

Our response to the Ofcom consultation on Securing the Universal Post Service

Tuesday, 10 January 2012

BACKGROUND

Newhall Publications Ltd - publishes a subscription magazine called Candis and has 190 employees. We have been using the Royal Mail for 11 years as a strategic partner to deliver monthly copies of Candis Magazine in volumes of 250K per month. The trend is that our circulation has been decreasing but we have been cross selling and supplementing revenue using other product mailings.

IMPACT OF PROPOSED CHANGES

At the time of the last postal price increase there was a regulator in place but RM was still able to put through a huge price increase, which materially affected our business. For the additional burden placed on use we could have employed a further 3-4 staff so it had a real impact on employment within the company. What would happen under the proposed "soft touch" regulatory regime? RM has a very poor track record in dealing sympathetically with its bulk mail customers.

In real terms, RM is worse off because of its previous price increase. We had to reduce our budget substantially in marketing and sales promotion of Candis magazine; as a result circulation is almost 20% lower than it was before the price rise and total RM income is therefore lower than it would have been with no price rise.

Further, above inflation, price rises are a near certainty under the new regime. This will result in less income for our business as we are unable to invest in product promotion, a necessity to reduce staff numbers and overall will reduce RM income again.

We are having to invest heavily in digital as a result of rising mailing costs and have launched a digital version of Candis on Apple's Newsstand.

Any future price rise will jeopardise our investment in development of the business and will increase our focus on digital ways to fulfil some of our marketing and business strategies. We have recently launched in retail as an alternate route to the magazine market rather than using direct mail.

We have a falling circulation and as such have a reducing income so any large increase in April would be crippling at a time when we need to invest to see us through the recession.

We have always found the notice terms by Royal Mail very short and the last price rise was forced upon us in short time frame adding a burden of extra operational expense.

As there are no real alternative methods for us to deliver our magazine only receiving 90 days notice of a major cost increase does not leave us much time to change our strategy to manage any increase. We have several months' stock of mailing materials which could need changing if a different strategy is adopted to combat the affect of a forced price rise.

In summary we can not believe that Royal Mail which is still a monopoly in the last mile can be allowed to have an uncontrolled impact on us and so many businesses. In principle we are committed to print long term, but can only remain so if we are not penalised by RM.

Chris Harman
Operations Director
Newhall Publications Ltd