, it provides that to be entitled to the second-class rate the publication must be "originated and published for the dissemination of information of a public character, or devoted to literature, the sciences, arts, or some special industry." This test has never really been enforced, and its rigorous enforcement is not now undertaken, for it raises questions which may be matters of opinion rather than of fact. Its strict application would, without any other test, manifestly rule out thousands of existing publications. But there are other tests which

present matters of fact. The possession of the character thus defined is not enough. The law further requires that the publication must have "a legitimate list of subscribers." There must be not only a public object, but a real public call and approval, attested by general subscriptions. But even this is not all. A publication having all these characteristics might also have others which would plainly conflict with the intended prerequisite of having a distinct public purpose ratified by a distinct public demand. So the law adds the proviso that nothing in its terms "shall be construed as to admit to the second-class rate regular publications designed primarily for advertising purposes, or for free circulation, or for circulation at nominal rates."

These provisions taken together plainly show the design of the law. Had they been strictly administered from the beginning admissions to the second-class rate would have been restricted to legitimate publications complying with the prescribed conditions, and there would be no such question as is now presented. But the administration has been in many hands. The applications for admission have gradually broadened. Every new case has made its special representation, and taken singly has pleaded no harm or burden. Little by little the limitations have been relaxed, and every transgression has been made the pretext and precedent for another. Many of the publications once entered have changed their character since admission and, if at first entitled to the pound rate, have by this departure forfeited their original right. In these various ways thousands of publications have come to enjoy the privileges which are not within either the spirit of or the letter of the law, and the volume of second class mail has been immensely swollen by a vast and questionable mass of printed matter which was not intended or foreseen when Congress, in the educational interest of the people, provided that the Government should practically pay the cost of transmission.

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### *Growth of Second-Class Matter*

Of this vast matter of second-class matter it is estimated that one-half does not come within the meaning and intent of the law and is not rightfully included in that class, and thus is not entitled to be mailed at the pound rate. This estimate is based upon an investigation of the records, and upon the judgment of experienced postmasters and trained experts. If it be difficult at first to believe that the proportion of wrongly classed matter is so large, two considerations will make it clear. On the one hand, the entire circulation of the questionable matter goes through the mails, for with its scattered range it has no other method of distribution. On the other hand, the great body of the newspapers of the considerable cities, where requiring transportation, go for the most part in bulk on the railroads outside of the mails. Most of their circulation is within a radius of 200 or 300 miles. Within that circle they are transported in bulk for less than the postage rate. The Government carries for 3,000 miles at the same rate as for 3 miles. If the abuses now under consideration can be eliminated it will be entirely feasible to establish zones with graduated rates, and to carry newspapers and periodicals in bulk within a limited radius for half a cent a pound. But as the case now stands, and with a just understanding of these facts, the estimate will be readily accepted that one-half of the volume of second class mail is of the character which the law never intended should possess its privilege.

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### *The Actual Loss*

This great abuse, which has been repeatedly condemned by my predecessors, is so flagrant and so hurtful and obstructive to all postal progress that the Department has felt impelled to undertake measures for its correction. The needed reform has been sought by legislation, and legislation which shall make a more precise and distinct definition of what shall constitute second-class mail matter and which shall bring within reasonable bounds some of the privileges that are now grossly stretched, sample copies for example, is eminently desirable and important. In the absence of such additional legislation the Department is limited to the application of the law as it is, and as much of the evil that has grown up has come because even the safeguards now provided have been neglected, a more strict enforcement of the existing law will, it is believed, accomplish much good.

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### Department executes the law

As to be borne in mind that in engaging in this work the Department is not assuming to make or extend the law. That is the prerogative of Congress. The Department is simply administering the law as it finds it. It is charged with the duty of issuing certificates of entry to the second class and as incident to that duty it must determine whether the conditions requisite to such a certificate are fulfilled. The number of new applications is about 5,000 a year. The department must decide whether they are entitled to admission or not. It can not with a sense of duty admit those which do not meet the statutory requirements. But to apply the law rigorously to new applicants and not to apply it in the same way to existing publications, would be unjust to the former and would be to leave a monopoly to the latter.

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### Interest of Legitimate Periodicals

It is morally impossible that the flagrant abuses which have been depicted shall go on uninterruptedly and unceasingly. If, with their palpable obstruction of postal advance for the advantage of all the people, and with their shameful misuse of the public treasury for private ends, they are left unchecked, they will sooner or later rouse a storm of opposition which will strike indiscriminately at the special rate that is perverted to the illegitimate purpose. Not only do they wrongfully deplete the postal revenues, but they taint and harm a great business by injurious methods or unequal ground; and legitimate publications, for the honor of their own mission and work, and in their own interest, will welcome and sustain the effort for the enforcement of the law and the maintenance of its just standard. The redemption of the postal service from the incubus which works a great injustice to the people and to all law-abiding publishers and which impairs the power of the Department for efficiency and improvement in many directions is felt to be the highest duty, and to that duty, the Department addresses itself, relying on the support of all who would have the law faithfully observed.

The 1906 Annual Report of Third Assistant Postmaster General Edwin C. Madden contained an extended discussion of "second-class mail abuses and deficits," together with proposals for their correction. Excerpts from that report follow:

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The presentation (by the Department to the Penrose-Overstreet Commission) was intended to establish the need of new laws to meet the changed conditions in the publishing industry, especially, because, to maintain the privilege as at present, the Government must suffer not only the loss, whatever that may be, from carrying the bona fide newspapers and periodicals fairly within the intent and spirit of the statutes, but also the loss incidental to the existence of a privilege which can not be properly confined; and that under the slow processes which the Department is compelled to follow in dealing with the subject and the lack of sufficient force to enable it to organize effectively for the working out of the problem abuses develop almost as fast as they can be corrected. It was also shown by exhibits that vast quantities of matter were carried as of this class which it was a travesty to consider as meeting the conditions even in form, let alone in substance. However, it was stated to the commission that a very much better enforcement of the present laws, bad and ill-fitting as they are, could be accomplished if the Department were equipped for the purpose.

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Concerning the present administrative reform, explained fully in previous reports, we are on the one hand pressed to go to the limit sustainable in the courts under the present laws, and, of course, we are always glad to be judicially reviewed. On the other hand, there is complaint that we are going too far or may do so. We displease and are condemned, no matter what we do, and we are confronted with the problem as to whether we shall stop short of the strict, honest, and fearless enforcement of the present statutes to the limit of their intent and purpose or go on to a finish. In this connection, the statement before the Congressional Commission of a representative of the organization of all the great newspapers of the country to the effect that a

strict and impartial enforcement would bar every publication from the second class is in point. Consider also in this connection that a certificate of entry to the second class is a grant of public money to the extent of the cost of handling over what the publisher pays—there is no other fair way to put it—and that it is the rule of the courts that in the grant of public money the benefit of doubt should be taken by the Government.

Shall the present laws remain and shall we now forge ahead, how to the line and let the chips fall where they may? Are the Government's interests greater or less than the publishers'? The situation calls for breadth of reasoning and sober second thought.

Regardless of whether the rate be raised; regardless of whether it be lowered; regardless of whether it remains as at present, there should be, as a matter of justice, reason, and business sanity, a change in the conditions, considerations, and qualifications, for this classification from those which now exist, and the change should come now.

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I am convinced that an increase in the rate of postage would ultimately prove to be beneficial to all and would not work disastrously as represented. Time would, of course, be given for the adjustment of the whole industry to the new conditions and new rates, and it is certain that finally any increase of rates would be borne by the advertisers and not by the readers, as contended. The people would continue to get their newspapers and periodicals just as cheaply as they get them now. The publishing business is, after all, like any other business—an enterprise for making money—and it should stand on the same plane with other businesses so far as the postal service is concerned. Publishers are no more public benefactors by reason of publishing newspapers and magazines than are publishers of books and other literature which do not come into the second class. They may do good or they may not; that is not the question for the Department. The public may be depended upon to buy what it wants.

The Annual Report of Third Assistant Postmaster General Abraham L. Lawshe for 1908 summed up the second-class situation as follows:

With the second class privilege restricted as was originally contemplated in the enactment of the law, there would yet be a loss in the handling of this class, but it would be a worthy generosity for the benefit of the people, and not for the benefit of the publishers who abuse the privileges of the law. However, if it is not possible to curb the abuses along the line suggested, or along other practical lines, there will be justification for and inevitably must be a very material increase in the second class postage rate to cover the cost of the service, and with such a rate there would be no need for restrictive regulations of any sort.

In the Annual Reports for the fiscal years 1909 and 1910 Postmaster General Frank H. Hitchcock called attention to the "enormous" loss the Government sustains in the handling and transportation of second-class mail and recommended higher rates of postage thereon, limited however, to advertising matter. In his opinion the Act of 1879 never justified the inclusion under second-class rates of the vast amounts of advertising transported at a heavy loss and that if magazines paid what it cost the Government to carry their advertising pages the Department's revenues would eventually grow large enough to warrant a reduction in postage on first-class mail. These conclusions were based largely on the results of extensive weighings of the mails made in 1907. By 1909 it was recognized that the problems of second-class mail involved more than the "abuses" of the privilege. The Annual Report for that year stated that:

If it were possible to correct every such abuse and to exclude from the second-class privilege all illegitimate publications, the newspapers and periodicals properly admitted as second-class matter would still continue to absorb the profit derived from other classes of mail.

There have been several painstaking inquiries into this subject, one investigation corroborating another, and it has been shown conclusively, that the loss to the Government in the handling of second class mail under present rates constitutes by far the most important factor in the annual deficit.

The transportation of the mail is the only transportation, so far as is known to this Department, for which the rate charged the sender is fixed without regard to the length of haul. The Government pays for this same transportation on a mileage basis. The flat-rate plan works well for first-class mail, the weight of which is comparatively small and the postage rate high, and of which the Government has a monopoly, thus getting the benefit of the more profitable short hauls to offset the unprofitable long hauls. Where the conditions are reversed however, as with second-class matter, and the Government has no monopoly, the disastrous results to the Department are apparent. Transportation companies take the short hauls of bulk packages on the handling and transportation of which there is a profit while the expensive long hauls devolve on the Government.

The attitude of the Department in 1911 toward the second-class mail problem was expressed on June 14th of that year by Third Assistant Postmaster General James J. Britt in an address before the International Circulation Managers' Association, entitled "Second-Class Mail Matter—Its Uses and Abuses." Pertinent excerpts from his remarks follow:

The present Postmaster General (Hon. Frank H. Hitchcock) earnestly insists that there shall also be a readjustment of present postage rates, based upon the principle of the payment on each class of mail matter of a rate of postage equal to the cost of its handling and carriage, and no more, and that one class of matter shall not be taxed to meet deficiencies caused by an inadequate rate on another class unless the Congress in its wisdom should deem it a just and wise policy to extend to certain publications, in consideration of the benefit to the public of the informing character of their contents, a bonus or subsidy of a part of the cost of handling and carriage, in which case such publications, in recognition of this valuable concession, should make an adequate educational return therefor and be held to a lawful and proper use of such special privilege by a suitable provision of law to the effect that only a limited portion of their space, not exceeding 50 percent of the whole, should be occupied with trade advertisements, carried in the interest of the publishers, for their own profit, and in which the general public has little or no interest.

Other classes of mail matter affect only a portion of the public, but the letter affects all. The people have heretofore uncomplainingly paid an excessive rate of postage on letters in order to meet the deficit caused by deficient rates on other mail matter, but they now demand that they shall be required to pay for what they get, and that they shall get what they pay for. A proper equalization of postage rates will make this reform easily feasible. The public mind is keenly alive to the subject. All classes of people are now undertaking a look into the various phases of the postal service. Nothing is escaping the swift search of their scrutiny. All are sensitive to every right, however small, and to the equalization of public burdens. The payment of fully 84 cents per pound on their letters, caused by the payment of 2 cents an ounce on underweight pieces, a clear profit to the Government of at least 40 cents per pound, the profit being applied to the deficit caused by a loss of at least 8 cents a pound on second class matter, is indeed too heavy a strain on the patience of the people. We had as well look the situation squarely in the face and recognize conditions as they are. The demands of the public will not cease until this inequality is removed, for it is class legislation, pure and simple, benefiting a portion of the people at the expense of others. No far-fetched explanation or subtle refinement will satisfy the people, or blind them to the existence of this glaring inequality. It is too plain to deceive even the unwary.

The relation between first-class and second-class mail matter, under present conditions, may be briefly and concisely stated. First-class matter, consisting mainly of letters, comprises 13.4 per cent of all the revenue-producing domestic mail matter carried, yielding a net profit of \$68,000,000, or a per capita profit of 73 cents; while second-class matter, consisting of newspapers and magazines, comprises 65.6 per cent of all the revenue-producing domestic mail matter carried, yielding a revenue of but \$10,500,000, a loss of \$70,000,000, or a per capita loss of 75 cents. From this it is clear that the per capita profit of 73 cents on first-class matter, and the per capita loss of 75 cents on second-class matter are almost an offset, or, in other words, that every man, woman, and child in the United States is taxed 73 cents by way of his letter postage, over and above the charge for carrying his own letters, in order to meet the deficiency arising from underpaid second-class mail matter.

No public statute has ever been more favorably or beneficially construed in the interest of those for whom it was made than has the act of March 3, 1879, by the Post Office Department, in aid of the publishers of newspapers and periodicals. They not only get all that Congress contemplated, but a great deal more. The business of periodical publications was almost in its infancy at the time of the passage of the act, both newspapers and magazines being relatively small and having only a limited portion of their space devoted to advertisements. Monster editions, large special issues, syndicated supplements, and other present-day features were then unknown and not contemplated by Congress, but step by step the publications of 1879 have been enlarged and transformed until in many instances they have become too heavy and voluminous for practical handling, but having at least a semblance of conformity to the law, they have succeeded in securing admission as second-class mail matter.

But whether the present law is favorable or unfavorable to the public, so long as it is the law, it is the duty and the purpose of those who now administer the Post Office Department to give publishers all the rights and benefits to which they are entitled under it.

The Annual Reports of Postmaster General Albert S. Burleson for the years 1913 to 1916, inclusive, each make reference to the necessity of taking at least, moderate steps to require those using the second-class privilege to pay a fair part of the cost of that service which was placed by the "Hughes Commission" in 1912 at upwards of 6 cents a pound, disregarding however, certain costs which it could not determine but which could readily add another 2 cents. The report for 1915 stated that:

In view of the continued increase in the volume of second class matter, the handling and transporting of which at rates so patently inadequate impose an enormous and constantly growing burden on the postal revenues, it is obvious that the necessity for some readjustment of the rates on such matter is constantly becoming greater.

Postmaster General Burleson's Annual Report for 1917, in commenting upon the enactment of the law of October 3, 1917, which established zone rates for advertising portions of certain publications and also led to an increase in the flat charge on the reading portion thereof, said:

The department does not favor the use of the postal system as a means of raising revenue except to meet the cost of the service and so informed the Committees of Congress.

The rate of postage on second-class mail has been the subject of a number of extended investigations and an increase in the rates has been recommended many times. The difference between the revenue from this class of mail and the admitted cost of its transportation and handling is so great and the proof so conclusive that the publishers could no longer hope to defer some just and remedial legislation by Congress. It was for Congress to decide when it would legislate upon the subject, and it deferred such legislation until a time when it was dealing with many other questions which appealed to the patriotism and sense of fairness of the people.

Some publishers claim that they cannot pay a higher rate of postage. It must be conceded that the plea that legitimate business cannot readjust itself to the normal cost of its conduct is without merit. They also claim that the increase on that portion of periodicals devoted exclusively to advertising matter will result in the discontinuance of advertising and therefore the discontinuance of the periodical, which argues that this business cannot pay its legitimate expenses. This is not believed to be true of the publishing or any other legitimate business.

In 1933 the Director, Bureau of the Budget, made an informal request upon the Department regarding the possibility of an increase of the rates of postage for mail matter of the second class. There follow excerpts from the Department's reply to the Director, dated December 8, 1933 which for reasons not apparent when considering the heavy annual deficits realized from second-class mail, expresses a view different from that previously held by Commissions delegated to study the problem and by members of Congress, postal executives and others in high authority.

For a considerable time, particularly since the annual publication of the results of the cost ascertainment was begun a number of years ago, objections have been voiced to the low rates of second class postage. These objections have been multiplied in the years of the depression, during which there has been an extraordinary increase in the deficiency of the postal revenues. It has been pointed out that the principal part of the deficiency of the revenues is traceable to the loss in handling second-class matter, and the amount of this loss has been characterized in some quarters as a "subsidy" to the publishers of newspapers and magazines. The proposal to raise the rates of postage on publishers' second-class matter is calculated to eliminate this so-called subsidy—to secure additional revenues from second-class mail sufficient to meet the expenditures which are apportioned to that class of mail matter by the cost ascertainment.

It is the opinion of the Department that the present rates of postage on publishers' second-class matter are as high as the traffic will bear; that no additional revenue would be produced by an increase in second-class rates; that on the contrary any increase in second-class rates would operate simply to drive second-class matter out of the mails and in the last analysis would reduce rather than increase the postage revenues.

This proposition needs little argument. The facts with respect to the trend of the revenues since the application of the higher rates which became effective July 1, 1932, amply demonstrate the inefficiency of horizontal increases in the second-class rate structure as a means of producing larger postal revenues.

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• • • It is to be borne in mind also that for a number of years there has been a continuous decline in the volume of mail of all classes, resulting from economic causes, and that this decline has in fact been more severe in the case of the advertising portions of newspapers and magazines admitted to the mails as second-class matter than in any other class of postal business, this having shrunk about 35 percent between the fiscal year 1930 and the fiscal year 1932. With all proper allowance for these factors, however, last year's experience under the high rates of the 1932 Revenue Act seems to demonstrate conclusively, if indeed any demonstration was needed, the fallacy of the higher rates of postage on second-class mail will add substantially to the postal revenues.

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The chief reason for this is of course found in the fact that publishers will only make use of the mails so long as no cheaper or more satisfactory means of distribution is available. When it comes to the handling and distribution of newspapers and other periodical publications, the Government exercises no monopoly as it does in the case of sealed letters. It only provides a service which publishers can avail themselves of if it is in their interest to do so. If postage rates are too high they can distribute their publications by freight or express, or by private messenger, or through news agencies, or by combination of several or all of these methods. This is particularly so in the case

metropolitan newspapers and periodicals of large circulation, and publications of these classes are depending less and less upon the mails as a medium of distribution. Even when publications are compelled by force of circumstances to remain in the mails, higher postage rates mean higher rates to advertisers and subscribers, and these in turn mean reduced bulk and reduced circulation, and in the end reduced mail volume.

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The Department's position is that no appreciable revenues would result from any readjustment of the rate schedule which would leave second-class publications in the mails in approximately their present volume. It believes that any further horizontal increase in the rate structure would so diminish the volume as to reduce the aggregate revenues, and that if such an increase were substantial it would, practically speaking, drive second-class matter out of the mails. This raises the question whether, in view of the loss in handling as shown by the annual cost ascertainment, it would not be in the public interest to have this happen—that is, for second-class matter to be eliminated from the mails.

In its more important aspect, this question is of course one of public policy. As has been seen, it has been the practice of the Government since its inception to fix cheap postage rates on newspapers and magazines with a view to the widest possible dissemination of news and information among the people. The abandonment of this policy and the establishment of a second-class rate schedule high enough to insure the recovery by the Government of the whole cost of handling each newspaper and periodical publication deposited in the mails would deprive a considerable proportion of our population of what is perhaps the most important and substantial benefit which they derive from the postal system. Those who reside in metropolitan areas would be little affected. For the most part their magazines and newspapers are bought at news stands or are delivered to their homes outside the mails. But the smaller communities and the rural districts depend almost wholly upon the post office for this service, and if newspapers and periodicals should be excluded from the mails by high rates of postage, the greatest inconvenience would result to these sections. One of the principal objects of the establishment of the rural delivery service was to provide a means for the regular distribution of newspapers to the homes of the farmers, and it is not too much to say that the usefulness of the rural free delivery, which now reaches more than 25,000,000 people, would be very largely destroyed by the adoption of prohibitive postage rates upon matter of the second class.

Considering the question from the standpoint of the publishers, the smaller publications would be the most injured. By far the principal part of the circulation of metropolitan newspapers is outside the mails, and probably the bulk of the circulation of the popular magazines as well. But the editor of a country weekly or of a farm publication must, in the nature of things, reach his clientele through the mails or not at all. The establishment of prohibitive rates for second-class matter would leave the large magazines and newspapers at no material disadvantage, but smaller publications, especially the newspapers which serve the rural districts and the specialized periodicals whose subscribers are limited in number or widely scattered geographically, it would probably destroy altogether. In this connection, it will be well to point out that, contrary to the popular belief, the heavy magazines and newspapers carrying a large content of advertising matter come much nearer to paying their way in the mails at the present rates of postage than the small local publications. The greatest loss occurs in handling the small papers, and it of course follows that any change in the rate structure calculated to make each subdivision of second class matter pay its way in the mails would fall with greatest severity not upon the large publishers but upon the thousands of country newspapers and other journals of limited circulation which now have the privilege of second-class entry.

The many serious disadvantages to the public which would result from the elimination of newspapers and magazines from the mails are believed to be obvious. Against these disadvantages, however, the claim is made by those who advocate higher second-class rates that the Government would effect a substantial saving in the cost of post office operations, a saving of course far in excess of the revenues which would be lost. This claim rests upon the showing of the cost ascertainment that the apportioned cost of handling second-class matter amounts to several times the receipts from second-class postage,

and in fact appears to assume that the elimination of second-class matter from the mails would save the entire amount of this apportioned cost. It remains to consider whether it is so.

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This position of the Department in 1933 presents a decidedly defeatist outlook for the future as regards the correction of the deficit situation and differs materially from that expressed earlier by Presidents, Congressional Commissions, Members of the Congress and postal executives with respect to the level of second-class rates. It may, however, have been based to a considerable extent on postal operations for the period (1929-1933), when conditions were subnormal as the result of the serious depression then existing. The reasons advanced in support of this position may be fairly challenged as not applicable to present conditions, and these reasons are discussed throughout this Report.

#### Publicity given Second-Class rate situation

While the annual and other reports issued by the Post Office Department and the reports issued by Congressional Commissions delegated to study the second-class mail situation, have over the years contained information regarding second-class rates and the related heavy annual deficits incurred by the Department in the handling of this class of mail and have called attention to the burden imposed thereby on users of other types of postal service, particularly first-class mail, or on the United States Treasury, little mention has been made of these facts in the public press and in publications generally to disseminate to the public these important items of information.

Public opinion is an important factor in bringing about equitable adjustments in existing statutes. As regards second-class rates and the related heavy deficits therefrom, the limited publicity given thereto has resulted in but little informed public opinion to counterbalance the views submitted to the Congress by a highly organized publishing industry operated for the most part as an undertaking for profit. This industry, obviously interested in maintaining the lowest possible level of rates has vigorously opposed any effort to increase second-class rates to a more reasonable level. In contrast the public at large, in particular the vast number who for the most part send only first-class mail, lack organization and thus cannot effectively present their point of view.

The Post Office Department has issued certain factual data but the circulation thereof has been limited. Being an executive agency organized primarily to carry out the will of Congress, it has been more interested in the routine administration of the postal statutes than in pursuing an aggressive policy toward removing fundamental deficiencies in postal policies. However, whenever the Department has endeavored to correct the unsatisfactory second-class situation, it has not only failed to receive the benefit of the customary channels of publicity, but its proposals have not infrequently been magnified into "attacks upon the freedom of the press" or opposed on the basis that any change in rates would drive some publishers out of business. In consequence, an appropriate adjustment of the existing legislation regarding second-class mail has been deferred and the substantial subsidy (upwards of \$100,000,000 for the fiscal year 1944) granted to publishers in distributing their publications has continued with little public appreciation of the extent thereof.

The position of the publishers has been that the very low level of second-class rates over many years established a "permanent policy" for this class of mail, regardless of the cost of postal service incurred in connection with their publications. That this extreme view of the situation is without foundation is attested by the fact that since the passage of the 1879 Act there have been, as shown, Presidents, Commissions, high postal executives and members of Congress who have taken the position that second-class mail should more nearly pay the cost of its handling than it has been called upon to do under the rates imposed.

have, however, been a few publications that have publicly indicated a willingness to meet their share of second-class mail costs. There follow two statements by newspapers:

From the Chicago Tribune, September 2, 1945

### *Newspapers in the Mails*

The post office department recently published a comprehensive report on what it terms its cost ascertainment system. By the department's own figures, obtained thru application of this system, the government, in the year ending March 31, 1944, made a profit of 155 million dollars on its first class (letter) mail, but lost 98 millions handling second class mail, which consists of newspapers, magazines and other publications.

