

## *FAQs on Valassis Negotiated Service Agreement*

### **What is a Negotiated Service Agreement?**

It is a customer-specific contract authorized by law between the Postal Service and a mailing customer. USPS can enter into NSAs after a review by the Postal Regulatory Commission if the proposal would improve USPS's finances or mail operations, but not cause unreasonable harm to the marketplace.

### **How many of these NSAs does the Postal Service have?**

In its competitive side—where it is largely deregulated to compete for such business as parcel shipping—it has dozens. In its “market dominant” side—regulated by the PRC—there are presently six underway. The Valassis NSA is the first to directly enter into the local advertising marketplace.

### **Why did the PRC approve it?**

PRC says USPS proved it would gain new business and that newspapers did not prove unreasonable harm to the marketplace. PRC's analysis of competition in the market says USPS has competed poorly in attracting weekend insert mail volume. PRC echoes federal antitrust courts in asserting its obligation is to protect competition, not competitors. It viewed newspapers as trying to protect a monopoly.

### **What does the NSA allow Valassis to do?**

Receive a postage rebate for creating new saturation shared mail programs for durable and semi-durable goods retailers with retail outlets in 30 or more states. The programs may be opened only in markets where Valassis has had for the past two years and will maintain an existing Saturation Mail program at least monthly—it cannot shift advertisers from existing mailing to new mailings. It cannot extend into new ZIP codes or carrier routes. The mail has to be flat sized mail with 3-10 inserts at least 9 of 12 months of each contract year. At least 85 percent must be dropshipped at local delivery units.

### **Is the package required to be mailed on weekends?**

The contract does not specify weekends. But because Valassis has mid-week mail packages, the expectation is that it will aim for a weekend package. The PRC and USPS assumed that in their analyses.

### **When can it begin?**

As of Aug. 23, 2012. Valassis has 90 days to begin, or it could cancel within 30 days.

### **How long does the contract last?**

Three years.

### **How much volume must Valassis mail to get its discounts?**

It must mail at least 1 million pieces within 12 months. If it fails, it will owe USPS \$100,000.

The postage discount will be provided in the form of a rebate at the end of each contract year. The rebate schedule works as follows:

<b>Weight Per Piece</b>	<b>DDU Rate</b>	<b>SCF Rate</b>
4.5 to 6.5 ounces	20% off published rates at the time of mailing	20% off published rates at the time of mailing
6.5 to 9 ounces	\$0.172	\$0.185
9.0 to 11 ounces	\$0.211	\$0.229

Over 11 ounces	20% off published rates at the time of mailing	20% off published rates at the time of mailing
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### **Can newspapers—or organizations of newspapers—receive similar discounts?**

The law requires “similarly-situated” mailers to be eligible for any NSA after one is approved. But because of the restrictive terms of the Valassis NSA (for example, a saturation mailing program has to have been existence for two years and must continue while the new NSA program is started), it is likely that only Valassis will qualify. Even ValPak, another direct mailer, says it could not qualify. Also, all NSAs so far have involved one vertically integrated company. No associations have asked for NSAs yet. In any event, this NSA was set up specifically to take advertising from newspapers. USPS is not likely to set terms that allow newspapers to get similar discounts.

### **Will the NSA cause the Postal Service to lose newspaper mail business?**

That is what many newspapers have said. But PRC says newspapers will use the most cost effective distribution system, regardless of ire about this NSA. And USPS does not fear the loss of Periodicals-mailed newspapers, where it believes it loses money (though NNA disagrees with its math.) Valassis says newspapers are leaving the mail anyway and their departures are no reason to deny this NSA. PRC says it tried to guess how much mail would be lost but newspapers did not provide enough information to enable it to do so.

### **How much money will USPS make from this deal?**

It anticipates \$4.7 to \$15.3 million in net contribution (the amount it earns over direct costs) over the life of the contract. But most USPS NSAs in the market dominant areas have not met expectations.

### **To whom should I complain about this?**

If you didn’t participate in the comments gathered by NNA or others during the PRC proceeding, you will want to pay attention to further announcements. This battle isn’t over. There is more to come. For now, you can write your members of Congress. Is there a form letter? No. Please write in your own words. Those are most effective.

### **What has NNA does and what will it do next?**

NNA vigorously opposed this NSA as it has opposed all USPS proposals to tilt the local advertising market toward direct mail. NNA filed opposition in the PRC case and has expressed its views directly to the Postal Service. It is likely that legislation will be required to set the playing field right again. Although getting any postal legislation passed in this Congress is extremely difficult, NNA has received assurances that remedies will be seriously considered. Court appeals are also possible. Newspaper Association of America has already filed with the US Court of Appeals in the District of Columbia Circuit.