

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

15 March 2007

Dear Sarah

Request pursuant to condition 21, paragraph 5 (i)(bb)(aa) of the Royal Mail Group plc licence, as last amended on 25 May 2006

Pursuant to the above provision of Royal Mail Group plc's ("Royal Mail") licence, we confirm that we are a person to whom Royal Mail provides an Access Service (as defined in the licence) and, having locus to do so under the licence, we hereby request Postcomm to:

- i) review the values of Dsy for the period from April 2008; and
- ii) include in Royal Mail's licence a condition extending the same form of margin squeeze protection to all retail services, including those Controlled Services currently listed in the licence, against which TNT Post seeks or may reasonably be expected to compete.

TNT Post UK Limited ("TNT Post") will provide you with information to demonstrate that the current level of headroom / margin squeeze protection offers insufficient scope to enable long term investment by access operators and is inadequate for the purposes of promoting effective competition in the longer term.

The exposure to margin squeeze comes from a number of retail services for which there is currently no direct protection under Royal Mail's licence. Given the vulnerability of competition to margin squeeze from any relevant retail service and in light of competition's inability to withstand a protracted *ex post* examination of any margin squeeze, we request Postcomm to formalise the extension of headroom / margin squeeze protection across all relevant retail services.

Yours sincerely

Angus Russell
Director Legal and Corporate Affairs