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July 11, 2025

The Honorable Michael Kubayanda, Chairman
The Honorable Robert Taub, Vice Chairman
The Honorable Thomas Day, Commissioner
The Honorable Ashley Poling, Commissioner
The Honorable Ann Fisher, Commissioner
Postal Regulatory Commission
Washington DC 20268-2001

BY ELECTRONIC FILING

In Re: Commission Order No. 8893, Dockets RM2024-4, RM2022-5, RM2022-6, RM2021-2 and RM2021-2)

Dear Chairman Kubayanda, Vice Chairman Taub and Commissioners:

The National Newspaper Association welcomes the Commission's order in this docket; we are members of USPS' Mailers Technical Advisory Committee, which works closely with the Postal Service to improve mail efficiency. On behalf of our community newspaper members, we would like to offer some thoughts about Within County Periodicals Mail for your consideration.

Our views today are these:

1. We applaud the Commission for its June 9, 2025, decision, to begin its review under these dockets a bit early. The situation we and the USPS are facing is urgent.
2. We agree that rate increases should be no more than annual. Our membership has a nuanced view on this point, which we will further explain.
3. We support the setting of passthrough discounts at levels close to actual savings. But we again point out that the Commission has not required USPS to determine the actual costs of Within County Mail. Without accurate data, it is impossible to evaluate the opportunity for price signals to improve operational efficiency.

NNA has appeared before the Commission since the founding of the PRC's predecessor Postal Rate Commission. Our postal policy concerns have been part of America's debate since our founding in 1885, and our work is visible in the major debates of the 19th, 20th and 21st Century Sessions of Congress over the importance of universal service. Though our numbers are diminished, we continue to represent a wide variety of newspapers, including many in rural America as well as niche communities in major metropolitan areas. In fact, our current president is publisher of the San Fernando Valley Sun/ El Sol, which represents an urban/suburban community in southern California.



The Postal Service remains a vital partner in our businesses, important as much for its delivery of invoices and checks in First-Class Mail as for its Periodicals service. Given that we remain the only small business party representing Periodicals working with USPS and its oversight agencies, we focus primarily upon Periodicals and its all-important subclass for us: Within County mail.

We have worked hard on postal legislation to assist the U.S. Postal Service in its current plight of falling mail volumes. But, on behalf of our more than 1,500 member titles, we would have to say our love has not been reciprocated.

Our members have lost many subscribers because of high postage rates and poor service. The Commission possibly cannot see the full effect of the damage because our primary mailing subclass, the Within County Periodicals, is a small (and due largely to postal neglect, a shrinking) part of the mail-stream. Unfortunately, the impact upon our industry is so severe that NNA no longer has the means to participate in many of the Commission's endeavors.

Yet our mail remains an efficient and important product. Two-thirds of our volumes are entered directly at a local post office. More than 80% of our volumes are carrier-route sorted. USPS has to do very little for us but to deliver the product on a timely basis.

Allow us to further explain our views.

The Commission's Review

NNA is aware that many postal stakeholders, including Commissioners, share our alarm at the state of the Postal Service. Perhaps the rate authority created by the Commission in its 2021 Dockets was not meant to be used as it has been. The volume of Periodicals Mail class is now a little less than a third of its levels when the Postal Accountability and Enhancement Act (PAEA) took effect in 2007. The decline just since 2020 has been about 32%. All Market Dominant Mail classes have shown great distress during this period. Some analysts are inclined to attribute most of this decline to digital disruption. But in the case of our newspapers, the driving force has been poor mail delivery. Many of our members report losses in the 30-50% range of subscribers simply because their newspapers do not show up on time — and sometimes not at all. We have experienced both direct and indirect retrenchments of the Postal Service's usual commitment to the educational, cultural, scientific and informational value of Periodicals. And the Postal Service is in an alarming state, having failed to keep up even with its retirement fund payments.

The Commission's conclusion in 2021 that a principal fault was grounded in the CPI price cap imposed by Congress in 2006 was, we believe, flawed. The price cap was never intended to drive USPS into bankruptcy. It was intended to give all stakeholders in the system an incentive to curb costs.



Annual Rate Increases

NNA has not previously joined mailers complaining that postage increases are set for twice a year. In particular, the objection of many direct mail users that the second increase in a year does not permit adequate planning of mailing campaigns is not one that newspapers share. Our mail is not seasonal. We appear in the mailbox weekly — sometimes daily — and our “campaigns” consist of trying to hold onto our subscribers in the face of punishing postage increases.

For some of our mailers, dividing an annual increase of 6-9% into two bites has been more blessing than curse because it gives publishers an opportunity to absorb additional costs and to introduce subscription price increases gradually. However, in no world is an increase that amounts to more than twice the national rate of inflation a welcome one or even a possible one to absorb. It doesn't matter, in that sense, whether USPS hands out its punishments once or twice a year.

