

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

VALASSIS NSA

Docket No. MC2012-14

Docket No. R2012-8

RESPONSE OF LEE ENTERPRISES, INCORPORATED TO NOTICE OF INQUIRY  
NO. 1

Lee Enterprises, Incorporated (“Lee”) is a leading provider of local news, information and advertising in primarily midsize markets, with 48 daily newspapers and a joint interest in four others, rapidly growing digital products and nearly 300 specialty publications in 23 states.

Lee's newspapers have circulation of 1.3 million daily and 1.6 million Sunday, reaching more than four million readers daily. Lee's online sites attract more than 20 million unique visits monthly, and Lee's weekly publications have distribution of more than 4.5 million households.

Lee's newspaper markets include Madison, Wis.; Lincoln, Neb.; Davenport, Iowa; St. Louis, Mo.; Billings, Mont.; Bloomington, Ill.; Tucson, Ariz.; and Napa, Calif.

Lee submits this declaration in support of NAA's Response to Notice of Inquiry No. 1.

Lee opposes the proposed negotiated services agreement (“NSA”) between Valassis Direct Mail, Inc. (“Valassis”) and the United States Postal Service (“USPS”), which would provide Valassis a special rate for mailing advertising inserts from retailers

of durable and semi-durable goods. Lee believes that if the NSA is approved, Lee and other newspapers (which are not being granted a special rate) would be subjected to an unfair competitive disadvantage in obtaining preprint advertising inserts from national retailers of durable and semi-durable goods. Because preprint advertising drives a significant portion of our annual advertising revenue, the loss of this business could negatively impact our revenue and competitive opportunities in the marketplace. Should Lee or other newspapers be unable to compete with Valassis in obtaining advertising from these retailers, our companies and the communities that we serve may be unreasonably harmed. Additionally, Lee spends millions of dollars each year with USPS in mailing TMC products. If the NSA is approved, and Lee and other newspapers can no longer compete for these advertising inserts, it is likely that our expenditures with USPS will be greatly reduced. Because of the unreasonable harm this NSA may cause the marketplace, we respectfully request that the NSA is not approved.

#### Response To Questions

1. For fiscal year 2010, we estimate that advertising inserts for durable and semi-durable goods from national retailers represented approximately 19% of total advertising revenues (including ROP, classified, and digital advertising), 33% of total print advertising revenue, and 74% 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 15% of total advertising

revenues (including ROP, classified, and digital advertising), 31% of total print advertising revenue, and 69% of total preprint advertising revenue.

3. Lee's newspapers distribute Total Market Coverage ("TMC") packages to non-newspaper subscribers through the United States Postal Service and by carrier delivery. Although TMC products delivered mid-week may contain advertising inserts from national retailers of durable and semi-durable goods, most contain advertising from grocery stores, cable companies, restaurants, and other local retailers. However, the Sunday editions of Lee's newspapers and weekend TMC products contain numerous advertising inserts from national retailers of durable and semi-durable goods. Lee's Sunday newspapers and advertising generate a significant portion of our revenue, and our Sunday newspapers are important sources of journalism in our communities. If USPS's proposed NSA with Valassis is approved, many national retailers of durable and semi-durable goods could choose to move these advertisements from our newspapers to Valassis. Should this occur, Lee and other newspaper companies may see a significant reduction in revenue, which could negatively impact our news coverage in order to remain competitive in the marketplace. This may result in an unreasonable harm to the public in general.

4. For fiscal year 2010, we estimate that we mailed approximately 114,000,000 pieces of TMC advertising mail packages for which we paid the Postal Service approximately \$19,000,000.

5. For fiscal year 2011, we estimate that we mailed approximately 115,000,000 pieces of TMC advertising mail packages for which we paid the Postal Service approximately \$20,000,000.

6. If the Valassis NSA is approved, it could result in a significant reduction of our annual expenditures with USPS.

I state under penalty of perjury that the foregoing statements and estimates are true and correct to the best of my knowledge and belief.

John P. Cratty  
Corporate Attorney  
Lee Enterprises, Incorporated  
July 2, 2012