

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

VALASSIS NSA

Docket No. MC2012-14

Docket No. R2012-8

RESPONSE OF THE SACRAMENTO BEE TO NOTICE OF INQUIRY NO. 1

Every day for the last 155 years, The Sacramento Bee has provided news and information to residents of California's Capital region; our journalism provides voice to the voiceless, holds the power to account and creates connections between readers and those who serve them, non-profits and elected officials for example.

The Sacramento Bee submits this declaration in support of Newspaper Association of America's (NAA) Response to Notice of Inquiry No. 1

This is intended to formally reiterate The Sacramento Bee's opposition to the proposed service agreement between the United States Postal Service and Valassis. The proposal gives significant discounts on postal rates to one company, giving them the ability to compete unfairly. The discounts can be offered to national retailers who currently use daily newspapers to deliver their inserts, setting up a pricing scenario that gives an unfair advantage to a single publicly-held company potentially leading to irreparable harm to newspapers.

Response To Questions

1. For fiscal year 2010, we estimate that advertising inserts for durable and semi-durable goods from national retailers represented 21.1% of total advertising revenues (including ROP,

classified, and digital advertising), 29.5% of total print advertising revenue, and 57.6% of total preprint advertising revenue.

2. For fiscal year 2011, we estimate that advertising inserts for durable and semi-durable goods from national retailers represented 21.8% of total advertising revenues (including ROP, classified, and digital advertising), 32.2% of total print advertising revenue, and 55.8% of total preprint advertising revenue.

3. The Sacramento Bee distributes Total Market Coverage (TMC) packages to non-newspaper subscribers through the mail and carrier delivery midweek. While TMC's may contain advertising inserts from national retailers and for durable and semi-durable goods, most of these types of midweek advertising inserts represent local grocery stores, fast food outlets and other retailers with local operations. Most of the ad inserts from national retailers and for durable and semi-durable goods are distributed within The Sacramento Bee's Sunday newspaper edition or through our "Sunday Select" program targeting non-newspaper subscribers on Sunday. There's no way to over-emphasize the importance of the Sunday newspaper to The Sacramento Bee's operations. On average, Sunday drives about one third of our advertising revenues. The Sunday paper creates a significant portion of our profits in addition to being highly valued by our readers and advertisers. The proposed NSA with Valassis, however, would lure many of these durable and semi-durable goods advertisers from our Sunday newspaper to Valassis, diminishing a significant portion of our revenues and causing us to cut costs, scale back our news coverage and likely pull our midweek TMC package from the mail for savings to remain competitive.

4. For fiscal year 2010, we estimate that we mailed approximately 30.5 Million pieces of TMC advertising mail packages for which we paid the Postal Service approximately \$ 5.8 Million.

5. For fiscal year 2011, we mailed approximately 29.8 Million pieces of TMC advertising mail packages for which we paid the Postal Service approximately \$5.6 Million. In addition, we delivered 3.6 Million pieces via private delivery carriers or other delivery methods.

6. We estimate that the Postal Service could lose approximately \$5.6 Million from our mid-week TMC postage if the Valassis NSA is approved.

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

Executed on June 29, 2012.

A handwritten signature in blue ink, appearing to read "Cheryl Dell", with a long horizontal flourish extending to the right.

Cheryl Dell
Publisher & President
The Sacramento Bee