



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

**MH/MPA/ANM-T1-1.** With respect to your testimony at page 20 lines 2-5, please explain fully whether it would be an anomalous or undesirable result if the percentage rate increases faced by worksharing mailers are similar to the percentage rate increases of non-worksharing mailers, assuming that the worksharing mailers currently pay lower postage per piece than the non-worksharing mailers.

**RESPONSE**

In the section you are referring to – The Overall Effect of the Proposed Rate Design – I am simply pointing out that, under the rates proposed by USPS, that mailers engaged in co-mailing and co-palletization would face similar or larger rate increases by engaging in these efficient practices than by not doing so. This is because the USPS proposal does not significantly increase the incentives to comail and copalletize – a result I consider undesirable. See also Witness Glick’s response to MH/MPA/ANM-T2-1.

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**RESPONSE OF MPA/ANM WITNESS COHEN**  
**TO MH/MPA/ANM-T1-2**

**MH/MPA/ANM-T1-2.** With respect to your testimony at page 12 lines 8-17, please provide a copy of the Folio article that is cited and quoted.

**RESPONSE**

A copy is attached.

## Mailing Options for Small and Medium-sized Publishers

While modest, the postal hike will still take a bite out of budgets. Here's how to cope.

BY DALE BUSS

The new year arrives for publishers under the cloud of a 5.4 percent increase in U.S. Postal Service rates. But facing more demands to help their customers mitigate postal-cost pressures, the printing industry is stepping forward with more co-mailing, co-palletization and other programs.

"The rate increase is very significant in that it's coming along with increases in paper prices," says Ned Kulka, marketing director for Publishers Press Inc., a Shepherdsville, Kentucky, printer that handles press runs of 5,000 to a half-million copies.

This need for relief might even intensify throughout the year. "People are actually more concerned about the next increase right behind this one, because the next one may involve reclassification" of rates, says David Cardona, senior vice president of R.R. Donnelley's magazine group, in New York City. Here is a selective look at some of the options printers are offering publishers:

### Co-Palletization

Many printers offer this service, which is ideal for smaller publishers that don't have the volume of titles going into any given postal facility to make the minimum pallet size of 200 pounds. In co-palletization, bundled magazines are grouped with others going to the same destination. They are placed on the loading dock and shipped when the pallet load reaches a predetermined size.

Publishers Press is a longtime leader in this technique, as are Quebecor World and Donnelley. American Press, the Gordonsville, Virginia, printer, offers co-palletization to customers of all sizes, although those with runs over 100,000 can typically palletize on their own, without having to combine on pallets. The service cuts costs by "a penny to a penny and a half" per copy, says Paul Grieco, vice president of sales. Banta is another company promoting co-palletization. Customer interest "really started to take off last year for us," says Kimberly Williams, president of the company's Oak Brook, Illinois, division. "But the savings there haven't been as significant as we'd like. The discounts that the postal system offered probably aren't reflective of the savings that the postal system gets."

### Co-Mailing

American Press is among those printers that in the next year or so intends to add a capability for co-mailing, which combines individual pieces of mail into new, better, presorted bundles. The mid-range to long-run printer, with runs averaging 140,000 per magazine, is considering a joint venture with similar printers to build a co-mailing facility somewhere on the mid-Atlantic seaboard. "In order to do the kind of sophisticated mailing the big guys do," Grieco says, "it'll have to be quite an investment, and we have to be judicious about it."

For its part, Banta now is turning hard to co-mailing. For national publications, net savings can range from 6 per-

cent to 14 percent (including the cost of the co-mailing services), Williams says. Banta is trying to remove the obstacles to co-mailing to the small and medium-sized magazines that comprise the bulk of the printer's client base. One such step is "dynamic pooling," so that publishers "aren't locked into a rigid time frame," Williams says. Another is developing equipment that positions mailing labels flexibly "so that our customers don't have to invest money to redesign their cover and template so they can co-mail."

Fry Communications invested several million dollars in one of the industry's largest co-mailing systems at its headquarters in Mechanicsburg, Pennsylvania, says Steve Grande, assistant vice president of sales. Not only do customers benefit from what Fry promises is an 8 percent to 15 percent net savings from co-mailing, but more small and medium-sized publishers are becoming savvy to it. "It's becoming a far more understandable and predictable process to them," Grande says.

