

May 26, 2021

The Honorable Gary C. Peters
Chair, Senate Homeland Security
and Government Affairs Committee
724 Hart Senate Office Building
Washington, DC 20510

The Honorable Rob Portman
Ranking Member, Senate Homeland Security
and Government Affairs Committee
448 Russell Senate Office Building
Washington, DC 20510

The Honorable Carolyn B. Maloney
Chair, House Committee on Oversight
and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515

The Honorable James Comer
Ranking Member, House Committee on Oversight
and Government Reform
2410 Rayburn House Office Building
Washington, DC 20515

Dear Senator Peters, Senator Portman, Representative Maloney and Representative Comer:

We write in support of the *Postal Service Reform Act of 2021*, which was approved by the House Committee on Oversight and Reform on May 13 and was introduced last week in the Senate. We thank all of you for moving expeditiously to enact reform measures to improve Postal Service finances and enhance transparency, measurement, reporting, and accountability of Postal Service operations and service performance. We especially support the inclusion of Sec. 206, mandating a flats operations study and reform. The study and reform plan are absolutely necessary and, we believe, will be successful at restoring lost productivity and efficiency to the flats mailstream.

Representing over 500 magazine media brands, MPA has been the voice of the magazine industry for over 100 years and an active supporter of the Postal Service since its founding 50 years ago. Today our members deliver the trusted content that informs, inspires, and entertains consumers across multiple platforms, connecting with a diverse, multigenerational audience that is 1.8 billion strong. Yet, print remains our foundation and our core. Over 90 percent of magazine circulation is delivered to readers in their mailboxes.

The Sec. 206 flats operations study, Congressional report, and reform plan have never been more important to magazines, newspapers, other flats mailers, and the Postal Service itself. Despite previous studies and work groups, flats processing productivity continues to decline and attributable costs continue to increase, with no concrete plan in place to reverse the trend and improve the Postal Service's performance. This is particularly significant for our industry, because recent regulatory changes authorize the Postal Service to charge an additional two percentage points to mail classes whose attributable costs exceed their revenue. As a result, the magazine media industry and other periodicals mailers are now facing rate increases even higher than other classes of mail, up to 7.6 percent on top of inflation this year alone, with the prospect of devastating rate increases continuing for years to come. If this situation is not addressed, the

impact of rate increases more than five times inflation will drive magazines from the mail, reduce mail volume and hurt the magazine industry, the Postal Service and the constituents who rely on Postal Service-delivered magazines for their trusted content.

To recap the current flats operational efficiency problems:

- Flats processing productivities have declined substantially – by up to 50 percent – over the past decade on all the machines used to process flat-shaped mail.
- Despite repeated warnings from flats mailers and even from within the Postal Service, the Postal Service deployed a new processing system – the Flats Sequencing System (FSS) – a decade ago. Productivity quickly decreased and the situation is worsening. FSS processing costs twice as much as manual processing of the same mail.
- Transportation costs have increased more than four times inflation since 2007.
- Delivery costs have increased more than twice the rate of inflation over the same time period.

The Postal Regulatory Commission and Postal Service conducted a flats study a number of years ago and the Commission has routinely asked the Postal Service about its plans to address flats processing inefficiencies. But nothing has changed – productivity continues its downward spiral and costs rise unabated. The Postal Service has also established work groups to look at potential operational changes but those efforts have faltered.

Throughout this period, magazine publishers have worked cooperatively with the Postal Service to do our part to present our mailings to postal facilities in the most efficient and desired manner. Our printers provide co-mailing services that allow us to improve density, increase the size of bundles and pallets we bring to postal facilities, and transport our mailings as far downstream as practicable. Our worksharing has increased at the same time postal costs have risen dramatically. It is a cause of great consternation and disappointment that significant efforts on our part have not moved the needle.

The Sec. 206 study and reform is well designed to succeed where other efforts have failed.

- We support incorporation of the Inspector General of the United States Postal Service in consultations with the Commission. The Inspector General has previously examined flats operations, including the controversial FSS, and is very experienced with in-the-field observation of postal operations, procedures and reporting systems.
- The study will be comprehensive, identifying the causes of inefficiencies in all facets of operations: acceptance, sortation, transportation and delivery.
- The study will quantify the impact of postal operations and inefficiency on attributable costs.
- Results will be reported to Congress as well as the Postal Service.
- Importantly, the study will inform a plan to remedy all of the inefficiencies identified, and require that the Postal Service explain to Congress if and why any inefficiencies cannot be remedied. Mailers and other interested parties will be afforded an opportunity for public comment, with the Commission then approving the plan.

- Finally, the Postal Service will be required to consider the results of the study and the efficacy of the reform plan in future rate adjustments.

Magazines have long been recognized for their educational, cultural, scientific and informational value, a factor included in the 2006 *Postal Accountability and Enhancement Act*. This study and reform plan will help keep magazines and newspapers in the mail, adding to consumers' excitement and expectation when they go to their mailboxes and help maintain USPS's position as one of the most trusted brands in the country. This study and reform plan are needed to aid in our industry and the country's economic recovery. Media, especially print media, has been suffering from significant declines in advertising during the pandemic. Without a comprehensive study and plan to remedy inefficiencies, magazine media will be forced to take drastic measures in anticipation of annual rate increases many times the rate of inflation, with an additional surcharge for cost increases we did not cause and which can, and should, be reversed.

Thank you for your efforts to solve a problem that has seemed intractable, but we believe can be solved with these reform measures. This has far reaching implications for the future of the magazine industry, our readers, our employees and the Postal Service, which is a crucial part of the infrastructure that binds us together as Americans.

Sincerely,



Brigitte Schmidt Gwyn
President & CEO
MPA – The Association of Magazine Media



Rita D. Cohen
Senior Vice President
MPA – The Association of Magazine Media