



MAIL COMPETITION FORUM

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Ofcom Annual Plan Team
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Ofcom Annual Plan 2015/16 – Invitation to comment

Mail Competition Forum (MCF) members have read the consultation on Ofcom's Annual Plan for 2015/16 and welcome the opportunity to provide the comments below as input.

These comments may be published and may be attributed to the Mail Competition Forum.

1. Introduction

The Mail Competition Forum (MCF) is a non-profit making discussion forum. Our objective is to support the development of conditions in the UK for fair, vibrant and sustainable competition to Royal Mail within a stable and undistorted market.

Member companies of the MCF include: CFH Docmail, Citipost AMP, City Link, DX Group, ONEPOST, Racer Consultancy Management, Secured Mail Group, Whistl and UK Mail.

The MCF supports and encourages all forms of competition in the UK postal market, where such competition is efficient and benefits postal users.

2. The Universal Postal Service

The MCF views positively the recent public consultation by the European Regulators Group for Postal Services (ERGP) on the scope, requirements, provision and funding of the Universal Service Obligation as it will open an important discussion on a forward-looking definition of the universal service which reflects consumer needs in the internet age. The MCF will input to this consultation and will participate in the stakeholders' workshop in Bucharest on 19th November.

Ofcom has a statutory duty to ensure provision of the USO in the UK and is the UK member of the ERGP. The MCF strongly encourages Ofcom to participate actively in the ERGP's work on the USO.



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The MCF therefore believes a key part of Ofcom's annual plan for 2015/16 should be to seek input from postal users and postal service providers on what form of USO is appropriate in the context of public communication needs which are now and will increasingly be very different to those of the last century, and how such a USO should be provided and funded. Ofcom should, the MCF suggests, as part of this work undertake a new study of postal users' reasonable needs (not preferences), in line with OFCOM's statutory duties under ss30(3) and 31(4) Postal Services Act 2011. Any such study should be carried out with appropriate conjoint analysis to ensure a more accurate assessment of those needs.

3. Provision of the Universal Postal Service

Royal Mail is the current designated Universal Service Provider (USP). The MCF believes Ofcom should exercise its regulatory remit and statutory ability to formally assess and publically report on the efficiency with which Royal Mail provides the USO.

The Postal Service Act 2011 requires (in s29(3)(b)) that Ofcom must have regard to the need for USO provision to be efficient "before the end of a reasonable period and for its provision to be efficient at all subsequent times".

The MCF is aware that Ofcom does assess Royal Mail's efficiency as the USP – as reflected in the annual monitoring update - but we believe Ofcom's 2015/16 annual plan should include publishing a clear statement on whether Royal Mail's USP provision is indeed efficient, or if not efficient, in what ways and what steps Ofcom considers it necessary for Royal Mail to take and by when. Ofcom has carried out preliminary research, through NERA and WIK, into the measurement of efficiency and comparative efficiency measures undertaken by other universal service providers. We also note that Ofcom has recognised that competition has an important role to play in encouraging that efficiency.

4. Effective competition.

The MCF recognises that, in postal services, Ofcom has a primary statutory duty to ensure provision of the USO; given that duty, Ofcom's focus since 2011 has largely been on that duty.

However, Ofcom has a wider, statutory duty under section 3 of the Communications Act 2003 to encourage effective and efficient competition in all the communications markets which it regulates, to the benefit of consumers. The MCF believes Ofcom's necessary focus on its USO duty has been at the expense of its wider duty on effective competition and the efficiency aspects of the postal industry mentioned above and that it is appropriate and timely to alter that focus.

In the current consultation on its annual plan for 2015/16, Ofcom reiterates that its "overarching strategy is to ensure UK communications markets work to support consumer and citizen interests", including by promoting effective competition and setting competition policies for services where there are economic bottlenecks.

The MCF believes Ofcom's current work on postal services, including the competition law investigation underway and the upcoming review of terms and pricing for access to Royal Mail's



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delivery network, will provide Ofcom with new information on how postal competition is, or may be, currently constrained by Royal Mail as USP.

We therefore suggest Ofcom's annual plan for 2015/16 needs to include work leading to revised regulatory obligations and conditions which will address its statutory duty to promote effective competition in postal services.

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