

R2006-1
RESPONSE OF MPA/ANM WITNESS COHEN
TO USPS/MPA/ANM-T1-1

USPS/MPA/ANM-T1-1. Please refer to your testimony at page 6, lines 15-17. Please provide any quantitative support for your statement that postage as a percent of total expenses has grown almost 20 percent just in the last five years.

RESPONSE

The quantitative foundation for my statement is contained in the MPA 2004 Financial Survey that was conducted for MPA by PricewaterhouseCoopers LLP. Using data for magazines that responded to the financial survey in each of the years 2000-2004, the survey found that periodicals postage costs were approximately 8.5 percent of total magazine costs in 2004 compared to approximately 7.2 percent in 2000. As a percentage of production and distribution costs, the cost of periodicals postage grew even more over the same period: from 22.0 percent of total magazine costs in 2000 to 27.2 percent in 2004, or a five-year increase of almost 25 percent.

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RESPONSE OF MPA/ANM WITNESS COHEN
TO USPS/MPA/ANM-T1-2

USPS/MPA/ANM-T1-2. Please refer to your testimony from page 12, line 8, to page 14, line 23, where you discuss recent increases in the availability of co-mailing and co-palletization.

(a) Please confirm that some publications are not able to either co-palletize or co-mail. If you do not confirm, please explain why.

(b) Why do some publications co-palletize when co-mailing generally offers greater postage savings?

RESPONSE

(a) Not confirmed. I do not believe that there are inherent reasons that a publication could not comail or copalletize. I do agree that it may be easier for some publications to engage in these activities than others. Factors that could affect current availability of these services and ease of use include the physical characteristics of a publication, its use of polywrap, its frequency, and its current printing and transportation providers. I believe that the MPA/ANM proposed rate structure will increase both the availability and use of these services, including by publications that may not feel that they can utilize these services today because of their individual circumstances. By more accurately reflecting the cost savings from comailing and copalletization, our rate proposal will increase the incentive to engage in these activities, and will undoubtedly cause some additional providers and publishers to determine that one or both of these services are cost effective and worth the effort.

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(b) A publisher's decision whether to comail or copalletize will depend on the relative ease, cost, and delivery implications of obtaining these services, and the publisher's comfort level with either alternative given his or her individual circumstances. The choices available to some publishers may also be affected, at least in the short term, by existing contracts that limit the publisher's ability to switch providers.