However, having endured seven increases under the Commission's Modified Ratemaking System introduced in 2021, our industry has had time to evaluate the impact of this modified system. We have concluded that the disruptive effects of semi-annual increases outweigh whatever flexibility it provides our smaller members in absorbing the increases. In discussions with our members, we find:

The cost of postage software updates twice a year mitigates any softening effect of an increase in two bites;

- The necessity to adjust our internal operations twice a year is significant;
- Perhaps most important, the Postal Service's inability to manage its own operating systems for semi-annual increases has disrupted mail acceptances and pricing predictability. It is not unusual for mailers to receive “system down” alerts from USPS, requiring our small operations to create workarounds to get our mail accepted on time.
- And, added to the challenges from PostalOne, the updating of Postal Wizard, which is used by some of our smallest members who cannot afford licenses for commercial mailing software, is not always in sync with USPS' rate updates. For mailers operating on extremely tight margins, the inability to predict the actual amount of postage through Postal Wizard can be incapacitating.

When considering the disruptions from frequent price increases, NNA's leadership throws its lot in with the rest of our mailing industry. Annual increases are bad enough. Let's not double the pain.



Work-sharing Discounts

NNA members have been engaged in work-sharing for the entire history of the U.S. Postal Service, their activities predating our own founding in 1885 and the Postal Service's replacement of the Post Office Department in 1970.

Many newspaper publishers began presorting their copies to earn better service when USPS was still the Post Office Department. It was not until 1977 that USPS began to encourage work-sharing with postage discounts.

And NNA was right in the center of the discussion when the Postal Rate Commission took up a USPS proposal to offer a 2-cent discount for 5-digit sorted second-class (Periodicals) Mail sacks. USPS reported actually saving 2.73 cents on that 5D sack NNA at the time was willing to accept the limited $\frac{3}{4}$ passthrough, argued for an additional 1 cent discount for carrier route sorts and defended itself against the accusation that the discount would help only large publications. At the time, NNA represented 900 small daily newspapers and 5,500 weekly newspapers. NNA felt fully capable of assessing the value of work-sharing for small publications. (Our membership is about a third of that total now, as the effects of the general economy and rising postage rates have forced closings and consolidations of many titles.)¹

The Commission actually granted a 1.6 cent discount for 5D presort and added a new carrier route discount. The Commission said it was being conservative in its approach, work-sharing discounts being new, but it set the stage for consideration of more work-sharing in the future. (See Opinion and Recommended Decision, Docket No. R77-1 May 12, 1978, for a general discussion of the Rate Commission's early experiences with work-sharing discounts.)

Since then, the efficacy of work-sharing has been a frequent theme in the Commission's deliberations. Endeavoring to do their part, newspapers have honed their own work-sharing contributions. Today, newspapers are more finely prepared than ever. The Postal Service reported in Docket No. 2025-1 that nearly 90% of Within County Periodicals in FY 2024 were carrier-route presorted. About two-thirds of the mail pieces claimed the Delivery Unit entry discount. Much of the mail is presented in the delivery sequence. NNA believes this mail is possibly the most efficient mail, when considered as a subclass, of any product within the postal system. About all USPS is responsible for is taking newspaper bundles to mailboxes and dropping copies in as addressed. On rural routes, carriers simply travel with a bundle in the car seat and deliver copies as instructed. (Most carriers know which mailboxes receive a newspaper on any given week.)

The Commission has frequently expressed concerns with the Postal Service's use of passthroughs. In its decision to review the Modified Rate Authority, it again noted problems with rates that do not marry their work-sharing discounts closely to the cost savings experienced by USPS. The PRC repeats its instruction to USPS to bring the workshare discount closer to the avoided cost.

NNA agrees with the value of efficient pricing signals. But the industry does its part while USPS still cannot contain its costs. Often, our work is not rewarded with either timely service or fair discounts.



For example, the use of Exceptional Dispatch by newspaper publishers to achieve timely service appears to be growing. In that activity, the publisher bears the cost of transportation to drop mail entered at its home postal Delivery Unit into a smaller post office within the publisher's region. But no discount at all is offered for this activity. The only privilege the publisher enjoys is the ability to enter the mail in one location and drop bundles at additional offices at the publisher's expense.

The Postal Service is trying to achieve the proper passthroughs for Within County mail. Here are benchmark passthroughs provided for the R2024-1 docket.

Presort level	Benchmark Passthrough
Basic Presort	80.2%
3-Digit Presort	68.3%
5-Digit Presort	104.3%
CR Basic	113.9%
High Density	110.5%

For the Basic and 3D presorts, the passthroughs desired by USPS are reasonably close to the Commission's requirement — and those two categories are insignificant in this subclass. The actual mail is heavily represented in the carrier route category. Because of Periodicals subscriber requirements¹ achieving saturation or high-density coverage of a carrier route is difficult. So excessive passthroughs in saturation or high density are immaterial as postal revenue drivers. Similarly, most newspaper publishers will present very little Within County mail in the 3D category. There is no reason to be concerned with passthroughs in this category.