It has been the contention of The Tribune for many years that the newspaper publisher, or any other publisher, has no right to a subsidy at public expense in the distribution of his product. If such a subsidy exists as the post office report asserts, it should be wiped out by increasing second class postal rates. In principle, the observations on this point by C. A. Heiss, the special consultant of the department who prepared the report, are unexceptionable.

"The desire for farflung 'dissemination of information of a public character, or the requirement that it be devoted to literature, the sciences, arts, or some special industry,' he says, 'influenced at an early date the fixing of rates materially below cost . . . . The purposes served originally by this concession in rates to mailers of second class matter, when newspapers and periodicals were the principal media for disseminating information, are now in a considerable measure also being served by other media, e.g., radio broadcasting and communication companies and moving picture houses . . . . There would not appear to be material justification for the continuation of a government subsidy of the present order. Rather, the approximate recovery ultimately of a sizeable portion of the costs incurred by the postal service for handling this class of mail should receive serious consideration."

The only question to be settled is the accuracy of the department's figures. Mr. Heiss contends, in his report, that because of its farflung operations, the great volume of mail handled, and the necessity of speeding that mail to its destinations, it is impossible for the department to institute a cost accounting system such as is used so extensively in private business.

Cost assignment is a substitute for cost accounting, based on sampling of the mail handled at a selected list of post offices and the application of postal costs to these supposed average situations. Cost accounting in itself is by no means the exact science that many laymen suppose it to be. Cost ascertainment, obviously, introduces still more variables, which may distort the final answer.

Accordingly, accounting representatives of publishers may establish before Congress substantial objections to the supposed second class deficit, and to the methods used in arriving at the figure. That does not change the fundamental fact that publishers are not entitled to a free ride in the mail cars, and should not ask for it. Speaking for ourselves, we don't want it.

Editorial from the Newark Evening News—reprinted  
in the Congressional Record of May 13, 1932

### *Taxing Dispatches and Second-Class Mail*

In its search for new revenue the Senate Finance Committee favors higher second-class mail rates and proposes fresh taxes on the transmission of news, such as leased wires, telegrams, telephone messages, cablegrams, and radiograms.

The attitude of this newspaper toward increased postal rates was stated some time ago. In July, 1929, when President Hoover advocated making the Post Office Department pay its own way, the News said:

"It is said that if the President were to carry out his idea of regarding the post office as a business institution, with the cost of each class of service borne by those who receive the benefits, he would incur the opposition of every newspaper and magazine in the country. This newspaper

would not object. It knows no reason why the public should be taxed to pay its postage bills, any more than its telephone, telegraph, and cable bills."

The Senate Finance Committee has voted to go back to the schedule of second-class postal rates of 1921. Postmaster General Brown advocates the more reasonable rates of 1925, which he estimates would bring in about the same additional revenue. The Post Office Department should know better than anyone else. The Post Office Department faces a deficit. If it is convinced that one way to meet this deficit is by increasing the second-class rates, its wisdom should be deferred to and the newspapers and magazines should bear the cost of the service furnished them.

With an institution that relies so much on instantaneous transmission of the news as the newspapers, the transmission taxes would be a heavy item. The newspapers are no more anxious to take this tax than gas consumers want to bear the burden of additional taxes on gasoline or any other business to bear the burden of what affects it directly. But the same rule applies here as to all other taxes. If Washington can demonstrate that the proposed transmission taxes are equitable, they come under the head of things that must be done. There can be no enthusiasm about it, because it would put a heavy burden on a product that is sold very cheaply. Still the tax problem can not be solved if everyone is to plead inability to stand the gaff. The newspapers and the magazines must carry their share of the load.

## 1. Background of preferential Second-Class rates established after 1850

The publishing industry, which has been well organized over many years and has urged low rates on second-class matter, has exerted its efforts to that end. It has maintained the controlling reason for establishing and continuing the preferential charges for postage on that class of mail has been the benefits contributed by its publications to the country and to the public at large. While the contribution of publications was doubtless a material factor for some years after 1850 in influencing the Congress to establish low rates, the records of Congressional proceedings contain much to show that even during that period there was substantial opposition to the low rates. The reports of Commissions delegated to study the second-class mail problem and statements of Presidents, postal executives and prominent citizens also have not supported the very low rates accorded these publications.

During the period 1789 to 1851, when the number of publications was relatively small, total Postal Service revenues exceeded total expenditures for most of the years and for the entire period there was an overall surplus of \$1,958,000. There are no records available which show the participation of newspapers and periodicals in producing this result, but a statement made over one hundred years ago by Postmaster General John M. Niles in the 1840 Annual Report bears thereon:

The low rates of postage on newspapers and other printed matter originated in consideration of public policy and were designed to promote the general dissemination of intelligence among the people. But the reasons for this policy, if admitted ever to have been just, have in great measure ceased to exist. When the mail establishment was first organized printing was confined to the large cities, and there were few other channels for conveying newspapers but the mail. Now there are printing establishments in almost every village, and railroads, steamboats, and other lines of communication afford cheap and convenient channels for conveying newspapers and other publications, the greater portion of which are distributed among the people without the agency of the mails.

In contrast with the present large deficits, when the nation was young and it was confronted with conditions that called for some governmental aid to encourage a wide dissemination of information, the Postal Service was operated over a period of upwards 60 years on a substantially self-sustaining basis.

During the period 1851 to 1879, inclusive, when the nation was moving ahead and reductions were made in postal rates, the number and size of publications increased. With these changes there was a substantial deficit in each year, except for the fiscal year 1865, a war year. In the 66 years after 1879, many of them prosperous, there have been only 12 years (6 of which were war years) without a substantial postal deficit. Data are not available for the entire 65-year period as regards first-class mail, but it can be said with reasonable assurance that this class of mail at no time during that period contributed materially to postal deficits and that such as were experienced were the result of handling other classes of mail and services, particularly second-class mail, at less than self-sustaining rates of postage.

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The establishment of low rates for second-class mail are usually associated with the act of March 3, 1879. The downward trend in rates, for this class of mail, however, began about 1851, when "free in county" service was established. By 1874 the rate on newspapers and publications issued weekly, or more frequently, had been reduced to 2 cents per pound or fraction thereof and for those issued less frequently than weekly to 3 cents per pound. The practical effect of these reductions was to establish with some exceptions, a "per pound" rate of 2 cents for newspapers and 3 cents for magazines and similar periodicals. The 1874 legislation, however, was less concerned with low rates of postage than it was with requiring prepayment of the postage which previously had been collected, generally on a piece basis, from the subscriber or the consignee with substantial loss to the Postal Service from failure to make full collection. This change transferred postage expense to the publisher or sender of the publication and based the charge on bulk weight.

The act of March 3, 1879, like the postal legislation in 1874, was also not concerned materially with rates except to eliminate the differential in the pound rate as between newspapers and periodicals, reducing the latter from 3 to 2 cents per pound (the rate for newspapers) to meet the claims of the publishing industry that there was no justification for a differential. Beyond discussion of this differential the debates in connection with this legislation (which was part of the 1880 Post Office Appropriation Act) gave the existing low level of rates only brief consideration. These debates dealt mainly with the establishment of requirements for eligibility of publications to the right of mailing at second-class rates with the view to excluding a large volume of business and advertising circulars and pamphlets made up in the form of newspapers and magazines benefiting from the low second-class rates.

The principal requirements imposed by the 1879 Act—in the development of which the records indicate that the publishing industry had a prominent part—to correct this situation were (a) that publications to be entitled to the second-class privilege must be "originated and published for the dissemination of information of a public character or devoted to literature, the sciences, arts, or some special industry," and (b) that "publications designed primarily for advertising purposes, or for free circulation, or circulation at nominal rates" should not be entitled to the second-class rate. Requirement (a) as previously stated was characterized by the Postal Commission of 1906 as "so broad as to include everything and exclude nothing."

The act of March 3, 1885, reduced the pound rate on second-class matter from 2 cents to 1 cent. This action appears to have been taken with the minimum of consideration (see page 50, statement by the Postal Commission of 1906). The attitude of the Department toward this reduction in second-class rates was indifferent. It did not foresee the material increase in postal expenditures for that class of mail, which would later result from the extension of the free delivery services, both city and rural, nor the heavy deficits ahead, nor that this 1 cent rate once having been established, would be continued in effect for a

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this a century and open the door to thousands of publications which, with but little regard to their contribution to the public good, would seek second-class permits largely because of the liberal governmental subsidy but would later oppose an increase in rates because of adverse financial reactions.

Economic conditions at the time also help to explain the ease with which this one cent rate was adopted. The nation was recovering from the depression of the 70's and a spirit of optimism prevailed. Large modern industrial enterprises were being established, and there was general acceptance of the philosophy urged by business interests that there should be governmental aid in fostering and developing infant enterprises. The policy of a high protective tariff had been in vogue for some years and the national Treasury was in good condition. The public debt had been reduced to \$1,578,000,000. The financial condition of the Department itself was favorable during these years—in fact, cash surpluses had been shown in the fiscal years 1882 and 1883 and the deficits of the other years were comparatively small.

In further support of the statement that there was no unanimity in Congress as regards the low level of rates established after 1850 there follow a few excerpts from statements made in Congressional debates, in 1874.

One of these was by Senator Morrill (of Maine):

• • • Mr. President, what is the principle upon which we ought to run the mails? Ought we to run the mails out of the Treasury of the United States, or ought that service to be predicated upon the idea of being self-supporting? One of the two principles we must sooner or later adopt. In the beginning this branch of the service was self-supporting, and it was designed to be self-supporting. That feature was retained in this branch of the service down to 1815, I think, without a single exception, and it continued chiefly from that time down to 1857. Since that period we have departed from the idea of its being self-supporting and we have relied upon making appropriations sufficient to meet the demands of the service, so that the appropriations for deficiencies range all the way from three to five million dollars a year.

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I do not see upon what principle it is possible for us to conduct the service in that way. If we intend to make this service entirely free, very well; let us curtail the service down to the absolute needs of the people, and run it in that way out of the Treasury of the United States, as you do the Army and Navy precisely. Call it an establishment in the interest of the people, for the education of the people, and make it an appropriation absolutely from the Treasury at large, and there may be some justice in that; but what sense or justice is there in running the mails at an expense of thirty millions to float seventy-nine hundredths of newspapers and pamphlets that pay a mere fraction of the cost of the service?

Another was by Senator Morrill (of Vermont):

Under these circumstances it is apparent that the Post Office Department is an expensive institution and that it ought to be brought back to the original plan of the institution where it was kept for something like three-quarters of a century as a self-sustaining establishment.

NOTE: The reference above to conducting the postal service for the public on an entirely free basis, meeting the cost from the United States Treasury as is done in the case of the Army and Navy suggests this brief comment,—the Army and Navy, also the Department of Agriculture, and Treasury Department and numerous other governmental departments and agencies are maintained in the Government's *sovereign capacity*, while the Post Office Department is a government operated *service enterprise*. The Department has a monopoly in respect of first-class mail but the greater part of its ex-

penditures are in connection with other classes of mail handled and service performed in considerable measure under competitive conditions and for organizations or individuals operating with a profit motive. In view of this fundamental distinction it would appear reasonable for the Department to recover its costs.

Another was by Senator Sherman (of Ohio), who in 1874 offered the amendment to an Appropriation Bill requiring prepayment of second-class postage:

Sir, publishers of newspapers are like all other men. They are governed in the main by their interests. They are generally honorable men, engaged in an honorable calling. I have not one word to say against the public press. I believe the public press of our day and generation is stronger, better, and purer than it has been in former times, although it is still subject to great abuses. The public press is a great power in this country. No public man would seek to engage in a contest with them. The danger is not that we would do anything to spite them, but the danger is that in fear of their power we will not do our duty to the country.

Now sir, when the newspaper press was called upon to prepay their postage they complained a great deal about it; but public sentiment had gradually so developed itself that it was felt to be the fixed law that they had to prepay their postage like other people who use the public mail. The Postmaster General has for years requested us to pass a law requiring newspaper postage to be prepaid, and public opinion has so developed itself that finally the publishers of the country have been compelled to yield to that public sentiment; but while yielding they demanded a reduction in the rate of postage. Why so? Why should the amount of postage, now totally inadequate, be reduced? No good reason can be given for it.

Why sir, if this question is looked upon as it affects the public at large, there is no reason why the newspaper press should not pay the whole cost of carrying their mail matter. The general distribution and dissemination of newspapers throughout the country is undoubtedly useful; no man would desire to interfere with that; but is it unjust to charge them but one-fifth of the cost of the labor done for them?

The debates in the House of Representatives at the time of the passage of the act of March 3, 1879 which, as previously stated, dealt primarily with classification of mail matter and abuses of the second-class privilege, also contain statements of interest by members of the Post Office Committee regarding second-class rates in general. One was by Representative Cannon (Illinois):

• • • First, as to the matter of revenue when compared with the expenditures which this matter involves, I will say that the rate on both classes (newspapers and periodicals) is too low, but I apprehend you cannot raise the postage in this country.

Other statements were by Representative Money (Mississippi), a vigorous exponent of low second-class rates for the *dissemination of useful knowledge for the public good and to promote communication*, who when explaining the proposed classification features and discussing the abuse of privileged rates when extended to publications of doubtful right thereto, said:

It does keep from the mails a vast bulk of matter which would go at the privileged rate, and which is made up simply of advertising concerns not intended for public education. We know the reason for which papers are allowed to go at a low rate of postage, amounting almost to a franking privilege, is because they are the most efficient educators of our people. It is because they go into general circulation and are intended for the dissemination of useful knowledge such as will promote the prosperity and the best interests of the people all over the country. Then all this vast mass of matter is excluded from that low rate of postage. I say, • • • it is for the protection of the legitimate journals of the country.

\* \* \* \* \*

think it was a foolish law that reduced the rate upon newspapers to cents a pound, because that matter is carried at a dead loss to the Government.

It is not expected that the postal service should be a source of revenue, but it is expected that it should be administered upon sound business principles so as to be as small a tax as possible upon the revenues of the Government, while at the same time furnishing such facilities as will meet the approbation of the people.

As bearing somewhat on the consideration given to the establishment of low postal rates, it is of interest to mention that practically every change in postage rates made during a period of about 20 years, prior to and including 1885, became law by means of an amendment added toward the end of a Congressional session to a Post Office Appropriation Bill following a compromise reached in the final hours of the sessions.

The Congress, however, while providing low second-class rates and even "free in county" service, at a time when economic and social conditions justified such aid, has at no time established *formally* a policy that publications of the second-class should be carried in the mails without regard to the cost of handling in recognition of contributions which publications might make to public education and welfare, national development or any other contribution to the public good. Only a limited number of members of Congress stressed such a policy or gave the matter more than casual consideration and there is nothing to indicate that the public at large, other than those who had a special interest in the matter, seriously advocated preferential Second-Class rates at the expense of users of other types of mail or the Treasury.

Incidentally the Congress, having a somewhat similar desire to encourage national development, gave aid and encouragement through land grants to certain railroads constructed in the outlying and sparsely settled areas. The aid to these, however, if figures stated recently in Congressional debates are correct, has been more than repaid through reduced rates on passenger and freight transportation performed to date for the government. The subsidizing of the railroads ceased when there was no longer any occasion to extend aid.

When the Congress after 1850, by way of encouraging distribution of reading matter, began to grant newspapers, and to a somewhat lesser extent, magazines and periodicals preferential rates of postage in view of the then development of the United States and the prevailing social and economic conditions, it obviously did so expecting that in return for such rates, the publications would perform an important and then necessary service to the country by way of aid in the dissemination of public information and worth-while printed matter of a broad educational character.

The situation in the case of the smaller newspapers, serving largely rural populations, including those in outlying and sparsely settled areas, called for such assistance. The establishment of "free in county" service in 1851 was a step in this direction. These small newspapers met a real need by binding together rural communities and making available to them more conveniently located printing facilities. Not all were meeting their costs and there was also need for an increased number of these publications.

When there were other factors, of nationwide importance, for some years following 1850 which gave support to preferential second-class rates for at least the worth-while type of publication. The States and Territories contained many sparsely developed areas, and a large immigrant population. The country was confronted with internal reconstruction problems following the Civil War. Travel was slow and communication facilities were very limited. The Post Office performed only limited service in contrast with the scope of service now given—there was but little carrier delivery service in cities and villages and no rural delivery service. The number, size, the general character of reading matter included and the amount of advertising content were also factors in any consideration of preferential rates.

Discussing some of these factors more fully—the Nation was then still relatively young with extensive unsettled frontiers. In 1880 the population per square mile of land area in the continental United States was 16.9 persons compared with 44.2 in 1940. The area west of the Mississippi river contained only about 22 percent of the total population of the United States in contrast with about 31 percent in 1940. Since 1880 the population in that area increased about 3.5 times, while for the remainder of the United States the increase was only about 2.4 times.

Immigration from foreign countries was heavy during this period and there was a real need for disseminating worth-while information, especially to those who settled in these outlying and undeveloped areas. It was necessary to inculcate American ideals into the great numbers who were arriving from foreign shores, to avoid the formation and perpetuation of nationalistic or sectional groups. The Census statistics of immigration during the years following 1870 give some indication of the number arriving and the importance of this problem. In the period from 1871 to 1890, alone, the number of immigrants arriving from other countries was 8,069,000 or 12.8 percent of the total population in 1890. In contrast immigration during the past 15 years has been relatively nominal and the absorption of the small numbers now arriving does not present a serious national problem, also as regards those who came somewhat earlier the military personnel lists in World War II bear much evidence that their Americanization has not been neglected.

Many from the Eastern States and millions of those who had migrated to this country moved into the sparsely settled areas of the West and there was need for the nation to weld these various population elements into a cohesive national entity, fully organized within its borders.

Following the Civil War the nation was confronted with the necessity of reuniting its people in a common national program. Economic and social conditions throughout the country at that time were also at low ebb.

Railroad and telegraph facilities were limited; there were no aeroplanes, no automobiles, no super highways and travel by any means, even between local communities, was slow; and there were no telephones, radios or moving picture houses. All of these are now material instrumentalities in disseminating information. There were few libraries of any size in rural communities to

which course could be had for information and it was necessary to depend upon newspapers and other publications.

All of these factors gave justification during a period after 1850 for the Congress to encourage through low second-class rates, the dissemination of worth-while information through newspapers and periodicals, particularly to the many largely self-contained communities then existing. Rapid increases in population and changes in area distribution, such as were then taking place, were very important factors in national development and called for special consideration by the Congress.

In contrast with about 12,400 newspapers and nearly 12,000 magazines and other periodical publications, which in 1944 had the benefits of the second-class mailing privileges, there were in the United States in the 70's less than 5,000 newspapers and except for a relatively small number of city dailies these were generally small in size and for the most part published weekly. Periodicals, including magazines, then published were less than 1,000 in number and for the most part served only limited sections of the country.

The reading content of newspapers was not materially different from that appearing in those now issued except that its amount and scope were limited and relatively more space was given to matters of local interest. Advertising content in newspapers while quite material in amount, was generally less in volume and of a different type than at present and as a rule confined to the back pages. It was in the main comprised of local business and legal announcements and notices of coming events, to inserts commonly designated as "classified" matter and to a liberal inclusion of patent-medicine and nostrum advertisements. There were no full page newspaper advertisements as at present, until 1879.

In the case of periodicals, other than magazines, a sizeable portion were of a religious character, others were of the literary type or organs of reform. A limited number only gave some space to the arts and sciences. A few compared favorably with the present day, better type of periodical.

Magazines, estimated at less than 50 in 1879, in general devoted their pages to a greater extent than at present to serious matters of public interest or of an educational character. The profit motive was subordinated to a desire on the part of the editors and publishers to render the high type of public service, contemplated by the 1879 statute.

Fiction, mystery and murder tales; "terror" stories; "true" stories; "short" stories; "confessions"; "funnies"; "frisky fables"; fight and other exciting, and not so exciting, "comics"; crossword puzzles, and tales of love and romance, to mention only some of the types of matter that are now contained in varying quantities in publications which have a second-class permit did not appear, or were at best given but limited space, in second-class publications of the 70's.

It was not until after 1880 along with the new era in business expansion, then beginning, that commercial advertising in magazines and other periodicals, particularly the better type of magazine, began to assume material proportions. Some of the better magazines earlier refused commercial advertising. Other

magazines confined their inserts to announcements of books printed by their publishers. A few recognized the revenue producing possibilities of advertising, but such advertising matter as was included prior to 1880 was generally of a local and classified character and limited to a few back pages or the covers. In some publications advertising was printed on colored paper so that the reader, if he desired, might readily ignore it. It was not necessary to search for the reading matter among the advertising content as is now so frequently the case with the exception of a limited number of publications. A few advertising agencies had been organized and these were exercising a good influence in placing advertising matter on a more ethical basis than had previously been the general character of some of this material. These agencies were also later, with the increasing industrial expansion, a strong influence in developing national commercial advertising which previously had been practically absent since communities were to a considerable extent self-contained.

Confronted with the important economic and social conditions throughout the United States—of which mention has been made in this section of the report—during a period of years after 1850, as well as the general character of periodical matter published during that period, it would appear reasonable to assume that when the Congress in 1879 defined second-class matter and continued the preferential rates thereon it did so from the viewpoint of conditions then confronting it, and the character of the publications issued at that time. The Congress obviously could not have intended to foreclose later changes in rates of postage which might be found desirable under substantially changed economic and social conditions, or to meet changes in the type or class of publication which could qualify for a second-class permit under the broad and undefined terminology of the governing statutes, both problems which would later confront it in a growing and dynamic country. It could not foresee that from a few thousand second-class publications in 1879, the number would increase to upwards of 24,000 in 1946; that the number of pieces mailed would be multiplied 6 times, that the average weight of these pieces would increase at least 8 times and that the total weight presented for handling would be increased about 20 times. The last two of these increases have been influenced by the extensive inclusion of advertising matter, which from but a relatively small volume in 1879 increased to approximately 50 percent of the total poundage of this class of mail presented for handling in the fiscal year 1944. Most certainly the picture presented to the Congress in 1879—67 years ago, was a very different one from that now presented. It was a situation which then doubtless justified some measure of governmental aid to newspapers and the better type of periodical to stimulate greater development and distribution. Such aid, however, has no longer the same justification.

### Current Aspects of the Second-Class Problem

The field covered by the publishing industry is now well developed. The industry is no longer in its infancy, but has grown to be an enormous commercial activity—a billion dollar industry. The facilities for distribution of information and matter of educational value are no longer limited to newspapers and periodicals and second-class publications are not, as earlier, the principal media for disseminating news and other information for the "public good." Books in large numbers; the communication companies; the moving picture houses; the automobile and the aeroplane are definitely "competitors." Radio broadcasting features "news" and discussions of a wide variety, and in the evening gives "tomorrow's headlines" and important phases of items, national and local. In areas where there may not be a daily paper available the radio has become an effective and prompt news disseminator. Except for books, none of these additional media for disseminating news and other information receive a governmental subsidy. While some in the periodical publishing industry disclaim the reduced importance of publications in disseminating information and characterize this observation as "specious" and the product of careless thinking, nevertheless, without minimizing the importance for this purpose of some types of publications, this view expresses a well established fact.

### Considerations involved in changing present rates

Considering the many changes reflected by the very material economic and social developments since 1879, by the materially different character of many publications now issued as compared with those issued when the present preferential rates were made effective and by the greater injection of the commercial motive into the industry; governmental aid through subsidies, as at present, is no longer justified for the major portion of the publishing industry and for this portion it should be eliminated as was earlier done in the case of railroad subsidies. There are some publications of a strictly non-profit character, and the smaller newspapers serving generally local and rural areas for which there appears to be some justification for a concession from cost of handling and delivery by the Postal Service, with rates therefor fixed specifically by the Congress, but there is no logical basis for the continuation of the overall substantial subsidies (see pages 11 to 16 inclusive) to the industry such as are now being granted. Where specific exemptions are not provided the rates of postage on second-class mail should, as a sound economic policy, cover substantially the cost incurred by the Post Office Department in handling, transporting and delivering that class of mail.

Such rates, however, cannot presently be established for the practical reason that correction of the deficit situation from this class of mail has been ignored for too long a period and the publishing industry should thus be given a reasonable period of time to adjust its program to meet increases necessary to place the rates ultimately on a self-sustaining basis. The differential between what is now charged and what should be paid for the

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services performed by the Department is too great to be eliminated by a single rate adjustment, but as a first step to correct this situation the Congress should now make a material increase in second-class rates.

