

United States Senate

WASHINGTON, DC 20510-4705

June 18, 2012

United States Postal Regulatory Commission
901 New York Avenue, N.W.
Suite 200
Washington, D.C. 20268

Dear Commissioners:

I am writing to express my strong opposition to the U.S. Postal Service's Negotiated Services Agreement (NSA) with Valassis Direct Mail. I believe that this agreement could cause significant financial harm to newspapers, including possible bankruptcy for many papers already struggling. Because of my deep concerns about the financial health of the U.S. newspaper industry, I urge you to reject this proposal.

With home-delivery subscriptions in decline, newspapers increasingly rely on revenue from digital and print advertising to cover their operating costs. Under this NSA, Valassis would receive a substantial discount on the delivery of advertisements from retailers that currently constitute 70 percent of newspapers' advertising business. The Newspaper Association of America estimates that nearly half of this business would be lost to Valassis, at a value of \$1 billion. In order to remain competitive with Valassis, the industry estimates that newspapers will reduce their annual postage use by at least \$200 million. The Postal Service expects to generate at most \$107 million in revenue over a three-year period from the agreement. With the financial health of the Postal Service in steep decline, this NSA proposal appears to further worsen that situation. Now does not seem the time for the Postal Service to willfully reduce the revenue from newspaper delivery in exchange for a smaller revenue stream from a newer customer, Valassis.

I am extremely concerned that the economic analysis submitted by the U.S. Postal Service did not examine the impact of the NSA on the newspaper industry and the marketplace at large, nor did it analyze the impact of lost business on postal revenue. This is in conflict with Congress' requirement in the Postal Accountability and Enhancement Act of 2006 that NSAs must either improve postal revenue or mail operations, and must not cause unreasonable harm to the marketplace.

It is particularly compelling that the Postal Regulatory Commission's Independent Public Representative, the officer designated by the Commission to advocate for the public interest in this matter, has concluded that the Valassis agreement could "pull the last financial pillar out from under the newspaper industry" and represents "the kind of market disruption that Congress instructed the Postal Service to avoid when it crafts NSAs."

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This proposal would harm the public interest by putting many newspapers at needless risk of bankruptcy. In addition, the proposal would cause a further decline in Postal Service revenue due to a reduction in the number of newspapers the Postal Service would deliver. Because of this potential harm to the newspaper industry, I do not believe that this proposal is in the public interest.

Sincerely,

A handwritten signature in blue ink that reads "Maria Cantwell". The signature is written in a cursive style with a large initial "M" and "C".