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Dear Elisa,

OFCOM'S REVIEW OF POSTAL USERS' NEEDS CONSULTATION

Mail Users' Association thanks Ofcom for the opportunity to respond to its 'Review of Postal Users' Needs' consultation. MUA has consulted its membership, and the response below represents consensus opinion amongst members on this matter.

MUA has reviewed the basis on which Ofcom's research has been carried out, and whilst members acknowledge the statistical sample base may reflect a split of business mailing interests across the UK, members believe there is a fundamental flaw in what is otherwise a comprehensive piece of work. This is the fact that the research does not take into account (to any significant degree) input from large users, and Members are extremely concerned little or no reference has been made to the needs and wants of this important user group.

These mail users form the backbone of supply into the national carrier's network, their mail volumes subsidise the public postal system, and ultimately serve to sustain the universal service. MUA is therefore concerned Ofcom's research amongst business mailers only includes the opinion of one business mailer with a monthly postal spend in excess of £41,500.

MUA would note some of the companies in this omitted sector (which MUA will refer to in this response as 'Super Users') spend in excess of £1m per week. One member company has quoted a spend this year with Royal Mail of £83m, and another as delivering annualised postal volumes in excess of 640m items into the network. It therefore seems inconceivable to members that the opinions of mailers whose business is so central to the sustainability of the universal service, have not been included in research that will otherwise serve to inform debate on the wider issue of how best to sustain the universal service in the long term.



MUA cannot stress strongly enough the fact that 'Super Users' of mail are fundamental to sustaining the universal service, and whilst the products they utilise do not on the whole fall under the USO per se, consideration of their needs and wants should nevertheless be formally registered. The fact of the matter is Super Users all have a 'Core' or 'Critical' interest in Royal Mail, but also increasingly have options in delivering their messages to the final customer, be they through the rise of other forms of electronic communication, or from alternative providers of mail delivery. Consideration of important factors such as fluctuations in price or service quality should surely therefore be key questions the Regulator needs to be asking these companies, in order to fulfill its primary function under the Postal Services Act 2011 – to secure the provision of the universal service.

Whilst MUA does not believe it should be in the business of proffering Ofcom with answers (the data would after all need to be collected in a statistically valid way), it is clear to members that a significant piece of research amongst Super Users, similar to the 'Conjoint Exercise' exploring the concept of 'tolerability/acceptability' of changes to services, is long overdue.

Indeed, from initial research MUA has carried out amongst its membership, it is clear the levels of tolerability/acceptability amongst its members to certain service changes may be of surprise. For instance Ofcom's research appears to imply that it is possible to move in the direction of a less onerous universal service. The reality is Super Users of mail are extremely sensitive to price changes, and this price elasticity drives levels of tolerability in service changes that may otherwise be considered to have been historically sacrosanct. For instance:

- Given that an over specified USO costs more – it may well be that Super Users would be prepared to accept a reduced USO delivery specification at a reduced price. Members have for instance discussed the viability of Royal Mail being able to strip out costs by delivering only to businesses on a five day a week basis (Mon-Fri), based on the fact that many business premises are not open on a Saturday i.e. the universal service for delivery to business addresses could be different to that provided to residential addresses. They also note that Royal Mail already follows this practice on a widespread basis and therefore has already introduced a de facto five day delivery service for many users.
- In the same vein, if for instance price reductions could be brought about by reductions in Royal Mail's cost base, there are Super Users who may be prepared to sacrifice speed (a general 1st Class service¹) for lower prices and increased reliability - generally these types of changes to the USO service offering of the future, may well be found to be acceptable.

¹ Albeit it that some form of Priority Service would need to still be provided.



As MUA has stated, it is not for members to second guess the approach Ofcom may wish to take in researching this, and it may well be that the examples above turn out NOT to reflect general opinion across the Super User sector. However, members would again emphasise it is crucial the needs of this sector of the Industry – those customers predominantly responsible for paying the bills needed to sustain the universal service – is formally consulted.

MUA would therefore recommend Ofcom:

- identifies key players responsible in sustaining the USO; and
- Commits to a piece of research that identifies the key needs of these users.

I hope that you find the above useful in your deliberations. Should you have any questions, do not hesitate to get in touch.

Yours sincerely,

Alan MJ Halfacre
Chairman, Mail Users' Association