

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20068-0001**

**Kansas City, Missouri Field Hearing
June 22, 2007**

**Testimony of Dave Berry, Vice President Community Newspaper Publishers,
Inc. and Publisher of the Bolivar Herald-Free Press, Bolivar, MO
On Behalf of the National Newspaper Association, Inc.,
and Missouri Press Association**

Summary

Newspapers as periodicals mailers experience unique service issues. Local service is generally good because publishers prepare finely sorted mail and drop ship to delivery units. Mail going outside the local area experiences frequent problems. Large city distribution centers seem to be the source of most delays. But publishers must reach even some local market subscribers through this route. Cancellations and deferrals to Internet-only publications are costing newspapers money, and depriving the Postal Service of business.

The looming concerns from the Flats Sequencing System machines will create additional service anxieties—particularly if the Postal Service will not permit Delivery Unit Entry. FSS also will divide community newspapers into a bifurcated industry, as some publishers will apparently remain outside FSS zones. That will inevitably create yet another level of complexity in postage rates and complicate production

deadlines, even sometimes within one company with properties on both sides of a zone. Publishers are considering private delivery options.

The Commission is urged to work with the Postal Service to ensure that existing service standards are not weakened, that all standards remain a floor below which service will not fall and that high quality data on low density periodicals mail will be provided to the Commission and to mailers so industry and the Commission can be assured the goals are met for all mailers. In the event of systemic service failures, sanctions should be applied. Most mailers, however, would prefer to have reliable service, rather than to receive rates depressed by service failures.

I. Introduction

A. Biography and background

My name is Dave Berry. I am vice president of Community Newspapers, Inc., and I am publisher of eight community newspapers surrounding Springfield, MO. My division is based in Bolivar, MO. I hold a bachelor of arts degree from Missouri State University. My newspaper career in Bolivar began in 1977 and soon thereafter included three of the newspapers now in CPI. I was the publisher and co-owner of these newspapers when they were under separate ownership, and I gradually assumed full operating control of them and continued after their sale to CPI. Our Missouri group has grown to eight newspapers and a shopper directly serving six counties plus surrounding counties in each case.

I am a past president of Missouri Press Association and Missouri Press Service. Currently I am a regional director of the National Newspaper Association, serving the region that includes Missouri, Kansas, Nebraska and soon to include Iowa. Like many small town publishers, I've served as president of the local Rotary Club and the chamber of commerce, and I serve on boards for the local and regional YMCA and the local hospital foundation board.

B. Description of my newspapers

The newspapers in my CPI division include:

The Bolivar Herald-Free Press

The Marshfield Mail

The Buffalo Reflex

Christian County Headliner News

The Cedar County Republican

NixaXPress

South County Mail

And the Republic Monitor

All are weekly except for Bolivar, which is twice-weekly. All but Nixa are paid subscription newspapers mailing at periodical rates. Nixa is a free circulation Standard Mail paper mailed to every household in the Nixa zip code. We also publish a shopper in Webster County, *The Country Mailbox*, which is now in the mail.

C. About National Newspaper Association and Missouri Press Association

Established in 1885, the National Newspaper Association (NNA) is the national voice of community newspapers. NNA represents owners, publishers, and editors of America's community newspapers and with over 2,500 newspaper members, is currently the largest newspaper association in the United States. The mission of the National Newspaper Association is to protect, promote and enhance America's community newspapers.

The National Newspaper Association provided comments to the Postal Regulatory Commission previously this year on various aspects of the new Postal

Accountability and Enhancement Act (PAEA). It also represented community newspapers before your predecessor Postal Rate Commission in every postal rate case since Postal Reorganization. As a board member, I generally oversee the organization's work, but I defer to our Postal Committee Chairman, Max Heath, who is also a familiar face before the PRC, and our legal counsel and staff on specific matters. I am not a postal expert and I do not hold myself out to be either a specialist in mail preparation or a visionary on the effects of PAEA upon our industry. I can describe, however, many of the concerns that I have as a newspaper executive and that are being discussed by the NNA board of directors and other industry leaders.

NNA supported the passage of PAEA, and believed the Postal Service needed a new set of rules and regulations for the future. Like most other industries, we found that the legislation changed over its decade of development in some ways that we found alarming, but we believed its passage was an important first step toward a better public policy.

I also appear on behalf of the Missouri Press Association which serves approximately 250 weeklies and 50 daily newspapers. Most of MPA's members also are distributed by mail. Postal problems, rates and service issues rank high on the agenda at most Missouri Press meetings. Our association is working with the USPS to coordinate six regional workshops in the next few weeks so newspaper personnel will be more familiar with mail preparation and new rates effective in July.

