

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

17<sup>th</sup> October 2007

Dear Sarah Chambers,

I wanted an opportunity to express my concerns over the Royal Mail's application to implement Zonal pricing and welcome Postcomm's early view that it is minded to reject the proposal. Separately, I wanted to raise my concerns over granting Royal Mail greater flexibility in raising prices (particularly with relation to Presstream).

Zonal pricing potentially threatens the Universal Service Obligation. It is an almost inevitable long-term consequence of this proposal that "dead zones" will be created within the UK. Places where no magazine carrier (or magazine publisher) will have any economic motive to operate a subscription relationship. I suspect that rather than free up the market to competition, the market will quickly erode.

I appreciate the thinking behind the amendment to the Profile Pricing Discount proposal (which we received on July 17<sup>th</sup> and which offers a 5% reduction to Presstream). However, clearly this falls short of balancing the loss of the profile pricing discounts. It also comes hard on the heels of above inflationary increases in April 2007 and the impact of PIP in 2006.

The interim review of price controls is equally disturbing to me.

Clearly the Royal Mail must, over time, have greater flexibility on its charging system. However, as that flexibility is granted, it must act in a responsible manner to customers who, as yet, have no viable alternative to its service.

Should the Royal Mail choose to fully grasp this greater flexibility within the Presstream product I anticipate Emap Consumer Media's expense would rise by around £200,000 per annum, with smaller publishers hit disproportionately hard.

The consequences of this would be catastrophic for smaller publishers and eye-watering for a company the size of Emap. There would have to be an immediate response by Publishers to reduce their operational costs which would in turn lead to lower revenues for the Royal Mail, which would lead to what? My guess is another radical shift in pricing strategy and another round of decline.

The unintended consequences of this action would accelerate the collapse of the service it seeks to support.

The consequential actions we would be forced to take are surely not in the markets long term interests (for instance switching promotional expenditure back to the news-trade; accelerating the delivery of some content online, reducing paper weights and print formats).

I would ask that considerable thought is applied to these proposals. I am supportive of a less regulated postal market. Yet very uncomfortable with the transitional speed. As more freedom is granted to the Royal Mail, that must be met with greater responsibility to safeguard the interests of its traditional customers, who are still awaiting competitors to arrive.

Any proposal needs to take into account, not only the impacts of any pricing change to the margins of the Royal Mail and the publishing industry, but also the inevitable consequences. The unintended nature of which, might quickly lead us into a cycle of decline.

Yours sincerely

Paul Keenan

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