

Your response

Please tell us how you came across about this consultation.

- ☐ Email from Ofcom
- ☐ Saw it on social media
- ☐ Found it on Ofcom's website
- ☐ Found it on another website
- ☐ Heard about it on TV or radio
- ☐ Read about it in a newspaper or magazine
- ☐ Heard about it at an event
- ☐ Somebody told me or shared it with me
- ☐ Other (please specify)

Question	Your response
Question 2.1: Do you agree with the provisional conclusions set out in our Equality Impact Assessment? Please state your reasons and provide evidence to support your view.	Confidential? N Yes
Question 2.2 Do you agree with our assessment under the Welsh Language Standards? Please state your reasons and provide evidence to support your view.	Confidential? N Yes
Question 3.1: Do you agree that we have identified the reasonable needs of post users? Please provide reasons and evidence for your views.	Confidential? N CFH agree that the individual user needs have been addressed for 2 nd class/non-priority mail, however we feel the needs of posting businesses especially those using first class mail have not all been fully considered. CFH had a session direct with OFCOM and a group of our clients from the Electoral sector during the CFI consultation period, many of the councils advised on the call that budgets were already tight for postal voting packs which currently go via 1 st class (plus response items are 1 st class) due to the very tight time-lines, but the proposal indicates that the 1 st class was only required for the 'occasional let-

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	<p>ter'. The postal voting pack volumes have increased significantly over the past few years, and we only see this volume increasing more as voting by post rather than attending a polling station seems to be the preferred option for many voters. You mention that the first-class letters will require an increase to cost to enable RM to deliver within the parcels network on light days, so this will result in much higher costs for the councils whilst volumes are increasing. Councils are just one example; this also effects financial services, NHS plus other sectors.</p>
<p>Question 3.2: Do you agree that the market is meeting the reasonable needs of post users? Please provide reasons and evidence for your views.</p>	<p>Confidential? N</p> <p>Post Users want to know they are receiving the service they are paying for (reliable, affordable and frequent), as reliability is key. Our opinion is that one of the major factors in migration to digital communications in the past 5yrs which has resulted in rapid volume reduction is partly down to the extortionate price increases in business mail services, alongside these increases we have also seen a big drop in QoS across all services. We feel OFCOM should put price constraints on RM in-line with their QoS performance, this would then incentivise improvement in efficiencies. Access bulk mail accounts for 70.7% of all addressed mail items and we feel strongly that the tail of mail targets you have warranted on USO mail items are also required for D+2, D+3 and D+5 access services, to ensure the Post Users are getting reliability at a reasonable price.</p>

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<p>Question 5.1: Do you agree with our proposals and impact assessment on changes to the delivery frequency of Second Class letters so that those items would be delivered every other day from Monday to Friday, and would not have to be collected, processed or delivered on Saturdays? Please provide reasons and evidence in support of your views</p>	<p>Confidential? N</p> <p>As a poster of both Access bulk mail and Retail business mail CFH agree that the alternate day delivery of 2nd class items does make sense considering the losses RM are currently making.</p> <p>We strongly agree with the decision for the Access D+3 service to be regulated, plus for the D+2 service not being removed from the access services regulation, as we believe clients will still be using the D+2 service as an alternative to 1st class (due to the recent price increase in 1st class business mail – some services have seen over 60% increase).</p> <p>We are aware that RM are lobbying OFCOM for D+2 to be unregulated of which we strongly object to. To deregulate D+2 would result in the service possibly becoming variable and remove margin squeeze which would allow RM to increase rates so have a severe impact on clients wanting to use the D+2 service.</p>
<p>Question 6.1: Do you agree with our proposal to set the First Class national D+1 performance target to 90%? Please provide reasons and evidence for your view.</p>	<p>Confidential? N</p> <p>No, CFH do not agree with reducing the QoS target to 90% on 1st class/D+1, clients will be paying a premium rate and expect the service they are paying for. Even though we can see that the network changes will impact the frequency of the postman going to each door, we feel if you reduce the QoS this will result in millions of 1st class items not being delivered within a reasonable time which is unacceptable. The recent 1st class business mail rates have seen a 60% increase in cost for some services (mailmark 1st class unsorted letter 250-999 item band current rate is 93.4p increasing</p>

