

July 8, 1970

Dear Mr. Lane:

Senator Fong has sent to the President a copy of your testimony before the House Subcommittee on Postal Rates which you gave on June 2, 1970.

We have heard from a good many publishers of the financial squeeze in the industry due to sharply increasing costs in recent years, and we well recognize the difficult burden that increased postal rates can cause.

I am sure that you understand, however, that the other side of the coin is a greatly increased postal deficit, which would represent an unfair burden on the taxpayers. Hence, some action is obviously necessary.

What is, I am sure, of prime importance to you is that postal rates be set equitably. We are confident that the new postal reform legislation, which Congress appears about to enact, will provide a mechanism to insure that one class of mailers does not assume an unfair or inequitable burden.

We did appreciate receiving your views. Best regards.

Sincerely,

Charles W. Colson
Special Counsel to the President

Mr. L. W. Lane, Jr.
President and Publisher
Sunset Magazine
Lane Magazine & Book Company
Menlo Park, California 94025

bcc: Robert Carsen

Sunset
MAGAZINE
BOOKS

L. W. LANE, JR.
PRESIDENT AND PUBLISHER, SUNSET MAGAZINE

LANE MAGAZINE & BOOK COMPANY • MENLO PARK, CALIF. 94025
321-3600

OK - Bill Lane, a
lifelong friend of the
Carson family, has made
White House aware Hawaii
SENATOR HIRSH L. FONG
- OVER -

of his statement before
the House Post Office Committee -
If you would drop him a
note and say you personally
received it he would be
pleased - Aloha Bob

Statement made by L. W. Lane, Jr.
President, Lane Magazine & Book Company
to House of Representatives,
Subcommittee on Postal Rates
June 2, 1970, at Washington, D.C.

Mr. Chairman and Members of the Committee:

My name is L. W. Lane, Jr., President of Lane Magazine & Book Company, and Publisher of SUNSET Magazine, with headquarters in Menlo Park, California. I appreciate the opportunity to appear before you and to make this statement as a member of The Magazine Publishers Association. The subject is a matter of great importance to our whole industry, and extremely crucial to the very existence of our Company. We are deeply involved with all classes of mail.

SUNSET is a regional magazine published for the nine western states. It was founded in 1898 and is one of the oldest magazines published in the United States today.

Our family bought the publication in 1928. As an important partner to the magazine, we have developed a book-publishing operation, with over 100 titles currently in print. The magazine and the books generally cover the same subject classifications. These are gardening, home building and remodeling, travel, and recipes and menus. These publications are appreciated by residents in Western America because of vast differences from other sections of the country in climate, availability of foods, gardening, and recreational and travel opportunities.

We have attempted to be a highly responsible member of the communication industry for both the social and natural environment of our readers. We try to never publish anything in our magazine or books that could be incompatible with a family audience, including the youngsters. In this connection, our publications are used widely in

schools. For these reasons, we do not accept cigarette, beer, or hard-liquor advertising. Many other categories of advertising are not accepted for various reasons.

These publishing objectives and policies have wide acceptance in the West, as evidenced by the circulation of SUNSET Magazine, which averages about 970,000 at the present time, with an audience of some 3,000,000 primary readers. Of that amount, 850,000 copies go to readers by mail. Our postage bill for the past 12 months was \$898,299. Of that amount, our second-class and third-class postage bill amounted to approximately \$783,000, with second class accounting for \$439,000 and third class, \$344,000. The proposed increases of 50% on second class and 33-1/3% on third class, would make an increase of \$334,000 in these two classes of mail alone.

As I am sure you realize, labor costs in our Company, which employs about 320 people on our staff, as well as all other publishers, have increased greatly and, particularly, in the past two years. Also, our contract printer, R. R. Donnelley & Sons, in Chicago, has passed on higher labor costs to us and other customers. In addition, we have had significant increases in the costs of transportation, taxes, paper, employee benefits, et cetera.