The publishing industry can for the most part ultimately adjust itself to paying substantially the cost of postal service performed for it. The industry doubtless would have developed to its present proportions on that basis, and given the public an overall finer product, if the governmental subsidy had been removed many years ago. It would reflect rather seriously upon the industry for it to maintain that it could not adjust itself to pay the reasonable costs of its conduct, including the cost of postal service received. Governmental subsidies can be justified only when important public needs or crises cannot otherwise be met, and the comment made in 1901 by the Honorable Charles Emory Smith, a former Postmaster General and an executive of long experience in newspaper work, both as an editor and publisher, is pertinent—namely, that "subsidies were never designed for the benefit of the publishers, but for the people."

The present low level of rates for second-class matter also has some aspects of "special interest" legislation and when there is reasonable doubt on this point such doubt should be resolved in favor of other mail users or the Treasury—the custodian of the amounts contributed by taxpayers. An excerpt from a statement made in 1859 by former Postmaster General Joseph Holt is pertinent:

It is not therefore to the last degree unseemly if not worse, that in its own (publishing industry) enterprises, and in furtherance of its own pecuniary interests it should claim permission to violate habitually a great principle of which it is the constant advocate, and which underlies our whole political system—the principle of equal rights to all and special privileges to none?

The Department should not realize a profit from its service but it may at least expect that where it performs services in a competitive field, as it does in the case of second-class mail, that it should, as soon as the publishing industry can adjust itself to that basis, be reimbursed for expenditures which it incurs since that industry pays commercial prices for all other services and materials required in its enterprises. Publications, other than of the type specifically granted a concession, which can not in the long run meet costs of production and distribution through the sale of their product present the question as to whether their existence is either economically or socially justified. Losses in such instances, if the publications are continued, should be borne by the promoters and not met through less-than-cost postal charges.

It is recognized that it might be difficult for some Second-Class publications to meet costs if required to pay for postal service on an approximately self-sustaining basis, but financial statements published recently for a number of the larger organizations in this field show substantial return on net worth, in some cases upwards of 80 percent. This problem of meeting legitimate costs, however, is not peculiar to the competitive second-class publishing industry. Recognizing that many publications supply a valuable and essential public need, there are nevertheless other com-

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petitive commercial enterprises that also supply very essential "public necessities", equally as important to the public welfare as those served by the publishing industry, viz: the grocer, the butcher, the clothier, the general merchant and the druggist, to mention only a few. These cannot depend upon governmental subsidies. To remain in business, they must adjust operations to meet their necessary costs.

#### *Contemporary business practices in the publishing industry*

From a desire primarily for advertising content, various circulation and sales stimulating procedures have been developed by advertising and circulation managers and the one time desire of the editorial staffs and those responsible for content has in the case of not a few second-class magazines and periodicals become subordinated in importance to the operation of the enterprise from a commercial or profit viewpoint with the subscriber a customer. For these large circulation has become an important goal and aside from some stimulating content in the form of editorial text and serious articles, there appears to be the objective, briefly stated, of "selling" advertisers a list of potential purchasers of their products and, through liberal content of fiction, stories and other matter, to entertain and amuse. Others, with much the same commercial or profit motive and with much advertising, have inclined toward relieving readers through pictures and condensed articles, of the necessity of exerting themselves to peruse more detailed and informing presentations.

The reading public is studied to ascertain what it wants—what will sell—and the results influence the "tailoring" of the contents of these publications. The more attractive and appealing the greater the circulation and sales. Here, however, one may very properly ask whether comic strips, fiction, stories of love and romance; mystery, detective and murder tales; propaganda and so on, that for the most part were not contained in publications in 1879 were in the mind of the Congress when it enacted the second-class statute and subsidized publications? Doubtless Congress had a different concept of the type of publication which contributed to the public good, bound a country together, increased its intellectual level and thus called for some encouragement.

While such objectives and trends produce publications good to look at, contain some serious, informative, interesting and otherwise good readable material along with amusement, entertainment and satisfaction for a variety of tastes; also reduce sustained reading effort, they do not justify the continuation of present subsidies through the medium of preferential rates.

These publications have voluntarily chosen a field of competitive industrial endeavor in which to operate and should therefore assume the related risks. If their product is good or desired, the public will buy and they are entitled to any profit realized. Conversely, if not desired, the risk is theirs since they have not been requested by the Government to enter this field. The situation is not different from that of the grocer, the merchant, the manufacturer or the business man generally.

For newspapers and also for publications devoted more definitely to good reading matter or to a particular industry or field

this trend away from earlier standards is present in lesser degree since the news features, editorials and substantial articles generally continue to predominate, although some contain stories, full page comics, quite extensive advertising, sport and society items or other similar matter earlier not included. While meeting more definitely the purpose apparently contemplated by the 1879 statute they are a part of a "class" now entitled to the low second-class rates. However, since there is no material difference in the cost of handling by the Postal Service as compared with other periodicals and there, furthermore, appears to be no sufficient basis otherwise for a special exception in their rates of postage, none is proposed, except for the smaller newspapers and strictly non-profit publications discussed earlier in this Report.

#### *Analysis of typical Second-Class publications*

There follow condensed analyses of the type of content of several representative second-class publications:

##### **1. NATIONALLY DISTRIBUTED MONTHLY MAGAZINE**

containing 178 pages, issued May 1945, circulation—about 4,205,000 (1944).

<i>Reading matter.</i>	<i>Percent of content</i>	
Editorial text .....	2.95	
Articles of general interest.....	16.55	
Fiction and pictures, etc.....	21.48	40.98

<i>Advertising matter.</i>		
Household articles and appliances.....	14.19	
Foods .....	12.50	
Toilet articles, cosmetics and soap.....	14.32	
Clothing and shoes.....	5.76	
Automobiles .....	1.69	
Miscellaneous items.....	10.56	59.02

Total content..... 100.00

##### **2. NATIONALLY DISTRIBUTED MONTHLY MAGAZINE**

containing 160 pages, issued May 1945, circulation—about 2,212,000 (1944).

<i>Reading matter.</i>	<i>Percent of content</i>	
Editorial text .....	1.04	
Articles of general interest.....	6.88	
Fiction, miscellaneous stories, etc.....	42.76	50.68

<i>Advertising matter.</i>		
Toilet articles, cosmetics and soap.....	17.81	
Foods .....	7.92	
Household articles.....	4.16	
Wines, beer and soft drinks.....	2.61	
Miscellaneous items.....	16.82	49.32

Total content..... 100.00

##### **3. NATIONALLY DISTRIBUTED MONTHLY MAGAZINE**

containing 172 pages, issued February 1946,  
circulation—about 9,000,000 (1944).

<i>Reading matter.</i>	<i>Percent of content</i>	
Condensed articles of general interest and some original jokes.....	92.00	
Anecdotes and jokes .....	7.00	
<i>Advertising matter</i> .....	1.00	

Total content..... 100.00

**ATIONALLY DISTRIBUTED MONTHLY MAGAZINE**

containing 196 pages, issued March 1945, circulation—about 2,025,000 (1944).

<i>Reading matter.</i>	<i>Percent of content</i>	
Editorial text.....	1.02	
Fiction.....	38.35	
Articles of general interest.....	14.37	
Merchandise articles.....	1.96	
Pictures, etc.....	2.04	57.14
<i>Advertising matter.</i>		
Toilet articles, cosmetics and soaps.....	12.92	
Whiskey, wine, beer, and cigarettes.....	9.43	
Food and candy.....	2.13	
Clothing.....	2.13	
Schools and motion pictures.....	3.23	
Automobiles and transportation.....	2.04	
Household articles and radios.....	2.21	
Miscellaneous items.....	8.77	42.86
<b>Total content.....</b>		<b>100.00</b>

**5. NATIONALLY DISTRIBUTED WEEKLY MAGAZINE**

containing 96 pages, issued October 13, 1945,  
circulation—about 2,801,000 (1944).

<i>Reading matter.</i>	<i>Percent of content</i>	
Editorial text.....	3.82	
Articles of general interest.....	19.96	
Fiction.....	17.34	
Cartoons, etc.....	4.45	45.57
<i>Advertising matter.</i>		
Whiskey, wine and beer.....	9.77	
Automobiles, tires, services and appliances.....	14.97	
Clothing and shoes.....	3.52	
Cosmetics, cigarettes and tobacco.....	5.34	
Diesel engines, railroad service.....	4.18	
Miscellaneous items.....	16.67	54.43
<b>Total content.....</b>		<b>100.00</b>

**6. NATIONALLY DISTRIBUTED WEEKLY PERIODICAL**

containing 108 pages, issued April 9, 1945,  
circulation—about 1,091,000 (1944).

<i>Reading matter.</i>	<i>Percent of content</i>	
Editorial text.....	2.16	
Articles of general interest.....	34.88	37.04
<i>Advertising matter.</i>		
Whiskey, wine and soft drinks.....	8.64	
Automobiles, trucks, tires, accessories and gasoline.....	12.35	
Insurance.....	3.40	
Transportation services.....	4.01	
Foods.....	1.85	
Radios.....	1.85	
Miscellaneous items.....	30.86	62.96
<b>Total content.....</b>		<b>100.00</b>

**7. NATIONALLY DISTRIBUTED WEEKLY PERIODICAL**

containing 124 pages, issued April 2, 1945,  
circulation—about 3,745,000 (1944).

<i>Reading matter.</i>	<i>Percent of content</i>	
Editorial text.....	2.42	
Pictures with text and cover.....	45.97	48.39
<i>Advertising matter.</i>		
Food, clothing and shoes.....	13.30	
Automobiles and accessories.....	10.08	
Toilet articles, cosmetics.....	6.05	
Whiskey and beer.....	4.84	
Radios.....	2.42	
Miscellaneous items.....	14.92	51.61
<b>Total content.....</b>		<b>100.00</b>

**8. NATIONALLY DISTRIBUTED WEEKLY PERIODICAL**

containing 116 pages, issued April 7, 1945,  
circulation—about 3,393,000 (1944).

<i>Reading matter.</i>	<i>Percent of content</i>	
Editorial text.....	1.94	
Articles of general interest.....	19.00	
Fiction.....	18.86	
Cartoons, etc.....	5.03	44.83
<i>Advertising matter.</i>		
Food and clothing.....	11.64	
Automobiles, trucks, tires, accessories and gasoline.....	12.93	
Toilet articles and medicines.....	4.74	
Insurance.....	2.80	
Household appliances and radios.....	4.31	
Railroads.....	2.59	
Miscellaneous items.....	16.16	55.17
<b>Total content.....</b>		<b>100.00</b>

**9. NEWSPAPER—CITY DAILY**

containing 30 pages, issued October 16, 1945, circulation—about 160,000.

<i>Reading matter.</i>	<i>Percent of column inches</i>	
News, local and national, editorial features, pictures and other.....	40.21	40.21
<i>Advertising matter.</i>		
Department stores, clothing and general merchandise.....	24.73	
Classified and financial.....	7.41	
Liquor and liquor stores.....	6.91	
Drug stores and medicines.....	3.94	
Transportation service.....	2.22	
Amusements and magazines.....	2.46	
Miscellaneous items.....	12.12	59.79
<b>Total content.....</b>		<b>100.00</b>

10. **NEWSPAPER—CITY DAILY**  
containing 32 pages, issued April 6, 1945, circulation—about 450,000.

	Percent of column inches	
<b>Reading matter.</b>		
News, local and national, editorial features, pictures and other	59.90	59.90
<b>Advertising matter.</b>		
Department stores, clothing and general merchandise	10.84	
Classified	11.54	
Amusements, books and magazines	4.81	
Beer, whiskey	1.39	
Banks, finance	3.49	40.10
Miscellaneous items	8.03	
<b>Total content</b>		100.00

11. **WEEKLY NEWSPAPER**

containing 8 pages, issued January 4, 1946, circulation—about 680.

	Percent of content	
<b>Reading matter.</b>		
News—local and national	35.36	
Religious and syndicated articles	6.74	
Sports and comica	7.90	
Ceiling prices	2.16	
Recipes	2.91	
Miscellaneous	14.64	68.71
<b>Advertising matter.</b>		
Local and nearby	16.79	
National	3.92	
Farm sales	4.45	
Miscellaneous	6.13	31.29
<b>Total content</b>		100.00

12. **WEEKLY NEWSPAPER**

containing 20 pages, issued February 14, 1946, circulation—about 6,700.

	Percent of content	
<b>Reading matter.</b>		
General news—mainly local	31.38	
Editorials	1.25	
Sports—local	2.75	
Veterans—local	2.96	
Church and historical	2.83	
Farm and home and recipes	3.68	44.85
<b>Advertising matter.</b>		
Classified and display—mainly local	48.50	
Farm sales	5.16	
Legal—local	1.49	55.15
<b>Total content</b>		100.00

13. **NATIONALLY DISTRIBUTED QUARTERLY COMIC MAGAZINE**  
containing 84 pages, issued January 1945, circulation—259,000 (1944).

	Percent of content	
<b>Reading matter.</b>		
Comics	89.29	
Fiction	2.38	91.67
<b>Advertising matter.</b>		
Miscellaneous	8.33	8.33
<b>Total content</b>		100.00

14. **NATIONALLY DISTRIBUTED MONTHLY DETECTIVE MAGAZINE**  
containing 116 pages, issued May 1945, circulation 107,000 (1945).

	Percent of content	
<b>Reading matter.</b>		
Practically all detective stories and comments on crime	81.00	
<b>Advertising matter.</b>		
Miscellaneous	19.00	
<b>Total content</b>		100.00

15. **UNIVERSITY BULLETIN OF INFORMATION**

containing 220 pages, issued March 1945, circulation—about 7,700 (1944).

	Percent of content	
<b>Reading matter.</b>		
Description of courses of instruction and general directions for students	100.00	
<b>Advertising matter</b>		
	0.00	
<b>Total content</b>		100.00

Mention has been made of the more serious reading content of many earlier second-class periodicals in their endeavor to comply with the spirit of the "fourth condition" defining this class of mail in the 1879 Act in comparison with many now issued under that statute. There follows a list of some of the earlier general magazines and periodicals which, for one reason or another, have been discontinued or merged over the years. No further comment is offered regarding the quality, or otherwise, of these publications. The readers of this report can judge whether or not they contributed on the average more genuinely to the public good than many favored present day publications which the public is urged to buy—particularly those in which comic strips, fiction, mystery and other stories, miscellaneous pictures, advertising in abundance along with other sales features are liberally included.

Review of Reviews	Scribner's
World's Work	Outlook
Century	Youth's Companion
Everybody's	Current Opinion
Munsey's	System
Golden Book	Science and Invention
Leslie's Weekly	Forum
St. Nicholas	McClure's
Delineator	American Boy
Literary Digest	Arts and Decoration

Comic strips in particular, have become a very important sales feature in recent years for many newspapers and periodicals. It has been estimated that over one-half of the total population now regularly "read" them. The better comic artists are compensated on a par with movie stars and publications which feature them extensively spend considerable sums for this product. They likewise attribute to their publication a substantial part of their income. Comic strips are a "commodity" in the publisher's market and if large sums can be paid for their production it should be possible to pay the cost of their handling in the mails.

*Increase in Advertising Content since 1879*

In the section of this report entitled "Identical Charge for Advertising and Reading Portions of Second-Class Publications"

mention. made of the general character of advertising content in this class of publication and the close interrelation and interdependence between advertising and reading content—to the extent of justifying the same rate of postage thereon.

Much advertising in these publications is of high type, containing informative and instructive "reading" matter, but much also contains "propaganda" material. It brings to the attention of the public the things it can buy and where they are available. There is also the "classified" matter which serves an excellent purpose. Over-all, advertising renders a useful service in our national and local economic life.

Advertising content in second-class publications is, nevertheless, of direct interest to the Postal Service, particularly as regards its increase since 1879. Prior to 1879 when this class of mail, with its low preferential rates, was defined, there was little advertising of the type now presented worthy of the name. Thereafter, during an era of industrial and business expansion which brought to this nation in less than three quarters of a century more of material progress than had been experienced in thousands of years prior thereto, commercial advertising, local and national, in newspapers and periodicals developed rapidly. Publications and newspapers of the religious type no longer afforded the important advertising media.

Between 1880 and 1945 total advertising revenues of newspapers and periodicals are estimated to have increased from about \$40,000,000 to about \$1,000,000,000, or 25 times. Of the last mentioned amount, magazines and periodicals received about one third since they are fewer in number than newspapers. These revenues not only reflect the overall growth of advertising volume in publications, but they point to the increase in the number of publications now carrying advertising content, their size and the extent to which advertising is contained therein. From a small number of publications to many, from small publications to those several times their former average weight, from little or no advertising content one now finds in some no advertising and in others upwards of 70 percent, with many of the large publications within the range of 35 to 70 percent. Such advertising content presents large volumes—in the fiscal year 1944, about 504,000,000 pounds—to be handled by the Postal Service at much less than self-sustaining rates of postage. Only about 53 percent of this volume was carried at rates higher than for reading matter.

No such advertising volume existed in 1879 and the development to present proportions obviously could not be foreseen by the Congress when it enacted the second-class statute. The inclusion in publications since 1879 of this large advertising content calls for special consideration in connection with second-class rates. Advertising in publications is definitely a commercial undertaking with a profit motive and one may therefore readily ask whether this type of matter disseminates information of a public character or is devoted to literature, the sciences, arts, or some special industry. The problem presented is not one of debarring advertising from publications but rather one of the rate of postage which should be paid thereon in view of the volume which has gradually come to be placed in the mails for handling.

While advertising content in publications since 1918 has been paid for at zone pound rates, which for the longer hauls are higher

than rates on reading content, these rates produced in the fiscal year 1944 only about \$13,300,000, or \$5,700,000 more than if this matter had been handled at the regular flat reading matter rate of 1½ cents per pound. Advertising content, in the fiscal year 1944, contributed about 39 percent of the weight of all second-class matter and it was thus clearly responsible for a considerable portion of the deficit on publishers' paid second class mailings amounting to upwards \$100,000,000 for that year. The result of this situation is that the Government is subsidizing extensive quantities of advertising matter when its original purpose, under then prevailing conditions, was doubtless to subsidize reading matter along with only incidental advertising content.

For those publications which have gone extensively into the carrying of advertising, a large circulation and the largest possible list of subscribers is desirable, since the larger the circulation the more can generally be charged for advertising inserts. Circulation gives the advertiser an opportunity to tell a widely distributed public in print about his products instead of through salesmen, in fact the publications in which he advertises sell him a potential list of purchasers.

It is assumed that advertisers should be willing to include in their payments to publishers their fair proportion of the full cost of postal service for copies handled in the mails. They would, obviously, have no occasion to expect governmental aid in this matter and doubtless would not desire it.

Subscribers to publications with large advertising content may receive somewhat lower subscription rates as the result of the inclusion of advertising, but perhaps they should because of the inclusion of a type of matter in which they may not be interested. Very few readers buy a publication merely to obtain its advertising content. These views are further emphasized by the fact that in recent years a number of publications have come into the market which contain substantial reading matter, with little or no advertising, and sell readily for a price as high as 25 to 35 cents per copy.

The Congress in the 1879 statute recognized the inclusion of incidental advertising in second-class publications but it also expressed itself definitely that publications devoted primarily to advertising were not to be entitled to second-class rates. This action by the Congress would appear to indicate that it had in mind as regards preferential rates for second-class matter a type of publication which featured worthwhile reading matter with advertising an incidental feature. In any rate revision for this class of publication a reasonable advertising content should be permitted by Congress but such content—because of a close interrelation and interdependence with no difference in the cost of handling by the post office should be taken together with the reading portion and the same rate of postage applied to both. The inclusion of incidental advertising, no doubt recognized then, as now, that because of its better revenue aspects it might be helpful in meeting the cost of original copy.

Emphasis is placed by some publishers upon the advertising service rendered in recent years to the Government in the case of bond issues and other war and fiscal activities as a measure of

justification for low second-class rates. No one questions that second-class publications performed an outstanding and appreciated service for the Government in this respect and that they helped to unite the country behind a common cause by bringing to the attention of their readers, without direct compensation, the financial and military requirements and other responsibilities of the Government. However, other organizations, other news distributing media and millions of private citizens likewise performed similar patriotic services in this great emergency without direct compensation. It may be said, however, that while the publication of such information was a valuable and appreciated service and helped materially to stimulate the interest of the public, the undertaking was inseparable from the field in which the publishing industry has elected to function. The public expects these publications to disseminate information of a public character and if they had not published the particular information referred to there would have been criticism and in all probability a reduced demand for their issues. Consequently advertising and subscription revenues would have suffered. Doubtless, however, if the Government had paid for advertising space devoted to its purposes at regular commercial rates and the publishers during this period had paid self-sustaining rates for handling their publications in the mails, the Government would still have been very substantially the creditor.

The inclusion in second-class publications since 1879 of extensive advertising (without regard to other matter included) has changed so materially the character of many publications of this class that there no longer appears to be any basis for rates of postage thereon ultimately less than at a substantially self-sustaining level.

#### *Extent to which the Report is interested in Second-Class publications*

The foregoing paragraphs of this section contain comments regarding certain aspects of some present day second-class publications but these should not be construed as applicable to all of the vast number of these publications. It is unfortunate that under existing statutes the censorship feature interferes with the separation of the "wheat from the chaff."

Many second-class publications are distributed by media other than the mails—by transportation companies, news boys or over news stands and the postal service in general receives for handling only those which it is more expensive or impracticable to distribute by media other than the mails. The report recognizes that it is the obvious right of the publishing industry to distribute its publications by any media that it selects. The industry will doubtless continue to do so, and to a greater extent, in the future. This course, however, should not give the Post Office Department serious concern since unless it receives substantially self-sustaining rates for the greater part of second-class mail, the more of these publications that it handles the greater will be the deficit realized—a disastrous situation for either a government business enterprise or a private industry.

In connection with the foregoing comments regarding second-class publications it is important to emphasize again that this report is not directly concerned with the volume, general character, or content of the publications issued as such, nor is it interested in being critical of them. It is concerned only with those aspects thereof which present rate and other problems to the Postal Service when they are presented to it for classification, handling, transportation and delivery. Any discussion of these publications should thus be so construed, i.e., as directed solely to those aspects with which the Postal Service should be concerned—and those of concern to the users of other classes of mail and the United States Treasury. Stated in another way, the problem presented to the Post Office Department is whether the general character and the content of these publications, when handled in the mails is such as to justify the continuation of the large annual deficits that result from the low preferential rates of postage which have been accorded for nearly three-quarters of a century.

#### *Factors responsible for current Second-Class problems*

The present second-class problems of interest to the Postal Service—the most outstanding of which is the increasing annual deficit from its handling—have in the main been affected by the following factors:

1. The considerable expansion in industrial and business activity.
2. Two world wars and an intervening serious depression.
3. Social progress.
4. The growth of and spread in population.
5. The changes in reading habits.
6. The increase in postal facilities for handling this class of mail and its longer average haul.
7. The decreased purchasing power of the dollar received by the Post Office Department for its services.
8. The broad interpretations possible under existing statutes with respect to publications that may qualify for permits, and
9. The low preferential rates accorded this class of mail.

The first five of these factors have presented primarily the problems of volume and character of publications. While total circulation of publications has definitely increased, volume, measured either in pounds or by pieces presented for postal handling in the fiscal year 1944, shows no material change from that presented 15 years ago—a situation which, to a considerable extent, can be attributed to the use of other competitive distribution media. There are now some indications that the pieces and copies of lighter average weight, presented for handling, are increasing. However, with rates yielding on the average less than 25 percent of the cost of postal service rendered, in the handling annually of upwards 4 billion pieces of this class of mail, the major factor contributing to the large annual deficits is apparent.

As regards factor (6): increased city, village and rural delivery service; improved postal handling facilities and an average longer haul for this class of mail, with no material increase in rates over many years, have made their respective contributions to Postal Service costs and increased the deficits.

Concerning factor (7), the decreased purchasing power of the dollar: In 1880 the Post Office received \$2.00 for each 100 pounds

of this class of mail handled. Now it receives on the average, and for a longer haul, about the same \$2.00, but they are dollars of a decreased purchasing power as compared with those received in 1880. It takes more of the present dollars to meet the increased wage of an employee, to pay rent for space of the same size, to transport the same volume of mail matter, to purchase the same quantities of service, materials and supplies than it did in 1880, to say nothing regarding the wages of increased personnel to provide a better postal service. In terms of purchasing power second-class rates are actually now substantially lower than in 1880. This situation likewise presents a material factor in producing the present deficits for this class of mail.

