

17 October 2007

Sarah Chambers
Chief Executive
Postcomm
Hercules House
6, Hercules Road
London
SE1 7DB



Dear Sarah,

Re. Royal Mail Price Control

Future Publishing is the UK's second largest specialist consumer magazine publisher. We feel compelled to write to you about Postcomm's proposal to allow Royal Mail greater flexibility to increase prices, in particular the proposal to increase the "re-balancing sub-cap" from 3% to 8.5% and the potential for impact on Presstream pricing and the market for magazine subscriptions.

We have to set our mailing budgets and build subscription models based on assumptions which, at worst, reflect likely increases in RPI. To have the possibility of unrealistic increases being imposed by the dominant UK postage supplier is not only unfair and, we argue, unreasonable, but also likely to be so damaging as to reduce the size of the magazine mailing market overall – a sector which is surely one of Royal Mail's last remaining growth sectors. We ask that you seriously review the increase in price flexibility.

On a positive note, we welcome Postcomm's proposal that it is minded to reject Royal Mail's application for Zonal Pricing. As detailed to you in our previous letter of the 30th May 2007, we are very concerned that under Zonal Pricing the cost of mailing to rural areas would become prohibitive, creating a two-tier subscriber market, thus discriminating against rural readers. We believe that ultimately the introduction of Zonal Pricing would lead to the creation of 'dead zones' with a likely spiral of decline as volumes fell and Royal Mail further increased prices. Indeed, the proposal appeared to undermine the Universal Service Obligation. We hope Postcomm continue to challenge any new proposals for Zonal Pricing.

Yours sincerely

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