

Title:

Mr

Forename:

Peter

Surname:

Swattridge

Representing:

Self

Organisation (if applicable):

What do you want Ofcom to keep confidential?:

Keep nothing confidential

If you want part of your response kept confidential, which parts?:

Ofcom may publish a response summary:

Yes

I confirm that I have read the declaration:

Yes

Ofcom should only publish this response after the consultation has ended:

You may publish my response on receipt

Additional comments:

I consider that Ofcom' proposed approach is generally appropriate. But there appear to be a number of problems:

- I have no problem with first class standard tariff being fully liberalised. However, price controlling only the LETTER format for second ignores the fact that the LARGE LETTER and PACKET formats are totally separate and non-substitutable services. I consider that Ofcom should price control all of the second class standard tariff prices. This will protect vulnerable users of LARGE LETTER and PACKET services from excessive pricing from Royal Mail. There is no significant competition for the LARGE LETTER and PACKET services that Royal Mail offers.

- There is a grave danger that Royal Mail will excessively price the LARGE LETTER and PACKET second class services if they are not price controlled.

- Royal Mail has a history of excessively pricing services where it can. My understanding is that the profit margins on the SPECIAL DELIVERY service are of the order of 40% - and that is on FAC cost basis. On a LRIC or DLRIC cost base the margins are even higher.

- Ofcom should seek to protect customers who have no competitive choices from excessive Royal Mail pricing.

- Royal Mail has only just started to rationally respond to the cost pressures it is facing. It has just sold Rathbone Place (off Oxford Street). This is, of course, just the sort of thing it should be doing. Ofcom's proposed massively removing the pressure from Royal Mail with the proposed significant price rises. That appears to be a shame, just as Royal Mail is starting to react as a commercial organisation would - by disposing of non-core assets. Why is Royal Mail not selling off other non-core assets such as its stake in Camelot?

- Royal Mail already makes massively higher margins on stamped mail than on franked and PPI (look at the PIP costing annex from a few years ago). If these proposals go ahead, Royal Mail will be pricing stamped services to subsidise business mail. That seems inappropriate - customers with no choice but to use Royal Mail will be cross-subsidising customers (mainly advertising mail) who do have choices.

- a 7 year price control seems at odds with regulatory precedent - 5 years seems more appropriate.

- I agree that it is reasonable to allow Royal Mail a significant P0 price uplift on its price controlled services - but (as previously stated) the price control should apply to all second class standard tariff price points.

- Has Ofcom assessed whether bonuses to Royal Mail's staff are excessive?

- Has Ofcom taken into account the special privileges that Royal Mail enjoys? How do these distort the competitive environment?

- Has Ofcom taken into account Royal Mail's previous predatory pricing behaviour (e.g. BIG BOOK) - How will this likely play out if Royal Mail is allowed to charge what it likes for the vast majority of its prices?

- Has Ofcom performed DLRIC and DSAC cost analysis on Royal Mail's services to better understand the extent to which Royal Mail's services are priced with predatory or excessively?

- What will the incentive be on Royal Mail to reduce its costs and become more efficient if it is allowed to price as it wishes (apart from on second class stamp letter prices)? Given Royal Mail has no delivery competition for most of its services, surely this will lead to lax management controls on cost cutting and innovation?

SUMMARY

Royal Mail has no delivery competition for any service up to about 2 Kg. Based on that it seems unreasonable to remove price controls from any of the second class standard tariff stamp services.

I agree with removing price controls on first class services - but only if second class is price controlled on LETTER, LARGE LETTER and PACKET services.

It is also vital that Ofcom is very wary of any upstream margin squeeze on access users.