



**TESTIMONY OF THE NATIONAL NEWSPAPER
ASSOCIATION
BEFORE THE UNITED STATES SENATE
COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS**

SEPTEMBER 6, 2011

EXECUTIVE SUMMARY

- **Local newspapers will be among the hardest hit if USPS reforms are not well thought out and properly implemented.**
- **Small newspapers play an essential role in their communities.**
- **With regard to their relationship with USPS, they are unique because they are:**
 - **Nearly completely dependent on mail delivery;**
 - **Closely tied to their local post offices;**
 - **Highly presorted and presented delivery-ready at post offices;**
 - **Need to have full service at these local post offices, and,**
 - **Are disproportionately located in rural areas and so will be particularly hard hit by a move to five-day delivery.**
- **Nevertheless, NNA recognizes the need for and supports fundamental USPS reform.**
- **Reforms, however, must focus on customer needs, and USPS cannot push more of its cost onto its customers.**

Good afternoon, Mr. Chairman, Senator Collins and members of the committee. Thank you for the opportunity to appear this afternoon. My name is Tonda Rush. I am CEO and general counsel of the National Newspaper Association. NNA is celebrating its 125th birthday this year. It represents 2,300 members, comprising weekly and small daily newspapers from across the nation. Our members are in America's small towns, urban neighborhoods and suburbs. The unifying factor that brings them to NNA is their focus on local news and information. At NNA, we believe in newspapers.

We appreciate the hard work that this Committee has already devoted to understanding and addressing the problems of the Postal Service, and in seeking solutions that work for the customers and stakeholders. The challenge is daunting.

NNA supports a great deal of the work you have already begun, particularly measures to achieve some financial breathing room for the Postal Service by recalculating overpayments that may reside in existing retirement programs and lifting some or all of the unique burden on the Service to pre-fund retiree health benefits.

Community newspapers are small businesses that will be among the first to feel the impacts of the changes ahead. They are the most vulnerable to severe damage if changes are not well thought out and properly executed.

NNA realizes that strategic restructuring of the Postal Service is urgently and imminently necessary. Dramatic rebuilding of the way USPS moves mail, manages its workforce and serves its customers is needed. We support steps toward the sustainability of our valuable national asset, but the steps must be taken with customer needs in mind.

I have three messages today:

- A community newspaper's local mail is its bread and butter. To remain viable, the newspaper must be able to enter its mail at a local post office, prepared in delivery-ready form, and have it delivered from that office. About 80 percent of a typical community newspaper's readership is in its core market. We are concerned about the manner in which local post offices are being chosen for closing.
- To reach smaller communities around the newspaper, we must have the ability to drop that mail at smaller offices whether they are USPS-

owned, contract offices, Village Post Offices or some other option, and to find successful workarounds with USPS as mail processing facilities are closed, relocated or merged. About 15 percent of a typical community newspaper's readership is in smaller, more rural satellite communities. These communities are in grave danger of losing significant services. We are concerned that rural America is being thrown overboard by a postal system too eager to lavish its assets onto highly competitive urban areas. Within this context, the loss of Saturday residential delivery would be a major blow.

- For longer distance mail, the industry is working rapidly toward electronic delivery options, as the ability of the Postal Service to deliver a newspaper to zones outside a core area has long deteriorated, and with these new changes may be non-existent. We need the cooperation of USPS to have these electronic copies recognized as circulation, as USPS provides our primary circulation reporting system.

I am proud that our organization is a member of the Coalition for a 21st Century Postal Service, and we were also active participants in the Affordable Mail Alliance that focused in 2010 on the exigency postal rate proposal. We are charter members of the Mailers Technical Advisory Committee, and I want to emphasize that our relationship with the Postal Service and its employees has been typically productive and pragmatically-oriented to keeping newspapers moving through the mail stream. We have enjoyed and we continue to value the problem-solving attention of executives at L'Enfant Plaza, in local post offices and in Business Mail Entry Units. We have the deepest respect for Postmaster General Patrick

Donahoe, and empathize with the enormous challenges faced by our nation's mail system.

However, the storm clouds over us turn out to be more than the aftermath of Hurricane Irene. They are indications of trouble ahead for our mail, and potentially devastating consequences for many small newspapers.

