

**STATEMENT OF ANITA PURSLEY
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QUEBECOR WORLD LOGISTICS**

**SUBCOMMITTEE
ON FEDERAL WORKFORCE, POSTAL SERVICE
AND THE DISTRICT OF COLUMBIA
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES**

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Good afternoon, Mr. Chairman and members of the Subcommittee. My name is Anita Pursley. I am Vice President of Postal Affairs for Quebecor World Logistics. In this capacity, I am responsible for establishing corporate postal policy and am the primary liaison with the Postal Service on all matters affecting Quebecor World and its customers. I am also the Vice Chair-Elect of the Postmaster General's Mailers' Technical Advisory Committee (MTAC), which provides a venue for the Postal Service to share technical information with mailers and to receive advice and recommendations from the mailing industry.

Quebecor World Inc. is a large printing solutions provider offering products and services to numerous market segments (magazines, catalogs, retail mailings) and within those market segments to small, medium and large customers. Quebecor World strives continuously to bring high value and lower cost solution sets to the customers we serve in these markets. With that said, I am pleased to present to this Subcommittee information about Quebecor World Logistics' Express Collation Mailing System (referred to as ECMS), which we make available not only to our own print customers, but also to publications and Standard Mail flats that are printed elsewhere. I will start by providing some background on our program. Then, I will discuss some recently-announced enhancements that will allow additional publishers to participate.

The Express Collation Mailing System is our version of what is commonly referred to in the mailing industry as a "co-mailing" system. Co-mailing is a process that merges multiple publications into a single, efficient mailing that is highly presorted; prepared on pallets; and enables entry deep into the postal network. Co-mailing is one of the few options that short-run publications have that provides them the opportunity to qualify for the same types of postage discounts as larger-circulation publications.

As with all successful worksharing programs, we recognize that co-mailing will help many, but not all (at least in the short term), publishers mitigate the impact of the most recent postage rate increase. Additionally, due to the reduction in postal handlings, co-mailing allows magazines to arrive to their subscribers in better condition and in a narrower and more predictable time window.

Quebecor World initiated the Express Collation Mailing System in May 2005 in Bolingbrook, IL, near Chicago. In that year, we co-mailed a total of 30 million magazines. The program grew to slightly over 100 million co-mailed magazines in 2006 and we expect to exceed 150 million this year. Today, almost 900 titles participate in our ECMS program. As a result of the new rate structure and increased demand, we recently opened the program to publications printed elsewhere and already fifty publications printed by other companies participate in our program. We expect this number to increase significantly.

The core of our program is short-run publications because these types of publications have the most to gain. For example, co-mailing gets their mail out of sacks and onto pallets while larger publications generally can be palletized on their own. Given this focus, the average size of publications in our program is approximately 30,000 copies and has actually dropped each year as our program has expanded. In response to the demand and in order to meet the needs of even smaller publishers, we recently reduced our minimum to as few as 5,000 copies per issue and have tailored the program to be extremely user-friendly.

Two key aspects of our program are timeliness and flexibility. To ensure timely delivery, we typically run four co-mail pools for magazines each week with one always beginning on a Monday. This ensures that magazines do not sit at our plant waiting for the next pool. Our experience has shown that, for most publications, the time required to co-mail a publication is more than offset by the delivery improvements that result from Quebecor World's entry of co-mailed publications deep into the postal network.

To allow publishers scheduling flexibility, we allow them to move publications in and out of our program from one issue to the next with no penalty and with only 72 hours of notice. Similarly, they can move from one pool to another with only 36 hours notice. Publishers simply need to provide us with their mailing lists three days prior to the start of the comail pool and their magazines one day prior to the start of the pool.

Quebecor World Logistics recently announced plans to significantly expand our co-mailing operations to meet the increased demand for these services and to bring optimized solution sets to our customers. To better service the non-Quebecor World print marketplace, we are moving into a new and larger consolidation facility and co-mail center in the Northeast by early 2008. This expansion will allow us to serve a broader spectrum of publications. Unlike some previous co-mailers, the new generation of equipment that we will begin deploying in early 2008 can process polywrapped and tabloid-sized magazines. The first two machines will be deployed into this new facility and we have agreements in place to purchase an additional 4 machines. This added capacity in the Northeast will allow us to serve additional customers and plants in this region as well as more publications that are printed elsewhere.

Finally, while I believe that the recently introduced Periodicals rates will encourage more efficient mail preparation throughout the mailing industry, I'd be remiss if I didn't point out one problematic, and likely unintended, aspect of the new rates. In an attempt to mitigate the impact of its rate recommendation, the Commission set the new container charges at much less than the Postal Service costs for handling these containers. This had the effect of reducing the incentive to dropship Periodicals deep into the postal network. This will reduce the amount of Periodicals

that is dropshipped and ultimately increase Postal Service costs. I strongly encourage the Postal Service to address this problem the next time that it adjusts Periodical rates.

In closing, I would like to add that Quebecor World does not support rate increases of this overall magnitude for any class of mail but supports a rate structure that promotes efficiently prepared mail and reduces overall USPS processing costs. Moving forward, we fully expect that the PAEA's rate indexing system will prevent such large rate increases in the future while allowing the Postal Service to encourage efficient preparation. We also recognize that no single solution will satisfy all market segments and customer sizes. We are committed to invest as appropriate to allow our customers to take advantage of whatever rate structure is in place.

Thank you for your time and your interest. I would be happy to answer any questions you may have.