

**STATEMENT OF D. JEFFREY HOLLINGSWORTH, VICE PRESIDENT,  
EAGLE PUBLISHING CHAIRMAN'S OFFICE,  
BEFORE THE  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
SUBCOMMITTEE ON FEDERAL WORKFORCE-POSTAL SERVICE-  
DISTRICT OF COLUMBIA,  
U.S. HOUSE OF REPRESENTATIVES  
OCTOBER 3, 2007**

Thank you, Mr. Chairman, Mr. Marchant, and members of the Subcommittee for the opportunity to appear before you today. I am Jeff Hollingsworth, Vice President at the Chairman's Office of Eagle Publishing, Inc.

Established in 1993, Eagle is America's leading source of books, periodicals, and Web sites with a conservative, free-enterprise focus. Many of our products are familiar to most of you, I'm sure, both Democrats and Republicans alike. They include:

- *Human Events*, the national conservative weekly which has been published continuously since 1944,
- Regnery Publishing, Inc., marking its 60<sup>th</sup> anniversary this year, the country's leading publisher of hard-hitting books on current affairs, public policy, and political philosophy. More than 30 Regnery titles have appeared on *The New York Times* Best-Seller list, the most recent being Laura Ingraham's *Power to the People*, which debuted this week at #1.
- The Conservative Book Club, which was launched in 1964,
- *The Evans-Novak Political Report*, for 40 years one of America's most highly respected newsletters on campaigns and elections, politics, and "inside" news on the presidency and Congress,
- A stable of highly regarded financial and investment advisory newsletters, including *Mark Skousen's Forecasts & Strategies*, *Fabian's Successful Investing*, *Vardy's Global Stock Investor*, and others,
- RedState.com, one of the country's top conservative blog sites.

Today, the survival of Eagle's products is in jeopardy, *Human Events* in particular. This is not due to a lack of demand or declining interest in what we market. Rather, it's because of the caprice of government.

Regrettably, all too often when it comes to dealings with government, it's not about what it can do *for* you, but what it can do *to* you. Such is the case with the latest in a dizzying round of postal rate increases. The increase that took effect in July has had the effect of punishing publishers of periodicals high in editorial content, such as scholarly publications, newsletters, non-profit organization bulletins, and journals of culture and opinion such as *Human Events*. More precisely, the July rate increase socked *Human Events* with a staggering 17% increase in postage costs.

In order to keep publishing, *Human Events* recently took the unprecedented step of making a direct appeal to subscribers asking for their help in offsetting the increased expense. They have responded generously and well beyond expectations. However, *Human Events*, or any other journal of opinion and culture, regardless of viewpoint, cannot use the hat-in-hand approach indefinitely. Instead, we submit that Congress must take remedial action or the Postal Service Board of Governors needs to re-visit promptly this rate case.

By contrast, periodicals with less editorial content but high in advertising, with circulations in the millions, have felt the effects hardly at all. That should come as no surprise – it was certain leaders in the mass-market magazine industry who crafted the rate increase proposal ultimately adopted by the U.S. Postal Service Board of Governors.

Eagle Publishing spends nearly \$2.5 million each year for postage and mailing. Overall, our postage costs have shot up by \$211,000 this year, and the average company-wide increase for postage is nearly nine per cent as a result of the July jump in rates. While we are paying more, we are getting less. This is because the USPS expects mailers to do more preparatory work than ever before, and at times the concept of good customer service is completely alien to postal personnel. Chronic slow delivery of *Human Events* ultimately forced us to go to a “split print” from facilities on both the East Coast and West Coast. Unfortunately, while this arrangement has improved the timeliness of delivery, it is not amenable to co-mailing or other “efficiencies” the Postal Regulatory Commission incorporated in the rate case.

*Human Events* not only must cope with increased postal rates, it also must pay a USPS “container fee.” Mass-market periodicals are able to be placed in large quantities on pallets but are charged a per-pallet, single-container fee no matter how many bundles or copies are on it. *Human Events* must go into standard canvas mail sacks because we do not have the volume to qualify for pallets, and as far as the USPS is concerned, each sack is a separate “container” subject to its own individual charge. Meanwhile, the USPS has offered no alternative to the canvas sacks, which it would prefer to discontinue. Any such alternative is subject to labor union approval before it can be adopted, a process which can be lengthy and sometimes contentious.

Maintaining profitability in the publishing industry has always been challenging. Meeting the new postal rate hikes is not being handled with money our company just has lying around, but through hard work to increase sales and more aggressive programs to raise advertising revenue. For small and medium-sized publishers, the postal rate increase is making an already difficult job even more so. In some cases, the increase is proving to be the straw that broke the camel’s back. It is the death knell for some publishers, who are being driven out of business.

When established more than 200 years ago, the postal service was intended to be a means to bind the nation together. Its purpose was to improve communication, aid commerce, and allow news, ideas, opinion, learning, and culture to reach all Americans. It was and has been a key facilitator in the exercise of our First Amendment rights to free expression. For generations, small journals of opinion and culture mailed to subscribers have enriched the

lives of countless Americans and contributed substantially to our national identity and the body politic.

This hallowed legacy is on the verge of being crippled not by virtue of the ebb and flow of market forces, nor by consumers deciding for themselves what they wish to read or not read, but by the actions of a single government agency.

By imposing an unreasonable rate increase without analyzing adequately and thoroughly the potential consequences to small and medium-sized publishers, the Postal Regulatory Commission (with the concurrence of the Postal Service Board of Governors) will be responsible for wiping out Americans' access to various journals of opinion and culture.

