

Your response

Question	Your response
<p>Question 3.1. Do you consider that Ofcom’s overall regulatory approach remains appropriate for regulating postal services over the 5-year period (2022-2027)? If not, please explain the areas where you think changes should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>Ofcom’s regulatory regime has remained essentially unchanged since 2012 and continues to rely on the three “regulatory safeguards” that were established 10 years ago:</p> <ul style="list-style-type: none">• Affordability• Competition; and• Monitoring: <p>At the same time as establishing these safeguards, Ofcom allowed RM far greater commercial freedom than was the case before (under Postcomm). In particular, direct price control on Access prices. Despite Ofcom having a statutory duty to further the interests of citizens and consumers, where appropriate by promoting competition, there is now less competition in the UK letters market than when Ofcom became the postal regulator in 2012 and less now than in 2017 when the last Regulatory Review was completed, leaving little choice for a mailing house to choose from.</p> <p>CFH consider the existing regulatory regime does not provide sufficient incentive for Royal Mail to improve efficiency or its terms and conditions and does not enable effective competition.</p> <ul style="list-style-type: none">• Pricing Control <p>CFH are concerned about the absence of any price control on other mail services, apart from Second Class stamps for letters and parcels up to and including 2kg. In all other services we have seen large, real-terms price increases. Our perception is that Bulk Business Mail users are subsidising other services, with far above inflation increases on Business Mail, but further discount available on most other services:</p> <ol style="list-style-type: none">1. Advertising Mail2. Incentives3. Economy Access <p>There are a very small proportion of our clients who send time critical, solicited and</p>

transactional communications who can benefit from such discounts.

- Competition

CFH entered the E2E market in order to offer our clients an environmentally friendly delivery service within our 2 local cities, but this was unfortunately unsustainable and ceased in 2019. Not only is there now no competition to RM in the final delivery of mail (only 0.5% of mail is delivered by a company other than RM), the number of operators offering services competing with RM through downstream access has reduced (and three operators collectively handle more than 90% of Access mail) – meaning mail users have fewer service providers from which to choose. This is a real issue for mailing houses such as CFH as we have very little choice compared to when we moved to DSA in 2008.

- Efficiencies

There is little evidence to suggest Royal Mail have made significant efficiency improvements since OFCOM took over the regulation in 2012. We would therefore strongly urge Ofcom to consider further regulatory provision, such as some form of RPI-X pricing formula based on a price control/constraint covering a basket of bulk mail products and efficiency improvements, as a means of redressing this imbalance, and the changing market conditions.

- Monitoring

Ofcom has continued to monitor and report on RM's performance in respect of the universal service, efficiency levels, pricing and competition, but in each of its reports since 2017 it has evidenced RM failing to improve its efficiency, while prices have increased significantly.

Regarding both efficiency improvement and price increases, we note that other sectors have used regulatory regimes that link efficiency improvement and ability to increase prices. CFH believes that could be an approach for Ofcom to consider also.

Question 4.1: Do you consider that Ofcom's current approach to financial sustainability and efficiency of the universal postal service will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.

Confidential? – N

Royal Mail has repeatedly failed to achieve its own, very modest targets for improved efficiency/productivity. Clearly, pressure to improve efficiency and pressure to limit price increases are related and both would be present in a normally competitive market, but Royal Mail is not subject to such market pressures in relation to mail, as it has extreme market power through its monopoly in mail delivery. CFH believe there is clear need and justification for Ofcom, as the regulator, to consider the application of external targets on Royal Mail for efficiency improvement.

The key findings of Ofcom's most recent Annual Monitoring Review 2019-20, clearly show Royal Mail is not improving its efficiency as it needs to and/or could do, as there was no efficiency improvement in 2019/20 and efficiency actually worsened in 2018/19. Nor is Royal Mail improving its quality of service sufficiently, while using high price increases to provide support for its profits. As a result, Royal Mail's profitability trend raises great concern for the sustainability of Universal Service Provision, in the long term.

CFH strongly believe that, in order for Ofcom to show it is acting in line with its statutory duties, it must look closely at this is further evidence and seriously consider the need for, and means to, apply new regulatory measures that will set efficiency improvement targets for Royal Mail, and constraints on the level of price increases for bulk mail services. Ofcom has the relevant information and so is best placed to decide what the framework of any such provisions would look like.

We believe Ofcom should research the needs and opinions of large-volume users of mail in relation to the impacts of a reduction to five days for letters and the impacts of dropping Saturday deliveries. CFH deal with a varied sector of businesses, but our NHS customers are the best example of how important it is for a 1st class item of mail, which could contain medical results, urgent appointments or

	<p>essential medical advice that is sent any day of the week should be with a patient without a potential 2-day delay if a Saturday delivery was dropped.</p>
<p>Question 5.1: Do you consider Ofcom’s approach to the safeguard cap and ensuring affordability will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>This relates to the potential of an Industry stakeholder making a future case for the removal of Saturday from the Universal Service Provider’s six-day requirement for the delivery of letters. This matter has been intimated in various discussions CFH has been involved in via the MCF, conducted with Ofcom.</p> <p>It is generally recognised that marketing mail attracts higher response rates when the letter is delivered on a Saturday, than on a weekday. There are also other types of mail, such as certain periodicals, where receipt of the item on a Saturday is an important feature of the service provided to the consumer. For other important correspondence (e.g., medical results or appointment notifications) delivery on 6-days including Saturday can make an important difference to the service offering.</p> <p>CFH suggests, therefore, that there is not a reduction to the current 6 day per week delivery.</p>
<p>Question 5.2: Do you consider Ofcom’s approach to the regulation of residential and business redirections services will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>Ofcom should continue to ensure this is available at an affordable rate to ensure access to services from all sectors of society.</p>
<p>Question 5.3: Do you consider Ofcom’s approach to regulating quality of service for key USO services remains appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>Controls required on RM’s use of Emergency Period (exemption from QoS targets). Our perception is that Royal Mails focus has switched from letters to Parcels and we have not seen any meaningful control from Ofcom. Letter QoS has fallen dramatically.</p> <p>Both the Postal Services Act 2011 and DUSP1 say that nothing in them is “to be read as</p>