We have not opposed postage increases per se -- but we do object, and feel it is grossly unfair, to repeatedly increase postage rates while at the same time, transferring expensive handling operations, formerly done by the Post Office, to mail users. Also we feel greater efficiencies can be achieved in the handling and distribution of the mails.

Postage costs, as you know, have just been increased the first of this year as the last step in a three-step increase.

Postage costs have taken the sharpest increases of all costs in recent years, much more than all other expense of publishing. There have been nine second-class increases in 12 years, in fact, and eight increases in 20 years for third class.

In the last five years, our Company costs for paper have increased 7.2%; printing, 9.8%; wages and salaries by classifications between 25-32%; property taxes, 33%; and postage, 36%; all based on a cost-per-page-per-thousand circulation.

In brief, the Government has gone to this well often, and with large buckets in hand. I suggest that the well is not an inexhaustible resource and may runneth dry!

Although we have increased our charges to advertisers every single year since 1964, and both newsstand and subscription prices to readers were increased within the last 12 months, the tremendous inflationary costs have come about faster than we could increase our prices to advertisers and subscribers, and continue to remain competitive and solvent. Our budget for this year shows an anticipated profit before taxes of only \$304,000 for both the magazine and the book division, in spite of the increase for both subscription and newsstand prices, as well as advertising-rate increases. By way of comparison, before the latest inflationary pressures, we have experienced years when our profit before taxes was up in the \$750,000 area, with smaller revenues. I should point out, our profits are representative of the whole publishing industry that is far below most major industries.

If you are knowledgeable of stocks, you know we are definitely not a "glamour industry" for investments. For instance, based on latest figures available, the per cent of profit to sales was 11.9% for the mining industry; 9.2% for the pharmaceutical; 8.3% for the petroleum; 7.6% for tobacco; and less than 4% for the magazine industry.

Our Company is now faced with proposed postage increases totaling \$352,000 -- an amount exceeding our budgeted profit before taxes. The proposed increases have not taken effect yet, of course, so they would not wipe out all of this year's profit. But since inflationary pressures show little sign of slackening, it is difficult to see how next year's budget can look any better than this year's -- even though we are planning further increases in our charges to both readers and advertisers to meet inevitable continued inflation beyond our control.

As with the great majority of publishers -- and virtually all of the small and middle-sized companies, we are not diversified -- our entire business consists of publishing our magazine and books. We have no way of riding out the lean years by virtue of profits from one division covering the losses from another, as a big corporation might do, or participating in depreciation and other tax benefits often available to other industries.

The great majority of magazine publishers who are members of the Magazine Publishers Association are publishers -- period! Most of us grew up in the business. It is our whole life. Printer's ink runs in our blood. A great many of us are second-and-third generation practitioners -- my father started with Mr. Meredith in Des Moines in 1913, and my brother and I had our first publishing job selling SUNSET and Colliers door-to-

door as kids during the depression. My brother is Publisher of SUNSET Books.

The great majority of publishers are small businesses. Recently, Business Week in its feature cover story rated SUNSET as one of the country's so-called "hot magazines" and showed us in 24th position among the top 25 revenue-producing magazines in 1969. And yet, in that fortunate leadership position among all magazines in advertising revenue, our total corporate revenues were only 2.1% of TIME, INC. in 1969; 7.6% of Cowles Communications; 3.3% of McGraw-Hill; and 9.9% of Meredith. The few large multi and diversified publishers have their own staggering problems, and some we do not have -- but, when you are debating postal increases for the magazine-publishing industry, gentlemen, you are dealing primarily with hundreds of small businesses, operating on very thin profit margins, and with little financial maneuverability to absorb repeated staggering postage increases.

As our postage costs indicated, we are heavily involved with both second-and-third class mail. But I would like to speak first about second-class rates. As you men well know, the Congress many years ago set second-class rates at a very nominal figure (a minimal rate never intended to cover costs). This was done purposely to encourage the dissemination of information and to contribute to the education of the public. This need has not diminished in the slightest, even though today there are many more sources of information (and sometimes misinformation) available than in those early days. The newspapers, radio, and TV are obviously geared mostly to giving flash news when it's hot.