1. Description of industry and its needs

Our industry comprises newspapers that depend heavily upon the Postal Service for delivery of the periodical to subscribers, and of Standard Mail shoppers to all addresses and Total Market Coverage (TMC) papers to nonsubscribers. The adoption of preferred rates by the 19th Century Congresses was a major factor that led to the widely dispersed and deeply rooted local newspaper in America, as previous studies of the Postal Rate Commission have documented. Although

postage subsidies are now in our past, the need for rates and service that respect the importance of local newspapers continues. PAEA has reinforced their importance by the requirement for continued reduced rates for within county newspapers under section 1003 and through several sections supporting the importance of periodicals.

A community newspaper in our industry is generally understood to be a weekly, twice or thrice weekly or a small daily paper that focuses almost exclusively upon local news. We cover small town America. We also are in the exurbs and suburbs of larger cities. Our median paid circulations are between 3,000 and 5,000 for a weekly and under 10,000 for a daily. Circulations, of course, are simply measures of newspapers sold—either for mail delivery or distribution by private carriers or by single copies sold at newsracks and stores. Circulations do not represent total readership, as most newspapers are shared by more than one person. Most industry measures indicate two or three people read every paper. And now we are beginning to look to the Internet for readers, where materials that may originally have been collected for the printed newspaper are appearing on the web. Our electronic footprint is gradually expanding to new readers.

Some newspapers now provide their entire editions as pdfs for readers.¹ More commonly, individual stories appear on the web. I have no exhaustive surveys on this subject, but my personal experience tells me most newspapers still offer their website information for free, and most of them publish entire stories on their sites.

2. Industry pressures

Despite our electronic expansions, most publishers hear their readers' insistence on maintaining the printed newspaper. Although youth readership is famously hard to develop, most of our readers—both young and old—say they want a printed product, even if they also gather some information from us online. So it is

¹ NNA's Postal Committee is seeking recognition from the Postal Service that these copies, if paid for under periodicals rate requirements, should be recognized as paid circulation.

safe to say that hard copy delivery will be with us for some years to come, or so we hope.

My newspapers are increasingly the prototype of community newspapers in America. While my company's corporate backing may be somewhat more robust than most, the owners of America's community newspapers are now holders of more than one title. It has become necessary for survival to produce more than one title in most markets, because of the fixed costs of publishing. Whereas in the PRC's earlier days, it heard primarily from mom and pop types of newspapers, it now also hears from executives like myself whose companies have invested in these papers. With very few exceptions, however, these corporations are still small businesses, and local ownership is still the predominant model. Our ownership clusters are typically within a 30-60 mile range, and the owners live within the state or the immediate region. The mom and pop papers, however, are still very much with us. NNA's witness in the most recent case was my friend and fellow Missouri Press Association colleague Gary Sosniecki who publishes one small newspaper title in Vandalia, MO, with his wife, Helen.

As an NNA director, and in particular as former MPA president with the large rural expanses served by newspapers in our state, I am mindful of the need to assist these smallest papers, as well as the small group papers within the business. I also recognize that my company's size gives me latitude to take a day off to appear before important policymakers like this commission, while Mr. Sosniecki's appearance was a very large sacrifice for his small company that he made because he cares so much. I have a staff to learn and follow the postal rules, whereas many small papers have publishers who must be the postal expert, the chief writer, the ad executive and nowadays, the webmaster.

It is critical for the Commission to understand that the electronic information delivery pressure upon the Postal Service is upon most, if not all, of its customers as well. Readers are pressuring us to develop our own electronic products. Also, my

business daily encounters new competitive inroads to the business base—ranging from Internet classified ads on Craigslist or Google to local web developers who are looking for better ways to provide information. This competition keeps pressure on our advertising and subscription rates.

The matters facing the Commission currently are therefore critical to the future of our industry, from the very smallest papers to the larger ones. If the costs of hard-copy delivery cannot be effectively controlled, or the quality of service maintained, our customers will turn to a growing number of electronic alternatives for information with commercial value and we will lose them. But our competitors thus far show little interest in covering the school boards, the city council and youth sports. If we lose our economic base, our communities will lose the news.

II. What Readers Expect From the Newspaper and from the Postal Service

A. How newspapers use the mail

Like most businesses, my newspaper and others in the industry use all mail classes. The periodicals class is the most critical to us. At CPI, we prepare all of our mail using PostalSoft software, a Business Objects, PAVE-certified product. It is a more muscular product that most in the industry use, and probably a little bit too large for papers our size. Most of our colleagues use less costly or more tailored PAVE products. Our company takes advantage whenever possible of postal training programs offered by NNA, whose eminent expert is Max Heath, vice president of Landmark Community Newspapers, Inc. We find Max's sessions more informative than those offered by other publishing industries or even by the Postal Service which gears its training to magazines. Our circulation director, Jim Kennedy, relies on Max's training and on his column in *Publishers' Auxiliary* to keep us abreast of industry developments. We like to think we are up to speed. For example, we now prepare our mail for the new OMX sortation, which Max and the USPS operations staff arranged to help our timely mail to travel with first-class ground transportation.

My comments here address periodicals mail unless I indicate otherwise.

