

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Docket No. R2013-11

Comments of Valassis Direct Mail, Inc.
July 28, 2014

Pursuant to Commission Order No. 2089 (June 11, 2014), Valassis Direct Mail, Inc. (Valassis) respectfully submits these comments on the report of the United States Postal Service (USPS) in response to Order No. 1926 regarding a surcharge removal plan (June 2, 2014).

Valassis is one of the nation's leading media and marketing services companies, delivering advertising messages and values to over 100 million households each week. Last year, Valassis entered more than 3 billion pieces of mail containing nearly 40 billion pieces of advertising into the USPS. As the largest program mailer, Valassis pays more than \$570 million annually in USPS postage through its direct mail marketing. As such, issues relating to postal rates, and specifically to any plan to remove the exigent surcharge, are extremely important to Valassis and its many clients who must budget for the postal charges.

The overall objective for Valassis is to achieve rate stability for calendar year 2015 and beyond. Rate stability best allows for budgetary planning, and avoiding unexpected or multiple rate increases in a calendar year is beneficial for the overall business community. Moreover, predictability achieved through stability in the USPS rate structure is likely to lead to increased mail volume, potentially benefitting the USPS.

Conversely, instability and uncertainty of USPS rates is problematic, especially when the possibility of two unique rate adjustments in one calendar year is being considered. The process of implementing a rate change is substantially more complicated than flipping a switch, and companies like Valassis must undergo tremendous costs and manhours to complete the implementation of a new rate. Specifically, information technology and operational support functions are impacted by extensive coding and operational changes that are necessary with every rate adjustment. Also, the valuable time and effort our sales and marketing organizations end up spending to understand the impact of every rate change is significant. These added burdens lead to increased costs for both direct mailers like Valassis and ultimately our clients – unnecessary costs in our estimation.

Therefore, the best way to achieve the aforementioned objective of rate stability is to forgo the regularly scheduled Consumer Price Index (CPI) increase in January 2015, and instead delay the 2015 CPI adjustment to coincide with the expiration of the exigent rate. Should this option be exercised, we believe that the USPS should submit two simultaneous postal rate filings, one to remove the surcharge and another relating to the CPI increase. The exigent surcharge and the scheduled CPI increase are two different and separate rate adjustments and should be treated as such.

Additionally, in the spirit of fostering rate stability, Valassis would be amenable to foregoing the September 2015 rescission of the temporary exigency rate increase **only** if the revenues collected from the time the exigent rate revenue target is met through January 2016 that exceed the \$3.2 billion threshold are "banked" and then applied to decrease any CPI rate increase in January 2016.

It is also important to keep in mind that as the USPS continues to discuss rate increases, direct mailers are becoming increasingly concerned about both the annual and aggregated impact of higher postal rates. Escalating postal rates force our clients to consider alternative distribution options including other media (especially in the electronic and digital realms), reducing mailing quantities, and/or changing mailing piece designs that mitigate rate increases but do not grow revenues and or profits for the USPS. Instead, USPS revenues remain status quo and mail volumes continue to erode. In some cases, clients leave the mail stream completely and go to other media. The reality is clients *do* have other options and will exercise these options if Standard Mail becomes too costly.

In conclusion, Valassis respectfully requests that the PRC ensure any plan to remove the exigency surcharge is carried out in a way that best maintains stability within the USPS rate structure. This will enable Valassis and our clients to adequately predict and plan for our marketing budgets and will ultimately be beneficial for the business community at large.

Sincerely,
VALASSIS DIRECT MAIL, INC.



By: Kevin Johnson
Senior Vice President and Deputy General Counsel