Every responsible survey of citizens in this country shows an increasing dependency on magazines as a source of gaining information, perspective, and inspiration. This trend, quite frankly, coincides with a shift from the desire to obtain pure entertainment from magazine to television and radio. But, as education increases, and the quest for knowledge and solutions to problems increases, the demand for magazines increases. Today, more people are reading more magazines per person, than ever before in history. For every Colliers and Saturday Evening Posts, there are dozens of Sports Illustrateds, Psychology Todays, Hot Rods, Holidays, business and technical magazines, religious and fraternal magazines, and literally hundreds of other fine magazines born in recent years that join with older and successful publications, like SUNSET, to form a powerful tide in filling a vital and growing need in our country.

It remains for magazines to treat subjects in more depth and provide the meaning behind events so that news and information can be better understood in these confusing times, and can be studied and analyzed at an individual's discretion. I feel sure you are all conscious of the great difficulty of getting understanding to the public in the complex world we live in today. If you could imagine our world today without any magazines, I feel sure you would agree the public is much better off and more knowledgeable because of good magazines.

Magazines are a U.S. phenomena -- a direct contribution to our way of life and our world leadership. The magazine, as we know it, is both a child and a protector of our democracy and free enterprise system of society and government.

As with all human efforts, magazines have their shortcomings. Just as there are

quack doctors, dishonest bankers, shyster lawyers, and crooked politicians -- we have a few bad apples. Also, like any business, individual magazines suffer from poor timing, bad luck, or unwise management. But, in the whole, the magazine industry ranks with the best in progressive and honest management and successful operations. I, and my fellow publishers here today -- representing the thousands of employees of the nation's magazines -- are very proud to be magazine men.

Magazines represent a major source of the printed word in the total complex of the communication industry. As with the information in the dictionary, the Bible, the Constitution, and the Congressional Record, magazines create a responsible and lasting source of information that is irreplaceable and infinitely more valuable to our way of life because it is permanent and a lasting record of facts, trends, thoughts and opinions. We sell thousands of indexes every year to libraries, schools, and readers. The City Library of Renton, Washington, recently requested a 10-year index of SUNSET editorial articles because of frequent demand.

Magazines in their support of a better social and natural environment, social progress, objectives of government agencies to "Discover America" or "Prevent Forest Fires", to the dangers of smoking, the harm from drugs, the threat of ecological disaster, the inroads of crime -- are all major topics of great research and coverage by the magazine industry. Magazines of the United States have been a major and beneficial communication link with countries all over the world. U.S. Information Service and Embassy offices beg for copies of U.S. magazines to present a fairer and more balanced perspective of the American people and our way of life, to offset the gross misimpressions often conveyed by the movie and other sources of impressions about our country.

In a national survey last year, among thousands of students representing the so-called "TV generation", magazines were the highest of all communication media in "information", "believability", and "makes me want to do something" categories of responses.

We at SUNSET believe we have made a tremendous contribution to the strength of the family and the ecology of life for Western families -- even beyond our readers to their neighbors, who learn from them. Having followed Congressional testimony for many years, I know there has developed much concern over the increase in sexually-oriented magazines and other pornography. Some have suggested that higher postal rates might lessen the problem. I suggest a parallel solution would be to reduce government salaries and benefits to discourage the incompetent government employee. Both solutions are extreme examples of "overkill" to eradicate the few bad guys among the great majority of good, and are myopic in logic.

The "girlie magazines" as they are called, are sold almost (if not entirely) over the newsstands -- they do not get sold or delivered by mail. And high postal rates simply tend to force the wholesome-class magazines out of business and only benefit the interests of pornography. People show no tendency to decrease their reading of magazines -- in fact, quite the opposite. So the fare of wholesome magazines needs encouragement.