Most NNA newspapers rely upon the US Postal Service for distribution of issues to readers. The predominant circulation is through the mail. Other copies are distributed by newsstands, retail outlets and some private distribution. Our mail is unique within the Postal Service's 167 billion piece mail business. Though the community newspaper industry comprises a wide range of business styles and circulation patterns, about 80 percent of a typical newspaper's distribution is entered into the mail stream locally and delivered locally. Of the remainder, most copies go to homes in surrounding communities more rural than the home town community. A remaining fraction goes to people who have moved away, are in summer or winter homes or are students staying in touch with the home town.

When a community newspaper mailing is delivered by publishers to the Postal Service it is typically ready for delivery. The Postal Service statistics for our most commonly used mail subclass, or product, the Within County Periodicals rate, shows that more than 75 percent is credited with discounts for sorting to the carrier's route. This mail is typically also sorted even more finely than the breakdown by carrier route and is sequenced precisely to the carrier's order of delivery.

We rely upon Periodicals mail to reach subscribers and Standard Enhanced Carrier Route mail to reach non-subscribers or to provide total market coverage on a day separate from newspaper publication. Members typically pay twice as much in Standard Mail postage as in Periodicals, and this revenue to USPS is in jeopardy

if the newspaper mail overall is in jeopardy. And, of course, we use First-Class mail for invoicing and remittance, which is critical to our cash flows.

Community newspapers in general, and NNA in particular, have a historic relationship with the Postal Service. Benjamin Franklin, the first postmaster general, was a newspaperman before he was a postmaster, and the colonial posts and newspapers worked symbiotically to inform the public.

Newspapers have been involved in shaping postal policy since recorded history of the Post Office Department. Moreover, newspapers have a strong and long-standing relationship with Congress, which intentionally spurred the development of the frontier by anchoring newspapers in new counties through favorable postal rates. Congress has emphasized again and again since the founding of the Republic the importance of keeping newspapers in the mail. Even in today's digital age, with information flying around the globe in nanoseconds, the importance of these two relationships--with the Postal Service and with Congress--to community newspapers is as critical as ever in keeping the nation informed. Scholars, analysts, political scientists and members of this body have expressed growing concern over the past half-decade about the threats to civic life and democracy if the local journalism that newspapers practice goes away. In many cases, the community newspaper is the only source of local journalism. That point was most recently driven home by a study of the Federal Communications Commission's report, "Information Needs of Communities, The Changing Media Landscape in a Broadband Age."

Besides carrying out a fundamental role in tying communities together with information, newspapers and the industries that support them--in printing, computer technology, distribution and advertising agencies--represent significant numbers of jobs. In small communities, where good jobs are growing scarcer, the newspaper's contribution to the local economy is significant. The Bureau of Labor Statistics in

2010 credits the industry with about 260,000 jobs in total. Those figures may represent primarily daily newspapers, and not weeklies. Our industry estimates give us a rough guess of 50,000 jobs within companies that publish smaller newspapers, and that does not count the commercial printers, independent delivery contractors, ad agencies and designers and the like whose livelihoods depend upon these newspapers. Nor does it count the small businesses that need the community newspaper to drive traffic. And it does not, of course, in any way measure the quality of life that a newspaper brings to a community.

So it is not taken lightly when our industry decides to support the Postal Service in bringing about the massive changes, even though we still need it to keep delivering newspapers. NNA believes there must be serious change, including reforms in the workforce, and it has been supportive of many of the initiatives the Service has taken to Congress and to the Postal Regulatory Commission. We recognize that the Postal Service, like our industry, is being reshaped by changing information technology.

We also believe the Postal Service, like our industry, has to face these changes by taking steps that are painful over the short-term but restorative over the long-term. In our industry, in fact, we have seen a decade of downsizing of the workforce, layoffs, furloughs and salary cuts, as the economic changes in real estate, the auto industry, classified ads and retail have diminished our advertising base. We are keenly familiar with the agonizing impact upon our own workforce, but we understand that reluctance to take critical but carefully-designed steps in workforce management can drive a company past the point of no return. In our industry, we cannot afford to be driven to that point if we are going to continue to deliver the news.

So, like newspapers, USPS must change to survive.

However, making changes without focusing on customer needs is no restoration, and protecting an inflexible network that ignores the needs of the American public and postal customers is not reform--it is an admission of defeat. The Postal Service cannot solve its problems by off-loading more costs onto its customers. Nor can it retain the customer loyalty it needs if it strategically chooses to drive some mail out of its system.

If what we have seen this summer is an indication of what is ahead, we fear for the future.

Permit me to cite a few examples.

