

Mr Gavin Knott
Riverside House
2A Southwark Bridge Road
London
SE1 9HA

5 January 2012

Dear Mr Knott,

The Forum of Private Business is a proactive, not-for-profit organisation providing comprehensive support, protection and reassurance to small businesses. We provide our members with a range of services, including representation of their views to decision-makers in Westminster and Brussels.

I am writing to you to express our concerns at the plans to remove Royal Mail price controls, as outlined in Ofcom's 'Securing the Universal Post Office' consultation document.

Increasing prices could reduce the number of customers using the postal service, as identified in the consultation document; "unless it is able to improve efficiency, to cover costs Royal Mail would be forced to rely solely on price increases, which could lead to a spiral of decline". Small businesses are regular users of the service and would be the hardest hit by any increases. It is these businesses which are experiencing already high business costs. The results of the survey in our most recent *Referendum* newsletter revealed that 97% of the small businesses surveyed have seen the cost of doing business rise over the past year. Rises in postage costs would therefore stretch small business budgets further. In order to reduce costs they may have to look to alternative providers, or reduce the amount of mail they send.

We understand that Royal Mail is currently a loss-making organisation and that action needs to be taken to address this. However, we believe constant price rises are not the way to tackle the issue. As outlined in the consultation, the current price controls do not stop Royal Mail implementing price rises, as it states there was a rise of 12% in 2011. These rises are already hurting businesses which are struggling due to the tough economic climate. The loss of controls would lead to steeper price increases; even with a 2nd class stamp price safeguard, the price of 2nd class stamp could still rise by over 50%. Is there sufficient evidence to suggest further price rises will help the organisation in the long term, considering the price rises of the past few years do not seem to have alleviated the existing problems? One alternative would be to diversify the services on offer by making available more high-end services, thus enabling the price of the standard service to remain affordable.

We urge Ofcom to review its plans to remove Royal Mail price controls. During the difficult economic climate we believe it is unjustifiable for Royal Mail to increase its prices by large amounts. These rises will hit small businesses, who tend to be regular users of the service, hard, at a time of economic difficulty and already high business costs.

The business people – an extension to your team

We hope the concerns of small businesses are taken in to consideration during the consultation process.

Yours sincerely,



Phil Orford
Chief Executive
Forum of Private Business