I would break down our periodicals mail use to three categories, and I here provide the expected service standards presently in force for each. I rely upon the Postal Service's most recent Service Standards CD from Quarter 2, Fiscal Year 2007 for the standards.

- Local entry mail for local readers

Our newspaper mailings are entered at the DDU wherever possible. We go to extraordinary measures to transport mail directly to the DDU for timely delivery. Our company perhaps can afford to invest more in this transportation, which is a cost not compensated in rate discounts except to a minor degree, so our customers will receive their papers on time. When I began in the industry, it was not necessary to develop such extensive drop shipping. But as the Postal Service has automated mail sorting, and processing plants have grown distant from localities, delivery declined and we had to find ways to combat it.

We enter our periodicals at the in-county rate wherever we are eligible, and we claim DDU rates for outside county copies through exceptional dispatch where possible. We enter mail at Bolivar, Buffalo, Marshfield, Rogersville, Ozark, Republic and Stockton.

We enter our shopper at Springfield SCF to cover our entire market area, and we claim the Enhanced Carrier Route rate for that mail.

According to the Postal Service, all of this mail is within the 1 day delivery standard for periodicals and 3 day standard for ECR mail.

- Outside county "hometown" readers

All of our papers have readers who live outside the county but consider our community their home town, or their second home. These readers are as important

to advertisers as any other potential shopper. For the smallest papers, there will be readers on farms who drive into the small town to shop. For larger ones, like Bolivar, readers may be driving from 30-60 miles into our regional marketplace to shop. Those readers want the ads, the local events calendar and so forth, so they can plan their lives. I quote later below from such a reader who lives in Half Way, so named because it is "halfway" between Bolivar and Buffalo, but works in Jefferson City. We have had a hard time getting the papers to her on time. She buys both the Bolivar and the Buffalo papers because of her Half Way heritage, in hopes of getting one of them on time each week.

Also because we are blessed to be in the beautiful lake region of Missouri, we have many readers who consider our area their weekend home. They need to know what is going on in town so they can plan their schedules. I quote below from Bill McCully, who falls into this category. I believe he lives in Wichita, Kansas.

Although we try our best to drop ship to the Delivery Unit for as many subscribers as possible, some of the mail has to be handled in a Sectional Center Facility.

According to the Postal Service, all of these readers are within the 2 day Standard for Periodicals. (We do not mail shoppers to these individuals, so we would not use the Standard Mail class.) This mail is mostly worked at the Springfield SCF, where we drop our OMX sorted mail by 2 a.m. We use no sacks. We combine our 7 weeklies, sorted by zip codes and bundled together in tubs, and deliver them on APC carts. We have terrific cooperation from the plant manager in Springfield, but he cannot control the problems that seem to be arising in Kansas City and St. Louis. Publishers throughout our region are complaining about both of those operations.

- Outside Market Readers

Finally, our papers have a number of readers who are former residents or have other ties to our hometowns. These people may live anywhere from Alaska to Maine. Service to them has generally been a challenge as long as I have been in the

business. In recent months, it seems to be getting worse. It is interesting that often service achieves the expected levels, and we will hear no complaints for long stretches. That tells me it is possible for the Postal Service to deliver these papers on time. But then there will be a glitch somewhere, and we will begin harvesting complaints. I am not dwelling on these issues here as extensively as on other concerns, because the readers in the local market have to be the first concern. But these readers represent revenue to us as well, and we are losing them when service is poor.

According to the Postal Service, the worst service for these readers would be a 6 day delivery to readers west of Reno or at the tip of Maine. Popular retirement areas for Missouri residents are in south Texas and the west coast of Florida. These readers should receive a 4 day delivery.

These standards are sufficient for our needs. Our readers would be satisfied in most cases if delivery achieved these standards.

B. What Readers Receive

Disappointingly, the service our readers expect is sometimes not there when we most need it.

1. Local entry mail for local readers

For our first category of mail, the within county or drop-shipped mail, our service is typically good. Our local postal managers work hard to communicate with us, and we work hard to use the service efficiently. The Postal Service has to do very little with this mail. It arrives ready to go out, already in walk sequence.

2. Outside county mail for "hometown" readers

This category of reader should be receiving the paper no later than 2 days from mailing. If we enter the mail at 2 a.m. on Wednesday morning, the readers should receive it on Thursday before they leave for the lake or head off for Saturday shopping.

Yet, readers complain that the mail arrives after the weekend, or even a week behind schedule. We continue to lose readers. I personally spend an inordinate amount of time communicating with them and trying to persuade them to give us another chance.

Below I offer two typical communications from email exchanges that I have excerpted for the record. Both of these readers have consented to my using their information in the hope that the system can be improved.

The complaint of the lake visitor

First, here is a complaint from a reader who needs the paper in order to plan his weekend at Stockton Lake. This communication initiated through our website. As you can see, I am encouraging him to find us online, as I have little confidence that service is going to improve.

