

TO THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

TESTIMONY OF  
  
MICHAEL WILBUR  
  
ON BEHALF OF  
  
MBI, INC.

Communications with respect to this document may be sent to:

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September 6, 2006

## TESTIMONY OF MICHAEL WILBUR

My name is Mike Wilbur and I am a Vice President of MBI, Inc., a \$500 million (sales) direct marketing company headquartered in Norwalk, Connecticut. MBI, Inc. primarily sells collectibles. We have been in the business since 1969. We do not own retail stores and do not sell to wholesalers. We sell to end customers via direct response advertising and ship all of our products directly to them.

Annually, we ship over 4 million pieces under the current USPS classification of "Standard Mail Regular - Flats." Under the proposed guidelines, these packages will be classified as "Standard Mail Regular – Not Flat-machinable."

The vast majority of our pieces weigh between 9 and 13 ounces. Hence, this particular class of mail will be subject to an extraordinarily large cost increase under the current USPS proposal. Pieces that we currently mail for, on average, \$.675 apiece (\$.162 in piece rate plus \$.513 in pound rate) will now cost us \$1.27 apiece (\$.582 in piece rate [assuming our mail generally qualifies for the ADC/BMC rate] plus \$.688 in pound rate).

We estimate our effective increase will be \$.595 per piece, or 88%!

If the current proposal is enacted without modification, it will raise our costs by over \$200,000 per month! This increase would be far and away the largest we have ever encountered and, therefore, we could not possibly have been reasonably expected to plan for it.

Theoretically, we could mitigate this increase by reconfiguring our packaging to accommodate the USPS machinery and therefore make it qualify as machinable. Given the forecasted economic impact of this price increase, we will, of course, make every effort to do so.

However, the nature of our product lines makes this a very challenging if not impossible assignment. These products are sold on a continuity basis. Customers subscribe to a series of collectibles that are shipped to them at intervals of a month or several months. We continue to send them for as long as the customer remains in the program, often years. Accordingly, we cannot reengineer the product as that would cause the products within the customers' collectible series to vary in design, significantly diminishing the appeal of the collection. We could try to alter the packaging, but that will also be very difficult as it is designed to most economically prevent damage to the product. We have very little latitude.

Further, while we can factor the postage rate increase into our cost structure and raise our pricing proportionally in *future* advertising, we cannot alter the terms under which our existing customers are enrolled in their collectible series and these represent the lion's share of our shipments for the next several years.

It should be noted that we are not challenging the right of the USPS to alter its rates to reflect its costs. We are also not protesting their cost calculations or their policy of motivating their constituents' behavior by addressing rate structures. We are simply arguing that the *suddenness* and *severity* of the rate hike for the "Standard Mail Regular – Not Flat-machinable" class is unduly onerous and bordering on punitive in its effect on MBI, Inc. given the nature of our products.

Accordingly, we ask that the Postal Rate Commission strongly consider a much more gradual implementation of whichever rates the PRC deems appropriate for the "Standard Mail Regular – Not Flat-machinable" class. As stated above, the effective postage rate increase for the bulk of our shipments is expected to be approximately 90%. Even if this price hike were to be applied in stages over three to five years, the rate of increase would still be well in excess of inflation but would allow mailers like us more time to modify packaging or incorporate increased costs into their pricing.

MBI, Inc. has been a long time, loyal, and heavy user of USPS services both in the shipping of our products and in our promotional mailings (on which we spend about \$40 million annually in postage). We would hope that our significance as a USPS customer would grant us some leniency in the application of this rate increase. As previously mentioned, we will certainly be treating our own long-term customers with such courtesy.

Thank you for taking the time to receive this testimony. Should you have any questions regarding the impact of the proposed postal rate increase on MBI, Inc., please do not hesitate to contact me.

Regards,

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