

Title:

Mr

Forename:

Graham

Surname:

Cooper

Representing:

Organisation

Organisation (if applicable):

ONEPOST

What additional details do you want to keep confidential?:

No

If you want part of your response kept confidential, which parts?:

Ofcom may publish a response summary:

Yes

I confirm that I have read the declaration:

Yes

Additional comments:

We welcome this consultation and the direction of the proposals. Overall it strikes a good balance between giving Royal Mail commercial freedom while protecting what is still fragile competition.

Effective competition is required to ensure that Royal Mail concentrates its efforts on improving profitability through efficiency gains and innovation rather than simply increasing prices.

Question 1: Do you agree with Ofcom's analysis of the case for intervening as proposed in this section:

Yes - the proposed changes for April 2014 clearly demonstrate that intervention is required.

Question 2: Do you think the options of doing nothing and of imposing a price control on the level of Royal Mail's prices are not appropriate or proportionate:

Price controls have not worked in the past and we do not believe that doing nothing will meet the objectives that Ofcom has stated.

Question 3: Do you agree with our approach to focus on existing Royal Mail zones to develop our response to the threats to end-to-end competition? If not please set out your reasons:

Yes - it clearly makes sense to use data and zones that are already in place and understood. We also agree that Royal Mail should not be allowed to add any further zones without an extensive consultation.

Question 4: Is our proposed approach to the definition of Zones appropriate:

Yes.

Question 5: Do you agree with our proposals regarding Zonal charges address our competition concerns? If not, please explain why:

Yes. We would also like to see some further assurance on how often the "zonal ratios" could be changed and whether this would require prior approval from OFCOM.

Question 6: Do you agree with the proposed weighted average rule? If not, please explain why.:

Yes. As in Q5 above how often would Royal Mail be allowed to change this and would any prior approval be required from Ofcom?

Question 7: Do you agree with our assessment of and proposed approach towards tolerances and profile surcharges on national contracts? If not what alternative would you propose:

As with other costs we would like to see that tolerances and surcharges are genuinely cost justified. Simply changing tolerances and adjusting surcharges could make it uneconomic to use a competitor for direct delivery.

We would like reassurances that any changes to surcharges are cost justified and that tolerances have a genuine impact on Royal Mail's costs.

Question 8: Do you agree that it is appropriate to prohibit non-Zonal sub-national pricing plans at this time? If not please state your reasons.:

Yes - and agree that it could still be an option subject to consultation and Ofcom approval should the market requirements change in future.

Question 9:Do you agree that the appropriate measure of cost in relation to our proposals is Zonal FAC by format? If not please state your reasons:

Yes.

Question 10:Do you agree with our proposal to use historic cost data rather than forecast data? If not please state your reasons.:

Yes - although the market is changing historic data is still likely to be more reliable than forecast dat.

Question 11:Do you agree that we should require Royal Mail to use the 2012/13 ZCM, subject to a power for Ofcom to specify by direction that a different model be used? If not please give your reasons.:

Yes.

Question 12:Do you have a view on the appropriate volumes to use as weights in the weighted average rule? Please provide reasons for your view.:

We believe that it would be appropriate to use all RM's mail volume ie USO, Retail, and DSA but excluding unaddressed mail. We believe that this will more accurately reflect the relative cost of delivering an item of mail.

Question 13:Do you agree that it is appropriate to use format level volumes as the weights in the 'weighted average rule'? If not please give your reasons.:

Yes - and this supports the "total addressed volume" approach above.

Question 14:Do you agree with our proposal that the legal instrument implementing our proposed regulatory changes will come into force six months after the publication of the final Statement on this review? If not please give your reasons.:

6 months notice from an Ofcom decision that is likely to be after the General election in May would only come into effect after the January 2016 price increases.

We would like to see any changes arising from these proposals implemented as soon as possible in order to prevent any potentially discriminatory changes being implemented and potentially causing disruption in the market.

Question 15:Do you agree with the proposed scope of our review of the Zonal costing methodology to take place following the publication of our Statement? Are there any other issues that it would be appropriate to consider as part of the review?:

Yes, agree

Question 16:Do you consider that there is a need for a structured compliance process with respect to the proposed remedies? If so, why and what would be the value of such a process, if not why not?:

We do believe that - at least in the short term - that there is a need for some sort of structured compliance process. This would provide reassurance to the market as a whole that pricing, surcharges, tolerances and changes were subject to some scrutiny and that RM would know that it would be challenged to justify them.

It would restore confidence that changes were genuinely justified and not simply a means of increasing prices or making competition more difficult.

Question 17:If we were to establish a compliance process what form should it take? :

Checking everything for compliance is clearly not a cost effective option so we would suggest that Ofcom carries out random checks on a limited number of RM changes. This way RM would have to make sure that it had the necessary justification in place in case Ofcom demanded to see it. If RM knew that it might get challenged it would hopefully ensure that it only made changes that were able to be justified!

Question 18:Do you consider there is are reasons we should extend the access obligation to the crown dependencies? If so please state your reasons. :

Yes - mainly because otherwise access is not on an equal footing to retail and it is not equivalent.

Question 19:Do you agree that our proposals are likely to address the concerns we have identified? Are there ways that Royal Mail could take action which would undermine the effectiveness of our proposals? :

Yes - as mentioned above we believe that RM could use tolerances and surcharges to undermine the effectiveness of your proposals.

Question 20:Do you agree with our assessment of the impact of our proposals? If not, please explain why. :

We agree.

Question 21:Do you agree with our proposals, if not please explain why?:

We agree with your proposals subject to our responses in the previous questions.

Question 22:does the way in which we have drafted the proposed modified access condition appropriately reflect the proposals and in particular do you find it sufficiently clear? In your response, you should suggest alternative wording if you have drafting concerns.:

We don't have any problems with your proposed drafting.

Question 23: Which of our proposed two alternative definitions of ‘Relevant Postal Services’ discussed above do you prefer and what are your reasons for your preference:

We prefer the first option since this more accurately reflects the cost of delivery since it is shared across all postal items (except unaddressed mail) being delivered.

Question 24: Do you agree with our proposal to base the concepts related to the concept and definition of ‘Zones’ on Royal Mail’s own methodology (as referred to above)? If not, please explain in detail why.:

Yes.

Question 25: Do you have any comments on our proposed new concepts and their definitions discussed in this Annex:

No comments.

Question 26: Do you have any comments on our proposed corrections to the USPA Condition discussed in this Annex that are unrelated to our proposed new remedies in USPA 2.1A, USPA 6A and USPA 6B (and their associated new expressions):

No.

Question 27: Do you agree with our thinking and proposals for the rounding (decimal places) to assess compliance with our proposed new remedies in USPA 6A and USPA 6B? If not, please explain in detail why.:

Yes.