Comments: We are weekenders in Stockton and have been subscribers for some time. The issue that we have is a repeat one that happened several months ago but was corrected, but is occurring once again and that is that we don't get the paper for as much as a week after it comes out on Wednesday. We plan our weekends on what might be happening and by getting it past the occurring weekend makes it useless. I realize that you can't control the postal system, however, is there any way that out of town subscribers could be handled differently so that they at least get their paper by Friday ????? I could resort to going on line, but that doesn't meet all requirements.....please advise..

Bill McCully

Dave Berry wrote:

Mr. and Mrs. McCully:

We share your dismay over the delivery problems with your Cedar County Republican. I'm afraid our only option with the print product is to continue complaining to postal authorities about the delays that occur between the sectional center where we place the papers in the mail stream—shortly after they are printed—and the postal carrier who eventually delivers the paper to you.

This delivery issue remains a serious problem for all newspapers across the country. It is serious enough, in fact, that many of us are working on alternatives. The best news I have for you is that we are working diligently toward being able to offer you a better solution soon. I wish I had an exact date for you, but we are again at the mercy of others in getting this ready to launch.

What we soon will have is the complete edition of the Cedar County Republican online for you to see the same night it is printed. For subscribers, you will be able to see on your computer each page of the paper, just as it appears in the print edition. And the best news is that you won't have to be paying the higher price for an out-of-area paper (unless you still want the paper mailed to you with sporadic late delivery).

We expect to offer the electronic subscriptions to the out-of-area delivery areas for the same price as a local subscription to the print product, a substantial cost savings for you.

In the meantime, I ask for your continued patience and endurance through a frustrating situation for both you and us. Thank you for sticking it out with us to this point and thank you for your continued enjoyment of Lake Stockton.

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Thanks,
Dave Berry
Vice President
Community Publishers, Inc.

Direct phone: 417.777.9776

From: Bill Mccully

Date: Wed, 30 May 2007 18:18:54 -0700 (PDT)

To: Dave Berry
Subject: Re: Subscription

*Mr. Berry.....I appreciate your quick response and we will hang in there
....it sounds like the best solution is the paper on line and that will be
acceptable once it is up and going. In the meantime, we will be as patient
as an Irishman can be and wait for future updates.....*

As the Commission can see, this reader has already said he doesn't want the paper online. He wants the hard copy. We are trying to hold on to him as a reader. The Postal Service will lose this mail piece, in all likelihood. Either he will quit the paper altogether or find it online.

The complaint of the local shopper

This reader just wants the newspaper in time to enable her to plan her shopping. Her home is not far from Bolivar but during the week she needs the newspaper in the state capitol, where she works. As you can see, the online edition isn't going to satisfy her. She had delivery problems before and gave up on us once. This may be our last chance with her. This complaint originally arrived at the mailbox of our webmaster in reference to the Buffalo Reflex on April 9, 2007.

*To: Buffalo Reflex Steve <steves@cpimo.com>
Subject: Delivery of newspaper Specifically the March 30 issue*

Steve,

As of today's mail, I have not received the Friday March 30 issue of the Bolivar Herald Free Press.

Today I received the Wednesday April 4 issue of the Buffalo Reflex.

Once before on a Monday I received the Wed. Buffalo paper and the last 2 Friday's Bolivar paper.

I go home every weekend and never see grocery ads until I get to the store since I am out of county.

I have talked to the Jefferson City Post office and it is not their fault of course. They assure me that they get it to my house as soon as they receive it.

I know that my writing will create no change, but I think you should be aware that paying extra does not guarantee timely delivery, or even delivery???

*Faye Peters
Jefferson City, MO 65109*

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On 4/9/07 1:52 PM, Dave Berry wrote:

Faye: I'm sorry you continue to have difficulties receiving the papers in a timely manner. I wish even more that I could assure you that the situation will definitely change and change quickly. We continue to work on it, but delivery of papers outside the immediate area is often a brick wall for us. The folks at your post office are correct when they say it's not at their end. And the folks in Springfield, where we now enter the papers so as to eliminate as many steps as possible, are correct when they say the problem is not at their end. Most likely, your papers go through St. Louis before getting to Jeff City. If not, then it's Kansas City. All newspapers seem to have problems with the former and many with the latter, too. And the prices will soon get worse. Our postage rates are going up from 18-23 percent in July, with no assurance that service will get any better. I do promise, though, to keep doing our part to remind them of the poor service when we hear from folks like you.

Do you have access to a computer and the Internet? If so, we will soon have a way in which you can see the entire paper on your computer on the same day it is delivered locally. It will not help you with the grocery inserts, because those will still be only in the actual copies of the local newspapers, but you will be able to at least see the news and all of the ads that are printed as part of the paper.

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*From: Faye Peters
Date: Mon, 09 Apr 2007 14:13:04 -0500
To: Dave Berry
Subject: Re: BHFP BR*

Dave, thanks, for the speedy response.

At one time I did not subscribe to either paper as I felt that I was paying to frustrate myself. I re-subscribed when my sister in Belton told me that she

was receiving her paper in a timely manner now. Well Jefferson City is not Belton.

