

23rd March 2007

Sarah Chambers
Chief Executive
Postal Services Commission
Hercules House
6 Hercules Road
LONDON
SE1 7DB

Dear Sarah,

**Request for review of Royal Mail price control under Royal Mail Group plc Licence
Condition 21 paragraph 5, (i)(bb)(aa)**

UK Mail is aware of requests made to Postcomm under this provision of Royal Mail's Licence for review of aspects of the Royal Mail 2006-2010 Price Control. As an access service customer of Royal Mail, UK Mail is able to make a request under this provision and does so, asking that:

- a) the values of the headroom between access charges and comparator Royal Mail Retail services (the values of D_{sy}) be reviewed for the period from April 2008; and
- b) the extension of this protection against margin squeeze between access charges and retail prices to all Royal Mail retail services where UK Mail may reasonably request comparable access services or against which UK Mail may compete or reasonably be expected to compete.

UK Mail believes that the existing levels of headroom and protections against margin squeeze are insufficient to promote effective competition as they do not adequately provide for the commercial confidence in long term investment and sustained commitment necessary for broadening competition through access operators.

UK Mail also believes that increased headroom and protections against margin squeeze are necessary *ex ante* provisions to promote effective competition because competition may not be able to sustain actual margin squeeze for the duration of any *ex post* investigation by Postcomm.

UK Mail will provide information to demonstrate the need for these changes as part of the consultation which we understand Postcomm is initiating as a result of the requests made to it.

Regards,

Ian Paterson
Strategy & Regulatory Affairs Director
UK Mail Ltd.