

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

VALASSIS NSA

Docket No. MC2012-14

Docket No. R2012-8

RESPONSE OF HEARST MEDIA SERVICES CT TO NOTICE OF INQUIRY NO. 1

Hearst Media Services Connecticut publishes four daily newspapers – Connecticut Post, Greenwich Time, The News-Times of Danbury and The Advocate of Stamford – and seven weekly publications – six (6) Brooks Community Newspapers titles and the Greater New Milford Spectrum. In addition, Hearst publishes Savings Source, a Total Market Coverage product. Along with a host of online titles, and HealthyLife magazine, our publications and web sites reach more than 450,000 adults living in Fairfield County each week.

We submit this declaration in support of NAA's Response to Notice of Inquiry No. 1:

Response to questions:

1. For fiscal year 2010, we estimate that advertising inserts for durable and semi-durable goods from national retailers represented xx% of total advertising revenues (including ROP, classified, and digital advertising), xx% of total print advertising revenue, and xx% 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 xx% of total advertising revenues (including ROP, classified, and digital advertising), xx% of total print advertising revenue, and xx% of total preprint advertising revenue.
3. The proposed rate discount and rebate structure would give Valassis an unfair competitive advantage by giving them dramatically lower cost rates for the exact same competency and capability, that will destroy the fundamental economics of the newsgathering and distribution models that Hearst Media Services is based. The change directly impacts two fundamental elements of Hearst Media Services's audience delivery product offerings for local, regional, and national advertisers, and indirectly impacts all other contingent revenue development by default.

A. **Sunday Newspaper Product.** Hearst Media Services CT (Connecticut Post, Danbury News-Times, The Advocate, and Greenwich Time) reaches 150,041

(Subscription / Single Issue Sale) households on Sunday. These products provide an efficient delivery method and the revenue generated from the insert delivery supports a local news and information organization that is vital to the local community.

- B. Total Market Coverage (TMC)** – Hearst Media Services CT produces and distributes products to non-subscribers of our newspapers as part of integrated reach extension programs. These TMC packages are distributed every week primarily through USPS services/mail in homes on Thursdays. These products include advertising inserts from local, regional and national companies such as grocery stores, department stores, home improvement centers, toys stores, discount stores, drug stores, local companies such as restaurants, automotive services and aftermarket products, and home improvement types of businesses. While many national retailers of durable and semi-durable goods run advertising in the TMC, most of these ad inserts are also distributed in our newspapers' Sunday and daily editions. The Thursday subscriber/non-subscriber insert program is designed to reach 100% penetration within zip codes; this program was designed and is utilized by Fairfield County, CT area grocery stores, some national some local.

The proposed national rate structure would create an insurmountable pricing disadvantage by creating predatory pricing incentives to strip the existing Sunday and TMC programs. While the target is the national retailers, this is a shared mail program than includes local grocery and retailers. If the national advertising is removed the local market would no longer have a viable package and therefore we would be unable to maintain the TMC product, creating an unintended ripple effect. At a spend of almost \$1.7 million annually with the Postal Service for our TMC product, Hearst Media Services CT is one of the largest USPS customers in CT.

The proposed national rate structure will also impact our Sunday home delivery products, the very core of our mission in serving the economic, civic and commercial interests of the region. The loss of Sunday national inserts will create a significant financial burden on the Hearst Media Services CT and directly impact our ability to support local journalism and provide this valuable marketplace and exchange of ideas to the local community.

.....For fiscal year 2011, we estimate that we mailed 7,283,000 pieces of TMC advertising mail packages displaying durable and semi-durable goods from national retailers via the Postal Service and distributed 2,456,000 TMC pieces via private delivery carriers or through other delivery methods.

4. For fiscal year 2010, we estimate that we mailed approximately 2,374,000 of TMC advertising mail packages for which we paid the Postal Service approximately \$739,000.

5. For fiscal year 2011, we mailed approximately 7,283,000 of TMC advertising mail packages for which we paid the Postal Service approximately \$1,690,947.

6. We estimate that the Postal Service will lose approximately \$825,500 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 28, 2012.

Kevin D. Hall
Vice President of Hearst Media Services CT