The Postal Regulatory Commission will be responsible for diminishing the marketplace of ideas.

The Postal Regulatory Commission will be responsible for making the exercise of our First Amendment rights to free speech and expression more difficult.

If Congress fails to take notice of what is happening and what is at stake, and consequently fails to act, it, too, will deserve its fair share of responsibility for the deleterious impact of this rate increase.

Since the Postal Service is a monopoly protected by statute, publishers in financial distress thanks to the rate hikes have nowhere else to go. They have no alternative. Many have turned to the Internet, and Internet content by newspapers, magazines, journals and other periodicals is growing almost at light speed. In another example of the law of unintended consequences, the more the Postal Service balloons its rates, the more customers it either puts out of business or drives away to electronic media.

The U.S. Postal Service likes to refer to itself as a business employing business-like methods, but in fact, it is neither fish nor fowl. It's not a true, independent corporate entity but isn't an authentic government agency, either. Besides its statutory monopoly, it enjoys other special protections and privileges real businesses can only dream about. On the other hand, it is subject to Congressional oversight and sometimes Congressional micro-management, especially when attempting to close, consolidate, or merge unprofitable post offices and facilities.

The biggest single expense of the Postal Service is personnel: salaries and benefits, health insurance, and pensions. To avoid further rate increases, it is imperative that the Postal Service get these costs under control. The Postal service also needs to implement aggressively the changes and reforms contained in last year's landmark postal reform bill. In other words, the Postal Service simply cannot continue to pick its stakeholders' pockets through rate hike after rate hike, but must demonstrate that it is serious about change, improvements, and meaningful cost control.

Ultimately, the answers to these problems are two-fold:

1. **The Postal Service must be privatized.** As former Postmaster General William Henderson wrote in a *Washington Post* essay shortly after stepping down, the time is now for privatization. Suggestions on how to do this include selling it to its employees, making it a public stock company, or breaking it up into regional companies.

2. **Modify or repeal the Private Express Statute.** Users of most classes of mail services currently have nowhere else to turn. They deserve alternatives. And because the Postal Service has no competition in those areas, it has no incentive to be customer-friendly, efficient, or truly business-like in its operations. With competition –when our mailboxes are liberated at last – the result will be good for the Postal Service, good for entrepreneurs, and good for stakeholders.

As for the here-and-now, we urge the Congress to act promptly in order make it crystal clear to the Postal Regulatory Commission and the Board of Governors that it never intended any of its statutes on postal policies to be construed such that rate hikes can be imposed with the effect of stifling free expression, driving publishers out of business, and unfairly imposing onerous financial burdens on entities least able to afford them. We urge Congress to work with the Postal Service to re-visit the July rate increase before even more damage is done to the publishing industry.

Eagle Publishing 2007 Postal Increase Analysis

Product Description	Mail Class	Annual Mail Qty	Cost/piece pre-increase	Cost/piece post-increase	% Increase	Annual Cost Before Hike	Annual Cost After Hike	Annual Cost Increase
Hedge DM	presort standard letter	480,000	\$0.2226	\$0.2361	6.06%	\$106,848.00	\$113,328.0000	\$6,480.00
Successful Investing DM	presort standard letter	600,000	\$0.2205	\$0.2330	5.67%	\$132,300.00	\$139,800.0000	\$7,500.00
High Monthly Income DM	presort standard letter	640,000	\$0.2205	\$0.2330	5.67%	\$141,120.00	\$149,120.0000	\$8,000.00
Forecast & Strategies DM	presort standard letter	750,000	\$0.2205	\$0.2347	6.44%	\$165,375.00	\$176,025.0000	\$10,650.00
GSI DM	presort standard letter	200,000	\$0.2204	\$0.2330	5.72%	\$44,080.00	\$46,600.0000	\$2,520.00
Human Events DM	presort standard letter	1,000,000	\$0.2138	\$0.2330	8.98%	\$213,800.00	\$233,000.0000	\$19,200.00
CBC DM	presort standard letter	300,000	\$0.2226	\$0.2360	6.02%	\$66,780.00	\$70,800.0000	\$4,020.00
Human Events - Courtesy Bills & Renewals	presort first class	1,398,000	\$0.3267	\$0.3600	10.19%	\$456,726.60	\$503,280.0000	\$46,553.40
Successful Investing Courtesy Bills	presort first class	32,000	\$0.3267	\$0.3600	10.19%	\$10,454.40	\$11,520.0000	\$1,065.60
Forecast & Strategies Courtesy Bills	presort first class	60,000	\$0.3267	\$0.3600	10.19%	\$19,602.00	\$21,600.0000	\$1,998.00
CBC Bulletins	presort standard letter	1,300,000	\$0.2303	\$0.2470	7.25%	\$299,390.00	\$321,100.0000	\$21,710.00
Human Events Issues	periodical flat	690,000	\$0.2550	\$0.2980	16.86%	\$175,950.00	\$205,620.0000	\$29,670.00
Forecast & Strategies Issues	periodical letter	180,000	\$0.2668	\$0.2960	10.94%	\$48,024.00	\$53,280.0000	\$5,256.00
Successful Investing Issues	periodical letter	96,000	\$0.2668	\$0.2960	10.94%	\$25,612.80	\$28,416.0000	\$2,803.20
High Monthly Income Issues	first class letter	18,000	\$0.3900	\$0.4100	5.13%	\$7,020.00	\$7,380.0000	\$360.00
Book Club and Human Events premiums	bound printed matter	288,000	\$1.1500	\$1.3000	13.04%	\$331,200.00	\$374,400.0000	\$43,200.00
								<b>\$210,986.20</b>