

Testimony of Ellen Levine, Editorial Director, Hearst Magazines
before the
Committee on Homeland Security and Governmental Affairs, United States Senate
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Mr. Chairman and Members of the Committee, my name is Ellen Levine. I am editorial director of Hearst Magazines, a unit of Hearst Corporation. My company is one of the world's largest publishers of monthly magazines, with 20 U.S. titles and more than 300 international editions. In my role as editorial director, I am responsible for strengthening current titles, developing new titles domestically and internationally, and evaluating opportunities for brand extensions, books, and digital expressions.

In 1994, I became the first woman to be named editor-in-chief of Good Housekeeping since the founding of the magazine in 1885. During my tenure at Hearst, I have conceived and helped launch several new titles, including O, The Oprah Magazine, in 1999 (the most successful magazine launch ever), and Food Network Magazine in 2008. I also have served two terms as president of the American Society of Magazine Editors.

I am pleased to be here today to testify on behalf of the MPA – The Association of Magazine Media, the industry association for multi-platform magazine companies, and I thank you for the opportunity. Established in 1919, MPA represents approximately 225 domestic magazine media companies with more than 1,000 titles, nearly 50 international companies and more than 100 associate members.

MPA's membership is broad and diverse, but all magazine publishers share one common objective: ensuring that we have an affordable and reliable postal system providing universal service throughout America.

I'm happy to say that magazines are still important and valued in this information-rich era. Ninety-three percent of adults read magazines, and the percentage for young adults (under 35) is even higher. Magazine readership has also increased over the last decade, as has the total number of magazine titles.

Nearly all publishers use the United States Postal Service to deliver their magazines to subscribers. While most consumer titles are also available on newsstands, mail subscriptions will remain the major component of hard-copy magazine circulation in the United States for the

foreseeable future. For the industry as a whole, subscription copies have grown to about 90 percent of circulation. Almost all of these copies are delivered to readers by the United States Postal Service.

The Internet has not eliminated the need for mail delivery of magazines. Although magazine publishers are increasingly using the Internet to communicate with readers, these digital initiatives have not dampened our readers' desire for bound versions of magazines. According to MPA's annual Handbook, nearly ninety percent of people who are interested in reading magazines on a digital device still want the printed copy as well. Seventy-five percent of consumers feel that digital content complements print. Confirming readers' love of print, Deloitte's 2011 State of Media Democracy Survey found, "Since 2007, 80+% of consumers who read a magazine in the past six months state that reading the printed copy is their favorite method." MPA's members are committed to the written word and the print medium, and intend to continue hard copy dissemination of our magazines and related mailings for a long time to come.

Magazines will also continue to play a crucial role for the Postal Service. More than one Postmaster General has referred to magazines as the "anchor of the mailbox" – one of the main reasons people enjoy opening their mailbox. This value has been confirmed by the Postal Service's Mail Moment study, which shows that magazines rank behind only personal correspondence and greeting cards as the type of non-package mail households like most. Magazine publishers need the Postal Service and the Postal Service needs magazines.

I think the direct economic effect of a viable and affordable Postal Service on the magazine industry is fairly obvious. In the US, there are about 300 million paid subscriptions serviced each year, representing billions of dollars of circulation revenue. But the indirect economic impact of a viable and affordable Postal Service, while perhaps less obvious, is even greater. Most consumer magazines carry advertising, about \$20 billion worth in 2010. Every dollar of this advertising affects the spending patterns of nearly five people and drives them to action: 77 percent of people at some point have purchased a product after seeing or reading about it in a magazine. Without a way to distribute magazines and the advertising therein... I don't think any of us want to quantify the lost sales that would result.

Not surprisingly, therefore, the magazine industry has been committed to a viable and affordable Postal Service for a very long time. Our activities in support of this goal have run the gamut. MPA and magazine publishers have worked collaboratively with the Postal Service to improve its performance. We've actively participated in proceedings at the Postal Regulatory Commission and its predecessor commission. We've contributed to studies of the Postal Service by its Office of Inspector General and the Government Accountability Office. And of course, MPA has worked on postal policy issues collaboratively and constructively with this committee, and with your House colleagues, for many, many years.

As my fellow witnesses have detailed, the Postal Service is now in a precarious financial situation. Mail volumes have plummeted over the past five years, and are expected to decline further over the next decade. I understand that the Postal Service now expects to lose more than \$9 billion this fiscal year and without major change, annual USPS losses are projected to grow, not shrink.

