



All interested stakeholders

Date: 20 April 2007

Direct Line: 020 7593 2158  
Email: Peter.Swattridge@psc.gov.uk

Dear Stakeholder,

**Postcomm's consultation on Royal Mail's proposal to introduce  
"Zonal Pricing": Extension of the deadline for initial responses**

On 20 February 2007, Royal Mail submitted a revised application to Postcomm, the independent regulator for postal services in the UK, for permission to change the way that it prices many of its bulk mail services. The application seeks permission to be allowed to vary certain business tariffs according to the geographic location of the recipients of mail (known as "zonal pricing").

On 2 April 2007, Postcomm published a consultation letter seeking views from all interested stakeholders on whether Royal Mail should be allowed to proceed with its application to introduce zonal pricing.

Broadly, under Royal Mail's proposal, prices for items delivered in some areas (Greater London, rural and less populated areas) would rise, while prices for delivery to other areas would fall. The products affected by the proposal are bulk mail products called Mailsort 120, 700, 1400 (3<sup>rd</sup> class), Presstream and Walksort.

The proposal, if approved, would not affect postal services that Royal Mail is required to provide under its Universal Service Obligation (USO). In particular, the prices of stamped and franked mail, and Mailsort 1400 (1<sup>st</sup> and 2<sup>nd</sup> class) would not be affected.

Postcomm's letter and the details of Royal Mail's proposal are available at [www.postcomm.gov.uk](http://www.postcomm.gov.uk).

We have received a number of requests to extend the current deadline of 7 May 2007 for responding to Postcomm's consultation letter. Those who have requested an extension have stated that they need more time to assess the impact of the proposal on their businesses. They also highlighted the fact that

Royal Mail's updated calculator for its proposed zonal prices would not be available until 23 April 2007.

We have carefully considered these requests, weighing them against Postcomm's requirement to make a decision on Royal Mail's application to introduce zonal pricing no later than 2 January 2008.

### **Extension of deadline**

Postcomm has decided to extend the deadline for responding to its consultation letter to allow interested parties more time to respond and make full use of Royal Mail's zonal pricing calculator. We expect that better informed responses will help our analysis in developing Postcomm's provisional conclusions. Postcomm's provisional conclusions will be subject to a further consultation, when you will have an additional opportunity to comment.

The new deadline for sending your views to Postcomm is **1 June 2007**.

Since Postcomm is required to take a decision no later than 2 January 2008 on whether to approve Royal Mail's application, it will not be possible to give stakeholders more than two months to respond to Postcomm's document setting out its provisional conclusions. Overall, Postcomm considers that a longer consultation at this earlier stage in Postcomm's considerations, followed by a two-month consultation once we have reached a 'minded to' view on whether to approve Royal Mail's application is a more appropriate use of the limited time available to assess the application.

### **Next steps**

On 12 June 2007, zonal pricing will be discussed at Postcomm's Annual London Forum event which will give another opportunity for stakeholders to provide comments on Royal Mail's application. Details of this event are available on request. If you would like to attend, please use the email address below to request a place.

Postcomm aims to issue a further consultation document by the end of July. This document will include Postcomm's assessment of Royal Mail's proposal and will outline its provisional conclusions on whether Royal Mail should be allowed to introduce zonal prices. The consultation period for this July document will, as explained earlier, last no longer than two months. After having considered the responses received to its minded-to consultation document, Postcomm proposes to issue a decision on this application before the end of the year.

If you have any questions about this letter, please contact me or Samanta Padalino, Deputy Director, Competition and Regulation, Postcomm, Hercules House, 6 Hercules Road, London SE1 7DB, telephone 020 7593 2186.

Thank you for taking time to respond to Postcomm's consultation.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Peter Swatridge". The signature is stylized and cursive, with a prominent flourish at the end.

**Peter Swatridge**  
**Director, Competition and Regulation**