With respect to factors (8) and (9) : these, in addition to producing considerable volume handled at a loss, have injected another problem, namely the determination as to whether or not a publication is entitled to second-class rating.

Mention has been made earlier of the difficulties experienced by the Post Office Department over the years in administering the "fourth condition" now contained in the section of the act of March 3, 1879 which states among other requirements, later mentioned, that a publication to be admitted to the second-class "must be originated and published for the dissemination of information of a public character, or devoted to literature, the sciences, arts, or some special industry." This terminology is undefined and it has thus been difficult in many instances over the years, to determine whether a publication, because of questions regarding its character, should or should not be granted the privilege of second-class rates. The problem has been further aggravated by reason of different individuals in the Department interpreting the statute and by personnel turnover. Also precedents once established could not readily be abandoned without difficulty or without creating discriminatory situations. There are moreover, some publications that were granted permits on their original representations that have subsequently changed their character adversely but not sufficiently to support cancellation of their permits in the face of the interpretations that could be placed upon the 1879 statute by skillful advocates.

Many publications that came into existence also saw in the government's very liberal bounty an opportunity for profit. In some of these cases the objective of rendering a real public service was doubtless largely, if not wholly, absent. Another reaction from the low rate after 1885 was to change the form of, wherever possible, printed matter earlier sent through the mails at higher rates, to fit second-class specifications.

As a matter of practical application this "fourth condition" provides for only three situations debarring publications from the second-class rates, viz. ; if they do not have a legitimate list of subscribers, are designed primarily for advertising purposes or are circulated free or at nominal price, but even the restriction in respect of advertising has not infrequently been circumvented by merely including in the publication enough reading matter of a character to give basis for a claim of compliance with the statute, albeit, the publication is for all intents and purposes an advertising medium.

More specifically, beyond these three prohibited situations, this "fourth condition," which is a Congressional mandate, is practically impossible of any really effective administration without hazarding the charge of censorship. It appears reasonable to assume that this mandate was intended to have a purpose, and one may conjecture that it was to insure that second-class publications should be confined to those that made a distinct contribution to the public welfare, also that the Postmaster General was expected to administer the mandate in that light when a publication filed application for a second-class permit. There, however, now appears to be only remote possibility under the recent Supreme Court decision in the "Esquire" case, if a specific publication is one of a "class" of publication that contributes to the public good, that it may be debarred from second class and its preferential rates, even though it requires considerable imagination to believe that the particular content of the publication so contributes.

The obvious result of administrative problems such as have been mentioned is that there are now doubtless quite a number of the approximately 25,000 publications that enjoy second-class permits, which reasonably present the question of their eligibility.

Revision of the Act of March 3, 1879 and subsequent statutes governing Second-Class Mail

The section of the act of March 3, 1879, which defines second-class mail, contains in the "fourth condition" a mandate requiring that such mail matter "must be originated and published for the dissemination of information of a public character, or devoted to literature, the sciences, arts, or some special industry." It also specifically excludes from this class of mail publications "designed primarily for advertising purposes."

This mandate was characterized by the Penrose-Overstreet Commission in its 1907 Report as "so broad as to include everything and exclude nothing," being in effect no more than a group of words of little or no significance.

The "Esquire" decision, previously referred to, appears to give this "fourth condition" an interpretation so broad as to make it practically impossible from the viewpoint of administration to exclude, without incurring the charge of censorship, a publication which is one of a "class" of publications that contributes to the public good. Furthermore, the Postmaster General under this decision may not determine whether the content of a particular publication meets this standard as long as it is one of a "class" which does. The result, as a practical matter, is to open the door to all publications which otherwise meet second-class requirements and are not debarred by statute from the mails.

Considering the changed economic conditions and social standards, tastes of readers and so on, that have come about since 1879 (and these should be recognized) as well as the views expressed by the Penrose-Overstreet Commission and those contained in the "Esquire" decision, the phraseology of this "fourth condition" as regards the character of second-class mail is now decidedly obsolete and only productive of confusion and uncertainty to those who must administer it. If the Congress makes no other changes with respect of what may be classified as second-class matter it should at least correct the undesirable situation presented by the language of the "fourth condition" and revise that provision in line with present day conditions, eliminating therefrom what appears to be largely meaningless verbiage. Doubtless no two persons could be found that would have the same concept as to what constitutes information of a public character, or literature, science, or art.

The Congress, however, is apparently not bound forever to the "fourth condition" mandate and the court decisions interpreting it. It undoubtedly has the power through new legislation to determine the type of publication which should be included in second class and fix rates therefor. It may feel that the 1879 statute never intended that there should be admitted to second class as wide a variety or type of publication as is now included and that many now so favored should not be continued therein but should be accorded a different classification with rates consistent therewith. It may also feel that while many of this class of publication disseminate news or matter that is of educational value and contribute to the public good, that many others now therein are of

little value to those ends. But as a practical matter it would be impossible for any one to separate the "wheat from the chaff."

Such a separation has been too long deferred, and in the meantime publications of many varieties, qualities and tastes have become entitled to second-class permits under the undefined terminology of the "fourth condition." To undertake a segregation at this date would doubtless incur intensive opposition, including accusations of censorship and discrimination, since no satisfactory test of news dissemination or of literary, scientific, artistic or general educational value can be applied. Furthermore, from the viewpoint of fair treatment, most of these publications have taken advantage of a situation permitted by the statutes, are conforming to other second-class requirements and have organized in accordance therewith. A change in their classification might well react unfavorably upon them.

The foregoing, however, pertains to matters of Congressional policy and is not directly related to the purpose of this report, which is to present an analysis of the present second-class mail situation. However, this recommendation may be advanced—if the present classification of second-class mail, embracing publications of all varieties, tastes and qualities, not otherwise debarred by statute, is continued and the Postal Service is to be generally limited to the function of its handling, transporting and delivering second-class mail under competitive conditions then there is every good reason why rates for this conglomerate class of mail, should ultimately be established on a substantially self-sustaining basis, for the worth while as well as for those of secondary or poor quality, since no satisfactory line of demarcation between them can be established,—a fact which is equally as true regarding those which are in the category of "newspapers" as for other periodical publications. The situation would, obviously, no longer justify placing the burden of second-class deficits upon users of other types of mail service and the tax payers.

A further suggestion may also be ventured in this connection, viz., that the publishing industry, in its own interest and that of the public at large, might well embark on a policy of "policing" for its own industry the quality of publications to be issued under second-class permits; the extent, character and placing of advertising content therein, as well as other matters which now detract from their quality and make even a temporary continuance of preferential rates a matter of public reaction and criticism. Such action might also serve in reducing somewhat the volume of poor quality matter which now crowds the mails.

*Consolidation of Second-Class Statutes*

As regards second-class legislation in general this is now scattered throughout numerous statutes enacted over many years. It would be highly desirable in connection with any revision of the 1879 Act to have all applicable provisions governing this class of mail consolidated and placed in one statute. Many of the problems now presented in connection with this class of mail arise, not only from the complications presented by the complex rate structure, but from confusion in interpreting the widely scattered provisions in the statutes.

Comparatively few persons in the Postal Service are fully familiar with all of the related provisions of the statutes. The governing statutes have been amended so many times and to such an extent that it is difficult to show them in the postal regulations in logical sequence and in a manner comprehensible to the average reader. Conclusions as to some rates and practices are therefore reached only by inference. Second-class matter is accepted at approximately 9,000 post offices and it is important that the statutes and regulations be as simple and understandable as possible.

The course here proposed would materially simplify the work of postal employees and result in more effective administration of the service.

## A PROPOSAL FOR INCREASING PRESENT SECOND-CLASS RATES

The cost of handling, transporting and delivering second-class mail is influenced by the number of separately addressed pieces, their weight, and the length of haul accorded them. Under the existing rate structure, the number of pieces is almost entirely disregarded. The length of haul is also not recognized except in the zone rates on advertising applicable to about 20 percent of the total weight of publishers' paid pound-rate mail.

An extensive analysis shows that overall approximately 60 percent of the expense incurred by second-class mail may be assigned to the handling of the pieces presented (disregarding weight), 25 percent to the handling of the weight involved and 15 percent to transportation. The relatively high "piece" handling factor illustrates the fallacy of collecting the postage principally on the basis of weight and to some extent on the length of haul, with little consideration to the number of pieces. Total collections of postage on this class of mail are now derived about as follows: From rates on a "per piece" basis, 4 percent; from rates on a "per pound" basis, 75 percent; and from additional revenue for long hauls—21 percent.

No intimate knowledge is required to appreciate that the expense per pound increases with the increase in the number of pieces contained therein that must be distributed and delivered. The illogical results from rates based solely on weight are demonstrated in the following table showing the approximate cost of postal service incurred "per pound" and "per piece" for different weights carried to the several zones:

Zone	1 <sup>1</sup> / <sub>2</sub> pound per piece		3/4 ounce per piece		1 ounce per piece	
	Cost per pound	Cost per piece	Cost per pound	Cost per piece	Cost per pound	Cost per piece
	(1 piece)		(3 pieces)		(16 pieces)	
	Cents	Cents	Cents	Cents	Cents	Cents
Local.....	2.9	2.9	4.6	2.2	26.8	1.8
1 2.....	3.8	4.8	8.3	2.8	33.7	2.1
3.....	4.1	4.8	8.8	3.0	34.2	2.1
4.....	5.0	6.0	9.5	3.2	34.8	2.2
5.....	6.0	6.0	10.6	3.5	35.9	2.2
6.....	7.3	7.3	11.8	3.9	37.1	2.3
7.....	8.5	8.5	13.0	4.3	38.4	2.4
8.....	9.8	9.8	14.3	4.8	39.8	2.5

With the cost varying, for instance, in the first and second zones, from nearly 4 cents per pound in the case of a 1-pound piece to about 34 cents per pound in the case of 1-ounce pieces, it is evident that no flat pound rates applicable to the several zones can be established which will be commensurate with the cost incurred.

The postage now paid by publications of very light weight is so small as to be an insignificant factor in any business. For a piece weighing 1 ounce for delivery in the first or second zones the charge is only 1/16th of 1 1/2 cents (the present pound charge),

or approximately 9/100ths of a cent. For such a publication issued weekly this amounts to less than 5¢ per annual subscription, that is, the Department handles and delivers 52 issues to one subscriber for less than 5¢. If issued monthly the postage amounts to slightly more than 1¢ per annual subscription. If this publication were addressed to the eighth zone, a haul of over 1,800 miles, the annual postage, based on 40 percent of advertising content, would be 12¢ per year for a weekly and 3¢ for a monthly publication.

A 3-ounce publication addressed to the first or second zones pays less than 1/3 of a cent postage. For a weekly publication, the postage amounts to less than 15¢ per annual subscription and for a monthly, only about 3 1/3¢. For the eighth zone the postage, based on 40 percent advertising content, would be 36¢ per annual subscription for a weekly and 8¢ for a monthly publication.

Considering a daily paper weighing 4 ounces and consisting of approximately 9 sheets with 40 percent advertising content, the Postal Service, at present rates of postage, transports and delivers 365 copies annually to the first and second zones for only \$1.87. For delivering the same publication to the fifth zone, 600 to 1,000 miles, \$2.28 postage is collected. The actual transportation expense which the Department pays the common carrier is about \$2.23. After paying the railroad, the Department has approximately 5 cents remaining to apply against about \$9.00 additional cost for salaries of clerks, carriers, and other expense.

Another example is that of a popular monthly magazine mailed in Illinois carrying little or no advertising. Each month the publisher mails to California points, approximately 475,000 copies, weighing about 79,000 pounds. The postage amounts to about \$1,185. The Department must pay at least \$1,700 to railroads for transportation of this mail direct to California distribution points, and thereby suffers a loss of over \$500 in connection with the transportation alone. No margin, of course, remains with which to pay for further transportation within the State, or for the thousands of individual distributions and deliveries, *by the piece*, in California post offices. A similar situation exists with respect to the mailings of this magazine to other States of the Union.

Departmental records covering mailings of a small bulletin issued weekly by a charity service organization show that 107,700 individually addressed copies are handled in the mails each quarter. The postage amounts on the average to 1/20th of a cent per piece. The excess of cost over postage on this publication is approximately \$6,000 per year. Losses incurred in connection with mailings described in this and preceding paragraphs clearly account for much of the present large second-class deficit.

The foregoing should demonstrate that under the present system of collecting second-class postage, pieces of light weight, of which there are a great many, pay so little postage that the amounts collected can well be termed only token payments. In fact, in many cases, the amounts collected scarcely compensate for the expense of the official records which must be maintained, leaving nothing to pay the cost of handling.

Regardless of whether rates are designed to produce the full cost of the postal service performed, or a somewhat lesser amount, they should, in the interest of equity, be generally proportioned

post. Some publications now pay as little as 2 to 3 percent of the expense they incur, while others pay 35 to 40 percent, or more in the case of heavy pieces with exceptionally high advertising content. Rates so designed should provide over-all for the following factors in approximately the proportions indicated: for the "piece handling" factor 60 percent; for the "weight" factor, 25 percent; for the "haul" factor, 15 percent. Even though any revised rates which may be established fall short of returning to the Department its cost, a recognition of pieces handled by introducing a "per piece" charge would bring about a better balance in the rate structure. The extension of zone pound rates, applied to reading and advertising portions alike, would insure charges more nearly commensurate with distance hauled. Over-all, individual publications would more nearly than at present, pay for service rendered to them.

In such a rate structure the "piece charge" should be a flat amount for each piece regardless of weight or distance transported. The "pound charge" should combine two elements, expressed however, in one amount: (a) a charge (not affected by distance) to cover the weight factor involved in handling and delivery and (b) a charge for transportation varying with the zones.

There follows below a schedule of rates proposed for newspapers and periodicals admitted to the second class (including sample copies to the extent of 10 percent of the weight of copies mailed to subscribers during a calendar year). This schedule is based generally on the principles expressed in the immediately preceding paragraphs and if adopted would correct, at least in part, the major second-class problems and inconsistencies now existing. While the "per piece" rate of only 1/2 of a cent now proposed (together with the proposed "per pound" rates) is much lower than required to recover the cost of postal service and should on the average be several times that figure, such a rate cannot presently be made effective for the practical reason that publishers should be given an opportunity to adjust their programs to meet ultimately a "per piece" rate of a higher level. The rates proposed in the schedule should produce on the basis of the 1944 volume of publishers' domestic second-class mail, about \$29,000,000 of additional postal revenue. This adjustment of the rates would be so reasonable in amount that it should not cause any serious dislocation throughout the industry especially since a discount of 50 percent is proposed for the smaller newspapers (upwards of 10,000) and certain publications (see page 27, upwards of 5,500), both of which could qualify for the discount under the schedule.

The proposed schedule of rates is as follows:

(A) For each individually addressed piece of a publication (regardless of the number of unaddressed copies) a charge of 1/4 cent plus the pound charge indicated below to be applied to the bulk weight for each zone:

Zones	Cents per pound
Local	1 1/4
1-2	2
3	2 1/2
4	3
5	4
6	5
7	6
8	7

(B) the total weight of any one edition or issue of any publication mailed to any one zone does not exceed one pound, the pound charge shall be 2 cents in addition to the piece charge.

(C) The rates of postage charged on publications described in (1) and (2) below shall be one-half of the piece and pound rates set out in (A) and (B) above:

(1) Newspapers, except as provided in (D) with total average circulation not exceeding 7,500. To qualify for this concession a newspaper must be issued weekly or more frequently. It must have the characteristics ordinarily displayed by a publication commonly considered a "newspaper" as distinct from a magazine or other type of periodical publication accorded the second-class privilege and as regards its contents should include mainly current news, editorials, articles and items of interest to the general public, with or without advertising, and not be devoted to a particular trade, industry, occupation, religion, or profession; and as a further condition to the privilege of transmission in the mails at the stated preferential rate, the publication shall be submitted to the Postmaster General by its publisher whenever required to permit a check of its character.

(2) Newspapers and periodicals except as provided in (D) below maintained by and in the interests of religious, educational and philanthropic organizations and associations not organized for profit and none of the net income of which inures to the benefit of any private stockholder or individual; and official bulletins of State departments or boards of health, public charities and corrections, and agriculture.

(D) For single copies of newspapers and periodicals addressed to actual subscribers within the county where published and printed in whole or in part, and mailed for delivery from a post office which does not have city, village or rural delivery, or star-route service providing rural delivery, the rate of postage shall be 1/4 cent per copy, without a "per pound" charge.

(E) When the advertising content of a publication exceeds 50 percent but not more than 60 percent of its total content there shall be applied a surcharge of 10 percent of the regular charge and if such advertising content exceeds 60 percent of the total content, a surcharge of 15 percent.

The rates proposed above contemplate discontinuance of the "free in county" privilege and all pound, "per copy" and multiple rates now applicable to publishers' second-class mail. They also discontinue the 5 percent advertising exemption. These rates would apply alike to portions of publications devoted to advertising and other than advertising. The "county" would be eliminated as a rate unit except for offices within the county of mailing which do not have city, village or rural delivery, or star-route service providing rural delivery. No change is proposed with respect to the rates on transient second-class mail.

The statement which follows presents an estimate with respect to revenue which would have been received from the proposed rates if they had been in effect during the fiscal year 1944, with the same volume and distribution as then presented for handling. It is impossible to predict the increase in revenue that might be expected for the future if the rate schedule proposed were made effective, since there would doubtless be some changes in volume, particularly from increased use of media other than the mails in making distribution—a trend which has been definitely in evidence for some years under the present low rates in the case of the larger nationally distributed publications. While there have been material increases in total circulation during the past 15 years ending in 1944 neither pieces nor pounds of publishers' second-class mail presented for handling by the Postal Service have increased.

*Estimated Revenue From Rate Schedule Proposed for Second Class Mail*

[Based on volume and distribution presented for handling in the fiscal year 1944.]

Rate group (a)	Piece postage (b)	Pound postage (c)	Total estimated revenue (b)+(c) (d)	Postage received, fiscal year 1944 (e)	Increase (d)-(e) (f)
<i>Regular:</i>					
Newspapers—circulation exceeding 7,500	\$6,119,000	\$13,056,000	\$19,175,000	\$8,936,000	\$10,239,000
Publications transferred from "exempt" classification	1,006,000	1,103,000	2,114,000	529,000	1,585,000
All other publications	6,981,000	19,156,000	26,137,000	13,009,000	13,128,000
Totals for group	14,106,000	33,320,000	47,426,000	22,474,000	24,952,000
<i>Special:</i>					
Newspapers—circulation not exceeding 7,500	1,986,000	1,975,000	3,961,000	2,748,000	1,213,000
Religious, educational, philanthropic and other non-profit publications	1,510,000	1,661,000	3,171,000	1,685,000	1,486,000
Totals for group	3,496,000	3,636,000	7,132,000	4,433,000	2,700,000
Grand totals	17,602,000	36,956,000	54,558,000	26,807,000	*27,751,000

\* Exclusive of postage on matter now carried "free in county" on which postage as proposed should yield additional revenue of approximately \$1,600,000. No revenue from advertising surcharges is included.

*Rate of Postage*

For Regular Rate Group: 1/4 of a cent per individually addressed piece and 1 1/4 to 7 cents per pound.  
For Special Rate Group: 50 percent discount from piece and pound rates for Regular Rate Group.  
For matter addressed to subscribers within the county where published and mailed for delivery from a post office which does not have letter carrier or rural delivery service, or star-route service providing rural delivery: 1/4 of a cent per copy without a "per pound" charge. For other matter addressed for delivery within the county where published: the appropriate piece and pound rates.

Throughout the report it has been emphasized that the present second-class rate structure is extremely complicated. Requests and suggestions for simplification are constantly being made by postal personnel. Many postmasters and employees who are required to administer the rates admit they do not fully understand them. It has also been shown that present rates disregard the most important element of the cost in handling second-class mail,—the piece. The irony of the situation is that the present intricacies and violations of accepted principles of rate making accomplish nothing that can not be achieved more readily and equitably under a schedule of piece and pound rates such as is proposed. The schedule proposed is simple in structure and easily understood and applied.

*Correction of inconsistencies in present rates*

It should be self-evident that dissimilar services should not be performed for the same rate and that substantially similar services should not be charged different rates. These principles are generally violated in the present second-class rate structure and could for the most part be corrected by the adoption of the proposed schedule of rates.

Dissimilar services, now being performed for the same rate include:

(a) Publications with a large number of pieces comprising a pound are being charged the same pound rates as those with few to the pound or heavier publications. (Corrected by the establishment of piece rates in combination with pound rates.)

(b) Portions of zone rate publications are carried unequal distances at the same rate. (Corrected by the application of zone rates to reading and advertising portions alike.)

(c) Publications exempt from zone rates on advertising portions are carried unequal distances at the same rate. (Corrected by applying zone rates to these publications.)

(d) Pieces containing two or more unaddressed copies which do not require individual handling of the copies enclosed are being carried at the same charge per pound as pieces containing copies which must be individually sorted and delivered. (Corrected by the establishment of piece rates to be applied to each individually addressed copy or piece.)

Substantially similar services charged different rates include:

(a) Advertising matter is charged higher rates than reading portions although interrelated with reading matter and accorded identical service. (Corrected by applying identical zone charges to advertising and reading portions.)

(b) Within the county, delivery by rural or star-route carrier, through a post office box, or general delivery is being made without charge at offices which do not have city or village letter carrier service, while such identical services are charged 1¢ per pound at offices having letter carrier service. (Corrected by the application of a flat piece charge for deliveries within the county through offices which do not have any type of delivery service and regular piece and pound charges at other offices, regardless of the means of delivery.)

(c) Publications other than weeklies are charged the substantially higher "per copy" rates for delivery at the mailing office if such office is a letter carrier office, but for similar service at other letter carrier offices within the county the charge is 1¢ per pound. In the latter case more service is given for a lower charge since out of town deliveries necessitate transportation to the point of delivery. (Corrected by discontinuance of "per copy" rates coincident with the establishment of piece and pound rates applicable to all second-class mail, at letter carrier offices.)

(d) "Per copy" rates charged for publications issued less frequently than weekly, are higher than for those issued more frequently. (Corrected by the discontinuance of "per copy" rates coincident with the establishment of piece and pound rates.)

(e) "Per copy" rates do not apply to weeklies, but instead the postage charge is 1¢ per pound—a much lower rate in nearly all cases. (Corrected by the establishment of piece and pound rates applicable to all publications without regard to frequency.)

(f) For lighter pieces, "per copy" rates impose much higher charges than the present pound rates but for unusually heavy pieces the reverse is true. (Corrected by the establishment of piece and pound rates uniformly applicable to all mailings.)

The computation, collection and recording of postage under the schedule of rates proposed would be no more difficult than at present. No change in the methods of acceptance would be required and any procedures now followed from which the publishers or the Department derive advantages would be retained. No more weighings or computations than are now required would be necessary. It would be unnecessary for publishers or postmasters to measure advertising to the same extent as at present and this would result in material savings to publishers and to the Department. Publishers would be required to state the number of individually addressed pieces mailed but this information can readily be obtained from their records and periodically checked by postmasters in connection with routine examinations of subscription lists to determine the accuracy of zone analyses.

The rates proposed are consistent throughout and there is general uniformity in application to different groups and types of publications. When future changes in the level of rates are

round practicable they can be made without disturbing the rate structure as a whole.

The rates proposed, while yielding considerably less than the cost of postal service performed, are generally proportioned to such cost since they recognize the number of separately addressed pieces, and to a greater extent than at present the length of haul.

An increase at this time in second-class rates, such as is proposed would be moderate and reasonable. Since the piece rate proposed is considerably short of that factor of cost, with the weight and haul factors more nearly compensating, the smaller light-weight publications, with generally shorter haul, would continue to have some of the advantages they now enjoy. While the percentage increases in postage on publications of very light weight would be relatively greater than on heavier publications, in terms of money the increase would in any event be small, since the postage now paid on pieces of light weight is almost negligible. Furthermore, granting the discounts proposed to the smaller newspapers and to nonprofit religious, educational and welfare organizations would greatly lessen the effect of the higher rates and continue the policy of favoring them. Concern for them has furnished an important argument over the years for maintaining all second-class rates at a generally low level.

The proposed rates would require the heavier publications to pay a greater share, in dollars, of the postal costs incurred for them but no injustice would be done since the charges proposed would still be much less than the postal handling cost incurred in their behalf. The same rates would be applied to second-class "bundle" mailings as for individually addressed copies. Newspapers with a circulation exceeding 7,500 would pay the same rates of postage as second-class magazines and periodicals, since there appears to be no basis for a different charge. Only a limited volume of such newspapers are sent to distant points and as a rule only a small part of their circulation is placed in the mails. It should be possible for the publishers to meet readily the increase resulting from the proposed rates.