I do scan the web version of the paper, but I am one of those "mature, seasoned" folks who still likes to have the paper in my hand on the couch.

I am glad to hear that the entire paper will be available on line. Again, thanks for the reply.

Faye Peters

The issues of our two unhappy readers are shared throughout the region. One fellow publisher, Don Ginnings, published an editorial in the Index of Hermitage, MO, about his disappointments, which I have attached. He explained that he had investigated the situation carefully, hoping to learn that the problem was actually created by his mail preparation. At least then, he said, he could fix it:

"We have lost over \$1,000 in subscription revenue because of the problem. Oh, how we had hoped that someone would ultimately tell us to use yellow labels rather than pink, or white bags rather than brown, or multiple bags rather than combined bags, or some other sorting, labeling or bagging process. We would have implemented that process in a matter of minutes and solved the problem. It's not our cause, but it's still our problem because it impacts our readers, our advertisers, our workers and our income," he writes.

We know how he feels.

C. Service in the future

NNA is participating in the Postal Service's deliberations over service standards and measurements. I am not personally involved, but I understand the Postal Service has been commendably inclusive in learning more about our needs. In fact, in general, the top management of the Postal Service is attentive to our needs, despite the fact that we have recent severe disagreements about our rates and containers. The entire system is stressed right now, however, and there appears to be a mindset in some quarters that it is up to the mailers to adapt to the visions of

the future, rather than for the service to adhere to the needs of customers. Thus, it is too soon to know what systems may be developed from all of the dialogue, but NNA has invested a substantial amount of time in trying to contribute to it.

It would be great to hope that service will improve in the future. Certainly with the rate increases we have seen this year, we should expect it. Most businesses that pass on such price hikes to their customers understand they need to promise and deliver on better products and services. But that has not been the history of our relationship with the Postal Service. Most publishers have become pretty cynical about the future. Here are some of the challenges that we know to be ahead.

1. The new service standards and measurement

The new postal reform law, as I understand it, requires measured service standards and performance. But it is not yet clear how newspaper delivery will benefit from this requirement. Setting standards and measuring their achievement are two different matters. If the existing standards were met, I would be satisfied, and so would our readers. But how will Mrs. Peters's or Mr. McCully's mail complaints be captured? Most periodicals systems are designed with large national mailers in mind. Our service complaints tend to fall within low density mailings. We have many questions, and few answers.

Will low density mail be measured?

If it is, will individual complaints from that category be written off as "outliers" when most mail volume in the class originates in higher density mail preparations?

If the industry has no external measurement system to match the data quality that USPS may be able to achieve for market dominant products overall, will complaints be written off as anecdotal and therefore not worthy of attention? Or should the community newspaper industry, small though it is, endeavor to collect individual service failures?

What will the USPS measurement system cost? For low density mail, will the measurement itself be the cost that finally eliminates it from the mailstream?

Indeed, will small mailers like ourselves be seen in this system as among those for whom USPS price signals are flashing: No Mail Wanted.

2. Intelligent Mail and the FSS environment

The apparent future of the Flats Sequencing System (FSS) is for most local newspaper mailers the edge of the earth. Because we have been unable to get assurances from the Postal Service at the highest levels that DU entry will continue to be available for all local newspaper entry in the FSS zones, we fear that the onset of this new automation will be a fatal blow. It could be the thing that messes up the one aspect of USPS service that really works—the local entry and delivery.

Apart from this issue, we are aware that non DU entered mail will be moved into the FSS facilities. The size of the facilities and the sparse deployments in the beginning may mean our mail has to travel even greater distances for sortation. Could that eventually mean our local Springfield SCF is closed down, and, horror of horrors, Mrs. Peters's and Mr. McCully's mail will one day have to be trucked to Kansas City or St. Louis to be on the FSS?

We also are aware that many NNA members will remain outside FSS zones for the immediate term. That probably means Bolivar is safe for a good while since we are over 150 miles from Kansas City and more than 200 miles from St. Louis. We hope we can continue to use the SCF in Springfield. But will my Missouri colleagues in Harrisonville or Belton need to haul their mail into Kansas City only to have USPS haul it back again in FSS packets? If so, what will happen to service delays caused simply by traffic jams or bad weather?

Also we now face an interesting intra-industry problem. We are about to have a bifurcated industry. Some of us will be in FSS zones; and some will not. It will make production deadlines and rates vary between FSS and non-FSS zones. That could affect even mail within a single company. Also this development will make industry postal training a greater challenge than ever. Max Heath has a daunting

challenge ahead as he tries to interpret “postalese” for our circulation managers or, worse, for guys like me who struggle with it already.

3. The tubs, the sacks and Time Warner

These comments are not designed to gripe about the outcomes of the most recent postal rate case, but one aspect of the outcome interplays with service, and cannot be ignored.

