

Statement

of

Steve Brandt

Publisher and President

The Greenville (South Carolina) News

before the

United States House of Representatives

Committee on Oversight and Governmental Reform

Subcommittee on Federal Workforce, U.S. Postal Service & the Census

April 10, 2013

Introduction

Chairman Farenthold, Ranking Member Lynch, and members of the Committee.

My name is Steve Brandt. I am the publisher and president of *The Greenville News* and GreenvilleOnline.com in Greenville, South Carolina. *The Greenville News* is a newspaper with a circulation of 46,000 daily and 70,000 on Sunday in greater Greenville, which constitutes the third-largest metropolitan area in South Carolina. *The Greenville News* has been an important source of local news and information since the first day it was published in 1874. Since December 1995, it has been owned by Gannett Company, Inc.

I appreciate the opportunity that the Subcommittee has given me to share my views on how the Postal Service is working with our business – and others in the newspaper industry – where the business relationship is working well, and where it could improve.

Newspapers and the Postal Service

First, newspapers have had a long and positive relationship with the Postal Service dating back to the very beginning of our Nation. Our Nation's postal system was largely created to deliver newspapers so Americans in the early Republic could stay connected and informed. A newspaper publisher, Benjamin Franklin, served as the first postmaster general. Throughout our history, newspapers have consistently served as partners with the Postal Service in its mission to "bind the nation together."

The Greenville News uses all classes of mail. We use First-Class Mail to send invoices, and we receive much of our revenue through envelopes mailed in by subscribers and advertisers. We use Priority and Express Mail as needed for business purposes. And, we distribute a small number – about 200 copies – of our print newspaper through the mail, typically to subscribers outside of our immediate area.

By far our largest postal spend is in Standard Mail, which we have used for about 20 years to distribute free weekly newspapers and free-standing preprinted advertising to homes that do not subscribe to the newspaper. These are ads for grocery stores, discount retailers, fast food restaurants, furniture stores, and other home service companies. The *News* also delivers these preprinted advertisements to our subscribers as inserts in their copies of the newspaper. We call this combined distribution to subscribers and non-subscribers our Total Market Coverage, or “TMC,” program.

The Greenville News mails 53,000 TMC pieces weekly, mostly going at Standard High Density Plus rates. Our postage bill for our TMC program comes to about \$850,000 annually. Many other newspapers use the Postal Service in a very similar manner. Our national trade association, the Newspaper Association of America (NAA), estimates that daily newspapers collectively spend some \$500 million on Standard Mail postage for delivery of their non-subscriber (TMC) advertising products.

As customers of the Postal Service, we depend on reliable and efficient mail delivery. Advertising dollars provide the vast majority of the revenue that we need to

support journalism in our communities. And we need good service from the Postal Service to keep our advertising customers happy. The success of the midweek grocery store sale and the big weekend hardware sale depend on the timely delivery of the advertising piece.

Like many other newspapers, we work closely with our partners at the Postal Service at the local level to make sure that the advertising that we deliver through our TMC program arrives by the time that the advertiser wants it to. Our Greenville postmaster, Patricia Sullivan, is a dedicated public servant. Mary Chandler, the Greenville BME (Bulk Mail Entry) supervisor, is especially helpful and will always take time to answer our questions and help us navigate the USPS system. In addition, and especially significant, is the reliable, timely and consistent service that we receive from postal clerks and carriers. While the Postal Service has 72 hours to deliver our TMC pieces once they arrive at the local Post Office, our experience is that they generally are delivered within a couple of days after we put them into the system. This is very helpful to us and to our preprint advertising clients. We appreciate the support of the Postal Service, which is a vital part of our local economy.

Recent USPS Decisions Are Driving Daily Newspaper Business Away

Unfortunately, recent pricing decisions and initiatives by the Postal Service are making our newspaper – and many newspapers around the country – reconsider using the postal system for the delivery of our TMC packages. Some have already left the mail and converted their TMC distribution to more welcoming private business partners. Let me explain.

Newspapers (while mailers ourselves) compete with regional and national direct mailers for the distribution of advertising inserts for both small local retailers and large national chains. In Greenville, for example, we compete with national mailers such as Valassis (branded in our market as Red Plum) who mail at saturation rates.

In recent years, the Postal Service has embarked on a strategy of giving significantly more favorable saturation rates to newspapers' direct mail competitors than it has offered our TMC products delivered at High Density rates. In 2007, the rate difference between what we paid for our TMC mail and what a saturation mailer paid for their advertising mail was 0.9 cents per piece. In the six short years since, the Postal Service has repeatedly increased our rates at a much faster clip than the rates for our saturation ad mail competitors. The clear goal was to make direct mail more attractive than newspaper advertising. As a result of this consistent pattern of discriminatory rate increases, the rate difference between High Density and saturation rates widened to 2.6 cents per piece, or \$26 per thousand pieces, last year. I can assure you that \$26 per thousand is very considerable price advantage for direct mailers in a highly competitive market. Although earlier this year the Postal Service reduced that difference to 2.3 cents for some of our mail, even that rate difference remains nearly three times what it was only a few years ago.