#### *Effect of rates proposed on representative publications*

There follow three statements showing for certain representative types of publications handled in the mails, among other relevant data, the approximate effect thereon of the rates proposed.

Approximate Effect on Representative Second-Class Publications of Rates Proposed

[Based on mailings made in the December quarter, 1944]

Type of publication	Mail circulation	Average weight <sup>1</sup>		Advertis- ing content	Annual postage		Approximate annual cost to Department	Average postage per piece		Average cost per piece	Postage per annual subscription	
		Pieces	Single copy		Present rates	Proposed rates <sup>2</sup>		Present rates	Proposed rates		Present rates	Proposed rates
	<i>Pieces per issue</i>	<i>Ounces</i>	<i>Ounces</i>	<i>Percent</i>				<i>Cents</i>	<i>Cents</i>	<i>Cents</i>		
Monthly scientific magazine.....	1,142,000	12.0	11.9	---	\$156,000	\$483,000	\$642,000	1.1	3.5	4.7	\$0.14	\$0.42
Monthly farm journal.....	2,628,000	3.8	3.8	69	189,000	390,000	881,000	.6	1.3	2.9	.07	.15
Monthly magazine.....	282,000	21.7	18.0	54	130,000	204,000	218,000	3.8	6.0	6.4	.38	.60
Weekly magazine.....	1,676,000	9.8	9.2	52	943,000	1,623,000	2,921,000	1.1	1.9	2.4	.53	.91
Weekly news magazine.....	830,000	8.8	8.6	60	342,000	670,000	1,311,000	.8	1.6	3.1	.41	.80
Weekly news magazine.....	1,937,000	12.6	12.5	80	1,932,000	3,453,000	4,819,000	1.9	2.4	4.6	.99	1.76
Sunday newspaper.....	8,300	48.9	13.8	40	32,000	64,000	64,000	7.4	12.6	12.6	1.09	1.85
Daily, except Sunday, newspaper of religious organization.....	118,000	3.8	2.4	---	128,000	669,000	1,156,000	.4	1.6	3.3	.98	4.43
Daily, except Sunday, newspaper.....	81,000	8.2	5.9	43	244,000	472,000	858,000	1.0	1.9	3.4	2.18	4.23
Daily, except Sunday, newspaper.....	8,400	3.4	3.4	52	6,600	24,000	62,000	.3	.9	2.5	.82	2.93
Daily newspaper.....	8,400	6.9	5.6	40	22,000	47,000	92,000	.7	1.5	3.0	2.16	4.52
Daily, except Sunday, and holiday, price sheet.....	1,200	.3	.3	15	300	2,100	7,100	.1	.8	1.9	.25	1.67
Fraternal magazine—8 issues per annum.....	187,000	3.3	3.3	---	5,000	23,000	44,000	.2	1.5	2.9	.03	.12
Comic magazine—quarterly.....	10,900	109.2	4.6	8	5,400	18,000	18,000	12.4	37.8	37.5	.02	.06
Detective magazine—bimonthly.....	7,400	40.4	2.8	18	2,400	6,000	6,700	3.5	13.6	15.1	.02	.06

<sup>1</sup> For average number of copies per piece, compare weight of single copy with weight of piece.  
<sup>2</sup> Excludes surcharge on advertising, if any.

Approximate Effect on Representative Second-Class Publications of Rates Proposed After Allowing 50 Per Cent Discount

[Based on mailings made in the December quarter, 1944]

Type of publication	Mail circulation	Average weight per piece	Advertis- ing content	Annual postage		Approximate annual cost to Department	Average postage per piece		Average cost per piece	Postage per annual subscription	
				Present rates	Proposed rates <sup>1</sup>		Present rates	Proposed rates		Present rates	Proposed rates
	<i>Pieces per issue</i>	<i>Ounces</i>	<i>Percent</i>				<i>Cents</i>	<i>Cents</i>	<i>Cents</i>		
Quarterly religious bulletin.....	144,000	0.3	---	\$1,040	\$1,625	\$11,000	0.2	0.3	1.9	\$0.01	\$0.01
Monthly, except June, July and August, educational journal.....	269,000	3.5	---	8,300	16,300	72,000	.3	.7	3.0	.03	.06
Weekly newspaper.....	300	2.0	55	12	57	325	.1	.4	2.1	.04	.19
Weekly newspaper.....	1,175	1.3	66	75	215	1,300	.1	.4	2.2	.06	.19
Weekly newspaper.....	1,425	2.0	69	110	280	1,600	.1	.4	2.2	.07	.20
Weekly newspaper.....	2,350	1.8	82	210	470	2,700	.2	.4	2.2	.09	.20
Weekly newspaper-suburban.....	3,300	1.7	48	215	500	3,300	.1	.3	1.9	.07	.18
Weekly newspaper.....	6,050	3.5	53	790	1,480	7,600	.3	.5	2.4	.13	.24
Semi-weekly newspaper.....	3,700	2.3	59	780	1,625	8,900	.2	.4	2.3	.21	.44
Daily, except Monday, newspaper.....	700	1.7	40	260	800	4,700	.1	.4	2.2	.36	1.13
Daily, except Sunday and holiday, newspaper.....	1,725	2.1	41	400	2,200	12,300	.2	.4	2.3	.43	1.26
Daily, except Sunday and holiday, newspaper.....	2,650	2.6	55	1,400	3,150	17,200	.2	.4	2.1	.52	1.18
Daily, except Sunday and holiday, newspaper.....	2,975	1.9	39	1,250	3,475	19,900	.1	.4	2.2	.42	1.17
Daily, except Sunday and holiday, newspaper.....	4,125	2.0	34	1,275	4,975	28,900	.1	.4	2.3	.31	1.20

<sup>1</sup> Excludes surcharge on advertising, if any.

*Approximate Effect on Representative Second-Class Publications of Rates Proposed After Allowing 50 Per Cent Discount Paid and "Free in County" Stated Separately*  
 [Based on mailings made in the December quarter, 1944]

Type of publication	Mail circulation		Weight per issue		Average weight per piece	Total annual postage		Annual postage at proposed rates		Average postage per piece at proposed rates
	Pieces paid	Pieces free	Pounds paid	Pounds free		Present rates <sup>1</sup>	Proposed rates <sup>1</sup>	On mailings now subject to postage	On mailings now carried free	
Weekly newspaper.....	78	215	13	23	2.0	\$12	\$57	\$18	\$29	0.4
Weekly newspaper.....	794	375	63	31	1.3	75	217	154	81	0.4
Weekly newspaper.....	1,126	300	140	43	2.0	137	279	214	81	0.4
Weekly newspaper.....	2,085	266	240	26	1.2	250	474	431	43	0.4
Weekly newspaper—urban.....	4,416	87	1,064	77	1.2	214	648	1,215	261	0.3
Biweekly newspaper.....	2,770	1,529	322	134	2.2	784	1,478	1,257	373	0.4
Daily, except Sunday newspaper.....	485	207	55	19	1.7	78	796	1,680	215	0.4
Daily, except Sunday and holiday newspaper.....	1,309	424	173	64	2.1	921	2,156	1,663	492	0.4
Daily, except Sunday and holiday newspaper.....	2,304	323	380	59	2.2	1,493	3,150	2,801	349	0.4
Daily, except Sunday and holiday newspaper.....	2,286	663	373	83	1.9	1,233	3,466	2,701	765	0.4
Daily, except Sunday and holiday newspaper.....	2,000	2,128	254	272	2.0	1,273	4,470	2,511	2,459	0.4

<sup>1</sup> Excludes surcharge on advertising, if any.

Appendices "B", "B-1", and "B-2" attached contain additional data regarding the effect of the proposed rates on second-class publications of several representative weights (a) for the publications subject to regular rates and (b) for the small newspapers, and (c) for publications currently exempt from zone rates.

*Flat increases in present pound rates are unsatisfactory*

The possibility of obtaining additional second-class revenues by merely increasing the present pound rates has been examined and while some additional revenue could be obtained by this course any plan depending primarily on higher pound rates is ineffective since the amount of additional revenue so obtainable would be definitely limited. Such a procedure would also be inequitable since it would place the major burden on publications which now cause relatively the least loss per pound, leaving largely untouched the unsatisfactory situation presented by the heavy expense incurred in handling publications containing a large number of pieces to the pound. Revision of "multiple rates" by supplementing pound rates with a minimum charge per piece would help in the solution of this latter problem, but the "piece" and "pound" rate plan proposed is more simple and can be equitably arranged and administered. To be effective any plan to increase present pound rates should call for their extension to "exempt" publications, mailings within the county, reading portions of all publications, and advertising portions addressed to the first and second zones. In connection with pound-rate increases zone rates should also be applied to the reading portion of publications. However, all such adjustments based primarily on an increase of pound rates would in the main, only add further inequities and complications to the present confused second-class rate structure.

*Are objections to an increase in Second-Class rates valid?*

The postage now paid by many of the smaller publications is as already stated a negligible amount and were they required to pay several times as much, it would still be a small item compared with the service rendered by the Department or with other expenses of conducting their businesses. These publications, however, as well as those of larger proportions, must pay market prices for all other services and materials entering into their product and it appears only reasonable, unless specifically accorded a concession, that they should ultimately pay substantially the cost of postal service performed for them, relieving other mail users and the taxpayer, especially since many are commercial enterprises conducted with a profit motive.

Statements are not infrequently made by the publishing industry to the effect that an increase in second-class rates would result in publications leaving the mails for distribution by other media; that the distribution to rural and other remote areas would be reduced by reason of increased subscription charges; that the vast facilities for handling and distributing second-class matter, which the Postal Service now has available, would not be utilized and that an increase in second-class rates might affect the livelihood of a large number of people throughout the nation.

As regards the distribution of publications by other media than the mails, this is of course, the obvious right of the industry and it has been increasingly resorted to over the years by national publications issuing in large volume, whenever cheaper media for distribution were available or other competitive conditions made it desirable. The same situation will prevail in the future and as evidence one need only observe the large and increasing distribution of publications now made by news stands and news boys. The Post Office Department should not object for what commercial enterprise could for long exist if it received only 25 percent of the cost of its products or services? Under the conditions presented in the handling of the mails, the greater the volume of second-class mail handled, the greater in amount is the deficit to be recouped from other sources.

Concerning the reduction in publications reaching rural and remote areas it may be said with full assurance that such a reduction would not occur. Circulation and advertising managers of the more important publications now bend every effort to obtain as large a circulation as possible, rural as well as urban, in furtherance of their desire to provide national and other advertisers with as widespread and large as possible a group of potential purchasers. Publishers would doubtless find a way to absorb in the over-all enterprise any reasonable increase in postal charges without resorting to an increase in subscription charges. Increases in the price of some newspapers, magazines and periodicals during the past few years have been accepted as a matter of course by the public. As regards the smaller publications which also desire circulation, and those of more local distribution any reasonable increase in postal charges would be so small that it could also be readily absorbed or met with possibly a slight increase in the subscription price without materially reducing subscriptions. Any claim that adjustments such as these cannot be made by business enterprises is without merit.

The utilization of existing postal facilities provided for handling second-class mail should also not present a problem. Other classes of mail more nearly paying their way are continually increasing in volume, even in the more remote sections, and would rapidly absorb any facilities released by a reduction in the volume of the non-profitable second-class mail. Total postal revenues are now three times those 25 years ago and they will continue to increase. There would be no "haunted" offices or unused facilities in a continually expanding economic and social order, and present postal deficits would be reduced.

Regarding the claim of detrimental effect upon the livelihood of a large number of people throughout the nation from an increase in second-class rates one immediately has very serious doubts concerning its validity. It is recognized that the publishing industry employs many people and uses the product of paper mills, ink manufacturers, the services of typographers and so on, but having also in mind the consistent and increasing efforts of the industry at present to increase subscription lists and news stand and news boy sales, obviously directed to increase income, it is extremely difficult to believe that an appropriate increase in rates of postage on the somewhat limited portion of its total product

that is handled in the mails would be permitted to affect output and therefore affect those dependent upon the industry for livelihood. It cannot be said that the number and size of publications has been increased, or that large advertising content is sought and included therein because of a direct motive to provide employment for large numbers. The profit motive doubtless did not have a secondary place. This industry, firmly established throughout the nation, could and would adjust itself to an increase in rates of postage in the same manner as it adjusts itself to other increasing costs, e.g., for labor and materials, to obtain desirable operating results without reducing its output or employment. An increase in rates might, however, result in some relocation of the periodical publishing business now generally centralized in a few states, but if so there would also be a more widespread opportunity for labor away from the larger centers of population.

The decision, however, as to whether second-class rates shall be increased and how much, is one that will be made by the Congress. There would, nevertheless, appear to be no question that a substantial increase at this time is justified, bringing the rates somewhat nearer to meeting the cost of postal service performed. Such an increase cannot be confronted with the charge of "censorship", rather it should be welcomed by the publishing industry as furthering greater "freedom of the press" through the removal of the subsidy now accorded it. However, regardless of the level at which Congress may fix rates for this class of mail, the establishment of "piece" and "pound" rates, as proposed in this section of the Report would be a most progressive step in placing these rates on a more logical basis along with the removal of many inconsistencies.

### The Relation of the Department's Cost Ascertainment System to the Increase in Rates proposed

Much of the volume and financial data contained in this report have been developed through the Department's cost ascertainment system and these data underlie the proposal for an increase in second-class rates contained in the preceding section.

The cost ascertainment system was placed in operation on an annual basis in 1926 to provide the Department with facts regarding costs of handling and the operating results for each of the several types of mail matter also to meet the frequent demands of the Congress for such information. It provides carefully conceived methods developed by experienced men drawn from all branches of the postal service and approved by independent accounting and engineering authorities. By means of this system there are ascertained approximate revenues, expenses, volumes and hauls for each of the several classes of mail and the special services handled by the Postal Service.

The system was reviewed recently and the findings are contained in a report dated December 29, 1944. It now embodies principles enunciated by courts and regulatory commissions with respect to the separation of common revenues and jointly incurred expenses. During this review certain procedural changes were introduced and the number of "sample" offices used for study purposes was increased, but these changes, when applied in a study for the fiscal year 1944 showed no material differences from the overall results previously obtained.

The consistency of the data obtained by the system supports its general reliability as regards revenues, expenses, volume and hauls by classes of mail and the Special Services when it is considered that over the years the "sample" information has been assembled and processed by many different persons; that the "sample" tests have been made in different quarterly periods and at different offices; that both total revenues and expenditures have varied; that data for pieces, weights and hauls involved are taken independently of total expenditures and to some extent, of total revenues; and that total expenditures are reported under and assigned from about 60 different appropriation accounts. This general consistency in the data so ascertained over the years is not a chance happening; rather it is strongly indicative of reliability for all practical purposes.

In the case of second-class mail the consistent showing of costs approximately four times the revenue cannot readily be disregarded. (See pages 12 to 16 for data covering a 15-year period.) The data now derived from the "sample" offices are such as should produce reliable results, since the representative offices designated for cost ascertainment work account for more than 25 percent of all Second-Class publications, and more than 50 percent of the weight of, and revenue from, publishers' pound-rate matter.

Under this system each class of mail and each special service is viewed as a separate entity and the expenditures fairly attributable to each includes a proportionate share of joint and overhead expense as well as direct expense.

The system is partly accounting and partly statistical in nature. The accounting figures are broken down by classes of mail and the special services on the basis of statistical data taken at upwards of 500 carefully selected representative "sample" post offices; on representative railway mail routes; at terminals; and at railroad and air mail transfer offices. These "sample" data for any year are taken for one full week in each quarter and so arranged as to provide an analysis of the business and operations for a complete month.

The post offices used for these tests present a variety of conditions under which service is rendered and are grouped according to their receipts.

Postal revenues are in the main, a pool of common receipts. They are derived from the sale of stamps, cash payments for service and fees. A similar situation exists with respect to postal expenditures. The several classes of mail and the special services are in large measure handled by the same employees in post offices, in terminals, during transportation and in making delivery; and buildings, equipment, operating facilities, and supplies are used jointly. Only limited amounts of the total revenues received (except for second-class postage) or of the total expenditures incurred, are directly allocable to a single class of mail or a special service.

In the course of these studies comprehensive tests are also made of employees' time, revenue, number of pieces or transactions, weight, volume and haul of mail matter. Other special tests are also made from time to time. Final results are not reached merely by projection of data developed from the "sample" information. In many instances there are definitely known figures, or figures developed from definitely known facts and these enter into the results. Total figures are separated into their component parts—the classes of mail and the special services—on the basis of data provided by the tests at the "sample" offices.

The total revenues or expenditures of the Postal Service, or of any group of offices or branch of the service, also expenditures from appropriation accounts are matters of record, available directly from the postal accounts. These latter have been carefully scrutinized by administrative officials, the Bureau of the Budget and the Congress and audited by the General Accounting Office. Precise accuracy is, however, not obtainable by cost ascertainment methods, nor would it be possible to obtain exact results by any other known method. There are some who criticize the results obtained by the system but none of these have ever presented a better procedure. Conventional cost accounting procedures used by business enterprises would not suffice since they would involve rather complete and continuous counts of pieces of mail handled, also the assembly of the weight thereof and records of hauls between 42,000 post offices, a procedure which would be physically impracticable, prohibitively expensive and result in much delay to the mails. The size of the Postal Service, the character of the work performed and the speed with which mail must be moved precludes such a procedure.

The system aims to help in giving to the owners of the postal service—the people of the United States—efficient service, at

minimum cost consistent with high quality, and with the burden equitably distributed among users, by making currently available to the Department, facts regarding volume and trends and reasonably accurate statistical and cost data for the various classes and types of service performed, together with related revenues received from each. No corporate business of the size of the Postal Service could for long operate efficiently and expect to remain solvent without complete knowledge of facts regarding each branch of its activities, and in no respect is this need absent in the Postal Service even though deficits, when they occur, are met from the United States Treasury.

The results obtained by the system are substantially accurate and sufficiently reliable for all practical purposes. They show among other important data the gain or loss for each class of mail or special service. They are furthermore, adequate for the purposes of the Congress as a basis for determining adequate rates and fees and other matters of postal policy.

The results of the cost ascertainment study for the fiscal year 1944 are shown on page 109.

More specifically as regards second-class mail matter: The revenue therefrom is derived from (a) publishers' pound-rate mail, (b) publishers' mail sent at "per copy" rates and (c) "transient" mail. The weight of, and revenue from, (a) are reported by postmasters. This amount of revenue is assigned directly to domestic second-class mail, except for a small part assignable to foreign mail. The weight and revenue of mail to foreign destinations and of "per copy" and "transient" matter, relatively small in total volume, are assigned on the basis of the "sample" tests. Approximately 95 percent of the revenue allocated to publishers' mail is a known figure and combined with other second-class matter represents about 87 percent of all revenue allocated to that class of mail.

Tests are conducted to develop basic data for determining the number of pieces and copies, the average weight per piece or per copy, density, average haul, and classifications of publications by weight groups and character. The data so obtained are used, for the most part, in connection with the actual revenue and weight of mailings for a full quarter. The results obtained afford a reliable indication of the material facts regarding second-class mail handled. (The figures shown for 1944 may not reflect fully certain unusual conditions of a temporary nature arising from the effect of war conditions on the publishing industry, however, any possible dislocation is of a transitory nature and insufficient to change the overall results shown for this class of mail.)

Congressional appropriations to meet postal expenditures are not made specifically for the handling of any class of mail or special service and since expenditures for these purposes are, in the main, incurred jointly in handling these types of mail matter, only a relatively minor part thereof can be allocated directly to a class of mail or special service. The greater part must be apportioned on the basis of the "sample" data obtained at cost ascertainment offices. The amounts expended from each appropriation are obtained from the accounting figures and apportioned on ratios developed from analyses of operations during the test periods.

*Assignment to the Classes of Mail and the Special Services of Total Postal Revenues and Expenditures, Fiscal Year 1944*

Classes of mail and special services	Revenues	Expenditures	Excess of expenditures over revenues	Excess of revenues over expenditures
First class <sup>1</sup> .....	\$540,180,000	\$369,684,000	.....	\$170,496,000
Air mail—domestic <sup>2</sup> .....	79,412,000	49,882,000	.....	29,530,000
Publishers' paid second class <sup>3</sup> .....	26,852,000	127,291,000	\$100,439,000	.....
Transient second class.....	2,634,000	2,746,000	104,000	.....
Third class.....	82,766,000	87,859,000	28,093,000	.....
Fourth class <sup>4</sup> .....	202,263,000	216,718,000	14,455,000	.....
Air mail—foreign <sup>5</sup> .....	61,276,000	30,400,000	.....	20,876,000
Other mail—foreign.....	9,638,000	10,273,000	635,000	.....
<b>Total revenue producing mail.....</b>	<b>976,034,000</b>	<b>894,848,000</b>	.....	<b>81,186,000</b>
Registry (paid).....	\$ 23,016,000	24,749,000	1,733,000	.....
Insurance.....	\$ 13,026,000	14,250,000	1,224,000	.....
Collect-on-delivery.....	7,967,000	12,890,000	4,923,000	.....
Special delivery.....	18,031,000	17,476,000	.....	555,000
Money order.....	29,908,000	46,684,000	6,776,000	.....
Postal savings.....	18,126,000	5,407,000	.....	12,719,000
<b>Total revenue producing special services.....</b>	<b>117,062,000</b>	<b>120,146,000</b>	<b>3,084,000</b>	.....
Unassignable items.....	\$ 22,052,000	\$ 18,063,000	.....	3,989,000
<b>Total revenue producing mails and services.....</b>	<b>1,114,150,000</b>	<b>1,030,044,000</b>	.....	<b>84,106,000</b>
"Free in county" second class.....	.....	7,645,000	7,645,000	.....
Penalty mail.....	.....	\$ 30,745,000	30,745,000	.....
Franked mail.....	.....	829,000	829,000	.....
Free for the blind mail.....	.....	212,000	212,000	.....
Registry (free).....	.....	\$ 6,000,000	6,000,000	.....
<b>Total non-revenue producing services.....</b>	.....	<b>45,530,000</b>	<b>45,530,000</b>	.....
<b>Total postal services.....</b>	<b>1,114,150,000</b>	<b>1,075,574,000</b>	.....	<b>38,576,000</b>
Nonpostal services <sup>11</sup> .....	17,643,000	18,461,000	808,000	.....
<b>Total all operations.....</b>	<b>1,131,793,000</b>	<b>1,094,035,000</b>	.....	<b>37,758,000</b>

<sup>1</sup> Includes letters to and from the Armed Forces.  
<sup>2</sup> Includes \$39,807,000 from local delivery letters.  
<sup>3</sup> Revenue and expenditures for air mail to and from Armed Forces overseas are included with "air mail foreign."  
<sup>4</sup> Excludes "free in county" second class.  
<sup>5</sup> Includes parcel post, catalogs, books and library books; revenues also include \$1,023,000 from special handling service.  
<sup>6</sup> Includes fees for return receipts.  
<sup>7</sup> Includes \$368,000 transfer of funds from other agencies.  
<sup>8</sup> Includes \$11,126,000 for custodial services for other departments.  
<sup>9</sup> Includes \$4,908,000 for official mail of the Post Office Department.  
<sup>10</sup> Includes \$4,243,000 for official mail of the Post Office Department.  
<sup>11</sup> Includes reimbursements and related costs for war savings bonds and stamps; documentary, motor vehicle tax stamps and migratory bird stamps; and alien registration, civil service and censorship activities.

As regards the assignment to the several classes of mail and the special services of the more important expenditures, the formulas for developing apportionment ratios and other procedures followed recognize insofar as possible, the "use" made of the facilities provided by the expenditures that have been appropriated. At the 17 largest post offices the expenditures from each appropriation are, with minor exceptions, apportioned to the several types of mail matter, according to ratios developed at those offices. The expenditures from appropriations at other post offices are grouped according to the several classes of post offices and apportioned according to ratios developed at the cost ascertainment offices in the related group.

Expenditures in the railway mail service and the rural delivery service are apportioned to the several types of mail involved by the use of ratios developed from analyses of the operational acti-

vities in those services. A revision of the apportionment formula for expenditures in the rural delivery service was adopted in the fiscal year 1944. The revised procedure provides an appropriate measurement of the use of rural carriers' time and effort, i.e., the purpose to which their compensation is applied, and results in a method of apportioning expenditures to the several types of mail handled that is more consistent with the methods employed in the apportionment of other salaries than the "stop value" method formerly used.