### Drop Shipping

Drop-shipping is a way to save money on postal rates by moving freight closer to its final destination without using the U.S. Postal Service. Presumably the money saved by avoiding the USPS zoned structure more than offsets the shipping costs. Banta is active here as well. "Even for smaller publishers, we run them through a program each month that determines how to optimize their mail," Williams says. "It looks at what components should enter a postal system locally, which pieces should be drop-shipped deeper into the system, and so on."

### Paper, Trim Size, Other Services

Cummings Printing has been helping publishers move to lighter-weight papers and reducing trim sizes, says Jack Cummings, president and owner of the Hooksett, New Hampshire-based printer. But the latest postal-rate increase "is like death and taxes," he says. "There's just not a lot you can do to reduce the impact." Cummings continues to ponder establishing co-palletization and co-mailing for its customers. "But those aren't things we're doing now," he says. "It's something you have to do to stay competitive, but it can be logistically difficult with short runs."

Others, such as Little Rock, Arkansas-based Democrat Printing, have been working to eliminate labor costs on the front end by helping magazine publishers perform more efficiently in pre-press operations. Now, Democrat is "gathering some prices on co-mailing" systems, says Jerry Butler, production manager. It's also testing the possibility of drop-shipping via truck to pre-postal consolidation facilities. "There's a slight discount available through that kind of consolidation," Butler says. "But it hasn't been enough at this point to offset the cost of trucking to these consolidation facilities. And with the fuel surcharges that truck lines are getting right now, that doesn't help." ■

**R2006-1  
RESPONSE OF MPA/ANM WITNESS COHEN  
TO MH/MPA/ANM-T1-3**

**MH/MPA/ANM-T1-3.** With respect to your testimony at page 13 line 8 through page 14 line 9, please provide the circulation per issue of each of the publications discussed.

**RESPONSE**

I did not collect data on circulation per issue from the publications mentioned on pages 13-14 of my testimony. However, I have been able to obtain public circulation figures for the titles from Audit Bureau of Circulation (ABC) data, SRDS compilation, or Oxbridge Communications. The following table provides the figures:

	<b>Subs</b>	<b>Single Copy</b>	<b>Total Paid</b>
Mother Earth News	260,423	70,170	330,593
Farm Collector	n/a	<b>n/a</b>	<b>40,000</b>
Gas Engine	n/a	<b>n/a</b>	<b>20,000</b>
Herb Companion	38,678	12,292	50,970
Natural Home and Garden	n/a	<b>n/a</b>	58,060
Utne Reader	185,910	41,309	227,219

	<b>Subs</b>	<b>Single Copy</b>	<b>Total Paid</b>
Beadwork	30,052	56,065	86,117
FiberArts	11,025	5,899	16,924
Handwoven	19,570	6,413	25,983
Interweave Knits	<b>n/a</b>	<b>n/a</b>	87,906
Piecework	14,667	7,903	22,570
Spin-off	15,104	9,406	24,510

	<b>Subs</b>	<b>Single Copy</b>	<b>Total Paid</b>
Hallmark magazine (2006 new magazine)	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

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	<b>Subs</b>	<b>Single Copy</b>	<b>Total Paid</b>
Yankee Magazine- The Magazine of New England Living	485,342	25,352	510,694

	<b>Subs</b>	<b>Single Copy</b>	<b>Total Paid</b>
Latina magazine	390,996	16,659	407,655

	<b>Subs</b>	<b>Single Copy</b>	<b>Total Paid</b>
Fine Cooking	133,850	99,284	233,135
Fine Gardening	128,051	53,377	181,428
Fine Homebuilding	204,847	105,733	310,580
Fine Woodworking	200,664	82,225	282,888
Threads	83,393	41,300	124,693

	<b>Subs</b>	<b>Single Copy</b>	<b>Total Paid</b>
Western Horseman	157,478	42,671	200,149
Alaska	135,660	8,527	144,187

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**RESPONSE OF MPA/ANM WITNESS COHEN**  
**TO MH/MPA/ANM-T1-4**

**MH/MPA/ANM-T1-4.** With respect to your testimony at page 15 lines 10-14, please provide any and all information available to you regarding the costs of co-mailing, co-palletization, and dropshipping, respectively, and the charges assessed therefore by printers and/or other parties to mailers.

**RESPONSE**

I did not collect cost information or ask any worksharing providers for cost information while preparing my testimony. Any anecdotal information on the costs of co-mailing, co-palletization, and dropshipping that I have gleaned over the years is unlikely to be accurate, timely or representative.