As another example, in April of last year, the Postal Service signed a negotiated services agreement with one company – Valassis – the nation's largest saturation direct mailer, which directly competes with newspapers for advertising in local markets. The

special deal granted exclusively to Valassis provides discounts between 22 and 34 percent off of the already lower saturation rates. These super discounts are designed specifically to enable Valassis to attract retail advertising out of newspapers' Sunday editions.

Faced with a Postal Service that has plainly favored our direct mail competitors, a number of newspapers have moved TMC packages out of the mail. Those packages now go to private firms that deliver advertising inserts on the porch or in the driveway, and provide customers with verified delivery through GPS technology. Over the last 10 years, *The Greenville News* has moved approximately 50,000 pieces (amounting to about \$800,000 in postage) out of the mail into alternative delivery. We have done so largely in response to Postal Service pricing decisions favoring our competitors. According to an NAA survey, the Postal Service has lost some \$300 million worth of TMC mail due to daily newspapers moving out of the postal system into alternative delivery over the last five years.

The special NSA for Valassis has had the effect of increasing the interest on the part of newspapers that remain in the mail in exploring alternative delivery to distribute their TMC products. In short, a special deal for one customer is driving away business from hundreds of others, which may cost the Postal Service hundreds of millions of dollars in annual revenue. This is a short-sighted decision that the Postal Service cannot afford. It should simply cancel this special deal, which — as I understand — it could do at any time.

The sad truth is that the Postal Service has driven newspapers away at precisely the time that it had a golden opportunity to increase business from daily newspapers. As I mentioned before, newspapers distribute their TMC advertising inserts to households that do not subscribe to the newspaper. So, when a newspaper's circulation declines, as has happened in many places over the past five years, the Postal Service has an opportunity to increase business from daily newspapers through increased mailings of TMC packages to nonsubscribers. But instead of designing rates and services to help us serve our customers — and capture more of our business — the Postal Service has sought to divert advertisers from newspapers to saturation direct mailers.

The good news here is that our newspaper and many others in the industry would prefer to be in the mail with our TMC products because we believe many of our advertisers value being in the mailbox and because, as I said earlier, we get great service from local postal employees.

The Postal Service can get this business back if it stops taking sides in the marketplace competition between newspapers and other advertising media and, instead, offers postal rates and services that are competitively neutral between newspapers and our advertising mail competitors. It should treat all mailers as valued and important customers — not some as favored and others as targets.

Thank you for the opportunity to testify before you today. I will be happy to try to answer any questions that you may have.

Steve Brandt

Steve grew up in Pennsylvania, but Greenville is his adopted home.

He was a Phi Beta Kappa graduate of the University of Virginia with a BA in economics. During his years at Virginia, Steve followed the coverage of the Watergate events in The Washington Post, which was available in Charlottesville. He gained an appreciation for the importance and power of newspapers and decided to pursue a graduate degree in journalism. Steve was an ABT (all but thesis) master's degree student at the University of Missouri School of Journalism.

After leaving graduate school, Steve worked as a general assignment reporter for the Pittsburg (Kansas) Morning Sun for a few months before joining Dow Jones and Company in operations in March 1974. He worked for Dow Jones in Silver Spring, Maryland, and Orlando, Florida, before joining The Greenville News in March 1978.

Steve's first job with The Greenville News was personnel director. He also worked as assistant business manager and then business manager. In 1981, Multimedia, parent company of The Greenville News, moved Steve to Staunton, Virginia, to be general manager of the recently acquired Daily News Leader.

After two years in Staunton, Multimedia asked Steve to return to Greenville to be general manager of The Greenville News.

In December 1995, Multimedia was acquired by Gannett Company, Inc. In February 1997, Gannett asked Steve to move to Rochester New York, to become publisher of the Rochester Democrat and Chronicle.

In January 1999, Gannett asked Steve to return to Greenville to become a group vice president (with responsibility for Greenville, Asheville and Staunton) and, again, president and publisher of The Greenville News.

As a regional publisher in Gannett's South Group, Steve continues to be responsible for the Asheville Citizen-Times in addition to his primary duty as president and publisher of The Greenville News.

Steve has been an active volunteer with community and professional organizations. He has served as both president and chairman of the Southern Newspapers Publishers Association, a 107-year-old trade association representing 80 percent of the newspapers in 14 southeastern states including Texas. Steve also served as the president of the South Carolina Press Association.

Locally, Steve has served as board chair of the Greenville Chamber of Commerce, the Peace Center for the Performing Arts (four years), Artisphere: Greenville's Arts Weekend, and the Greenville County Museum Association.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)

Name: Steven Brandt

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

None

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

The Greenville (S.C.) News. I am president and publisher.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

None

I certify that the above information is true and correct.

Signature:

Am Brandt

Date:

4.5.13