Expenditures for transportation of the mails when direct allocations cannot be made, are apportioned on ratios that are developed with a view to their applicability to each type of transportation service used. Expenditures for transportation of mails in bulk are generally apportioned on ratios of the cubic-foot miles of nonlocal mails, which ratio affords a reasonably accurate measurement of the space required for the different types of mail and the distance hauled.

Salary and wage payments normally amount to about 75 percent of total postal service expenses. The apportionment of salary and wage payments to employees engaged in work connected with the several types of mail matter is governed insofar as practicable, by the relative amount of time employees devote to each class of mail or special service. Apportionment of salary payments to supervisory and general administrative employees is governed by the ratios on which the salaries of employees directly engaged in work on mail matter or the special services are apportioned.

Salaries and wages of maintenance and custodial employees, expenditures for supplies for public buildings, and for rent, light, fuel and water are apportioned on ratios of the relative square feet of floor space devoted to each class of mail and each special service at cost ascertainment offices. The "floor space" ratio was adopted in the fiscal year 1944 and replaces the ratio of "cubic feet of originating mails" formerly used. Similarly the cost of space hired for distribution of mail in transit in the railway mail service is apportioned on ratios of relative use of distribution facilities for each class of mail.

A statement showing the postal appropriations from which expenditures are assigned to second-class mail, together with the amounts so assigned for the fiscal year 1944, is shown on page 111.

Not only have the procedures followed in the cost ascertainment system been developed with great care by persons familiar with the postal service, but they have been reviewed by men from outside the service experienced in similar work and these have endorsed the methods employed and the results obtained. Also the various cost figures developed by the system for second-class mail are regarded by experienced postal personnel to be in proper proportion. While only roughly indicative of the reasonableness of the costs assigned to second-class mail, it is of interest that for the fiscal year 1944, the average "per pound" cost assigned to handling the several classes of mail by the postal service was 71.4 cents for first-class, 27.8 cents for third-class and 4.8 cents for fourth-class mail, as compared with 9.4 cents for second-class with an average piece content to the pound of 15 times that for fourth-class mail.

*Total Service Expenditures, by Appropriation Titles, and Amounts and Percentages Charged to Second-Class Mail by the Cost Ascertainment System for the Fiscal Year 1944*

Appropriation title	Expenditures	Charged to second class	Percent charged to second class
Compensation to Postmasters.....	\$63,719,734	\$8,480,792	12.466
Compensation to Assistant Postmasters.....	10,760,399	806,474	7.512
Clerks, 1st and 2nd class Post Offices.....	328,918,816	22,446,131	6.843
Clerks, 3d class Post Offices.....	10,376,487	1,437,407	13.810
City delivery carriers.....	184,306,819	23,456,118	12.733
Village delivery carriers.....	1,243,840	202,363	16.269
Clerks in contract stations.....	2,367,818	.....	.....
Separating mails.....	482,997	73,900	15.290
Unusual conditions.....	779,536	119,271	15.300
Rent, light, fuel, water.....	10,431,162	1,461,620	14.017
Miscellaneous items.....	1,473,618	211,666	14.266
Care and bicycle allowance.....	1,688,340	207,926	12.091
Detroit River postal service.....	11,960	1,615	13.503
Special delivery fees.....	13,690,421	.....	.....
Money order commissions.....	851,696	.....	.....
Other expenses, money orders.....	63,493	.....	.....
Public buildings—maintenance and operation.....	34,314,698	2,830,618	7.794
Stamp expense.....	.....	112,392	.....
<b>Total Post Office service.....</b>	<b>664,474,642</b>	<b>62,080,186</b>	<b>9.315</b>
Railroad mail and mail messenger service.....	140,414,152	23,561,651	16.780
Electric and cable car service.....	235,294	22,720	9.610
Power boat service.....	498,712	60,375	12.111
Star route service, except Alaska.....	16,607,667	2,959,777	17.800
Star route service, Alaska.....	276,383	38,498	13.929
Pneumatic tube service, New York City.....	561,779	2,539	.452
Pneumatic tube service, Boston.....	24,000	140	.583
Foreign mail transportation.....	324,361	.....	.....
Foreign air mail transportation.....	8,237,896	.....	.....
Domestic air mail service.....	1,600,000	.....	.....
Balance due foreign countries.....	28,628,669	.....	.....
Vehicle service.....	20,073,688	1,114,669	5.543
<b>Total transportation.....</b>	<b>212,202,293</b>	<b>27,779,178</b>	<b>13.091</b>
Railway mail service salaries.....	80,055,904	10,331,082	12.908
Railway mail service travel allowance.....	4,036,617	642,204	15.915
Railway mail service traveling expense.....	63,813	8,228	12.891
Rental terminals and miscellaneous.....	391,768	57,662	14.693
<b>Total, railway mail service.....</b>	<b>84,547,102</b>	<b>10,639,064</b>	<b>12.638</b>
Rural delivery service.....	104,676,676	24,666,008	23.572
Indemnities.....	1,488,000	.....	.....
Stamps, manufacture and distribution.....	5,726,783	7,229	.126
Mail equipment shops.....	2,056,384	267,493	13.001
Miscellaneous expense.....	288,934	.....	.....
General overhead prorated.....	16,494,417	2,018,915	12.222
Adjustment.....	.....	822	.....
<b>Grand total.....</b>	<b>1,064,025,112</b>	<b>137,676,686</b>	<b>12.884</b>
Deduct:			
"Free in county" service.....	\$7,644,902	.....	.....
Transient.....	2,739,758	.....	.....
<b>Total publishers' paid second class.....</b>		<b>10,384,660</b>	
		<b>127,291,226</b>	

The apportionment of approximately 12.5 percent of total postal expenditures to second-class mail is conservative, since this class constitutes upwards of 20 percent of the weight, 13 percent of total pieces and 15 percent of the cubic-foot volume of all mail. Cost ascertainment figures reflect trends and changes in volume, revenues, and expenditures that were previously apparent from other sources of information and furthermore the results of special cost studies made at various times independently of the system have supported the findings.

**Views regarding rates for Second-Class mail and their relation to Cost Ascertainment results**

Cost ascertainment results encounter opposition from the publishing industry when "cost of handling" is proposed as a guide in establishing rates for second-class mail. Some of the views expressed, and those of others that differ, are discussed below:

(a) Many hold that the postal service should be a self-sustaining but nonprofit organization, that each of the several classes of mail, and the special services, should produce revenues that are self-sustaining and proportionate to its share of postal expenditures as measured by the "use" each makes of the total facilities of the postal establishment. This view appears to be the one economically sound and equitable basis for all postal rates. It contemplates a balanced budget in the postal service, with the postage burden fairly distributed among mailers on the basis of services rendered to them.

(b) Publishers have contended that rates on second-class mail should not be based on the cost of postal service furnished that class of mail, but should remain at a low level in view of the benefits conferred upon the country as a whole by newspapers and periodicals. Under this view, if the postal service is to operate with a balanced budget, the burden not met by the mailers of second-class matter must be passed on to senders of first-class mail and other users of the service, or to the Treasury. This view, as discussed earlier in this report, is unsound. It lightly disposes of deficits on second-class mail amounting in 15 years to \$1,359,000,000, a sum actually paid either directly by the public in taxes or through charges in excess of cost on other types of service. As an illustration, the 3 cent postage on the ordinary first-class letter compares with an average cost of about 1.8 cents for its handling.

With developments in other means of communication and the publishing industry now well established, subsidies (at least not to the extent originally granted) are no longer required and second-class rates should be adjusted more nearly to a cost level. The benefits conferred by good newspapers and periodicals are not questioned but most other business concerns contribute to the common welfare in their search for profits, without being subsidized.

(c) Another position taken by some publishers is that since the Federal Government has a monopoly in the handling of first-class mail by means of a postal service assumed to have been provided primarily for that purpose, that class of mail should provide the principal support of the postal service; that second-class mail, as well as third and fourth class and the special services, are largely "fill-in" types or "by products" and that second class should thus either bear (a) only the direct expense made necessary by its handling, i.e., "out-of-pocket" costs or (b) that the "costs" attributable to second class should be confined to the amount of money which would not be expended if there were no second class, plus only that much of the residual or indirect costs as competition permitted. The Penrose-Overstreet Commission in its report is-

issued in 1907 (pages XXIV-XXV) described the "out-of-pocket" basis as "historically false."

In view of the fact that postal services other than first-class mail account for over one-third of the total revenues, 92 percent of the weight, and 38 percent of the pieces, with second-class alone representing 20 percent of the weight of all mails and 13 percent of the pieces, it is apparent that a postal service set up for first-class mail, but with spare capacity to handle such a tremendous volume of "fill-in" or "by-product" services, would be sorely in need of reorganization.

Even if true, the claim that the postal service was originally organized to handle first-class mail would carry little weight today in view of the many changes which have occurred in buildings and facilities to handle the other types of mail matter. The act of February 20, 1792, the first affecting postage rates after adoption of the Constitution, fixed rates on letters, packets, and newspapers. The second act in 1794, prescribed rates for newspapers, magazines and pamphlets. Thus to say that the postal service was primarily organized for the handling of first-class mail appears fallacious. The truth is that the postal service has accommodated itself to the changes as they have occurred and is prepared and equipped to handle all types of business which now comes within its province.

The use of the terms "fill-in" or "by-product" appear to assume that the Department is able to handle business included in such categories in spare time, and that if, or when, such business were not available, postal facilities and employees would be idle. While it is true that the very smallest post offices and to some extent rural carriers could handle somewhat more mail and other postal business, without increasing expense, that condition pertains to a very small part of the Postal Service. From 80 to 90 percent of the Department's expenditures are incurred in the larger post offices, railway post offices, and other units where the facilities and manpower are closely adjusted to the work to be performed.

With respect to assigning costs on a different basis to these fictitiously designated "by-product" services it is now a principle generally accepted by courts and regulatory bodies that when a business provides a variety of services, each shall bear its proportionate share of the total expenditures, not only for material and labor, but also for space, general overhead and so on. This is a logical and reasonable treatment and with respect to the postal service it may be said that all classes of mail are carried and the special services are rendered for the common convenience of the public. To select one or another class of mail or special service for exceptional treatment in the computation of costs would be a highly arbitrary and illogical procedure without any definite basis on which to proceed. Figures so derived would not be "costs" but guesses or the product of the most skilled advocate.

The opinion of the Supreme Court of the United States, quoted in part below, in the case of the *Northern Pacific Railway v. North Dakota* (236 U. S., pp. 585-605, decided March 8, 1915) should settle the question of how costs may properly be assigned in cases of this kind:

(page 596) " . . . we entertain no doubt that, in determining the cost of the transportation of a particular commodity, all the outlays which pertain

to it must be considered. We find no basis for distinguishing in this respect between so called 'out-of-pocket costs,' or 'actual' expenses, and other outlays which are none the less actually made because they are applicable to all traffic, instead of being exclusively incurred in the traffic in question. Illustrations are found in outlays for maintenance of way and structures, general expenses and taxes. It is not a sufficient reason for excluding such, or other, expenses to say that they would still have been incurred had the particular commodity not been transported; the commercial carrier is under a duty to carry, and the expenses of its business at a particular time are attributable to what it does carry. The State cannot estimate the cost of carrying coal by throwing the expense incident to the maintenance of the roadbed, and the general expenses, upon the carriage of wheat; or the cost of carrying wheat by throwing the burden of the upkeep of the property upon coal and other commodities. This, of course, does not mean that all commodities are to be treated as carried at the same rate of expense. The outlays that exclusively pertain to a given class of traffic must be assigned to that class, and the other expenses must be fairly apportioned. It may be difficult to make such an apportionment, but when conclusions are based on cost the entire cost must be taken into account."

Those who contend that second-class mail should be charged only with "out-of-pocket" postal costs, i.e., the amount of money by which the Department could reduce its expenses were the handling and transportation of that class of mail discontinued, claim that no substantial reductions could be achieved if the postal service were to be relieved of handling such mail. It is conservatively estimated that expenditures could be gradually reduced upwards of \$50,000,000 were newspapers and periodicals to be withdrawn from the mails.

This saving would be accomplished by reduced expenditures for clerks handling this class of mail at the larger post offices, for city delivery service where the number of routes could be reduced, for railway postal clerks on heavier lines and in the terminals, and for storage and closed pouch space in transportation. Salaries of some postmasters might be reduced with the withdrawal of revenue from this class of mail. However, the rapid growth of other mail services paying their way, or more nearly doing so, is such that revenues at offices affected would doubtless soon be restored and with transfers to other postal work and the turnover of employees there should be little occasion to reduce the present total of employees.

There would be other savings not included in the above estimate since expenses for star route, vehicle and mail messenger service and rural delivery would eventually be reduced as would expenditures for distribution space in railway mail terminals and cars. These estimated savings in expense have been based on the fiscal year 1944 and as postal salaries have been substantially increased since that time, the possible savings at this time would actually be considerably greater. The adjustments necessary would be only those which any normally conducted business enterprise would make if the character of its operations changed.

Nothing said here should, however, be construed as advocating that second-class matter should be withdrawn from the mails, but there is no doubt that "out-of-pocket" costs (a fiction in the postal service, and mentioned only for the purpose of answering objections) materially exceed the revenue from this class of mail.

(d) Publishers take the position that second-class mail produces collateral revenue, i.e., stimulates the volume of other classes of mail, particularly first-class mail which now returns a profit,

and that this warrants consideration when costs attributable to second-class mail are determined. The Penrose-Overstreet Commission, agreeing that this class of mail might produce some first-class revenue, held that this factor should not be recognized in the rate since such stimulation was peculiar to all types of mail, and that the degree to which it so contributed was a matter of speculation and conjecture.

The Hughes Commission, considering the same question, stated in part:

It may be answered that first-class mail also stimulates the volume of its own class and all other classes, and that third-class matter has the same effect, but any attempt to determine the extent to which each class of mail provokes letters would be hopeless. Data could not possibly be obtained for a computation of this sort, nor if they could is it clear whether they would increase or reduce the cost apportioned to second-class mail.

The cost ascertainment system, however, may not give recognition to this rate theory. The function of that system is to assign as accurately as possible the total expenditures incurred by the postal service to the several types of mail matter regardless of the influence of one class of mail upon the volume or revenues produced by another class. Any other procedure would result in hybrid figures—not costs. If, however, second-class mail did stimulate other mail revenues in any material degree, which it does not appear to do, and it were practical to give recognition thereto, which is impossible, it should be recognized independently in the rates after considering costs.

(e) Publishers contend that second-class mail receives secondary or deferred service and that such service should be recognized as a factor in the assignment of costs. Daily newspapers receive the same expeditious treatment in the mails as letters. All types of newspapers, weekly and other, are given the first dispatch and the most expeditious treatment enroute. Certain publications of the magazine or periodical type have been granted "newspaper" treatment upon their request. Magazines of large national circulation, even though publishers frequently ship them by freight or express to post offices to reduce their costs, are delivered unless unpreventable contingencies arise, from post offices on certain days or dates fixed by publishers, if not on the first delivery then on a later delivery on that day. Requests made by publishers in this connection are strictly observed. All mail accorded rail transportation goes forward in passenger trains, and the transportation rates fixed by the Interstate Commerce Commission do not vary with the class of mail carried. Regarding distribution and delivery at the post office of address, it is practicable in most post offices to distribute and deliver all classes of mail simultaneously. Second-class mail, other than newspapers is, however, when necessary, sent to terminals for distribution instead of being distributed enroute, and may thereby be delayed up to one day, but, magazines with a fixed release date are placed in the mails sufficiently early to permit arrival at the delivery office by the desired date even though routed through a terminal. The fact that some second-class mail in some instances receives slightly slower service than letters has no material or measurable effect upon the cost of its handling which represents only the expenditure incurred in connection therewith. Any delay which

may develop, its handling is largely inherent in its character, but it costs fully as much to accomplish its delivery at one time as at another.

The postage rates thereon, as already mentioned, return on the average only about one-fourth of the cost incurred in handling while first-class mail users pay more than their cost. Until second-class matter pays rates more nearly meeting the cost incurred there will remain a margin to offset any deferred handling factor that may exist.

(f) The proponents of low rates on second-class mail state that even though present rates return far less than the cost of the service, they should remain at present levels, or even be reduced in order to lower the unit cost and overcome the deficit. It is granted that the stimulation of volume by the lowering of prices has reduced unit costs and increased profits in some lines of business especially where volume was previously small. Second-class rates have for years been very low, yet the volume during the past 15 years has remained practically stationary. The rates have been so low, in fact, as to be a relatively small factor in the business of most publishers. Under these circumstances it is difficult to understand how there can be a reservoir of potential second-class postal business which is now untapped because of too high rates. "Free in county" furnishes an index of the influence of rates upon second-class volume—the volume of this entirely free matter has decreased rather than increased since 1930.

If greater volume were actually available to the postal service some slight reduction in "unit costs" would be possible but volume depends upon those who use the mails and not upon the postal service which is expected to handle what is presented to it. A private business enterprise can through its sales effort stimulate volume; it can even produce in excess of routine demand in the hope that sales can be made and these practices are not foreign to the periodical publishing industry. The postal service is not designed to stimulate volume through advertising or "door bell ringing"; to urge its patrons to buy two publications in place of one now bought. The field is now well covered and readers have the widest variety of choice.

Smaller offices and the rural routes could doubtless handle more mail with little increase in cost, but first-class post offices, which account for over 97 percent of the revenue from second-class mail, are usually so organized that any increase in the quantity of mail quickly means increased expense. Any increase of volume of second-class would also naturally be greatest in these larger offices. In short, any discussion of the effect of additional volume of second-class mail upon "unit costs" at present rates of postage, with related increase in income sufficient to reduce the deficits, has no basis in fact. The revenues from second-class mail are now practically all paid out for transportation of that mail, leaving almost nothing to defray the expense of distribution and delivery. Increase in volume would only result in increasing the overall expense—and consequently the deficits.

(g) There are publishers who maintain that second-class mail contains many types of publications, some much more expensive to handle than others, and since cost ascertainment results show

only averages, that its results can not be used as the basis for rates for all publications. It is true that the cost ascertainment averages alone can not be used as a measure of rates. However, the objection made here has been met substantially in the schedule of rates proposed earlier in this report by making use of cost ascertainment results to determine separately the cost chargeable to the "piece" factor, the "pound" factor (other than transportation) and the "haul" factor. It is thus possible to develop piece and pound rates which are generally proportioned to the cost of handling classes of publications of different weights.

The rates in the schedule proposed would generally return far less than cost, except for a few of the heaviest publications which would pay approximately their cost. (See tables on pages 100 to 102 inclusive). This is also true as regards some which are shipped almost exclusively in large bundles and containing many copies. If rates now proposed were to be advanced further it would be necessary to give consideration to these special cases.

Publishers of certain of the larger nationally circulated magazines have also maintained that it would be unfair to them to use the cost ascertainment results as a basis for fixing rates since few of their publications are delivered on rural routes. Their claim is that the cost per piece or pound contains a substantial item for rural delivery service for which they should not be charged.

Probably no two publications make exactly the same use of the facilities offered by the postal service. Due to the great variety of the service extended to different publications it is, of course, impossible to compute exact costs, and establish rates coinciding therewith, for each of the many second-class publications. Even if it were possible such a procedure would involve one rate for delivery by a rural carrier, another for delivery by a city carrier, and so on and to attempt to take into consideration all of the different situations would only result in confusion. Postal rates are however, not made on this basis, but being of nationwide application they are based on reasonably broad and fair classifications.

Newspapers and farm journals, particularly the former, doubtless make by far the greatest use of the rural delivery service. Comparatively few newspapers are delivered by city carriers, since when a city is large enough to justify delivery service its newspapers with large circulation within that area will often have a sufficient number of subscribers for the publishers to provide their own means of delivery. Local delivery of daily newspapers by postal carriers is practically non-existent.

At the delivery office the expense of mail distribution of daily papers by rural delivery, is low since, as a general rule, they are made up to rural routes thus practically eliminating the distribution by clerks which would otherwise be required.

The publishers of the larger nationally circulated magazines, other than farm journals, make less use of the rural delivery service than do newspapers and some other publications. The major portion of their periodicals are delivered by city or village carriers. Also in most cases these periodicals are not separated by the publishers to carrier routes or distribution districts, thus involving considerable distribution expense before the periodicals can be delivered.

Doubtless were practicable to make separate determinations of the cost of handling different types of publications distributed by the rural delivery service, the larger magazines would be charged with a smaller share of these costs, including those incurred for distribution in the smaller post offices. These lower costs would, however, be offset by the higher costs in the city delivery service and the greater distribution expense in the larger post offices. Thus a more exact accounting of costs, if such a procedure were possible, would doubtless not show overall costs assigned to these publications materially different from those now assigned.

(h) Publishers maintain that the Department's expense of handling second-class mail is materially lessened by the fact that they make up their publications in direct sacks and by routes and provide transportation to the local railroad station and frequently to post offices. These publishers do route their mailings as requested by the Department, and often haul their publications to railroad stations, but this is generally done in order to connect outgoing trains and to speed delivery to post offices. Newspapers are also transported to post offices in other areas when train and other mail dispatches are not available to suit their convenience, and to meet competition. These services performed by the publishers in their own interest reduce the Department's expense for clerical assistance and transportation and the resultant savings are fully reflected in the cost ascertainment findings. In the determination of costs the publishers receive full credit for any services they perform in preparing and transporting their mailings.

(i) Large mailers of second- third- and fourth-class matter contend that so long as the postal service does not show a deficit from the overall operations, that postal rates should not be increased, regardless of excess income from some types of mail and deficits from others. In the main, however, they agree that the postal service as a whole should be self-sustaining.

While over-all postal operation on a self-sustaining basis is desirable, the problem calling for more serious consideration than it has yet received is the establishment of rates for each of the several classes of mail and the special services that will yield more nearly, if not fully, the respective costs of their handling—thus placing each as regards postal costs on a substantially self-sustaining basis. The Hughes Commission Report in 1911 expressed this desirable objective very clearly and gave an appropriate course of action that should be taken in this matter:

There appears to be at present [fiscal year 1910] no deficit in the operations of the Post Office Department as a whole, and from the arguments submitted to us it is apparent that some have supposed that the only reason for proposing an increase in rates was to cover a deficit. While postal rates should be adequate to meet the expenses of the department, the chief reason for an increase in the rate on second-class matter is not the existence of a deficit, for that might be covered by raising all rates or in some other way. The true reason for the change is to apportion the cost of the service more equitably among the different classes of mail matter, and at present the second class pays far less than its share. We have already observed that if in the future there should be a substantial surplus in the post office it might well be applied to lowering the rate or, perhaps, better still, to making further improvements in the service for first-class mail. For there can be no doubt of the benefit to business and to the people at large of low rates and good service in the transportation of letters.

The original object in placing on second-class matter a rate far below that on any other class of mail was to encourage the dissemination of news and of current literature of educational value. This object has been only in part attained. The low rate has helped to stimulate an enormous mass of periodicals, many of which are of little utility for the cause of popular education. Others are of excellent quality, but the experience of the post office has shown the impossibility of making a satisfactory test based upon literary or educational values. To attempt to do so would be to set up a censorship of the press.

## Postal Surpluses and Deficits

As regards surpluses and deficits from the over-all postal operations, in the past 90 years ending with the fiscal year 1945 there have been only 13 years for which a surplus existed and for about one half of these years the amounts were relatively small. These 13, furthermore, contain 8 years influenced by war conditions at home or abroad and as a result of the large volumes of mail presented under these abnormal conditions, they generally contributed the larger amounts of the surplus income. Yet if the facts were available for all of this 90-year period they would without doubt show that any postal surplus which existed was contributed by types of mail other than second-class and that the general pattern for this class of mail has been "deficit operation."

For the years immediately ahead, while there were postal surpluses from over-all operations during the three fiscal years 1943 to 1945, inclusive,—substantial in 1944 and 1945—no part thereof was contributed by second-class mail. This surplus income was derived in large measure from first-class and Air Mail.

Already the substantial postal surplus of about \$162,000,000 for the fiscal year 1945 is rapidly giving place to a large deficit for 1946. Among the factors contributing to the postal surplus in 1945, to mention only some, were such as:

(a) An unprecedented volume of letters, including air mail, and holiday parcels to the armed forces overseas and to Military camps within the United States. This mail contributed much additional revenue.

(b) The Army and Navy assumed responsibility for the haul from United States ports, including its delivery, of mail to the armed forces overseas; for the collection and initial distribution of the originating mail of these overseas forces and its haul to United States ports; and for much handling of mail within training camps in the United States. This assistance resulted in a considerable saving to the Post Office Department.