The Post Office Department in its most recent study of costs showed second-class mail paying much less than its "demonstrably related" costs. But I contend that our nation needs good magazines (the ones most subject to postage costs) as much

or more than at any time in our history. In my opinion, they are as important as the SST, pavilions at World Fairs, or subsidizing the farmer.

Not only that, but good magazines have a tremendous effect on the economy of the nation besides generating a large volume of first-and-fourth class mail, which reportedly more than pay their way. They are an important factor in generating commerce that keeps employment up.

Now for some comments about third-class mail. As a regional publication, we have no way of selling subscriptions except by mail. And we use third-class mail because it is just as effective, but less costly to us (as well as the Post Office) than first-class mail. We do the sorting, tying, and sacking by Zip Code for less cost than the Post Office could do the same sorting, largely because our lists can be maintained in order so the pieces come off the addressing machines already in postal mailing order, and are delivered to the Post Office that way.

Even though we have had to assume the cost of Zip Code sorting on both second-and-third class mail (formerly a Post Office function), there has been no slackening of postal rate increases on either class of mail.

The same Post Office Department cost figures mentioned before show that third-class mail of the type we use pays a greater percentage of demonstrably related costs even than first-class mail. And this doesn't take into account the fact that our third-class mail generates a considerable amount of the most profitable first-class mail of all -- business reply mail on which we, the mailer, pay a 2¢ per-piece premium over and above the regular first-class letter rate.

As mentioned before, third-class rate has been increased eight times in the past 20 years, compared to three times for first-class mail -- or an increase of 400% compared to 100% for first-class mail in that same period. The Postmaster General has stated that without third-class mail revenue, there would be a greater burden for other classes to bear. And another Post Office Department spokesman acknowledges it is already bearing more than its "demonstrably related" costs, but states it should be increased because of its lack of "social acceptance".

What he really means is that the big-city newspapers, radio, and TV, for at least ten years that I can recall, have carried on massive propaganda drives against what they term "junk mail" each time there is a postage-rate bill before Congress. Their objective, and gentlemen, make no mistake about this -- is to diminish a competitive advertising medium if possible in hopes of gaining more advertising in their pages. I will admit the newspapers and TV have succeeded in generating a sort of vague opposition among many people to what they consider "junk mail", mostly because they have been told erroneously it is subsidized by first class.

All media have their value and somewhat exclusive features. However, newspapers and the electronic media are not exactly the best unbiased source of judgment on the vitality or values of the magazine industry.

For even some businessmen who use third-class mail themselves, there is this vague feeling against "junk mail". But you ask them about their own third-class mail and they invariably reply, "But that's not junk mail". Apparently to them "junk mail" is everyone's mail but their own. I received over 50 pieces of mail last week from incumbent and candidate politicians.

As for the lack of "social acceptance", that has a credibility gap. We have tested third-class mail against first-class mail, both on notices of expiration and in promoting new subscriptions. There is absolutely no difference in the results. So we can only conclude that if unwanted third-class mail is not socially acceptable, neither is unwanted first class; the recipients respond equally. It seems very unfair and inconsistent with factual evidence to dump it into the Post Office system as first-class mail, and add both to the work load of an already overburdened Post Office and to their costs by letting them sort it. The Post Office Department should be delighted that third-class mailers will assume the task and great expense of sorting and sacking mail to help in the speed and efficiency of handling volume mailings.

I would like to remind you that repeated and drastic increases in second-class mail are much more disruptive, because the impact strikes at just one segment of business. Yet it is an important segment which has a tremendous effect on the entire economy. Also the total amount of revenue derived for the Post Office Department -- even from sizable increases -- is small compared to first-class revenue. Increases in first-class mail (which as you know is 75 to 80% business mail) are spread over all segments of business and more easily absorbed. So I urge you to exercise great caution in deciding upon second-and-third class increases.