With regard to the charges assessed by printers and/or other parties to mailers, there is no one model of how printers and publishers share the benefits and costs of co-mailing and co-palletization, as I stated on page 15 of my testimony. I believe a variety of methods are used to assess charges. I also believe that a separate charge is not always applied – rather the costs are recovered through the overall price of the printing and mailing services.

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**RESPONSE OF MPA/ANM WITNESS COHEN**  
**TO MH/MPA/ANM-T1-5**

**MH/MPA/ANM-T1-5.** With respect to your testimony at page 19 lines 14-17, please explain fully how the USPS-proposed container charge “would incent mailers to create less finely presorted pallets” in view of the fact that under that proposal, the average per-piece container charge for pallets would be only 0.052 cents, as confirmed by witness Tang in response to MH/USPS-T35-1(b).

**RESPONSE**

Witness Tang’s proposed container charge is 85 cents no matter how many pieces are in or on a particular container. All else equal, the finer the presort level of the container, the fewer pieces it contains. Therefore, the container charge will increase on a per-piece basis as piece counts per container decrease. Periodical publishers, who are always looking for ways to reduce postage costs, could reduce their postage (sometimes by small amounts and sometimes by large amounts depending on their individual circumstances) by putting more pieces on a pallet. This will incent mailers to create less finely presorted pallets.

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**RESPONSE OF MPA/ANM WITNESS COHEN**  
**TO MH/MPA/ANM-T1-6**

**MH/MPA/ANM-T1-6.** With respect to your testimony at page 24 lines 3-6 that “an enhanced pallet discount will . . . threaten small publications with less financial harm[] than would the container charge proposed by the Postal Service in this case,” please explain fully whether such publications could incur a greater adverse rate impact from the increased piece rates resulting from the MPA/ANM-proposed pallet discounts than from the USPS-proposed container charge.

**RESPONSE**

In my testimony on page 24 I was referring to the possible large rate increases that publishers with small number of pieces in containers could face under the Postal Service proposal. As shown by Witness Tang in her August 17 response to the question posed by Chairman Omas at the August 10 Hearing, publishers using small sacks or alternative containers could face rate increases in the range of 30 to 40 percent under the USPS rate proposal. Although the use of small containers will not be common practice in the Test Year given the recent rule change regarding sack minimums, such large increase could still apply in limited instances – *e.g.*, when uncontainerized bundles are entered at the DDU. The MPA/ANM rate proposal moderates this effect. See also Witness Glick’s response to MH/MPA/ANM-T2-2.

**R2006-1**  
**RESPONSE OF MPA/ANM WITNESS COHEN**  
**TO MH/MPA/ANM-T1-7**

**MH/MPA/ANM-T1-7.** With respect to your testimony at page 21 lines 18-19 that under the MPA/ANM proposal, “[w]itness Tang’s proposed container rate is replaced with an increased incentive to palletize,” please explain fully whether the container rate proposed by the Postal Service could provide a greater incentive for a publication to switch from sacks to pallets than the MPA/ANM-proposed per-piece pallet discount.

**RESPONSE**

Witness Glick and I designed our rate proposal to increase the incentive to palletize. Our proposed 2.7 cent pallet discount is larger than the 1.9 cents that the 85 cent container charge would translate into if reconfigured as a pallet discount. Looked at from the other direction, our 2.7 cent pallet discount would translate into a \$1.15 container charge, larger than the Postal Service’s 85 cents. So in general, the MPA/ANM proposed pallet discount will create a greater incentive for a publication to switch from sacks to pallets. There are exceptions – see Witness Glick’s response to MH/MPA/ANM-T2-3.

**R2006-1**  
**RESPONSE OF MPA/ANM WITNESS COHEN**  
**TO MH/MPA/ANM-T1-8**

**MH/MPA/ANM-T1-8.** Please explain fully whether, in your view, a per-piece pallet discount is presently the best way to encourage movement of Periodicals mail from sacks to pallets, as opposed to a weight-based pallet discount or some form of container-based charge(s) or some other rate design, whether in conjunction with a per-piece pallet discount or otherwise.

**RESPONSE**

As I stated in my testimony (MPA/ANM-T-1) on page 24, I believe that the set of pallet discounts we propose is the best interim solution to providing the correct price signals to publishers. On the preceding page of my testimony, I stated MPA and ANM's support for recognizing containers as an important cost-causing element of Periodicals mail. Container costs includes both pound and piece components. The pallet discounts were a known and implementable alternative to the unsophisticated container rate proposed by the Postal Service. See also Witness Glick's response to MH/MPA/ANM-T2-4.