



Tony Spencer  
Deputy Director, Competition & Regulation  
Postcomm  
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22 October 2007

Dear Tony

I am writing in relation to Royal Mail's submission to Postcomm to be allowed greater pricing flexibility and their proposal to increase the 're-balancing sub-cap'.

Firstly, I would like to express our disappointment that this proposal is happening at the same time as the zonal pricing consultation. It is clearly a very complicated proposal that mailers need to try to understand and to submit two such critical proposals concurrently makes it difficult for mailers to give adequate time to each.

Our understanding is that the proposal seeks to increase the re-balancing sub-cap from the current level of 3% to 8.5% with only 3 months notice. If this is the case, then an increase to 8.5% against an inflation rate of less than 3%, and against a tightening economic background, is simply unacceptable. Furthermore, to seek to introduce such a significant increase within such short timescales is entirely unreasonable.

As active members of the PPA, we are aware they have written to you on the same subject and would reiterate their point that, if Royal Mail have now acknowledged within their zonal pricing application that such changes require a longer notice period of 12 months, then surely the same principle would apply to this suggested change, as the resultant price increases seen by posters would be of a similar level. However, we would reinforce our point, above, about a low inflationary regime generally and the difficulties of operating a proposed cap that is 200% greater than the current figures – it is simply uneconomic from our perspective and, therefore, unacceptable.

We have demonstrated in previous letters to Peter Swatridge on the subject of zonal pricing that our magazine business cannot sustain such increases and have provided evidence of the negative impact on circulation caused by trying to introduce price changes too quickly. There is little or no pricing tolerance for magazine subscriptions and we would urge Postcomm to reject this latest application.

As always, we would welcome the opportunity to discuss the matter and if you wish to arrange a meeting either at our offices or at Postcomm, please let me know.

Yours sincerely

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UK Operations Director  
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