You are literally deciding the fate of hundreds of small businesses of publishers who make up the great bulk of the magazine-publishing industry, and along with the few large publishers, are making a valuable and increasingly important contribution to the welfare and communications system between the people and all segments of our great country. Thank you very much for the opportunity to testify before you.

July 2, 1970

Dear Mr. Burke:

I appreciate very much your letter of June 24th. I assure you that I am aware of the difficult situation in the New York postal district.

The President has done everything in his power to speed the passage of the postal reform/pay legislation in the Congress. Unfortunately, the Congress has not moved as rapidly as we had hoped. Just yesterday, however, the Senate did pass the combined pay/reform bill and we are very hopeful that it will be acted upon quickly in conference. If so, it should now just be a matter of a few weeks before the President's plan can be signed into law.

Let me assure you that leadership of the AFL/CIO has worked very closely with us in attempting to get the Congress to move on this vital legislation.

I appreciate the sincerity in which you write, and I certainly concur with the need for fast action.

Best regards.

Sincerely,

/jh

Charles W. Colson
Special Counsel to the President

Mr. Patrick J. Burke
25 Alyea Terrace
Clifton, New Jersey 07011

Patrick J. Burke
25 Alyea Terrace
Clifton, N.J. 07011
June 24, 1970

Charles W. Colson
Special Counsel to the President
The White House
Washington, D.C.

Dear Sir;

As you read through this letter early on you may come to the mistaken conclusion that it is just another piece of mail dealing with another special interest group. However, I would like to assure you immediately that it is a little more than that. What I would like to convey to you is a thought concept currently flowing through a large number of people's minds at the current time. The people I speak of are the metropolitan New York, New Jersey postal workers. The thought concept is that of violent reaction to a situation of intolerable proportions brought about by the elected officials within the U.S. Congress.

You are no doubt aware of the N A L C union meeting held in New York on June 11. At that meeting paranoid and psychopathic tendencies were observable within the membership after an immediate strike vote was rejected in favor of an authorization to strike July 6. The President of N A L C branch 36, Mr. Gustave Johnson, had his life threatened if he did not call an immediate strike. A knife was thrown, and stuck, into the podium he was speaking from. That act came very close to symbolizing the feelings of many postal workers towards their union leadership and the Congress. I personally feel that should the Congress and the President dally with the postal worker's emotions and his scheduled pay raise of a paltry 8% the last strike will be analagous to tippy toeing through the tulips with Tiny Tim. And according to the June 21 edition of the Washington Star Congress expects to dally through the Fourth of July holiday and up to August 1. Believe me that would be tantamount to the President invading Red China on Christmas.

As a special counsel to Mr. Nixon I suggest sincerely that you use the powers of your office to awaken him to the need of a speedy passage of S 3842 (which should include the retroactive clause of HR 17070).

There is no innuendo of intimidation to my alerting you to the extremely dangerous potential for violence within the New York, New Jersey postal unions should the pay raise issue extend past July 1. Should you doubt the strong undercurrent of hostility felt by the postal worker towards their Congress and President I suggest you send a member of your staff on a brief inspection tour of this area. To consult with Mr. Rademacher would be an exercise in consulting a man so out of touch with his membership he may as well reside on Mars without any communication with Earth. He, more than any other man, has the dubious honor of being most despised.

I have written to you in good faith, with the sincere purpose of alerting you to a future crisis you have the position and authority to help avoid. Where this message goes, and what is done concerning it is up to you.

Sincerely,
Patrick J. Burke
Patrick J. Burke.

June 2, 1970

*Postal
note*

MEMORANDUM FOR HENRY CASHEN

The attached was hand delivered to me by Sandy Lankler whom you have met. Obviously he would like to have the letter answered by the President personally. I doubt that that would be wise, however. I think that the best that should be done is to have it answered by you on the President's behalf. Under no circumstances would I send it over to the Post Office Department. This is important both because the Donnelley Company is important and because Lankler is being very helpful to us.