Because of the disfavor of sacks, NNA members will soon be paying fees for them, whether or not they have an alternative container available. Most disappointing is the fact that NNA’s efforts to encourage flats tubs as an alternative to sacks are being set back by the Postal Service’s unilateral decision to apply the same charge to the tubs as to the sacks. The Commission did not recommend this charge, and NNA considers it an illegal charge. Because of the imminence of another rate change in 2008, our organization elected not to challenge it. But we now see the need to measure service in sacks separately from service in tubs—and, by the way, to see some cost measurements from USPS for both containers now that the Time Warner price grid is going to go into effect. We believe these developments may solve a fair amount of the service complaints: we are going to lose the subscribers because we are going to encourage them to switch to the Internet and save us both some money.

4. Private Delivery

It would be unfair not to mention this development in our industry. NNA’s board has decided this summer that it is time to explore private delivery options for community papers.

Of course, daily newspapers have used private delivery for most of the past 100 years, although NNA had recently had encouraging results in helping some smaller dailies to shift entirely to the mail. (Imagine their chagrin when they saw the July 15 rates!) Most community papers have not developed private delivery, primarily because they have not needed to do so. Most publishers would rather have

a hive of hornets let loose in their offices than to develop a private delivery system. We are in the information business, not the distribution business. During my career, I have considered the Postal Service as my delivery partner.

But the confluence of events—particularly the lack of assurance of continued DU entry, and the new Time Warner prices—have awakened many of us to the need to rely on ourselves. I hope we do not have to take this route, but we see that it is time to consider it. If these systems are developed, they will remove both periodicals and ECR volumes from the mail.

III. What Newspapers Need from the Commission

The new law promises that modern service standards will be developed. The Commission has new powers under the law. I understand that it will have the authority to take some action when service is not up to par.

I am not a postal expert, as I have said. But I have some thoughts on how the commission might be able to use this new power.

1. *Service standards should not be lowered to today's performance.*

The periodicals rates that I grew up with were set up in the 8 zones that were developed as concentric circles around an entry point. Publishers understood that delivery within the inner circle was same day if entry occurred in early morning, and would be on the next day to the immediate area outside that first circle and that a day would be added with each new circle. Now, we have access to the Service Standards CD published by the Postal Service, which was provided to me by my Postal Committee friend Max Heath. I am attaching a screen print of the map as it applies to my area.

I would say that service in our area meets standards in the blue area around Bolivar much of the time. After that, it seems service is met sometimes and not others.

Some people must be getting their papers on time. They do not all complain. And, as my correspondence with some complaining readers shows, service improves when attention is paid to it. So it is possible for the Postal Service to meet the standards, logistically. But service doesn't stay fixed.

I fear the temptation will be to lower the standards to the poor achievement level. The Postal Service knows a lot of this mail will die as service worsens, but may fear the public display of a poor service score more than the loss of the mail piece.

The Commission should monitor this process and refuse to accept standards that are manipulated to avoid service improvements. Service taking longer than 6 days from my plant to the contiguous United States should never be necessary when I could drive the papers there myself faster than that. And a week from Bolivar to Kansas City is absurd.

2. *The standards should be a floor and not a ceiling.*

Sometimes the Postal Service performs admirably, particularly when OMX is used. Service from Bolivar to Louisville, for example, may take only two days and not three. My readers in Brownsville, TX, may get their paper in three days, not four. That is terrific. The standard should express the *worst* service that a periodical will likely receive.

This point is important, because in the post-Time Warner era we can expect our colleagues in the larger publishing industry to argue that mail on pallets or with 5 digit bundles or that has some yet-unconceived improvement should have its own service standard.

I have no problem with better prepared mail receiving better service. But the standard should be the standard for all periodicals. More efficient mail may be

delivered sooner. Good for them. But please don't allow my standards to be lowered because of it.

3. *The Commission should require high quality measurement data for all periodicals, not just high density mail.*

Data quality is a persistent and vexing problem for newspaper mail. Because of our comparatively low volume and lower densities, USPS has had a problem accurately measuring our mail. This issue has shown up repeatedly in various within-county measurement systems, and it is a problem the NNA board of directors has repeatedly addressed, obviously without finding a good solution.

We fear, as I expressed above, that the higher density mail will be easier to capture for sampling. I hope the Commission insists upon sufficient reliability in the data to give our mail a fair examination for service.

4. *Measurement systems should not be superior for centralized printers or for industry-measured mail*

The existence of mail.dat, which I am told is a software used by centralized printers to handle their work, provides some mail preparation data. Newspaper printers have no need of it, do not typically use it, and would not be able to financially justify acquiring it. As a result, measuring mail output from newspaper printers has been problematic. Similarly, some periodicals have created seeded lists so that systemized measurement of service can occur. Newspapers have not done so, and cannot financially justify setting up such systems. We can tell with our own eyes when local delivery goes kaput. Longer distance mail is of such low volume for small circulation papers that measurement systems' costs would outweigh the income from the subscribers.

NNA has no quibble with our periodicals' colleagues with access to such data and we applaud their initiative in developing such systems. But we believe the burden is on the Postal Service to deliver the mail. It ought not fall upon a business to create enforcement systems to figure out whether a vendor is doing its job.