The Commission has generally been pleased with the Postal Service's progress in bringing passthrough rates into the 85-100% range. The Commission stated in Order 8891 in these dockets that 90% of passthroughs were on target, leading commissioners to hope that better pricing signals would have "positive effects on operational efficiency." Order 8891 at 82.

While NNA generally agrees with the stated goals, we want the Commission to recognize several characteristics of our mail that will defeat attempts to evaluate efficacy.

1. With mail already at nearly 90% levels of carrier route sorting, further operational improvements would be at the margins. This is efficient mail already.

2. USPS appears to simply raise the base rates so it can achieve the passthroughs, which discourages mailer response. As our rate increases have soared to nearly 10% in some cycles, we have asked the Postal Service what has driven pricing increases. We were told that our base rates had to be increased to allow USPS to move passthroughs closer to benchmark levels without creating a revenue loss for the Postal Service. (And, of course, because Within County is a



subclass within the larger Periodicals class, USPS' flexibility to increase rates substantially without violating a CPI price cap is enormous.) This activity struck us like retailers who double their prices so they can mislead their customers with the appearance of a 50% discount. It is hard to see operational efficiency signals in this practice. In earlier years, publishers mounted subscription drives to find new subscribers in low-density carrier routes so they could earn the CR discounts. In this environment, the price signals do not encourage this readership enrichment.

3. Finally, we continue to contend with the inability of the Postal Service to measure the actual cost of Within County Mail.

The cost coverage has increased slightly in the most recent case to 81.5%. We are gratified by the progress, but since we are aware of no major changes in mailing practices in our industry, we can only guess at the "efficiency" driving the improved cost coverage. Obviously, accurately passing on avoided costs in discounts requires an understanding of the costs *incurred* as well as the costs *avoided*.

But the Commission has never required a clear understanding of Within County costs. In Docket No R97-1, the Commission expressed concern about the opaque nature of this subclass given its small size. In the Periodicals Mail Study, September 2011, the Commission again noted that tracking Within County costs had raised questions before PAEA and that while it found USPS systems had somewhat improved, the Commission expressed no belief that Within County costs were more accurately measured. Since PAEA, the Postal Service has been permitted to use a variety of proxies from other types of mail — primarily Outside County, which has traditionally been dominated by magazine mail — to estimate Within County costs. The proxies were deemed "good enough" for the Postal Service's purposes.

Yet as time has gone on, USPS handling of Periodicals has changed dramatically while newspaper mail has remained the efficient, carrier route sorted drop-shipped product it has always been. Numerous studies about Periodicals cost coverage have focused on the problems for Outside County mail: automation efficiencies, the ill-fated Flats Sequencing Systems, bundle breakage and Critical Entry Times. But none of those apply to Within County.

The Commission has not challenged this imprecise reporting of costs in many years. NNA and its colleagues are hardly in a position to initiate proceedings to make PAEA work as intended. For progress to occur, the Commission must use its regulatory powers to require better data.

Each year, our members pay a penalty for the doubtful perception that we do not cover our costs while the Commission does not know what the costs really are. It has allowed a 2% postage increase penalty for failure to cover costs that seem phantom to us.

This proceeding provides us an opportunity once more to point out to the Commission that its smallest subclass serving millions of American newspaper readers is dependent upon the Commission's own resources to bring justice. There are no greater efficiencies to be had for Within County Mail, unless by "efficiency" the Postal Service means eliminating this mail entirely.



So, while we endorse the Commission's goals for better pricing signals through passthroughs, our view is that the requirement has little to do with our mail. Our mail is efficient. It is the Postal Service that is broken.

Speaking for NNA's delegation to the Mailers Technical Advisory Committee, we are happy to have the opportunity to share our views about the next steps in the Commission's review of the modified rate setting regime. We agree with the findings that Delivering for America has distorted the intention of the Commission's rulemaking — as well as the Congressional mandates in PAEA and previous postal reform legislation. We are doing all we can to encourage efficient use of the mail system. We look forward to further opportunities to improve it.

Sincerely,

Handwritten signature of Lynne Lance in cursive.

Lynne Lance, NNA Executive Director, Pensacola, Florida
USPS Mailers Technical Advisory Committee

Handwritten signature of John M. Galer in cursive.

John Galer, Publisher, The Journal-News, Inc., Hillsboro, Illinois
USPS Mailers Technical Advisory Committee

Handwritten signature of Matthew W. Paxton in cursive.

Matt Paxton, President, News-Gazette Corporation, Lexington, Virginia

Handwritten signature of Brad Hill in cursive.

Brad Hill, General Manager, Interlink Software, Berrien Springs, Michigan
USPS Mailers Technical Advisory Committee

¹ See the Initial Brief of the American Newspaper Publishers Association and the National Newspaper Association, Docket No. R77-1, March 7, 1978).

¹ Publishers are required to demonstrate that 50% plus one of their mailing list are paid or requester copies.