

Before the Postal Regulatory Commission
Washington DC 20268-0001

Notice of Price Adjustment (“Summer Sale”)

Docket No. R2009-3

Comments of Quad/Graphics, Inc.
In Response to Order No. 209
(May 21, 2009)

Quad/Graphics offers comments on the Postal Services’ request in filing the Notice of Rate Adjustment/Market Dominant Products and in response to the Commission’s notice and request for comment.

Overview

Quad/Graphics fully supports the Postal Service in their proposed “Summer Sale,” or as it is referred to in the filing, the Standard Mail Volume Incentive Pricing Program. This proposal represents a clear and dramatic change in the pricing strategy of the USPS. It is a response to the current economic conditions that the printing and mailing industry have been experiencing and that continue to negatively impact our business. This response and strategy has been desperately needed.

Current Environment

Between 2008 and 2009, we expect a 20% to 25% decrease in printing volumes industry-wide, which will result in millions fewer units mailed.

This precipitous decline began two years ago, with catalog mailing volumes shrinking 1.5% in 2007 and 5.9% in 2008 as a result of the large postage-rate increase passed for Standard Mailers in 2007.

Industry Response and Expected Results

As with any new initiative, there will always be those who are in support and those who are in opposition. It is important to differentiate between those who oppose for practical reasons versus those who philosophically disagree.

While the greatest percentage of our Standard Mail clients has voiced nothing but praise for the “Summer Sale,” there has also been a small percentage who has voiced their concerns (but not necessarily opposition). They are concerned because:

- The short lead time they will have to react.

- They do not meet the minimum volume threshold and will not be able to participate in this program.
- Their mailing volumes over the last couple of years have trended in a way that is contrary to being able to take advantage of the incentives. For example, they mailed more in the October 2008 – March 2009 timeframe than the previous year because their business had not yet been hurt by the nation's economic crisis, but now have pulled back as the impact of the recession has been felt.

Despite these concerns, we know they are very supportive of the effort being made by the USPS to help stimulate the resurgence of Standard Mail growth and, ultimately, their businesses and the greater overall economy. We have recommended that they submit their own comments to the Commission and, at the same time, make the Postal Service aware of the reasons they may be prohibited from participating in this program. We also recommended that they should communicate to the Postal Service the type of proposal that would be attractive to them if different from what has already been proposed.

Many of our clients who do meet the minimum volume threshold and are awaiting the arrival of their confirmation letter from the USPS have already begun the process of developing new mail plans for the summer months. That may mean additional quantities to already scheduled mailings, or it may be new projects that had otherwise been tabled because of budget cuts. In any event, it will be new business for the USPS and Quad/Graphics, and the opportunity to generate new sales for our clients.

Summary

In summary, we feel the "Summer Sale" is exactly the type of innovate approach to pricing that is needed for mailers and the Postal Service. We hope it is the first step of many in utilizing the flexibility afforded the Postal Service in the Postal Accountability and Enhancement Act of 2006. This type of flexibility will be very useful long term.

We applaud the Postal Service and the Postmaster General in particular for taking this bold step. The viability of the United States Postal Service and our industry is dependent on our ability to rapidly respond to the changes and demands of the marketplace.

Respectfully submitted,



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Quad/Graphics, Inc.