- Last week, the Coalfield Progress, operating in the tip of southwest Virginia, learned that its mail was already being shifted from a Bristol, VA/TN, Sectional Center Facility to Johnson City, TN. The publisher was not notified before the change, but when subscribers began to phone to cancel, Jenay Tate began looking for the source of the problem. She was told her mail would not only travel nearly 40 miles further for processing, it would not return to her circulation area for two days after entry. She later learned it was sent on to Knoxville, TN, before returning to Bristol, which accounts for much delay. Here the note Jenay received from a manager of one of her three weekly newspapers:

FYI: Just had a subscriber from Vansant call to cancel his paper. He still hasn't received his from last week. He already knew about the post office problems (his wife had called previously), but said there's no need to get a paper that's two weeks old. He was polite, but understandably agitated. Tried to talk him out of it, but it didn't work. Don't know how things are for Coalfield and Post, but we are OVERWHELMED with calls about late delivery.

- The Milton Times, Milton, MA, and the Westmore News, Port Chester, NY, got only a week's notice that their deadlines had to move back an entire day because newspapers would no longer be handled at the local post office, but would be shipped to a Flats Sequencing Facility in the nearest city. In both cases, delivery was disrupted while the newspapers traveled to the FSS, sat for 1-2 days and were sent back to the local post office, unsorted. In both cases, NNA's intervention helped to put these newspapers back on track to be handled at the local post office, but this patch is intensive and hands-on, and may not hold forever. And during the time the problem remained unsolved, it was extremely disruptive to the newspaper's business.
- The High Plains Sentinel, serving the small town of Wright, Wyoming, was prohibited from dropping newspapers at the local post office, which was a contract office, for delivery to households served by that office. Instead, the newspapers were required to be entered at Gillette, 39 miles north. The publisher was ok with having the paperwork for verification of postage handled in Gillette but needed the newspaper issues to remain in the contract office so they would not be delayed a day. When she learned the Gillette mail would be shifted to Casper, however, she asked NNA for help. The Gillette postmaster, working with Headquarters executives, as of today is able to allow High Plains Sentinel stay in Wright, where it has been handled since 2005, despite the fact that contract post offices evidently are not required by contract to accept newspaper mail bundles.
- The Review in Plymouth, WI, has struggled for years to keep its long-standing practice of entering mail at the end of the press day for delivery the following day. No processing by USPS is needed other than casing and delivering the Review. But new rules driven by Sarbanes Oxley requirements

have caused many post offices to insist upon earlier entry times for newspapers, not because the mail takes longer to handle, but because the paperwork seems to take a great deal of time. Last week, The Review suffered a press breakdown, but hastened to get its issues to the post office because readers in that economically-stressed town needed news of a new retraining program at a local manufacturer. After an unbroken two year record of on-time entry, the newspaper arrived four minutes late--but still an hour before the truck to take mail to the processing plant was to leave. The post office refused to accept the mail. The newspaper's delivery was delayed by a day.

These examples are just last week's in-box at NNA. Across the country, we are learning daily of newspapers losing readers because of mail delays. Whenever a mail processing change happens, newspapers suffer. As Senator Collins knows, for example, the changes in Maine mail processing caused delays and major headaches for Maine newspapers as processing transferred to traffic-snarled Boston, and had to be trucked back over great distances.

A day is an eternity in the news business. A two day delay makes a newspaper stale. Two weeks make a newspaper useless. Newspapers can use their websites to post breaking news, but they are already competing with bloggers and pirates that scrape news off the newspaper sites for their own commercial purposes. Fixing a delivery problem by posting a news story on line is trading print advertising dollars for digital dimes--and can quickly drive a newspaper into insolvency. The printed newspaper is in demand by readers and advertisers. The printed newspaper pays the bills--as well as the postage. And in smaller, rural communities, in a nation where fully a third of rural households have no broadband service, a web-published news story is no story at all.

These are early precursors of the troubles to come, we fear, as USPS cuts out two thirds of its processing plants, and then closes another 7,000 post offices beyond the ones already announced.

NNA does not inflexibly oppose post office closings. We have not yet participated in a post office appeal at the Postal Regulatory Commission, though we will participate in the PRC's current advisory opinion on the process needed for these closings. Nor do we necessarily oppose plant closings. We agree with our colleagues in the mailing industry that the network carries the heavy weight of excess capacity. However, the system leans heavily into inflexible one-size-fits-all solutions, when a leaner, more flexible institution is what the economy wants, and our industry requires.

