

United States Senate

WASHINGTON, DC 20510

May 22, 2012

Shoshana Grove
Secretary
United States Postal Regulatory Commission
901 New York Avenue, NW
Suite 200
Washington, DC 20268

**Re: Proposed Postal Service Negotiated Service Agreement with Valassis
Docket Nos. MC2012-14 & R2012-8**

Dear Ms. Grove:

I write to express my strong concerns regarding the US Postal Service's Negotiated Service Agreement (NSA) with Valassis. I have been presented with recent research conducted by the Newspaper Association of America which indicates that this proposed NSA violates underlying law and would result in a serious financial harm to local daily newspapers across the country.

My comments are pursuant to *77 Fed Reg. 27,491* (Order No. 1330), noticed on May 10, 2012, *regarding* "Notice of the United States Postal Service of Filing of Contract and Supporting Data and Request To Add Valassis Direct Mail, Inc. Negotiated Service Agreement To The Market-Dominant Product List, Docket No. MC2012-14 & Docket No. R2012-8 (filed April 30, 2012)." The NSA proposed under this notice should be rejected as it fails to comply with federal statute as described below.

- 1. This proposal violates 39 U.S.C. §3622(c)(10)(B) which ensures that such "special deals" cannot be approved if they cause "unreasonable harm" in the marketplace.** Although in proposing the NSA to the Postal Regulatory Commission, the Postal Service asserted that the rate deal will have a "minimal financial impact in the marketplace" it is clear that any research which might have been conducted to draw this conclusion was insufficient. The Valassis deal in question provides a reduced rate for the mailing of paper advertising from retailers of "durable and semi-durable" goods. According to the Newspaper Association of America, more than 70% of newspapers' advertising inserts come from such retailers.

This proposal would allow Valassis to compete for the same business newspapers provide through their total market coverage programs at a subsidized rate. The Newspaper Association of America contends that this could cause the loss of \$1B in annual revenues for the newspaper industry nationwide.



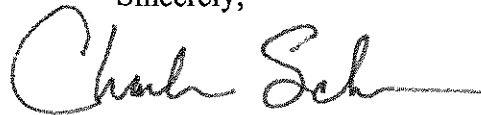
Newspapers' should certainly be subject to fair competition, however it is not appropriate for the United States Postal Service to effectively choose winners and losers in the free market. Given the potential financial impact on newspapers, the USPS should, at the very least, provide better data to the Postal Regulatory Commission to assure that this special rate deal will not have a negative impact on the private marketplace.

2. **The Postal Service has provided insufficient evidence that the proposal meets the requirements of 39 U.S.C. §3622(c)(10)(A) which bars such agreements when they result in a net financial loss to the Postal Service.** Although the proposal has the potential to bring *new* volume to the USPS from one company, Valassis, the Newspaper Association of America has collected data which indicates that it will do so to the exclusion of existing mail volume from newspapers. Today, newspapers use the Postal Service to send Total Market Coverage products, which are advertising inserts that newspapers send to non-subscribers. Currently, newspapers spend more than \$500 million annually on postage for these TMC mail pieces. Industry estimates show that more than \$200 million in postage paid annually by newspaper TMC programs could leave the mail as newspapers seek to lower costs to stay competitive with Valassis. USPS says that the Valassis deal will bring in at the maximum \$107 million in postal revenues over three years and at a minimum about \$34 million. Stacked up against a potential loss of \$200 million, this NSA will potentially result in a revenue reduction for the Postal Service.

I would strongly urge the Postal Regulatory Commission to reject the proposed Negotiated Service Agreement with Valassis at least until such time as the Postal Service can show clear and convincing evidence the deal will not violate the legal requirements that NSAs not cause unreasonable harm in the marketplace and also not result in a net revenue loss to the Postal Service. It is clear that insufficient analysis was conducted by the Postal Service on either of these points.

I appreciate your consideration of my comments and look forward to working with you if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Charles E. Schumer". The signature is written in black ink and is positioned above the printed name and title.

Charles E. Schumer
United States Senator