(c) The temporary 3 cent per ounce rate on letters mailed for local delivery contributed at least \$50,000,000 more than the 2 cent rate previously in effect.

(d) The temporary increase in domestic air mail rates from 6 cents to 8 cents contributed approximately \$20,000,000.

(e) The temporary 3 percent (or 1 cent) increase, on Fourth-Class matter contributed approximately \$10,000,000 of additional revenue and increases in fees for Special Services also made their contribution.

Contrasting these favorable situations with conditions in 1946: (a) and (b) above are largely matters of the past and no longer contribute much to postal income while the temporary rates—(c), (d) and (e)—continue to operate for the time being, until 6 months after the termination of the war emergency is declared, unless earlier removed. The fiscal year 1946 also faces another very important item of increased expense by reason of the increase in salaries and wages provided by Public Laws 106 and 134, effective July 1, 1945. These two laws are expected to add approximately \$120,000,000 to postal expenditures and together with other adverse situations encountered in 1946, forecast a substantial overall deficit not only for that year but for others immediately ahead. Furthermore, additional general increases in postal salaries and wages are in process of being granted by the Congress and these will add materially to the already large deficit.\* Such a situation, if the financial affairs of the postal service are to be

conducted on a business basis, presents forcibly the need for increasing postal rates for second-class mail and also for the other classes of mail and special services that are not now contributing their fair share toward meeting postal expenditures.

\*NOTE: At the date of printing this report these increases had been granted. They add approximately \$20,000,000 annually to the Department's cost of handling second-class mail. This amount is in addition to about \$15,000,000 added earlier in 1946 to the costs then being incurred.

**Summary of reasons why Publishers' Second-Class Matter should pay more of the Cost of its handling than at present and ultimately pay substantially the full Cost**

Throughout this Report numerous reasons have been given why second-class rates should be increased over present levels and the entire rate situation for this class of mail simplified. These reasons are summarized below.

1. The present rates have over many years resulted in large deficits from the handling of publishers' second-class mail, including "free in county" service. For the fiscal year 1944 the deficit was upwards of \$108,000,000 and for the 15-year period then ended an aggregate of \$1,359,000,000 is indicated. These rates now return overall only about 25 percent of the postal costs incurred with respect to this Class of mail.

2. The economic and social conditions prevailing during the period 1850 to 1880, which provided a measure of justification for the establishment of low preferential rates to bring about greater dissemination of information of a public character and other printed matter devoted to the public good, have, for the most part, been met and the subsidies then provided are therefore no longer necessary to accomplish the ends sought.

3. The postal service performs a regular business service, to some extent competitive with other transportation media, for the publishing industry. This industry, now in the billion-dollar class is well organized and no longer in the infant stage. It is in large measure a commercial undertaking conducted with a profit motive. It functions as a private undertaking and is no more a public benefactor than the grocer, the merchant, the hotel or restaurant operator, the druggist, or any legitimate private business man that renders an essential public service. These do not receive a Government preference.

4. The publishing industry pays market prices for all other items entering into its product—labor, paper, ink, private truck and freight services, miscellaneous materials and services. It seeks a return on its capital investment. It would appear only logical therefore, that this industry should pay the Post Office Department substantially the cost of the service it performs with respect to the limited amounts of the total product presented for handling.

5. The trend, in the case of many publications, away from the serious reading content found in earlier publications to much matter designed to amuse or entertain, and particularly the present inclusion in many publications of a large volume of advertising matter ranging to upwards of 70 percent in some as compared with but very little presented for handling in the 70's, calls for rates which return to the Postal Service substantially the cost of handling. It cannot be said that these additional burdens placed upon the Postal Service conform with the type of content which Congress apparently had in mind in the "fourth condition" of the 1879 Act.

6. Governmental subsidies are generally viewed with disfavor. They are justified only in special situations when the need for a product or special service is great or when proper development or production cannot be achieved by private means. Second-class mail as a whole does not now qualify under these tests.

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When granted, subsidies should be terminated after their purpose has been served, otherwise there is favoritism to certain groups at the expense of others. The organized publishing industry has long sought to retain the present subsidies, but it would be in far better position to exercise "freedom of speech," to which it is entitled, if the subsidies now accorded it were terminated.

7. As a result of the decreased purchasing power of the dollar, postage rates on second-class mail, which have been increased only slightly over the years, are now materially lower in relation to their purchasing power than in 1880. The higher costs for labor, materials and supplies for extensions of and improvements in its services and for practically everything that enters into the handling of the mails, must be met by the Postal Service in a competitive market. These increased costs, irrespective of present preferential rates, justify an increase in second-class rates.

8. The claim that an increase in the lower-than-cost-second-class rates, which have been in effect over a long period, would impose hardship on many in the industry is generally without merit. Such an increase is long overdue, but if approached gradually it can be met, since the same general problem is presented when adjustments are necessary in connection with other increased operating costs.

Advertisers should be willing to pay the full cost of work done for them. Daily newspapers as a rule, place but a small part of their circulation in the mails. The larger nationally circulated periodicals now distribute a considerable portion of their product outside the mails. Furthermore, under the rate schedule proposed in this report the smaller newspapers, regardless of frequency and certain publications of nonprofit organizations would receive a discount of 50 percent from the rates proposed for other publications, while certain publications published and delivered "within the county" would be accorded a nominal "per piece" rate.

Newsstand prices, and also the subscription prices in some instances, of several of the large popular magazines and of many newspapers have been practically doubled, or at least increased, in recent years without harmful effect on circulation.

9. Approximately 9 cents of every dollar of postal revenue now goes to make up the deficit from handling second-class mail. These deficits besides being a burden on users of first-class mail service and a drain on the United States Treasury tend to retard desirable improvements in and extensions of the postal service. In a time when the Government is in great need for funds to retire the war debt and meet increased expenditures a long deferred increase in second-class rates would provide a material contribution.

As regards the years immediately ahead an increase in second-class rates would keep down anticipated postal deficits. While the postal service operated at a profit during the three war years ending in 1945, the years immediately ahead present indications of very substantial deficits due to several factors, such as the termination of the temporary war rates on several classes of mail and special services, the decreased volumes of overseas mail, and particularly the increased salaries and wages made effective for postal employees by the Congress during 1945 and 1946.

10. Presidents, Congressional Commissions, postal executives and members of Congress over many years, have called attention

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to the need of bringing second-class rates more nearly in line with the cost to the postal service in handling that class of mail.

A member bulletin issued late in 1945, by one of the principal newspaper associations in opposition to an increase in second-class rates contained the following statement:

It is a specious argument to contend that merely because a publisher makes a profit on his overall operations that the profit motive minimizes the primary public service function of a publication or that the change in the character of news presentation or increased advertising volume, offsets in any way the purposes of the act of 1879 granting advantageous rates to second-class matter.

This report is not concerned with the level of profits which the publishing industry earns, except when rates at a less-than-cost level serve to enhance the profits of the industry at the expense of users of other mail services or the United States Treasury. The preferential rates granted many years ago, when there was a need therefor, were never intended to stimulate the profits of private business enterprises but merely to encourage at that time a greater participation, on the part of publishers, with the Government in aiding its people. These rates did not give the publishing industry an inherent rate preference for all time regardless of unforeseen changes which might develop later in the character and content of the publications issued or by reason of changed economic and social conditions. Neither can the recent war time legislation contained in the Federal Trade Commission Act and the Emergency Price Control Act (acts intended to control price increases) exempting the publishing industry from the application of these laws be construed as reaffirming the preferential rates earlier accorded to it. Rather these exceptions removed any restrictions debarring the industry from increasing the prices for its product—and such increases were made in numerous instances.

Second-class rates increased to *cost of service rendered or to substantially that level* would continue to be "advantageous" rates to the industry when compared with the basis of charges by private distribution media. The important point, however, is that the industry should compensate the Government, as it does others, for services which it receives thus eliminating the annually recurring second-class deficits for which it is responsible. Such a course would be no more than sound business procedure, a fact which the publishing industry must realize since it has not refrained in recent years from increasing prices, in numerous instances, for street sales, at newsstands and to subscribers. The claim that readers are subsidized by passing on to them the benefit of preferential rates has but little support when all relevant facts—operating costs and other—are taken into account. In fact, many of the larger newspapers have higher subscription rates, and require prepayment thereof, when mailings go beyond the nearby zones, which indicates that the higher postal charges to distant points, in the main due to advertising content, are passed along to the subscriber.

Reasonable increases in rates to approximate ultimately postal costs would also in no manner interfere with the public service function (a function inseparable from the undertaking) which newspapers have voluntarily elected to perform, nor would it interfere with "freedom of the Press", to which publications are

entitled; in fact the satisfaction from having met in full their postage costs should stimulate even greater freedom of expression.

The Report is especially interested in the increased volume of advertising and the otherwise changed character of matter now included in publications from that included when the preferential rates were established, since such changes present to the postal service the burden of a large volume of matter which could not have been foreseen by the Congress in 1879, and concerning which there is much reasonable doubt regarding its contribution to the public good, for handling at preferential rates.

**Other types of Publications to which the Second-Class rates proposed do not apply**

Second-class rates apply to newspapers and periodicals bearing a notice of entry as second-class matter.

Third-class rates are limited to:

- (a) Miscellaneous printed matter, circulars, merchandise and other matter not specifically excepted, and
- (b) Books and catalogs having 24 pages or more, at least 22 of which are printed; seeds, cuttings, bulbs, roots, scions and plants.

The weight limit for any piece in this class may not exceed 8 ounces.

Fourth-class rates apply to mailable pieces over 8 ounces in weight and not in the first- or second-class. In general this class of mail is confined to merchandise, books containing no advertising matter, other than incidental announcements of books, and catalogs.

*Book Mailings*—Apparently with the view to a lower postal rate on books it has been proposed by some interested in their distribution, that books should be accorded the same level of rates as is now applied with respect to *second-class* reading matter, i.e., 1½ cents per pound, regardless of distance transported. Such a procedure would be neither equitable nor practicable in view of the material differences in the character of and in the cost of handling these two types of mail matter.

Second-class matter, involves the handling of many small pieces of varying size, shape and weight, with an average weight of about 5 ounces per piece and rates therefor should accordingly give consideration to pieces as well as to weight handled. Books are usually handled in compact parcels of heavier weights—over 8 ounces and up to 70 pounds.

Books now have a postage rate slightly in excess of 3 cents per pound regardless of distance transported, but at this rate they are being handled at a substantial loss to the postal service. Any reduction from this rate would obviously increase the already large deficit from that type of matter. Book publishers, also frequently avail themselves of transportation media outside the mails for their short haul, large parcel, distribution, i.e., mailings on which the postal service might recover its costs; leaving to the post office the long haul and small parcel distribution.

Superficial examination may show a degree of similarity between books and some second-class periodicals in the presentation of printed material of various kinds and also a similarity in physical form and arrangement of contents. Also, as regards railroad transportation costs, there should be no great difference in the expense per "pound mile" as between books and periodicals since they have about the same density, i.e., weight per cubic foot.

Most parcels containing books, from a physical viewpoint, (the viewpoint of primary interest to the postal service in connection with handling, transportation and delivery), are entirely different in character from second-class matter. They have many of the characteristics of merchandise parcels and as such should remain in fourth class with rates of postage adequate to cover their handling. The costs of their handling in post offices and their delivery by carriers differ materially from second-class matter

and a mere shift in classification from fourth to second class would not change the handling and delivery methods, nor affect the costs thereof.

The following tabulation of factors which influence the respective costs of handling second-class mail and the handling of books, should indicate that the same schedule of rates would be neither equitable nor practicable.

**BOOKS**

Manufacture and sale of stamps.  
Parcels accepted individually at originating office. Postage thereon determined according to weight and in certain cases by zones.  
Each individual piece distributed and sacked.  
Haul to depot in most cases.  
Transit distribution in terminals.  
Distribution at terminals more costly because pieces are loose in sacks and not faced up.  
Distribution into sacks and to carriers requires much floor space, also reduces distribution speed.  
Truck delivery required in many cases. When delivered by foot carrier, individual parcels weigh in excess of 8 ounces.

**SECOND CLASS**

Postage stamps ordinarily not required.  
Acceptance in bulk. Postage computed on thousands of pieces in one operation. Little examination required.  
Much of the initial distribution made by the publisher.  
Haul to depot provided, in large part, by publisher.  
Distribution at terminals not material in amount.  
Much second class presented with pieces faced up in uniform manner.  
Ordinarily distributed into pigeonholes of paper cases, using less floor space with greater distribution speed.  
More small pieces, with all averaging about 5 ounces per piece. Delivered by foot carrier with other mail.

*Trade Journal Publications*

Certain publications of the trade journal type (sometimes designated as "controlled circulation" publications) are not accorded second-class rating. They do not qualify for admission to that class of mail since they do not have "a legitimate list of subscribers" and are circulated free, or mainly free. These publications are usually devoted to some special industry or business such as—air conditioning, drugs, plastics, electrical equipment, bedding and upholstery, footwear, furniture, cleaning and laundry, meat, liquor, coal, pottery and glass, rugs, roads and streets, advertising, and tools—to mention only a few. As a rule they carry considerable advertising, much of which is related to the industry or business in which a particular periodical may be interested.

When publications of this type do not exceed 8 ounces in weight they are subject to the rates applicable to mail of the third class. Many thereof are mailed in quantity and can generally qualify for the bulk rate of 8 cents per pound with a minimum charge of 1 cent per piece.

Prior to 1934 these periodicals when weighing in excess of 8 ounces per piece were carried at fourth-class rates. The act of June 5, 1934 provided a rate of 1 cent for each 2 ounces or fraction. In February 1942 a rate of 8 cents per pound on *bulk* weight with a minimum charge of 5 cents per piece was established. Effective on March 26, 1944 this rate was temporarily increased to 9 cents per pound with a minimum charge of 6 cents per piece.

To qualify for this rate the following conditions must be met:

(a) public must be issued at regular intervals of 12 times or more per year, (b) 25 percent or more of the pages must be devoted to text or reading matter and not more than 75 percent to advertising matter, (c) the copies must be made up according to States, cities, and routes as directed by the Postmaster General and (d) the postage must be paid in money or by means of precanceled stamps. Zone rates do not apply to these publications.

The mailings of publications of this type weighing in excess of 8 ounces now amount to about 5,500,000 pieces or 4,000,000 pounds annually, producing postage of about \$400,000. They are generally similar in form and density to second-class publishers' periodicals. The cost of handling them is also approximately the same as for handling publishers' second-class—about 9 cents per pound. Publications of this type weighing less than 8 ounces and when accepted at the bulk rate of 8 cents per pound with a minimum charge of 1 cent per piece fall short of paying their way in the mails except that for the very shortest hauls the postage on pieces weighing 6 to 8 ounces covers approximately the cost. For long hauls the loss on pieces weighing up to 8 ounces is material. The rate of 9 cents per pound with a minimum charge of 6 cents per piece for pieces weighing more than 8 ounces produces postage somewhat in excess of cost for short and intermediate hauls, but fails in recovering postal handling costs for the longer hauls. Overall, however, this rate returns approximately the postal costs.

Since these publications are to a considerable extent advertising media, and cannot in many cases be said to meet the standard of content which may reasonably be expected in second class periodicals generally and also since the postal rate now charged is not in excess of the overall cost of their handling there appears to be no reason for according to them second-class privileges with rates that are now, and will probably continue for some time, at a level much below the postal cost of handling. The rates of postage on publications of this special type are however, not properly adjusted as between the lighter and heavier weights and also for hauls and some adjustment in this respect might be appropriate.

### In Summary

This report on second-class mail, as previously stated, is not concerned with the character and content of second-class publications generally, except as certain aspects thereof—particularly rates of postage, content, related costs, and annual deficits—present problems in connection with their handling by the postal service. Its purpose is to present for the consideration of the Congress, responsible for the establishment from time to time of rates of postage, an overall analysis of the historical and financial aspects of second-class mail since 1851 when the downward trend in rates of postage for this type of mail began, and more particularly those since the passage of the act of March 3, 1879.

Despite increases over the years in the level of postal wages; in the prices for materials, supplies and services entering in the handling of the mails; and the provision of extended and improved services, all of which changes have added materially to the "per pound" cost of handling this class of mail, the average postal revenue per pound now received shows no increase over that received in 1880. In fact, with the present reduced purchasing power of the revenue dollar, second-class rates are now actually lower than in 1880. (The only increase in these rates, worthy of mention was made in 1918 when rates for advertising content were placed on a zone basis, but the effect of this increase on the average revenue per pound was negligible and had but small effect in reducing the annual deficits produced by this class of mail.)

Prior to 1852 the postal service was operated generally on a self-sustaining basis. Thereafter down to the present time, with the exception of a few years—mostly war years—deficit operation has prevailed. In the 70's when the volume of second-class mail was relatively small deficits therefrom were also small in dollar amount and did not attract particular attention, but as volume presented to the postal service has increased, and cost levels involved in its handling have also increased, the annual deficits have mounted to their present levels—to upwards of \$115,000,000 for the fiscal year 1945; and for the 16 years then ended to an aggregate of approximately \$1,450,000,000.

The existence of these substantial deficits, which unless removed will ultimately arouse public reaction, were the occasion for the suggestion in 1942 by the Ways and Means Committee of the Congress that consideration should be given to bringing the rates of postage on this class of mail more closely in line with the cost of its handling. These deficits have also been the occasion of informal requests during the past year from the Post Office Committees of Congress for information regarding the rate situation with respect to this type of mail matter.

In addition to presenting an analysis of the second-class mail situation the report presents certain suggestions regarding rates and procedures designed to eliminate ultimately, in considerable measure, the present unjustifiable deficit situation. In this connection the report (pages 95-96) includes a recommendation for an immediate increase of rates, but this adjustment, if adopted, will correct only partially the situation. Further adjustment of rates to a substantially self-sustaining level should be made in several steps since correction of the situation has

been too , deferred and to avoid adverse financial reactions to some publishers they may require time to adjust their operations gradually to meet postage at an adequate level. However, now that conditions which earlier justified subsidies no longer exist, at least not to the same extent, it would appear only proper that the Congress should limit its subsidies to those publications which in serving the public welfare require public aid in their distribution, but any such aid should be specifically authorized by it.

Some types of second-class publications—newspapers and periodicals—doubtless meet more nearly than others the standard of content which the Congress defined in the "fourth condition" of the 1879 Act. However, any attempt to segregate from the total mass of about 24,000 publications, now granted the second-class privilege, those of high quality and making a substantial contribution to the public welfare, for the purpose of according them special rate treatment is not only physically impracticable but, moreover, even if practicable, it would provide the occasion for many charges of censorship and discrimination.

The rates proposed in this report, except for small newspapers and certain non-profit publications, accordingly make no distinction between second-class publications, i.e. between newspapers and periodicals on the basis of their character. The conditions under which these publications are handled are such that the Postal Service should receive substantially the cost of their handling and since none of these publications now pay such cost no different rate treatment is suggested for newspapers than for other periodicals.

Much has been said in the past of the high place of the postal service in our economic and social life and the valuable service which it performs. Regardless of these statements an increase in rates such as is proposed is a practical present day necessity. It will serve to place this service on a better business basis and help to further improve it for the public. At the same time such an increase would not interfere with the freedom of any legitimate publication to conduct its business as it chooses.

The report presents the results of an independent and intensive study of the second-class mail situation, primarily from the viewpoint of the citizen who ultimately meets the second-class deficits.

Much assistance was obtained from officials and employees in the Postal Service. In this connection, however, special mention is appropriate of fine service rendered by Mr. Joseph F. Gartland, Director of Budget and Administrative Planning for his counsel and advice; by Messrs. Howard Coonen and James T. Nelson of the Post Office Inspection Service, whose extensive investigations in this field over the years enabled them to give exceptionally valuable aid; by Mr. Edmund J. Walsh, Principal Administrative Officer—Division of Methods and Procedures, for his many contributions regarding postal service practices and his otherwise helpful assistance; by Mr. Alfred H. Black, Superintendent of the Division of Cost Ascertainment for valuable cost data and by Mrs. Ruth L. Naecker for faithful secretarial service.

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MAY 21, 1946.

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## Appendix "A"

### PUBLICATIONS ENTERED AS SECOND CLASS GROUPED BY GENERAL TYPE (3 Pages)

These general types of publications are:

Newspapers—All types and frequencies other than exempt and foreign.  
"Standard" Publications—The leading magazines, including news magazines and various publications of general interest.  
Agricultural.  
Business.  
Scientific and Professional.  
Religious, Educational and Welfare.  
Publications devoted to a particular interest, group or subject.  
Publications not otherwise classified—Comics, Humor, Detective, Mystery, Crime, Light Fiction, etc.  
Publications exempt from Zone Rates on advertising portions.  
News Agents, and Foreign.

The sheets in this Appendix present the following data regarding second-class mailings for the September quarter, 1944\*:

- Number of publications of each type.
  - Number of pounds mailed.
  - Postage paid.
  - Percentage of total Second-Class publishers' pound-rate postage and weight contributed by each general type.
  - Advertising content of publications subject to zone rates.
- \* The weight of "free in county" mailings and the weight and postage for transient second-class mail and matter mailed by publishers at "per copy" rates are not included.

#### Summary of General Types of Second-Class Publications Mailed During the September Quarter, 1944 \*

Type of publication	Number of publications	Weight (pounds)	Percent of weight	Revenue		Advertising content (percent)
				Postage	Percent	
Newspapers.....	12,407	128,804,162	40.6	\$2,301,056	38.1	43
"Standard" periodicals.....	766	102,857,443	32.6	2,166,682	35.9	50
Agricultural.....	318	12,305,691	3.9	246,328	4.1	62
Business.....	685	9,015,741	2.9	246,156	4.0	61
Scientific and professional.....	818	2,646,231	.8	58,234	1.0	42
Religious, educational and welfare.....	2,377	4,551,532	1.4	73,926	1.2	24
Particular interest, group or subject.....	1,766	7,626,022	2.4	133,479	2.2	26
Publications not otherwise classified.....	822	13,147,533	4.2	261,606	4.3	24
Publications exempt from zone rates.....	4,501	29,940,324	9.4	448,174	7.4	.....
News Agents, foreign, etc.....	559	6,134,791	1.9	109,172	1.8	60
Total.....	24,216	316,829,460	100.0	6,037,813	100.0	.....

\* Does not include "free in county" mailings.