Charles W. Colson

Attachment

CWC:rs:ms

THE REUBEN H. DONNELLEY CORPORATION

825 THIRD AVENUE - NEW YORK 10022

HARRINGTON DRAKE
PRESIDENT

May 26, 1970

The Honorable Richard M. Nixon
The White House
Washington, D.C.

Dear Mr. President:

I am writing to you as the President of a company which employs over 10,000 people and is greatly concerned about your Administration's proposals relative to increased postal rates on third-class bulk mail.

I am also writing to you as a lifelong Republican who has supported your campaign and every other Republican campaign since I was old enough to vote.

The Nixon Administration has promised that each class of mail would be asked to pay its own way and no more. Despite this promise, on April 21, 1970, Assistant Postmaster General James Hargrove presented to the Subcommittee on Rates the Administration's justification for their proposal to increase postal rates across the board. As one of the nation's largest business mailers we, of course, monitored the proposal carefully.

We were shocked when Assistant Postmaster General Hargrove acknowledged that third-class bulk mailers paid about double their share of demonstrably related costs and then blandly announced that despite the Administration's promises, they were recommending a 33 per cent increase in third-class bulk minimum piece rates, "because of its lack of social acceptance."

Two conclusions must be drawn: (1) The Administration is reneging on a promise; and, (2) The Republicans are now adopting the Democrats' political philosophy that big

The Honorable Richard M. Nixon
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Government will determine, subjectively, the social contributions of business and, in its own wisdom, without recourse to objective criteria, will punish one element of business and favor another.

In addition to these two positions, I must also assume that the Administration is bowing to political pressure in making their determination that business advertisers using third-class bulk mail are less "socially acceptable" than others because, to my knowledge, there have been no Government studies on this subject. However, our own Company and others have conducted a number of surveys to determine what type of mail the American public does and does not like to receive, and results have proved conclusively that most legitimate business mail is welcomed.

Even if one does not accept the results of these surveys as conclusive, what is wrong with the old American way of permitting consumers to pass judgment on what they will respond to and will not. If a business spends substantial sums of money in soliciting a response to their direct mail advertising and the recipients find such advertising "socially unacceptable," then the money is wasted and freedom of choice in the marketplace (rather than Post Office judgment) will eliminate "the unacceptable."

Thoughtful consideration of this principle might also suggest that the public does not find business direct mail "socially unacceptable," inasmuch as it produces substantially higher consumer response rates than any other medium of advertising.

Even if you, Mr. President, do not object to having Government officials dictating punitive rates based on their subjective judgment of social acceptance, consider a practical effect. If you continue to discriminate against the business mailers

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whose third-class bulk rates contribute the largest percentage profit of any major class of mail to postal operations, you will be "killing the goose that is laying the golden egg." This position was confirmed by Postmaster General Blount in testimony before the House Post Office and Civil Service Committee.

The last rate increase has already produced a decrease in the profitable volume of third-class bulk mail. Another increase will simply further reduce this volume and add to the postal deficit, requiring more inflationary increases on other classes of mail....and will force additional direct mail plant closings, increasing the ranks of the unemployed.

I urge you, Mr. President, to strongly reconsider the position you are putting the Administration in with the current proposals advanced by Assistant Postmaster General James Hargrove.

I will be happy to place at the disposal of members of your staff the results of several surveys conducted among the American public to determine their preferences in direct mail advertising.

Respectfully yours,

Hamilton Drake

HD:C

THE REUBEN H. DONNELLEY CORPORATION

825 THIRD AVENUE - NEW YORK 10022

HARRINGTON DRAKE
PRESIDENT

May 22, 1970

Alexander M. Lankler, Esq.
Waterhouse
3526 K Street, N.W.
Washington, D.C. 20007

Dear Sandy:

Enclosed is the letter for President Nixon, post-dated May 26th.

As soon as we prepare a version for Vice President Agnew, we will send this along too.

If you have any comments, please call me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Duke cm".

HD:CM
Enclosure