

Wednesday, October 17, 2007

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

Dear Sarah

Re- Interim review of the price control

I am writing to inform you of our grave concerns regarding Royal Mail's application to increase the sub-cap from 3% to 8.5%.

We simply cannot afford to take on increases significantly above the current rate of inflation without them having a direct adverse impact on the trading positions of our magazines.

To make matters worse, we understand that this is just part of the equation and that by factoring in other increases for loss of volume and hitting quality targets, the price increase could be as high as 12%.

An increase of this magnitude would effectively be on a par with Zonal Pricing and even worse, giving only three months notice before implementation. As we have previously stated, an increase of this size cannot be absorbed and three months notice compounds the problem. Postcomm has already recognised the importance of not having a sufficient notice period for substantial change in its rejection of the Zonal Pricing proposal, and this is no different in terms of the consequences.

As we have pointed out with Zonal Pricing, increases on this scale will seriously challenge the viability of some magazines forcing closure or complete migration to the web. I emphasise that this would also apply to all magazine related mail. Surely nobody wins in this scenario.

At a time when we are having useful dialogue with all of our other suppliers about how to reduce costs we again see the dominant supplier opting to take another route.

I fail to see the long term benefits of such a strategy for any party as higher prices will just lead to less volume that will in turn trigger higher prices leading to less volume and so on, eventually making the whole proposition untenable.

We strongly urge Postcomm to reject this application in favour of maintaining the current sub-cap.

Yours sincerely

PETER REGIS
Production & Distribution Director