#### Newspapers Mailed During the September Quarter, 1944

Type of publication	Number of publications	Weight (pounds)	Postage	Advertising content (percent)
General news.....	11,646	119,792,103	\$2,181,204	43
Agriculture and marketing.....	41	371,003	7,033	36
Business.....	108	2,228,761	48,262	40
Particular interest.....	261	2,649,131	43,607	37
Labor.....	157	1,862,710	25,482	36
Legal.....	102	216,318	3,092	34
Religious.....	46	871,049	11,447	35
Sports.....	28	533,853	9,636	21
Miscellaneous.....	18	179,194	4,202	13
Total.....	12,407	128,804,162	2,301,057	43

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Newspapers Mailed During the September Quarter, 1944—

Frequency	Number of publications	Weight (pounds)	Postage	Advertising content (percent)
Daily	1,985	101,631,111	\$1,836,907	44
Weekly	10,985	25,295,713	434,918	37
Triweekly	20	178,048	3,120	36
Biweekly	224	820,908	13,924	43
Weekly	15	13,957	223	43
Bi-monthly	6	31,379	471	30
Monthly	6	1,278	15	58
Miscellaneous	67	641,206	11,669	42
Total	12,407	128,004,153	2,301,067	43

"Standard" and Agricultural Publications Mailed During the September Quarter, 1944

Type of publication	Number of publications	Weight (pounds)	Postage	Advertising content (percent)
Standard Publications: Cultural and literature of general nature	249	84,396,614	\$1,008,222	26
Art	72	349,679	7,007	39
Fashion and amusements	29	2,642,072	78,241	73
Hobbies and amusements	83	2,008,623	76,442	42
Home interests	60	7,224,298	161,006	69
News magazines	90	20,073,081	704,399	69
Ports	87	1,459,754	35,234	43
Miscellaneous	106	934,117	19,022	26
Total	766	102,857,443	2,166,883	50
Agricultural: Marketing—General	39	279,841	6,101	68
Forestry	125	10,446,192	205,192	33
Horticulture	44	211,784	4,683	43
Livestock	85	1,003,332	24,927	61
By State Departments of Agriculture	9	493,339	764	66
Miscellaneous	14	217,416	3,751	61
Total	316	12,305,691	245,328	62

Business, Scientific and Professional Publications Mailed During the September Quarter, 1944

Type of publication	Number of publications	Weight (pounds)	Postage	Advertising content (percent)
Business methods	32	313,661	38,293	66
Financial	73	470,008	9,205	36
Industrial	195	2,843,506	77,065	65
Insurance	56	301,984	6,963	46
Trade and commerce	214	2,882,173	76,873	66
Transportation	53	905,618	20,687	66
Communication	13	165,836	4,208	49
Miscellaneous	49	1,124,698	21,716	69
Total	685	9,015,711	240,156	61
Scientific and professional: Legal	124	424,241	6,657	10
Medicine and surgery	213	338,079	6,618	23
Published by societies	114	400,035	6,472	36
Miscellaneous	67	1,483,176	36,490	49
Total	618	2,645,231	68,234	42

Other Special Types of Second-Class Publications Mailed During the September Quarter, 1944

Type of publication	Number of publications	Weight (pounds)	Postage	Advertising content (percent)
Religious, Educational and Welfare: Religion	1,655	2,153,861	\$49,631	20
General education	114	641,650	11,709	31
Of institutions of learning	991	141,639	2,708	28
Physical education	41	69,605	1,037	41
Moral and welfare	121	5,238	89	20
Of State boards	10	13,474	205	26
Miscellaneous	67	461,891	8,141	37
Total	2,377	4,661,632	73,926	24
Particular Interest, Group or Subject: Business groups	194	635,011	18,640	45
Business associations	250	465,861	7,020	37
Farmer groups	81	246,258	4,286	19
Foreign language groups	378	432,789	7,268	24
Governmental and Civic: Governmental organizations	310	1,081,683	28,686	39
Negroes	18	97,651	1,634	42
Trade Unions	165	1,914,908	28,047	34
War Veterans	81	765,610	12,327	34
Miscellaneous	288	886,033	18,067	26
Total	1,765	7,626,622	133,479	28
Publications not otherwise classified: Counties and burros	152	6,264,447	110,288	11
Detective-Mystery-Crime	43	1,120,671	22,950	16
Comics and humor	110	2,929,671	56,129	11
Light fiction	11	174,014	2,929	20
Other than news	94	4,669,828	102,380	26
Picture	3	465,691	10,248	28
Miscellaneous	19	465,158	10,248	28
Total	322	13,147,533	261,606	24
Publications exempt from Zone Rates: Agricultural	201	762,849	\$12,400	
Forestry	1,006	3,807,536	60,129	
Farmstead	378	3,886,164	63,664	
Law	104	3,299,998	48,611	
Biographical	14	377,086	6,217	
Religious	104	3,299,998	48,611	
Miscellaneous	228	1,193,998	17,922	
Published by news agents	66	1,193,998	17,922	
Science	1,691	2,642,946	200,214	
Miscellaneous	113	826,530	12,379	
Total	4,601	29,940,324	446,174	

NRWA AGENTS, FOREIGN, ETC.

Mailed by News Agents (other than special rates)	Number of publications	Weight (pounds)	Postage	Advertising content (percent)
Mailed by News Agents (other than special rates)	631	6,838,297	104,692	60
Other publications from Foreign Countries	26	2,339	294,138	28
Total	659	6,134,791	109,172	60

**EFFECT OF RATES PROPOSED FOR FULL RATE SECOND CLASS PUBLICATIONS OF REPRESENTATIVE WEIGHTS AND FREQUENCIES (6 pages)**

Appendix "B"

*Regular Rate Publication*

PUBLICATION WEIGHING 1 OUNCE						(40% advertising used in determination of present postage)								
Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR								
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues			Daily publication 365 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	1.80¢	.00¢	.50¢	.50¢	1.00¢	\$0.94	\$0.31	\$0.03	\$0.22	\$0.07	\$0.01	\$6.57	\$2.17	\$0.23
1-2.....	2.11	.13	.50	.63	.09	1.10	.33	.05	.25	.08	.01	7.70	2.28	.34
3.....	2.13	.16	.50	.66	.11	1.11	.34	.06	.26	.08	.01	7.77	2.40	.39
4.....	2.18	.19	.50	.69	.13	1.13	.36	.07	.26	.08	.02	7.96	2.51	.48
5.....	2.24	.25	.50	.75	.16	1.16	.39	.08	.27	.09	.02	8.18	2.74	.57
6.....	2.32	.31	.50	.81	.18	1.21	.42	.09	.28	.10	.02	8.47	2.97	.68
7.....	2.40	.38	.50	.88	.21	1.25	.46	.11	.29	.11	.02	8.76	3.19	.75
8.....	2.48	.44	.50	.94	.23	1.29	.49	.12	.30	.11	.03	9.05	3.42	.84

Pound rate: $\frac{1}{4}$ cent				
Zones	Zones		Zones	
Local	1 $\frac{1}{4}$ cents	5	4 cents	
1-2	2 cents	6	5 cents	
3	2 $\frac{1}{4}$ cents	7	6 cents	
4	3 cents	8	7 cents	

<sup>1</sup> The "free in county" provision. "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.

<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

Regular Rate Publication—Continued

PUBLICATION WEIGHING 3 OUNCES						(40% advertising used in determination of present postage)								
Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR								
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues			Daily publication 365 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	1.06 <sup>1</sup>	.28 <sup>1</sup>	.50 <sup>1</sup>	.78 <sup>1</sup>	1.19 <sup>1</sup>	\$1.03	\$0.41	\$0.10	\$0.24	\$0.09	\$0.02	\$7.26	\$2.85	\$0.68
1-2.....	2.43	.38	.50	.88	1.28	1.26	.46	.15	.29	1.11	.03	8.87	3.19	1.03
3.....	2.52	.47	.50	.97	.32	1.31	.50	.17	.30	.12	.04	9.20	3.54	1.16
4.....	2.85	.56	.50	1.06	.39	1.38	.55	.20	.32	.13	.06	9.67	3.88	1.44
5.....	2.85	.75	.50	1.25	.47	1.48	.65	.24	.34	.15	.06	10.40	4.56	1.71
6.....	3.06	.94	.50	1.44	.54	1.60	.75	.28	.37	.17	.07	11.24	5.25	1.98
7.....	3.31	1.13	.50	1.63	.62	1.72	.85	.32	.40	.20	.07	12.08	5.93	2.26
8.....	3.55	1.31	.50	1.81	.69	1.85	.94	.36	.43	.22	.08	12.96	6.62	2.53

Piece rate 1/2 cent				
Zone	Local	1 1/2 cents	5	4 cents
1-2	2 cents	6	5 cents	
3	2 1/2 cents	7	6 cents	
4	3 cents	8	7 cents	

<sup>1</sup> The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.

<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

Regular Rate Publication—Continued

PUBLICATION WEIGHING 5 OUNCES						(40% advertising used in determination of present postage)								
Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR								
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues			Daily publication 365 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	2.17 <sup>1</sup>	.47 <sup>1</sup>	.50 <sup>1</sup>	.97 <sup>1</sup>	1.31 <sup>1</sup>	\$1.13	\$0.50	\$0.16	\$0.26	\$0.12	\$0.04	\$7.92	\$3.54	\$1.14
1-2.....	2.73	.63	.50	1.13	1.47	1.42	.59	.24	.23	.14	.06	8.96	4.11	1.71
3.....	2.88	.76	.50	1.28	.53	1.50	.67	.28	.35	.15	.06	10.51	4.68	1.94
4.....	3.09	.94	.50	1.44	.66	1.61	.75	.34	.37	.17	.06	11.28	5.25	2.40
5.....	3.43	1.25	.50	1.75	.78	1.78	.91	.41	.41	.21	.09	12.52	6.39	2.85
6.....	3.81	1.56	.50	2.06	.91	1.98	1.07	.47	.46	.25	.11	13.91	7.53	3.31
7.....	4.19	1.88	.50	2.38	1.03	2.18	1.24	.54	.50	.29	.12	15.29	8.67	3.78
8.....	4.58	2.19	.50	2.69	1.16	2.38	1.40	.60	.55	.32	.14	16.72	9.81	4.22

Piece rate 1/2 cent				
Zone	Local	1 1/2 cents	5	4 cents
1-2	2 cents	6	5 cents	
3	2 1/2 cents	7	6 cents	
4	3 cents	8	7 cents	

<sup>1</sup> The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.

<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

Regular Rate Publication—Continued

PUBLICATION WEIGHING 8 OUNCES						(40% advertising used in determination of present postage)					
Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	2.40¢	.75¢	.50¢	1.25¢	1.50¢	\$1.25	\$0.65	\$0.26	\$0.29	\$0.15	\$0.06
1-2.....	3.12	1.00	.50	1.50	1.75	1.62	.78	1.39	.37	.18	.09
3.....	3.35	1.25	.50	1.75	.85	1.74	.91	.44	.40	.21	.10
4.....	3.69	1.50	.50	2.00	1.05	1.92	1.04	.55	.44	.24	.13
5.....	4.22	2.00	.50	2.50	1.25	2.19	1.30	.65	.51	.30	.15
6.....	4.83	2.50	.50	3.00	1.45	2.51	1.56	.75	.58	.36	.17
7.....	5.45	3.00	.50	3.50	1.65	2.83	1.82	.86	.65	.42	.20
8.....	6.08	3.50	.50	4.00	1.85	3.16	2.06	.96	.73	.48	.22

Piece rate 1/2 cent				
Pound rates:	Zones		Zones	
	Local	1 1/2 cents	5	4 cents
	1-2	2 cents	6	5 cents
	3	2 1/2 cents	7	6 cents
	4	3 cents	8	7 cents

<sup>1</sup> The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.

<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

PUBLICATION WEIGHING 12 OUNCES						(40% advertising used in determination of present postage)					
Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	2.65¢	1.13¢	.50¢	1.63¢	1.75¢	\$1.38	\$0.85	\$0.39	\$0.32	\$0.20	\$0.09
1-2.....	3.52	1.50	.50	2.00	1.13	1.83	1.04	.59	.42	.24	.14
3.....	3.87	1.88	.50	2.38	1.28	2.01	1.24	.66	.46	.29	.15
4.....	4.38	2.25	.50	2.75	1.58	2.28	1.43	.82	.53	.33	.19
5.....	5.18	3.00	.50	3.50	1.88	2.69	1.82	.98	.62	.42	.23
6.....	6.10	3.75	.50	4.25	2.18	3.17	2.21	1.13	.73	.51	.26
7.....	7.02	4.50	.50	5.00	2.48	3.65	2.60	1.29	.84	.60	.30
8.....	7.97	5.25	.50	5.75	2.78	4.14	2.99	1.44	.96	.69	.33

Piece rate 1/2 cent				
Pound rates:	Zones		Zones	
	Local	1 1/2 cents	5	4 cents
	1-2	2 cents	6	5 cents
	3	2 1/2 cents	7	6 cents
	4	3 cents	8	7 cents

<sup>1</sup> The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.

<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

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88888-16-10

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Regular Rate Publication—Continued

PUBLICATION WEIGHING 16 OUNCES						(40% advertising used in determination of present postage)					
Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	2.85¢	1.50¢	.50¢	2.00¢	1.00¢	\$1.48	\$1.04	\$0.52	\$0.34	\$0.24	\$0.12
1-2.....	3.82	2.00	.50	2.50	1.50	1.59	1.30	.78	.46	.30	.13
3.....	4.28	2.50	.50	3.00	1.70	2.23	1.56	.88	.51	.36	.20
4.....	4.97	3.00	.50	3.50	2.10	2.58	1.32	1.09	.60	.42	.25
5.....	6.04	4.00	.50	4.50	2.50	3.14	2.34	1.30	.72	.54	.30
6.....	7.26	5.00	.50	5.50	2.90	3.78	2.36	1.51	.87	.66	.35
7.....	8.45	6.00	.50	6.50	3.30	4.41	3.38	1.72	1.02	.76	.40
8.....	9.75	7.00	.50	7.50	3.70	5.07	3.90	1.92	1.17	.90	.44

Piece rate 1/4 cent				
Pound rates:	Zones		Zones	
		Local	1 1/4 cents	5
	1-2	2 cents	6	5 cents
	3	2 1/2 cents	7	6 cents
	4	3 cents	8	7 cents

<sup>1</sup> The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.

<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

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Appendix "B.1"

EFFECT OF RATES PROPOSED FOR SECOND-CLASS NEWS-  
PAPERS OF REPRESENTATIVE WEIGHTS AND FREQUENCIES  
(CIRCULATION NOT EXCEEDING 7,500), AFTER GRANTING A  
DISCOUNT OF 50 PER CENT FROM REGULAR RATES

( 2 pages )

Publication Subject to 50 Per Cent Discount

NEWSPAPER WEIGHING 2 OUNCES WITH CIRCULATION NOT EXCEEDING 7500						(40% advertising used in determination of present postage)					
Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly newspapers 52 issues			Daily newspapers 365 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	1.90¢	.06¢	.25¢	.34¢	1.13¢	\$0.99	\$0.18	<sup>1</sup> \$0.07	\$6.94	\$1.25	<sup>1</sup> \$0.46
1-2.....	2.27	.13	.25	.38	1.19	1.18	.20	<sup>1</sup> .10	8.29	1.37	<sup>1</sup> .68
3.....	2.33	.16	.25	.41	.21	1.21	.21	.11	8.50	1.48	.78
4.....	2.41	.19	.25	.44	.28	1.25	.23	.14	8.80	1.60	.96
5.....	2.55	.25	.25	.50	.31	1.33	.28	.16	9.31	1.83	1.14
6.....	2.70	.31	.25	.56	.36	1.40	.29	.19	9.86	2.05	1.32
7.....	2.85	.38	.25	.63	.41	1.48	.33	.21	10.40	2.28	1.51
8.....	3.01	.44	.25	.69	.46	1.57	.36	.24	10.99	2.51	1.69

Pound rates:				
Zones	Zones		Zones	
	Local	¼ cent	5	2 cents
1-2	1 cent	6	2½ cents	
3	1¼ cents	7	3 cents	
4	1½ cents	8	3½ cents	

<sup>1</sup> The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.

<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

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Publication Subject to 50 Per Cent Discount—Continued

NEWSPAPER WEIGHING 4 OUNCES WITH CIRCULATION NOT EXCEEDING 7500						(40% advertising used in determination of present postage)					
Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly newspaper 52 issues			Daily newspaper 365 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	2.08¢	.19¢	.25¢	.44¢	1.25¢	\$1.08	\$0.23	<sup>1</sup> \$0.13	\$7.59	\$1.60	<sup>1</sup> \$0.91
1-2.....	2.59	.26	.25	.50	1.38	1.35	.26	<sup>1</sup> .26	9.45	1.83	<sup>1</sup> 1.37
3.....	2.70	.31	.25	.56	.43	1.40	.29	.22	9.86	2.05	1.55
4.....	2.88	.38	.25	.63	.53	1.50	.33	.27	10.51	2.28	1.92
5.....	3.14	.50	.25	.75	.63	1.63	.39	.33	11.45	2.74	2.28
6.....	3.45	.63	.25	.88	.73	1.79	.46	.38	12.59	3.19	2.65
7.....	3.75	.75	.25	1.00	.83	1.95	.52	.43	13.69	3.65	3.01
8.....	4.07	.88	.25	1.13	.93	2.12	.59	.48	14.86	4.11	3.38

Pound rates:				
Zones	Zones		Zones	
	Local	¼ cent	5	2 cents
1-2	1 cent	6	2½ cents	
3	1¼ cents	7	3 cents	
4	1½ cents	8	3½ cents	

<sup>1</sup> The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.

<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

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Appendix "B-2"  
**EFFECT ON SECOND-CLASS PUBLICATIONS OF REPRESENTATIVE WEIGHTS AND FREQUENCIES, NOW EXEMPT FROM ZONE RATES, OF THE RATES PROPOSED WHICH ALLOW A DISCOUNT OF 50 PER CENT FROM REGULAR RATES**  
 (6 pages)

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*Publication Subject to 50 Per Cent Discount, Now Exempt From Zone Rates*

PUBLICATION WEIGHING 1 OUNCE

Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	1.80¢	.05¢	.25¢	.30¢	1.00¢	\$0.94	\$0.15	\$0.03	\$0.22	\$0.04	\$0.01
1-2.....	2.11	.06	.25	.31	1.09	1.10	.16	.05	.25	.04	.01
3.....	2.13	.08	.25	.33	.09	1.11	.17	.05	.26	.04	.01
4.....	2.18	.09	.25	.34	.09	1.13	.18	.05	.26	.04	.01
5.....	2.24	.13	.25	.38	.09	1.16	.20	.05	.27	.05	.01
6.....	2.32	.16	.25	.41	.09	1.21	.21	.05	.28	.05	.01
7.....	2.40	.19	.25	.44	.09	1.25	.23	.05	.29	.05	.01
8.....	2.48	.22	.25	.47	.09	1.29	.24	.05	.30	.06	.01

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Piece rate ¼ cent

Pound rates:	Zones		Zones	
	Local	¾ cent	5	2 cents
	1-2	1 cent	6	2½ cents
	3	1¼ cents	7	3 cents
	4	1½ cents	8	3½ cents

<sup>1</sup> The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.

<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

Publication Subject to 50 Per Cent Discount, Now Exempt from Zone Rates—Continued

PUBLICATION WEIGHING 3 OUNCES

Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	1.90¢	.14¢	.25¢	.39¢	.19¢	\$1.03	\$0.20	\$0.10	\$0.24	\$0.05	\$0.02
1-2.....	2.43	.19	.25	.44	.28	1.26	.23	.15	.29	.05	.03
3.....	2.52	.23	.25	.48	.28	1.31	.25	.15	.30	.06	.03
4.....	2.65	.28	.25	.53	.28	1.38	.28	.15	.32	.06	.03
5.....	2.85	.38	.25	.63	.28	1.48	.33	.15	.34	.08	.03
6.....	3.08	.47	.25	.72	.28	1.60	.37	.15	.37	.09	.03
7.....	3.31	.56	.25	.81	.28	1.72	.42	.15	.40	.10	.03
8.....	3.55	.66	.25	.91	.28	1.85	.47	.15	.43	.11	.03

Piece rate ¼ cent				
Piece rates:	Zones		Zones	
	Local	¼ cent	5	2 cents
	1-2	1 cent	6	2½ cents
	3	1½ cents	7	3 cents
	4	1½ cents	8	3½ cents

<sup>1</sup> The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.  
<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

Publication Subject to 50 Per Cent Discount, Now Exempt from Zone Rates—Continued

PUBLICATION WEIGHING 5 OUNCES

Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	2.17¢	.22¢	.25¢	.48¢	.31¢	\$1.13	\$0.25	\$0.16	\$0.26	\$0.06	\$0.04
1-2.....	2.73	.31	.25	.66	.47	1.42	.29	.24	.33	.07	.06
3.....	2.88	.39	.25	.84	.47	1.50	.33	.24	.35	.08	.06
4.....	3.09	.47	.25	.72	.47	1.61	.37	.24	.37	.09	.06
5.....	3.43	.63	.25	.88	.47	1.78	.46	.24	.41	.11	.06
6.....	3.81	.78	.25	1.03	.47	1.98	.54	.24	.46	.12	.06
7.....	4.19	.94	.25	1.19	.47	2.18	.62	.24	.50	.14	.06
8.....	4.58	1.09	.25	1.34	.47	2.38	.70	.24	.55	.16	.06

Piece rate ¼ cent				
Pound rates:	Zones		Zones	
	Local	¼ cent	5	2 cents
	1-2	1 cent	6	2½ cents
	3	1½ cents	7	3 cents
	4	1½ cents	8	3½ cents

<sup>1</sup> The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.  
<sup>2</sup> For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

Publication Subject to 50 Per Cent Discount, Now Exempt from Zone Rates—Continued

PUBLICATION WEIGHING 6 OUNCES

[ 148 ]

Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	2.25¢	.28¢	.25¢	.53¢	1.38¢	\$1.17	\$0.28	\$0.20	\$0.27	\$0.06	\$0.03
1-2.....	2.87	.38	.25	.63	1.56	1.49	.33	1.29	.34	.08	1.07
3.....	3.04	.47	.25	.72	.56	1.58	.37	.29	.36	.09	.07
4.....	3.30	.56	.25	.81	.56	1.72	.42	.29	.40	.10	.07
5.....	3.70	.75	.25	1.00	.56	1.92	.52	.29	.44	.12	.07
6.....	4.16	.94	.25	1.19	.56	2.16	.62	.29	.50	.14	.07
7.....	4.61	1.13	.25	1.38	.56	2.40	.72	.29	.55	.17	.07
8.....	5.09	1.31	.25	1.56	.56	2.65	.81	.29	.61	.19	.07

Pound rates:				
Zones		Zones		
Local	¼ cent	5	2 cents	
1-2	1 cent	6	2½ cents	
3	1½ cents	7	3 cents	
4	1¾ cents	8	3½ cents	

1 The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.  
 2 For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

Publication Subject to 50 Per Cent Discount, Now Exempt from Zone Rates—Continued

PUBLICATION WEIGHING 8 OUNCES

[ 149 ]

Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly publication 52 issues			Monthly publication 12 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	2.40¢	.38¢	.25¢	.63¢	1.50¢	\$1.25	\$0.33	\$0.26	\$0.29	\$0.08	\$0.06
1-2.....	3.12	.50	.25	.75	1.75	1.62	.39	1.39	.37	.09	1.09
3.....	3.35	.63	.25	.88	.75	1.74	.46	.39	.40	.11	.09
4.....	3.69	.75	.25	1.00	.75	1.92	.52	.39	.44	.12	.09
5.....	4.22	1.00	.25	1.25	.75	2.19	.65	.39	.51	.15	.09
6.....	4.83	1.25	.25	1.50	.75	2.51	.78	.39	.58	.18	.09
7.....	5.45	1.50	.25	1.75	.75	2.83	.91	.39	.65	.21	.09
8.....	6.08	1.75	.25	2.00	.75	3.16	1.04	.39	.73	.24	.09

Pound rates:				
Zones		Zones		
Local	¼ cent	5	2 cents	
1-2	1 cent	6	2½ cents	
3	1½ cents	7	3 cents	
4	1¾ cents	8	3½ cents	

1 The "free in county" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.  
 2 For that part of the first and second zones which is within the county the "free in county" provision and 1 cent a pound rate have been disregarded in this computation.

Publication Subject to 50 Per Cent Discount, Now Exempt from Zone Rates—Continued

PUBLICATION WEIGHING 12 OUNCES

[ 160 ]

Zones	Approximate cost, proposed and present postage for a SINGLE COPY					Approximate cost, proposed and present postage PER SUBSCRIPTION FOR 1 YEAR					
	Approx. cost	Proposed postage			Present postage	Weekly publication 32 issues			Monthly publication 12 issues		
		Weight and haul	Piece	Total postage		Approx. cost	Proposed postage	Present postage	Approx. cost	Proposed postage	Present postage
Local.....	2.66 <sup>1</sup>	.56 <sup>1</sup>	.25 <sup>1</sup>	.81 <sup>1</sup>	1.75 <sup>1</sup>	\$1.38	\$0.42	\$0.39	\$0.32	\$0.10	\$0.09
1-2.....	3.52	.75	.25	1.00	1.13	1.83	.52	.59	.42	.12	.14
3.....	3.87	.94	.25	1.19	1.13	2.01	.62	.59	.46	.14	.14
4.....	4.38	1.13	.25	1.38	1.13	2.28	.72	.59	.53	.17	.14
5.....	5.18	1.50	.25	1.75	1.13	2.69	.91	.59	.62	.21	.14
6.....	6.10	1.88	.25	2.13	1.13	3.17	1.10	.59	.73	.26	.14
7.....	7.02	2.25	.25	2.50	1.13	3.66	1.30	.59	.84	.30	.14
8.....	7.97	2.63	.25	2.88	1.13	4.14	1.50	.59	.96	.35	.14

Piece rate  $\frac{1}{4}$  cent

Pound rates:	Zones		Zones	
	Local	$\frac{1}{4}$ cent	5	2 cents
	1-2	1 cent	6	2 $\frac{1}{2}$ cents
	3	1 $\frac{1}{4}$ cents	7	3 cents
	4	1 $\frac{1}{2}$ cents	8	3 $\frac{1}{4}$ cents

<sup>1</sup> The "free in country" provision, "per copy" rates and rate applicable when mailing is made at an additional entry office have been disregarded in this computation.  
<sup>2</sup> For that part of the first and second zones which is within the county the "free in country" provision and 1 cent a pound rate have been disregarded in this computation.