

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

Valassis NSA  
Valassis NSA

Docket No. MC2012-14  
Docket No. R2012-8

**Declaration of Jim Conaghan**

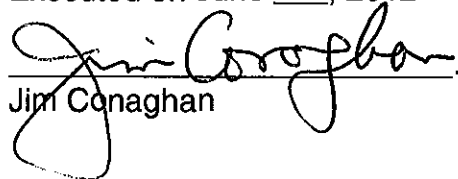
1. My name is Jim Conaghan. I am Vice President, Research and Industry Analysis for the Newspaper Association of America.
2. Under my supervision, the Newspaper Association of America conducted a survey of its member newspapers for the purpose of assessing the impact of the U.S. Postal Service's (USPS) negotiated services agreement (NSA) with Valassis Direct Mail. The survey was conducted from May 9, 2012 to May 30, 2012, with 403 respondents out of a total of 806 NAA member daily newspapers – a 50 percent response rate. NAA projected the responses to an industry-wide basis, across a universe of 1,382 daily and 900 Sunday newspapers, using standard survey methodology.
3. The survey was designed to collect data that would help NAA and others understand the marketplace for pre-printed advertising inserts. Another objective of the survey was to measure the impact of the NSA on newspaper advertising revenues, as well as, USPS mail volume and revenues.
4. Specifically, the survey was designed to assess:
  - The level of newspaper advertising business and revenues from national retailers of durable and semi-durable goods;
  - The potential loss of newspaper advertising revenue, if any, as a result of the NSA;
  - The amount of postage newspapers spend with the U.S. Postal Service for the delivery of Total Market Coverage (TMC) products (ad inserts to non-subscribers); and

- The potential loss of TMC mail volume and revenue as a result of the NSA, as newspapers explore cost cutting measures to stay competitive in their markets.
5. The NAA survey revealed that an average of 70 percent of the pre-print advertising in newspapers' Sunday editions are ads from national retailers of durable and semi-durable goods. This represents \$2.5 billion in revenues for the newspaper industry. Newspaper respondents estimated that the Valassis NSA would reduce pre-printed advertising revenues – either through lost advertising business or artificially created price reductions – from national retailers of durable and semi-durable goods by 39 percent or \$1 billion.
  6. The survey data also showed that newspapers – collectively – spend approximately \$500 million annually on Standard Mail High Density and Saturation postage for the delivery of newspapers' Total Market Coverage products. On the question of whether the Valassis NSA would force the newspaper to move TMC mail out of the postal system in an effort to cut costs to stay competitive, 33 percent of newspapers would move TMCs out of the mail into alternative delivery, while 67 percent would keep TMCs in the mail. Newspapers that would move TMCs out of the postal system estimate that approximately 1.1 billion pieces of mail would shift to alternative delivery, representing \$199 million annual loss to the Postal Service.
  7. Below is a summary of the survey results. In addition, attached is the data collected from the survey. The name of the newspaper and circulation size has been removed to protect the confidentiality of the respondent given private market considerations.

#### ATTESTATION

I declare under penalty of perjury that the foregoing is true and correct.

Executed on June 27, 2012

  
Jim Conaghan

**SUMMARY DATA & PROJECTIONS FROM SURVEY ON  
IMPACT OF VALASSIS NSA**

Total number of respondents answering at least one of the ten questions: 403.

Q1. Please indicate your contact information: N = 347

Q2. Please indicate your daily circulation.

<b>Respondent Daily Circ. Size</b>	<b>Number of Newspapers</b>	<b>% of Respondents</b>
<b>Less than 25,000</b>	<b>227</b>	<b>63.0%</b>
<b>25,000 - 49,999</b>	<b>58</b>	<b>16.0%</b>
<b>50,000 - 99,999</b>	<b>33</b>	<b>9.0%</b>
<b>100,000 - 249,999</b>	<b>37</b>	<b>10.0%</b>
<b>250,000 or more</b>	<b>7</b>	<b>2.0%</b>
<b>Total</b>	<b>362</b>	<b>100.0%</b>

Q3. What percentage of your Sunday Free Standing Insert business comes from national retailers selling durable and semi-durable goods (e.g., Sears, JC Penney, Best Buy, Lowe's, Macy's, etc.)?

N = 336; Average: 70%

Q4. What was the annual dollar amount of advertising revenue for 2011 coming from these kinds of retail advertisers (durable and semi-durable goods, Sunday FSI's)?

Industry Projection: \$2.5 billion

Q5. If approved, will the Valassis NSA cause a decrease in advertising revenues at your newspaper?

	<b>Number of Newspapers</b>	<b>% of Respondents</b>
<b>Yes</b>	<b>341</b>	<b>97.0%</b>
<b>No</b>	<b>12</b>	<b>3.0%</b>
<b>Total</b>	<b>353</b>	<b>100.0%</b>

Q6. If you answered YES in Question #5 above, how much, in percentage terms, do you believe your newspaper's Free Standing Insert advertising revenue will be decreased?

N = 297; Average = 39%

Q7. What was your total postage expenditure with the U.S. Postal Service in 2011 for Standard Mail delivery of your Total Market Coverage (TMC) product?

Industry Projection: \$502 million

Q8. Will the Valassis/NSA cause your newspaper to move TMC pieces out of the mail into alternative delivery/newspaper carrier?

	<b>Number of Newspapers</b>	<b>% of Respondents</b>
<b>Yes</b>	<b>105</b>	<b>33.0%</b>
<b>No</b>	<b>213</b>	<b>67.0%</b>
<b>Total</b>	<b>318</b>	<b>100.0%</b>

Q9. If you answered YES in Question #8 above, by your estimate, how many TMC pieces will be moved out of USPS to alternative delivery/newspaper carrier as a result of the Valassis NSA?

Industry Projection: 1.1 billion pieces

Q10. Final Question: If you answered YES in Question #8 above, what is your estimate of the dollar amount in projected postage saved as a result of moving these TMC products out of USPS into alternative delivery due to the Valassis NSA?

Industry Projection: \$199 million