But these volume declines need not be a dooms-day scenario for the Postal Service: I understand that even the Postal Service's pessimistic forecast of mail volume at the end of the decade exceeds 100 billion pieces. The Postal Service and its many stakeholders must, however, adapt to the new reality of lower volume. The Postal Service can continue as an important American institution, but must quickly become much smaller, more efficient, and less costly to operate. From the perspective of the magazine industry, incremental improvement is not enough. In short, the Postal Service must make tough decisions to respond to the sluggish economy, the same way that every MPA member company has altered its businesses to respond to economic realities.

The Postal Service has made several proposals to adjust its operations to the new reality and reduce its substantial workforce costs, which I understand have been estimated at as much as 80 percent of Postal Service costs. Although I am not an expert on Postal Service operations and costs, a strategy to take full advantage of today's advanced technologies and re-engineer operations to do more with less seems a move in the right direction, and the cost saving efforts should be supported.

The reaction of magazine publishers to these proposals is colored by our dual needs from the Postal Service – affordability and reliability. Postage is a large expense for magazine

publishers and can account for 20 percent or more of the cost of producing the magazine. Service levels are also important to publishers. Weekly magazines have short production schedules and aim for a consistent delivery day. Monthly magazines are also affected by the service levels provided by the Postal Service. The paid subscription business model depends on being able to deliver a new issue to subscribers before it is available at newsstands. And our subscribers know when a new issue is coming – especially if they also visit our websites – and look for it. We don't want to disappoint them.

Two of the operational changes proposed by the Postal Service could affect magazine publishers – (1) shrinking the mail processing network; and (2) five day delivery. Magazine publishers have long urged the Postal Service to adjust its network to eliminate costly excess capacity. I encourage the Postal Service to aggressively pursue rightsizing its processing networks to match current and future volumes. To avoid driving away mail volume, the Postal Service should work closely with the mailing industry to guarantee that acceptable service levels are maintained.

The magazine publishing industry has not taken a formal industry position on five-day delivery because of its potential effect on service. Like many other types of mail, weekly magazines are targeted for delivery on a certain day of the week. Consumer magazines, for example, are often targeted for delivery just before or on the weekend, when readers have more time to read the magazine. Business magazines are often best received early in the week to provide useful information a reader can use during the workweek. Magazine publishers, however, are fully aware that the Postal Service must reduce its costs. I believe that our industry will make the necessary changes to adjust to five-day delivery if it is implemented as part of a comprehensive plan to ensure the Postal Service's financial viability, and with an adequate period of time to prepare for the change.

I understand that the Postal Service has suggested that it may need to lay off employees to fully realize the savings from these operational changes. The magazine industry has no intention to dictate how downsizing should be accomplished. We simply recognize that the Postal Service, like all industries, will have to continue to find ways to do more with less. Magazine production has been revolutionized over the past years and decades, from the days of glue and line by line layout to the high-tech digital world in which we now operate. If our

magazines were being produced today the way they were when they were launched, we'd probably be out of business. To remain viable, the Postal Service must do more with technology and with smaller networks, and yes, with fewer employees. I don't know if layoffs will be needed, but they may be the only way for the Postal Service to reduce its workforce costs quickly enough to match expected declines in volume and workload.

I also understand that the Postal Service is considering ways to reduce employee benefit costs. Again, this is something that many industries, including the magazine industry, have had to do in recent years. It appears that benefits comprise a large portion of USPS' labor costs and that any comprehensive solution to the Postal Service's financial problems will need to address these costs as well. While I'm not qualified to evaluate specific proposals, I do think the Postal Service and Congress should look for ways to bring down these costs.

And, as discussed by others today, I understand that the Postal Regulatory Commission and the Postal Service's Office of Inspector General have found that the Postal Service has overfunded its employees' pensions by tens of billions of dollars. The Postal Service should be allowed to use these excess pension contributions to pay off its debts and other obligations. Fixing this is the right thing to do and will help the Postal Service remain viable. But this remedy, by itself, is not enough. The Postal Service must still take additional measures to reduce its costs and infrastructure, as discussed above.

Thank you for allowing me to speak today on behalf of the magazine industry and I am happy to answer any questions you may have.