Magazine industry dependent on survival of USPS

By Lauren Kirchner, Columbia Journalism Review

Early on a February morning, in a glass-walled conference room high up in the Hearst Tower in Manhattan, Postmaster General Patrick Donahoe spoke in a careful, reassuring tone. “We can do this; I know that we can do this,” he told the audience, which included representatives from magazine-industry heavyweights like Condé Nast, Hearst, and Time Inc. “Hang in there with us.”

Donahoe’s talk was a keynote at a “Postal Summit” organized by The Association of Magazine Media (MPA, formerly the Magazine Publishers of America) to address the inarguably dire situation currently facing the United States Postal Service, and the complications that situation is causing for the businesses that depend on its survival.

Despite Donahoe’s assurances, his audience couldn’t be blamed for being skeptical. In the past decade, the postal service has been hit by a perfect storm of technological and cultural shifts, economic recession, and political gridlock. Since 2000, the USPS has seen a precipitous decline in the volume of mail. From 2006 to 2011, as people have increasingly sent e-mails instead of letters and paid bills online, first-class mail volume has dropped 25 percent. As the housing and financial sectors sank, so did the amount of direct mail they sent to prospective customers. The country’s second-largest civilian employer (after Walmart), the USPS has been squeezed by rising health-care costs for its half-million employees, plus the requirement to pre-fund their pensions.

While the service has often run a deficit during its 237-year history, it now faces the possibility of insolvency. Following a loss of $5.1 billion in fiscal year 2011, the service reported a $3.3 billion loss in the first quarter of fiscal 2012 alone—a period that's typically the most profitable of the year because of mail sent in the winter holiday season. The USPS's total deficit as of last December was already $12.9 billion, and in February, the agency projected that it may run out of cash completely by October.

All of this is alarming news for the magazine industry, which, despite its recent forays into digital publishing, still depends on the postal service to deliver almost 90 percent of its circulation. Some publishers at the summit wondered aloud just how worried they should be. What would happen if the USPS actually shut down?

"The one thing I will not do is cry wolf," said Donahoe as he wrapped up his speech. "I will not say 'We're not going to deliver mail.'…If I say that, you will say, 'I need some alternative solution.' And once you go to that alternative solution, we may never get you back. So that's not going to happen."

The magazine industry's fate and that of the USPS have always been inextricably linked. Since the very beginning of the postal service in 1775, periodicals have enjoyed an extremely favorable shipping rate, an agreement rooted in the Founding Fathers' conviction that the spread of information and opinion across the country was vital to democracy. "Magazines and newspapers accounted for nearly all of the weight of the mail in the first half of the 19th century—as much as 80 to 95 percent—and they only paid five to 15 percent of the revenue," said Richard R. John, a historian of communications at the Columbia University Graduate School of Journalism. "And that was almost never a controversial issue."

The postal service, meanwhile, needs to keep magazines in the mail. As mail volume decreases, Donahoe explained in his keynote, advertising (a.k.a. junk mail) becomes an ever-larger portion of it; magazines keep people coming back to their mailboxes, which in turn keeps the postal service in business. “They need us as much as we need them,” agreed James Cregan, executive vice president of government affairs for the MPA. Both Donahoe and Cregan said that it is unlikely that the preferential pricing scheme for periodicals will end, though some above-inflation price hikes are possible as the postal service tries to quickly reduce its debt. What is perhaps more of an immediate concern, though, is the impact of worsening service. **Read the whole story**