Here are some examples of problems emerging for us, and better solutions than the ones we so far have seen.

- Forcing an automation scheme where the scheme cannot succeed for us is deadly for our business. Flats Sortation Sequencing machines typically are not used to sort newspapers. But some publishers have already been forced to send walk-sequenced newspapers to those plants just to sit while other mail is sequenced, only to be brought back to the plants untouched, and nothing to gain for the new routing but lost delivery time. Many publishers fear this requirement is in their futures. A better solution is to keep the local newspapers in local post offices, where some manual handling will be needed in some cases-- but not always. Newspaper bundles sorted to the carrier sequence can be taken out directly by carriers on motor routes.
- Closing smaller, efficiently-managed Sectional Center Facilities so larger metropolitan plants can be stacked up with mail for a 22-hour

processing clock may help trim downtime at the bigger city plant. But it is going to bog down mail delivery to the smaller communities. A better solution would be to keep Origin-Entered mail destined for close destinations in smaller well-designed plants, but develop more flexible work schedules to handle the mail that is there.

- Closing some small post offices is clearly needed. No NNA newspaper, to our knowledge, has yet opposed the closings of the 3,650 offices on the list before the PRC. But when USPS targets an office for closing because its revenues are under \$100,000, it evidently does not count the revenue from the Periodical newspaper or Standard Mail shopper being entered there, nor the revenues from other locally-entered business mail. An office could easily have less than a \$100,000 revenue stream from stamps and packages, but \$100,000+ from newspaper postage alone. Targeting that office for closing, regardless of the community size, makes no sense.
- When local post offices do close and then contract post offices or Village Post Offices replace them, newspapers should be permitted to drop bundles for the PO Box customers there. Paperwork can be processed electronically at a larger office. But the physical newspaper issue cannot make a 100 mile round trip for processing and still achieve a timely delivery.
- The emergence of Village Post Offices as replacements for smaller USPS-owned offices may be precisely the type of creative solution we seek. We are looking forward to learning details. A number of NNA members, including me, in July requested the materials explaining how

to propose such an office. None of us have received a response, to my knowledge, and details on the potential remain fuzzy and vague. If a plan to replace the small post office is expected, it should be in place before the shut-downs are discussed. Community concern will not be salved by promises of details to come.

- Finally, it is well known that NNA opposes the end of Saturday residential mail delivery. We believe the lost First-Class remittance mail will create cash-flow disruptions for small businesses. The loss of a Saturday issue day will cost small newspapers their most important revenue day. Frozen weekend mail streams will result in considerable delay for all mail. Some mailers will be able to adjust. Many will not. They will simply leave the mail, and take lucrative postal business out of the system forever. And the many small dailies poised to convert to mail distribution will never make that shift, which will cost a volume-starved Postal Service even more business.

For NNA's purposes, we have stated the need for a palliative solution if 5-day mail delivery becomes a reality. We request Congress to require an extension of an existing privilege for limited use of the mailbox by local Periodicals newspaper permit holders so that we can deliver our own newspapers on Saturday. This extension does not threaten the sanctity of the mailbox, as it merely extends an existing practice; it will help daily newspapers to remain in the mails by maintaining a consistent delivery point, and it will demonstrate good faith by the Postal Service that it does not intend to unreasonably restrict access by those who need self-help to stay in business.

NNA notes that the urgent needs for delivery of Saturday mail by newspapers, pharmacy mailers and others cry out for more creative solutions by USPS than the wholesale elimination of a delivery day. We hold out hope that such creativity will develop.

- The process by which USPS is exploring post office closings needs tweaking. NNA hopes the advisory opinion of the Postal Regulatory Commission will assist in fine-tuning the opportunities for community input. However, we take this opportunity to note that if full community involvement is the goal, the Postal Service must make a much greater effort to notify the public, and it is imperative that it create an open and transparent atmosphere for news media coverage. It is clear from anecdotes we've received that much more has to be done to satisfy community needs for participation.

In conclusion, NNA fully appreciates the challenges ahead. We are seeking solutions that are sustainable, practical and useful for customers. The need for change is urgent and the Postal Service needs the help of Congress create that change. We do need for this Committee, the Postal Service and the Postal Regulatory Commission to be mindful of the impact of these changes on small businesses and rural America, and particularly on the community newspapers. We look forward to working with the Committee in the months ahead.