5. Real sanctions should be available

If there is any comment I hear most frequently from publishers about the Postal Service it is surprise that USPS doesn't have to pay us back when it didn't provide the service we bought. When we mess up an ad, we have to give the advertiser a new one for free, or not charge him for the original one. When a reader's subscription isn't handled properly by our staff, we give them an extension for free. Why the Postal Service, which has been advertising itself as a business for more than 35 years now, doesn't have to do the commonly-decent thing when it messes up is beyond most of us.

I understand the Commission will have the authority under the new postal reform law to hold an annual inquiry as to whether the law has been met, and that service performance is among the areas of inquiry. I refer to this section:

"Sec. 3653. Annual determination of compliance

"(a) Opportunity for Public Comment.--After receiving the reports required under section 3652 for any year, the Postal Regulatory Commission shall promptly provide an opportunity for comment on such reports by users of the mails, affected parties, and an officer of the Commission who shall be required to represent the interests of the general public.

"(b) Determination of Compliance or Noncompliance.--Not later than 90 days after receiving the submissions required under section 3652 with respect to a year, the Postal Regulatory Commission shall make a written determination as to--

"(1) whether any rates or fees in effect during such year (for products individually or collectively) were not in compliance with applicable provisions of this chapter (or regulations promulgated thereunder); or

"(2) whether any service standards in effect during such year were not met.

.....
(c) Noncompliance With Regard to Rates or Services.--If, for a year, a

timely written determination of noncompliance is made under subsection (b), the Postal Regulatory Commission shall take appropriate action in accordance with subsections (c) and (e) of section 3662 (as if a complaint averring such noncompliance had been duly filed and found under such section to be justified).

Following these findings, the Commission can act under Section 3662(c):

"(c) Action Required if Complaint Found To Be Justified.--If the Postal Regulatory Commission finds the complaint to be justified, it shall order that the Postal Service take such action as the Commission considers appropriate in order to achieve compliance with the applicable requirements and to remedy the effects of any noncompliance (such as ordering unlawful rates to be adjusted to lawful levels, ordering the cancellation of market tests, ordering the Postal Service to discontinue providing loss-making products, or requiring the Postal Service to make up for revenue shortfalls in competitive products).

This power isn't as good as being able to require the Postal Service to give the money back to the individual mailer, which I still think is the right business answer to failures of service. But it does seem to authorize the Commission to reduce rates if service is not provided.

Frankly, I would rather have reliable service and pay a reasonable postage to get it than to have rates depressed by service failures. Poor service costs me readers, which unravels my entire franchise. Reasonable rate increases --not the 20-30 percent USPS proposed last time--but reasonable increase in manageable increments are costs I can absorb with sufficient notice. I would rather have good service. This comment has been offered many times by NNA members, most recently at our Postal Summit in August, 2006. But if the service isn't going to be provided, at the very least, there ought to be some penalty paid by the Service. So I do urge the Commission to be willing to exercise this authority in the future.

IV. *Data Quality is a major concern*

Reiterating once again that I am not a postal expert, but only a director of the NNA who regularly endures complex postal briefings from our committee and staff, I

conclude this testimony by expressing my concern for the quality of the information that the Commission and the mailers receive from the Postal Service as this new system develops.

NNA has filed comments on this subject in earlier proceedings before the Commission. I want to urge the Commission to carefully consider the plight of the small mailer, and of its association.

For as long as I have been involved in NNA, the issues about wide price swings for Within County mail has been a part of our briefings.

These price swings befuddle all of us.

Our mail does not change that much. Our volumes are relatively constant. Our preparations change only to improve, as Max and others badger us to do more, or we learn that by making one more exceptional dispatch or one different sorting arrangement we just might improve our odds for reliable service. We recognize that fuel costs are rising, but within county mail is DU entered, and the fuel involved is just the bit of fuel we share with all the other mail on the carrier route. Labor costs are rising, and they have risen a lot more rapidly than the costs for our own staffs—and that is a concern.

We are told repeatedly that a major reason is the effect of the Postal Service's trying to capture costs through a sampling system that does not serve within county mail very well.

We now face a whole series of information quality issues, it would appear:

- The within county cost measurements have not been solved.
- Now service must be measured, and we know our mail will be sparse in the mailstream.
- PostalOne is being urged upon us, but most of our mailers are not yet able to understand or use it. And many of our DUs are not yet automated. We are not sure USPS even sees all of our mail in the system.

- PAEA no longer allows us to examine postal costs as we once tried to during rate cases. The burden is on us to bring a complaint if we believe something is radically wrong. That will be hard for a small association like NNA to do, particularly since capturing data on newspaper mail has proven very difficult in the past.
- And after FSS arrives, we will have FSS-entered newspapers, and hopefully DU entered newspapers in the FSS zones, as well as all of our existing mailers in the non-FSS zones. We can envision numerous new challenges in understanding and validating costing systems.

