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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Classification and Price Adjustments for First-Class Mail and Standard Mail Initiatives	Docket No. R2011-1

COMMENTS OF THE SATURATION MAILERS COALITION AND VALASSIS DIRECT MAIL, INC.

(November 24, 2010)

Pursuant to Commission Order No. 577, the Saturation Mailers Coalition and Valassis Direct Mail, Inc. hereby submit their comments on the Postal Service's proposal to implement a volume incentive program for Standard Saturation and High-Density mail.

This proposal is identical to the one presented in the Postal Service's exigency rate filing in Docket No. R2010-4. As we stated in that proceeding, we support the proposed High-Density/Saturation Incentive Program, although we believe it is too restrictive and overly optimistic in light of current market conditions, and that it should be reconsidered after consultation with the industry.[1] A principal impediment is the "baseline" requirement that a mailer will be eligible for incentive rebates *only* on that portion of its incremental volume growth that exceeds its calendar-year 2010 baseline volume by 5.5 percent, which the Postal Service states is its "forecasted growth projected to occur in FY2011 for these product categories." Testimony of USPS witness Kiefer, Appendix A at 4, Docket R2010-4.

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1 *See* Initial Comments Of The Saturation Mailers Coalition And Valassis Direct Mail, Inc., August 17, 2010, at 15-16; Reply Comments Of The Saturation Mailers Coalition And Valassis Direct Mail, Inc., September 2, 2010, and at 7-8.

Even without a rate increase next year, that projected 5.5-percent growth of saturation and high density volume is unrealistic. With the uncertain economy and saturation mail marketplace, even a "no growth" assumption might be optimistic. But if a rate increase is implemented in 2011, saturation mail volumes will likely decline.[2] Requiring saturation mailers who may be reeling from a rate increase in a harsh economy to grow their volumes by 5.5 percent at the higher rates before they can qualify for incentive rates is self-defeating.

What the Postal Service should instead be focusing on are incentives designed to keep saturation mailers *in business* and *in the mail*. The Postal Service's restrictive incentive will not help mailers who are in difficulty or who are considering shifts to private delivery to stay in the mail. Nor will it provide the kind of effective, *longer-term* incentive to encourage saturation mailers to expand volumes on a permanent basis. Saturation mailers, because of their market need to commit to a regular weekly or monthly mailing schedule in a market on a long-term basis – and because of the risk that such a commitment entails – need to have incentives that "match the market need." For the Postal Service, the greatest benefit of such longer-term incentives is that, if successful, they will generate new volumes and revenues on a permanent basis that will continue even beyond the expiration of the incentive.

In the current economic climate, we believe that the saturation mail industry – and the Postal Service – would be better served by a reduction in the general rates than

[2] Although no rate-change proposal is currently pending, the Postal Service is apparently considering the filing of a rate-cap increase next year. In addition, the Postal Service is seeking judicial review of the Commission's decision denying its exigency-increase proposal, which will be considered by the U.S. Court of Appeals under an expedited schedule.

by this too-narrowly-crafted incentive program. At a minimum, holding saturation rates at current levels or even reducing them will far more effectively incentivize mailers to maintain and grow their mail volumes in these extremely difficult economic times. Compared to other products, retention and growth of saturation mail is particularly beneficial because saturation program mailers commit themselves to long-term high-frequency mailings that provide a relatively-permanent high contribution to the Postal Service, yet which have viable non-postal alternatives if the price is not right.

Respectfully submitted,

Thomas W. McLaughlin
Burzio McLaughlin & Keegan
1054 31st Street, N.W., Suite 540
Washington, DC 20007
(202) 965-4555
bmklaw@verizon.net

*Counsel for Valassis Direct Mail, Inc.
and the Saturation Mailers Coalition*