



Richard Orpin
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Competition Group
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29th July 2016

Dear Richard,

Ofcom's Review of the Regulation of Royal Mail

Mail Users' Association wishes to thank Ofcom for the opportunity to respond to the findings of its Review of the Regulation of Royal Mail. Members have discussed this matter in open forum, and this response reflects the views of MUA's membership.

MUA Members are disappointed with the proposals of Ofcom's Review. Members do not consider the Regulator has got to grips with what is essentially a market in transformation, in which one company has an extremely powerful market position. Transactional mail may be in decline, but the packets and parcels market is increasing rapidly and Members do not believe this has been sufficiently reflected in Ofcom's review.

Whilst the Regulator has recognised the potential for Royal Mail to leverage its high market power in letters into the packets (small parcels) market where it already has a strong position, Ofcom has only stated its intention to make changes to regulatory accounting procedures, and keep an eye on developments in the market.

MUA Members do not believe this is sufficient to protect the interests of other stakeholders in the market.

MUA would make the point that a number of stakeholders have requested Ofcom review the lack of equivalence between the RM Retail and RM Access services, both in service range and operational requirements.

The example of a tracked Access service for small parcels has been cited as an area where Royal Mail is arguably being intentionally obstructive in failing to offer similar services to the Access market, safe in the knowledge that customers can not take the matter to Ofcom as a dispute under a condition, because this area is not covered by the USP Access conditions. MUA is concerned this area has not been sufficiently addressed in Ofcom's findings.

Furthermore, MUA would note that in regulating the postal market, it is now generally recognised Ofcom's primary duty under the Postal Services Act (to ensure the sustainable provision of the Universal Service) has now been achieved. However, Members would argue its primary duty under the Communications Act (to further the interests of consumers, by promoting competition), has yet to be met. MUA would note the Regulator has so far only gone as far as enabling competition, rather than



positively encouraging and promoting it, and Members consider there is little in Ofcom's proposals to drive this objective forward.

MUA would suggest this may be down to the fact that Ofcom has been insufficiently resourced to be able to be more proactive, and/or the postal market has not been seen by Ofcom to be an area of important focus. Either way, MUA does not believe the Regulator is doing enough to further the interests of postal users.

There is also general concern within the Industry that the present regulatory regime continues to provide Royal Mail with too much commercial freedom, and that its stance on Royal Mail pricing is questionable i.e. Royal Mail is still at liberty to apply above RPI tariff increases, despite having now achieved a return to profitability, and despite Royal Mail not having achieved, or be planning to achieve the level of efficiency improvement which Ofcom has determined it could

MUA members believe Ofcom's proposals do not go far enough to: sufficiently incentivise Royal Mail to drive forward efficiencies (including greater transparency); push the national carrier to enable development of competition through access; or offer protection to users through greater controls to ensure Royal Mail is not able to 'claw back' from the letters market revenue lost in the parcels sector.

Finally, whilst MUA recognises Ofcom intends to carry out more work on user needs, members would ask the Regulator to give a clear commitment to become more proactive in addressing the needs and concerns of postal users, and to act promptly in circumstances where unfair competitive advantage is distorting the market to the detriment of users.

Should you wish to have any clarification, do let me know. Otherwise, MUA will be happy to provide any other feedback should you deem it necessary.

With very best regards,

Ian Paterson
Chairman
Mail Users' Association.

c.c. Chris Rowsell (Ofcom)
Linda Stevens (BIS)