Finally, there is some apparent internal confusion within the new law, where a price cap is set, but the Postal Service may believe all mail must still cover its own costs. For Within County mail, where the data quality compromises the claims of steeply rising costs, the Postal Service may choose to exercise its discretion to pass on dramatic price increases to this small subclass. Such price hikes are not within the spirit of the law, NNA believes.

NNA will be watching with great concern to see how PAEA affects this mailing subclass.

In creating rules for the Postal Service to follow in reporting its costs for our subclass, the Commission should provide us some measure of relief by requiring well supported conclusions. Mailer organizations like NNA never have been in a very good position to challenge the Postal Service, but in this new rate system, it will be less able still to question high rates. If the standards are properly set and the Postal Service does not achieve them, we believe the Commission has the authority to adjust the rates to appropriate levels.

NNA backed PAEA in large measure because it understood the value of the new authority of this Commission. In the past, we have needed the understanding of both the Commission and the Postal Service to keep our rates and service at a level where the community newspaper industry can continue to serve America. I appear before you today to express my gratitude for the Commission's interest in our issues,

and for the work of the PRC before you. I and my organization stand ready to participate in the new processes that you design.

Respectfully submitted,

Dave Berry
Community Publishers, Inc.
(417) 777- 9776

Attachment A

Editorial

Reprinted from The Index, Hermitage, MO. May 9

For the past several months we have received weekly complaints about the delayed delivery of The Index to subscribers in the Kansas City suburban areas, including most of the towns around the city. In fact, in the past year we have lost at least thirty subscribers there who claim the postal service is so poor that they don't want the paper if it consistently arrives two to three weeks late.

After calling everyone we knew and checking everything we could, we have finally received acknowledgement that our system here is not to blame. We have really put pressure on local postal officials, and they have been exceptionally diligent in trying to solve the problem for us. For months we had hoped that we were doing something wrong here in our mailing department because we can easily change our system. We knew that if the problem were to be found in the Postal Service, that would be hard to change.

During the past week I have spoken with customer service personnel, with managers, route deliver personnel and others in the Kansas City area, and they have checked our system out from end to end. In fact, one manager who receives our newspaper said he took the time to go to the Kansas City postal routing center to verify that our bags of newspapers containing his individual copy arrived on schedule Thursday in Kansas City. And, to his dismay, the bags stayed there for two to three weeks before being delivered to his home.

The route carrier told us last Tuesday that his route consistently includes mailings that have been sitting in the postal center so long that the expiration dates have expired on the sales or promotions and the dates for the special events have long passed. He says he has begun filing complaints with his superiors about the situation and suggested that the postal service should issue refunds for items delivered beyond the expiration dates.

We request Postal Watch reports on issues mailed to subscribers who complain about their slow delivery—scores of them. Our latest written communication from the Kansas City office of the United Postal Service verifies what I didn't want to know—that the problem is there, not here. After getting piles of these complaints, Connie Mori, Manager of the Consumer Affairs and Claims department in Kansas City, wrote to us this week that the Postal Service "verified the mailing labels, the sack sortation and the transportation" (that's our part) and "found everything to be correct and the necessary transportation in place."

However, her report noted that the monitored issues "were not received and delivered (their part) in accordance with our service standards for periodicals." She notes that "because of the continued delays, a copy of this information will be forwarded to our mail processing operations for whatever action they deem necessary. It is the interest and desire of the entire Postal Service to provide you with the best possible service at all times. We will continue in our efforts to achieve this goal."

That's vindication of a sort, but we are still unable to say, "It's not our problem," because it is our problem. We have lost over \$1,000 in subscription revenue because of the problem. Oh, how we had hoped that someone would ultimately tell us to use yellow labels rather than pink, or white bags rather than brown, or multiple bags rather than combined bags, or some other sorting, labeling or bagging process. We would have implemented that process in a matter of minutes and solved the problem. It's not our cause, but it's still our problem because it impacts our readers, our advertisers, our workers and our income.

The only bright spot at this point is that after months and months and scores of formal postal complaints week after week, we have finally found US Postal Service personnel who have been willing to check into the situation, monitor the process, check the delivery times and acknowledge that the routing system going out of Kansas City is not working. That's a much larger problem to fix. We can't fix that. Perhaps some manager, some supervisor or some politician will place enough pressure, or implement changes in personnel or procedures to make the postal service in Kansas City work the way it does in Springfield, Jefferson City, St. Louis and other areas.

That's a bigger aspiration than our original hope that we could fix the problem ourselves. But at least there is still hope. And while the newspapers still languish on the floor of the Kansas City postal facility for days or weeks after arriving there each Thursday, at least several postal service officials are now aware that the papers are lying there. That's one small step in the right direction. Perhaps there will be larger steps to follow.

In the meantime, we are still making our best effort to publish The Index each week at the same time and on the same schedule, while working with a Kansas City delivery system that doesn't appear to be moving at the speed of government.