	<p>requiring a service to continue without interruption, suspension or in an emergency” and RM used this in April 2020 to announce modifications to its operations. Ofcom “acknowledged in this context that the Covid-19 pandemic created an emergency situation.” A full 12 months on from that announcement, RM continues to use ‘emergency situation’ to exempt itself from the requirements for Universal Service provision, despite changes to the pandemic restrictions imposed by UK Government and by the devolved administrations in Scotland, Wales and Northern Ireland, both at times during the year and now, with the progressive relaxation of restrictions across the UK.</p> <p>CFH is greatly concerned that Ofcom has left it to RM to decide what it will do and when, without any regulatory requirement or expectation. As a result of this inaction by the regulator, the Universal Service has not been provided for a complete year.</p>
<p>Question 5.4: Do you consider Ofcom’s approach to regulating USO services, including access requirements, Special Delivery Guaranteed by 1pm, Signed For and Meter mail will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>CFH does not believe Meter mail should be part of the USO, this is because:</p> <ul style="list-style-type: none"> - Meter mail is charged at a discounted rate compared to stamped mail. - Any customer using meter mail has to buy or lease a franking machine (requiring some contract with a supplier) and have a licence from RM for the franking machine (typically via the machine supplier) - funds must be put onto the franking machine in advance of posting items - Meter mail can only be posted at Post Offices or in special Meter Posting Boxes (it cannot be posted in standard posting boxes) <p>all of which are inconsistent with the requirements for a service to be part of the USO.</p> <p>These requirements also mean that Meter mail is not an option available to all USO service users. So, in our view, it is clear that there is no need for Meter mail to be part of the USO, while the pricing of and requirements for use of</p>

	Meter mail mean it does not meet the principles for it to be part of the USO.
Question 6.1: Do you think the parcels market is working well for all senders and receivers of parcels (such as online shoppers, marketplace sellers and/or small retailers)? If not, please explain what changes you think should be made, with supporting evidence.	Confidential? – Y / N Forms very small part of our service offering.
Question 6.2: What is the nature and extent of detriment (if any) that consumers may suffer in the C2X or B2C segments of the parcels market? Please provide your views with supporting evidence.	Confidential? – Y / N Is not part of our service offering.
Question 6.3: How effective are the existing consumer protection measures for users of parcel services, in particular CP 3? Is a change in regulation needed to protect users of postal services (as senders and recipients) and if so, what measures? Please provide your views with supporting evidence.	Confidential? – Y / N Is not part of our service offering.
Question 6.4: Are there any changes to the universal service obligations required for parcels, such as including tracking for First/Second Class services? If so, please provide your views with supporting evidence.	Confidential? – Y / N Is not part of our service offering.
Question 6.5: Do you have any other comments on Ofcom’s approach to regulating parcels? If so, please provide your views with supporting evidence.	Confidential? – Y / N Is not part of our service offering.
Question 7.1: Does the current scope of access regulation remain appropriate or should this	Confidential? – N

be changed and, if so, how and why? Please provide your views with supporting evidence.

CFH were involved in a new service request application through the MCF back in 2019 which turned out to be a very disappointing exercise. It would be good to have OFCOM involved in these processes to ensure that it was carried out fairly and not over costed by RM to avoid competition and change.

Question 7.2: How well is our approach to access price regulation working in supporting access-based competition? Are there any improvements or changes that we should make? If so, please provide your views with supporting evidence.

Confidential? – N

Reverse logic, Royal Mail appears to be addressing the transformation from letters to digital format by increasing the unit price of letters, in an attempt to retain revenue level – rather than looking at efficiency and other ways to address the reduction of volume.

CFH has been and continues to be very concerned at the repeatedly very large price increases imposed by Royal Mail for its contract mail services over the past several years. Many of these price increases were significantly above the rate of inflation; the most recent price increase, of nearly 10% is most likely to lead only to an increased rate of decline in mail volumes, as clients move to digital alternatives. The decline of letters could potentially undermine the universal service in the longer term.

It is clear to CFH that the absence of any large-scale competition to Royal Mail in the delivery of mail, means Royal Mail is under no direct competitive threat that would cause it to limit its price increases. While there is indirect competition through e-commerce and e-billing/e-statements, it is apparent to us that such competition is not a sufficient control on Royal Mail price increases – especially in the area of business mail, which is of most importance to CFH and where Royal Mail has imposed the greatest price increases. We therefore believe that in the absence of sufficient market forces to limit price increases, Ofcom, as the Regulator, should be actively considering whether and how appropriate price controls could be applied.

Question 7.3: Is our current approach to access regulation working well in delivering fair, reasonable and not unduly discriminatory

Confidential? – N

terms of access, and are there any changes we should make? If so, please provide your views with supporting evidence.

CFH's main concern is that effective pricing controls are implemented for all Access services to reduce impact of discrimination to vulnerable consumers. There are many individuals who for geographic, economic, vulnerability and health reasons are unable to access digital communications and it is important that their reliance on posted letters is neither removed nor disrupted or that those persons are not financially disadvantaged.