



VALASSIS NEGOTIATED SERVICE AGREEMENT – FREQUENTLY ASKED QUESTIONS (FAQ)

Q. WHAT IS A NEGOTIATED SERVICE AGREEMENT (NSA)?

A. NSAs are contractual agreements between the United States Postal Service (Postal Service) and individual companies. NSAs benefit both the Postal Service and specific customers for whom mail is a critical part of their business strategy. The Postal Service is authorized under the Postal Accountability and Enhancement Act (PAEA) to enter into NSAs. NSAs are similar to agreements other companies make with individual customers to meet unique needs or opportunities. To become effective, NSAs must be approved by the U.S. Postal Service Board of Governors and reviewed and authorized by the Postal Regulatory Commission (Commission). There are two types: Market dominant (for letter mail and other monopoly products) and competitive NSAs (for expedited and package products).

Q. WHAT IS THE COMMISSION'S ROLE IN EVALUATING NEGOTIATED SERVICE AGREEMENTS?

A. Market dominant NSAs must either improve the net financial position of the Postal Service or enhance its operating performance. NSAs also may not cause unreasonable harm to the marketplace. Agreements must be approved by the Commission as a way of ensuring that they comply with the law. The public is given an opportunity to provide comments on each NSA before the Commission makes its decision. As a further protection, the Postal Service reports annually on the financial performance of all NSAs, and the Commission provides transparency for these results when the Commission publishes its Annual Compliance Determination each year.

Q. ARE ONLY CERTAIN MAILERS OFFERED SPECIAL MAILING DISCOUNTS UNDER THE NSA PROGRAM?

A. The law empowers the Postal Service to enter into a market dominant NSA with any mailer that will provide net financial benefit to the Postal Service or enhance its operating performance as long as it does not cause unreasonable harm to the marketplace. The Postal Service is required to negotiate in good faith with any "similarly situated" mailers who are interested in having a similar agreement.

Q. ARE SPECIAL DISCOUNTS BEING OFFERED TO VALASSIS BY THE POSTAL SERVICE UNDER THIS NSA?

A. Discounts are only offered on new mail volume presented to the Postal Service. Discounted prices will apply if Valassis mails at least one million pieces of new saturation shared mail during the first 12 months of the NSA. The new volume may only consist of advertising of durable and semi-durable goods by retailers with physical retail outlets in 30 or more states in, distinct markets where Valassis continues to maintain existing Standard Mail Saturation mailing programs. Existing programs must have been operating continuously during the two years prior to the execution of the contract.

Q. DID THE COMMISSION TAKE INTO CONSIDERATION THE COMMENTS PROVIDED BY ALL PARTIES WHO WERE INTERESTED IN THIS NSA?

A. Yes. The Commission received 44 comments and five reply comments from various parties. In fact,



the Commission extended the comment period seeking to have as thorough a record as possible before making its decision. The Commission considered all of the comments in its Order and thoroughly discussed them and the issues raised by commenters.

Q. HOW DOES THIS NSA IMPACT THE POSTAL SERVICE’S REVENUE?

A. The projection is that this NSA will have a positive result for the Postal Service. This NSA is designed to generate new volume that is profitable. Only new volume is eligible for discounted rates. The Postal Service expects the agreement to generate between \$4.7 million and \$15.3 million in additional contribution over the lifetime of the contract.

Q. WHAT IS THE EFFECTIVE DATE OF THE NSA BETWEEN THE POSTAL SERVICE AND VALASSIS?

A. The effective date of this NSA is the date on which the Commission approves the contract.

Q. WHAT IS THE TERM OF THE NSA BETWEEN THE POSTAL SERVICE AND VALASSIS?

A. Three years. This NSA can be terminated by either party on 30 days notice.

Q. WILL THIS NSA CAUSE UNREASONABLE HARM TO THE MARKETPLACE?

A. No. The Commission evaluated the potential effects of this NSA on competition as a whole rather than on individual competitors. Two approaches were considered: an economic test and a policy analysis. When an NSA involves entry into a competitive market, the economic test measures reasonableness in terms of pricing structure in a competitive market. As the Postal Service is not pricing this product below costs in an effort to drive its competitors out of business it is not creating an unreasonable level of harm in the marketplace.

The Commission also examined policy considerations as they relate to the PAEA. Policies under the PAEA do not shield newspapers from the consequences of fair competition.

Q. WILL THE NEWSPAPER INDUSTRY BE AFFECTED BY THIS NSA?

A. The use of newspapers has been in decline since the genesis of the digital era. The Commission is not able to identify how this NSA may or may not alter this trend. The NSA is expected to impact the newspaper industry by allowing more competition for advertising inserts that have been traditionally placed in Sunday newspapers, but there is no way to judge how well newspapers will be able to meet this increased competition, or whether the targeted advertisers will choose to switch to the mail.

Q. WOULD THE PRC CONSIDER MORE NSAs LIKE THIS ONE?

A. The law requires the Commission to consider NSAs offered by the Postal Service to similarly situated mailers.



Q. WILL THIS NSA HURT SMALL BUSINESS?

A. Based on the record, including the NSA’s structural limits, the Commission concluded that there would be little or no impact.

Q. HOW WILL THIS NSA AFFECT ADVERTISING REVENUE FOR NEWSPAPERS?

A. The Commission recognizes that this NSA may impact newspaper advertising revenues. This NSA should increase price competition for certain advertising now carried by newspapers. However, at this time there is no way to know how effectively newspapers will meet that competition.

Q. WHAT HAPPENS IF THE DISCOUNTS PROVIDED TO VALASSIS UNDER THE NSA RESULT IN LOSSES TO THE POSTAL SERVICE?

A. Neither the Postal Service nor the Commission views that as a plausible result. However, the NSA is structured in a way that mitigates potential losses to the Postal Service. The Postal Service can terminate the agreement with 30 days notice. Further, the Commission will receive periodic reports from the Postal Service on the costs and revenues of this agreement and can take action if losses begin to accrue.

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