

Thank you and good morning. I'm Michael Pashby, Executive Vice President/General Manager of the Magazine Publishers of America. MPA is the industry association for consumer magazine publishers. Established in 1919, the MPA represents more than 240 US-based publishing companies with more than 1,400 titles (representing 80% of the dollar revenue of the industry), more than 75 international companies, and more than 90 associate members providing services to the industry. About 85% of our magazines are sold through the mails using a variety of direct marketing techniques. The use of credit cards to purchase magazines is small, but growing.

Our members strongly agree that we must protect the privacy of our readers—and I think our industry has done a good job in balancing our legitimate business interests and our customers' reasonable expectation of privacy. We value our readers--we wouldn't be in business without them, so our industry is constantly looking for ways to improve our service.

It's important to note that, when our subscribers ask us not to share information about them, we don't. Magazine publishers provide notice to readers of their information sharing practices in a variety of ways. Many publishers choose to disclose this information inside the magazine as part of customer service information. The magazine offers an address or toll-free telephone number so the reader can "opt-out", change an address, and inquire about a product. Many magazines are also taking advantage of the Internet to inform consumers of their privacy policies and give consumers an additional opportunity to opt out.

We're very careful to respect the wishes of customers who chose to opt out. Generally, when a consumer requests that publishers not share information about that

person the publisher will not only remove the subscriber from internal rental lists, but often refers the customer to the DMA so the customer can request to be included on its do not mail list.

That said, magazine lists are great sources for consumer data. The reason is very simple: More than any other medium, the choice of which magazines a consumer reads can tell a lot about the person—what a person likes, his or her interests, etc...

Enabling our readers to get information about products and services that are of interest to them is advantageous for everyone. Our readers are given more choices. They get information about products that fit their interests and lifestyles; and, more importantly, they're not inundated with advertisements for products they have no interest in. Businesses benefit because they can target their advertising to consumers who are most likely to be interested in their products--saving them time and money. And remember the cost is between 65¢ and \$1.00 per mailing--and this before the Postal Service has applied for a new increase—so the cost of acquiring a customer in an extremely competitive market is very expensive.

But sharing information only works if it is beneficial to everyone. Our magazine subscriber list is our most important and valuable asset. Our readers do not want to get advertisements about products they don't care about, so the magazine industry is selective about letting advertisers use subscriber lists. Before a magazine will share its list, it has to know how the list will be used. If the business intends to mail a solicitation to the consumer, magazine staff generally reviews the proposed promotion to ensure the use of the list is appropriate. Many magazine publishers will not rent their lists to telemarketing solicitors because they have less control over how the list is used. But, if

lists are rented for telemarketing uses, we expect magazine staff to review the telemarketing script.

A list is rented—not sold. That means the advertiser can only use it only one time. Publishers seed the list and track that the list is being used appropriately.

Over the last few years, we have changed the way we gather information about consumers. For example, in the past, information used for subscriber acquisitions by “parenting-type” magazines may have come from medical providers. Magazines would provide subscription materials to doctors for them to share with their patients. New parents could then tell their medical providers that they wanted to receive information from magazines and other companies providing products and services for children. The health care provider would then pass this information on to magazines and other companies.

However, my experience with this permission-based marketing was 15 years ago. Practices likely have changed since that time and the newly enacted HIPAA provides additional privacy protection for medical information from both health care providers and insurance companies.

As ways of gathering information about our readers change, we believe that it is important to develop a variety of easy ways for our consumers to learn about opt-out mechanisms. The best way to accomplish this is for consumers to know the place or places where they can always find this information. Currently, magazines use various methods of getting opt-out information to the readers. Most publishers publish this information in the masthead or information section of the magazine, some magazines will

also insert it in the “welcome package” to subscribers, and some may also put it on invoices.

It has been suggested that publishers should put their privacy and opt-out information on subscription blow-in cards (the subscription cards attached to the magazines bought in stores). However, not only will this cause clutter on the small real estate of blow-in cards, it will not help inform consumers who subscribe some other way, for example through telemarketing or online. We believe it is better for consumers to understand that they can find privacy notification in the magazine itself. Readers are familiar with looking in the magazine, knowing they will find the address or phone number for customer service information, including change of address, privacy, and other reader inquiries.

Publishers are committed to continuing to work with our customers and the FTC to protect our readers’ privacy, while offering them a wide array of choices of products that will enhance their lifestyles. Thank you again for inviting MPA to participate in this forum. I will be happy to answer your questions.