

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>No comment.</p>
<p>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.</p>	<p>Confidential? – N</p> <p>No comment.</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>techUK’s Postal Services Group (comprises the key industry stakeholders and has a programme of engagement with the market to collate and articulate the concerns and visions of the postal technologies sector) strongly supports the principle of the Universal Service Obligation (USO). Whilst COVID-19 has accelerated some existing trends with regard to letter and parcel volume – albeit in significantly different ways – there remains a clear need for a universal postal service at a uniform and affordable price. Royal Mail has maintained its near-monopoly status in the single piece USO letters market and has significantly increased its market share in the single piece small/medium sized parcel market.</p> <p>We recognise that there is a balance which must be struck in providing such a uniform between accessibility and cost to the end-user on one hand and commercial flexibility to Royal Mail on the other to allow it to generate a reasonable rate of return on investment.</p>

	<p>We are therefore strongly supportive of Ofcom’s approach to the safeguard cap and believe that it should continue in a similar vein both up to its current review period in 2024 and beyond. We believe that Ofcom’s evidence-led approach helps strike the right balance between an affordable universal service and incentivises Royal Mail to continue to invest in new technology to drive increase performance and efficiencies. Striking the correct balance allows for a virtuous cycle whereby Royal Mail’s increased productivity and efficiency helps to ensure the affordability of the universal service.</p> <p>On the specifics, we believe that a continued approach that covers both second class standard letters and a basket approach, linked predominantly to CPI, ensures that both consumers and small businesses benefit from an affordable universal service.</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>No comment.</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>No comment.</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>techUK’s Postal Services Group strongly support the continuation of meter mail to remain within the USO. There are two primary reasons for this. Firstly, and as Ofcom recognises, a</p>

significant proportion of SMEs make use of the benefits that metering provides – far above any other bulk mail services provided either by Royal Mail or other operators. Additionally, according to Ofcom’s own research, of those SMEs who use metering “85% considered this method of sending mail to be ‘important’ or ‘very important’ to their business”¹. This aligns with general research into SMEs usage and importance of postal services with the “importance rating for services being regarded as ‘low cost’ has increased from 58% to 70%”².

The second reason is that many users of meters have now invested in new Mailmark compliant machines; a move that has been encouraged by Royal Mail which has now formally announced the decertification of legacy and smart machines from December 2022.

Removing metering from the USO would likely have a negative impact on a significant proportion of SMEs as they navigate the lengthy economic recovery from COVID-19 and act as a cautionary tale on end-user side investment in machinery that delivers benefits to the postal system overall.

techUK believes that there is a reasonable argument to expand the scope of the USO given the significant changes in the parcel landscape that have occurred over the past 12 months. Specifically, with the increase in on-line shopping and e-commerce solutions we believe that there should be a more affordable tracked product within the USO as today end-users are forced to use Special Delivery Guaranteed where Account and Click & Drop clients can access tracked 24/48.

¹ https://www.ofcom.org.uk/data/assets/pdf_file/0024/215664/call-for-inputs-review-of-postal-regulation.pdf

² https://www.ofcom.org.uk/data/assets/pdf_file/0022/208219/2019-20-annual-monitoring-update-postal-market.pdf

	<p>More generally, we believe that Royal Mail needs to set out its general approach to barcoding and likely policy and pricing with regard to this. Whilst the trials of second class stamp barcoding have been well publicised³ the overall approach and wider strategy remains unclear. This is not to say that we do not support such a move as the protections offered to stamp revenue are clear.</p>
<p>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.</p>	<p>Confidential? – Y / N</p> <p>Broadly, techUK’s Postal Services Group believes that the parcels market is working adequately well but that there are both potential harms developing and that the market could be improved. In particular, we wish to see the inclusion of a tracking facility within Royal Mail’s First and Second class USO products.</p> <p>Currently, online shoppers and e-commerce shippers are getting more competitive delivery and returns tariffs to those available to USO clients. Indeed, the inability for offline households and consumers to access tracked 24/48 services serves to exacerbate the increased costs faced by those who are offline – this includes SMEs as these services are also unavailable through the meter channel.</p> <p>When comparing the following products, we can see that a Tracked service would make sense for the meter channel, prices as of 1st Jan 2021:</p> <ul style="list-style-type: none"> • Special Delivery <1kg delivered by 1PM following day with £500 compensation costs £8.50.

³ <https://postandparcel.info/135325/news/parcel/royal-mail-to-be-one-of-the-first-postal-authorities-to-add-unique-barcodes-to-stamps/>

	<ul style="list-style-type: none"> • Signed for 1st Class with up to £50 compensation costs £4.48, however for the past 15 months no signature has been required due to CoVID-19 restrictions. • Royal Mail 24 compensation up to £100 costs £3.02.
<p>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.</p>	<p>Confidential? – N</p> <p>No comment.</p>
<p>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.</p>	<p>Confidential? – N</p> <p>No comment.</p>
<p>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.</p>	<p>Confidential? – Y / N</p> <p>As referenced above, the lack of a tracked parcel product within the USO means consumers, SME’s and franking clients are disadvantaged. If clients wish to use a tracked product it is necessary to either use Special Delivery or use Royal Mail’s online Click & Drop platform to access tracked 24/48.</p> <p>These products fall outside the USO and attract VAT and cannot currently be purchased via Post Office Counters or the franking channel. Royal Mail is also considering removing the self-adhesive Signed For and Special Delivery barcode labels from the franking channel and instead moving to an online pre-announcement solution with address and tracking label combined.</p> <p>With the increase in parcel volumes in both B2C and C2X it is clear there is a need for reform within the USO parcel requirements.</p>

	<p>Adding tracked 1st and 2nd class parcel products may cause further confusion for consumers and SME's and Royal Mail opening up the Tracked 24/48 portfolio of products may be the best route to ensure this segment is not disadvantaged.</p>
<p>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.</p>	<p>Confidential? – N</p> <p>No comment.</p>
<p>Question 7.1: Does the current scope of access regulation remain appropriate or should this be changed and, if so, how and why? Please provide your views with supporting evidence.</p>	<p>Confidential? – N</p> <p>No comment.</p>
<p>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.</p>	<p>Confidential? – N</p> <p>No comment.</p>
<p>Question 7.3: Is our current approach to access regulation working well in delivering fair, reasonable and not unduly discriminatory terms of access, and are there any changes we should make? If so, please provide your views with supporting evidence.</p>	<p>Confidential? – N</p> <p>No comment.</p>