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	to 150.5p on 31/3/25 = 61% increase, which must be considered to be a high tariff premium service).
Question 6.2: Do you agree with our proposal to set the First Class PCA D+1 performance target to be 3% lower than the national target (i.e. for the PCA target to be 87% to align with our proposed 90% national target)? Please provide reasons and evidence for your view	<p>Confidential? N</p> <p>CFH disagree with any of the current 1st class QoS targets being reduced – people will be paying an increased rate for a premium service, so they should expect to get the item delivered next day.</p>
Question 6.3: Do you agree with our proposal to introduce a new First Class ‘tail of mail’ target of 99.5% at D+3? Please provide reasons and evidence for your view	<p>Confidential? N</p> <p>Whilst CFH fully agree with the new ‘tail of mail’ QoS targets you are putting in place, we feel 99.5% needs to increase to 99.9% as 0.4% of mail would represent a high volume of items that RM will have no QoS target against – so 3 days on D+1 should be ample time for RM to hit 99.9%.</p> <p>We also feel that the Access D+2 service needs the same tail of mail targets put in place as 1st class USO mail items.</p>
Question 6.4: Do you agree with our proposal to set the Second Class D+3 performance target to 95%? Please provide reasons and evidence for your view.	<p>Confidential? N</p> <p>No, CFH feel the current QoS target should stay as is, if we are expected to take a downgraded service for the same price, we should at least expect the current QoS targets to be hit by RM.</p>
Question 6.5: Do you agree with our proposal to introduce a new Second Class ‘tail of mail’ target of 99.5% at D+5? Please provide reasons and evidence for your view.	<p>Confidential? – N</p> <p>Whilst we fully agree with the new ‘tail of mail’ QoS targets you are putting in place, we feel 99.5% needs to increase to 99.9% as 0.4% of mail which is still a high volume of items that RM will have no QoS target against – so 5 days on 5 days on D+3 should be ample time for RM to hit 99.9%.</p>

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	<p>We also feel that the Access D+3 service needs the same tail of mail targets put in place as 2nd class USO mail items.</p>
<p>Question 7.1: Do you agree with our proposal to regulate D+3 access services, subject to a margin squeeze control and the other protections outlined above? Please provide reasons and evidence for your views.</p>	<p>Confidential? N</p> <p>Yes</p>
<p>Question 7.2: Do you agree with our proposal to change the specification of D+5 access services to remove Saturday as a delivery day? Please provide reasons and evidence for your views.</p>	<p>Confidential? N</p> <p>Yes, we support this, as long as tail of mail targets are introduced for this service at a target level of 99.9%, as if you are taking a Saturday out of a delivery week any items missing D+5 will need to be monitored.</p>
<p>Question 7.3: Do you agree with our proposals to maintain a margin squeeze control on D+2 access services, where the relevant retail services are Royal Mail's First Class retail bulk services? Please provide reasons and evidence for your views.</p>	<p>Confidential? N</p> <p>Yes, CFH agree this is much needed and fully support OFCOMs decision to do this. We are expecting clients to move volume from first class retail to D+2 access (and current D+2 customers to migrate to D+3), so to ensure there is margin squeeze against 1st class does open the market up to fair competition. Plus regulating D+2 as part of Access is also good for competition.</p> <p>However we are concerned, we know RM are lobbying OFCOM to change this decision, plus we feel the proposal does not commit to long term regulation of D+2. The work and development involved to make internal changes to our hybrid platform, to introduce a new despatch method plus to run an additional daily sort is quite significant, so if this was to change within a few years of regulation this would be unwelcome and costly to CFH (and other mailing houses).</p>

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Question 7.4: Do you agree with our proposals for pricing transparency and amending how access services are defined? Please provide reasons and evidence for your views.	<p>Confidential? N</p> <p>Yes, we agree with this proposal, however we also feel OFCOM should make a public statement after each RM Access price increase to show the margin squeeze test have been met. Any price increases should be linked to QoS.</p>

A few other points we would like to make are as below:

- During the CFI summary of responses in Sept 24 OFCOM mentioned a 2nd phase with further consultation, we can see no mention of this in the proposal.
- *‘We plan to publish a statement in summer 2025. We currently intend any regulatory changes we decide to make to come into effect on the day we publish our statement.’*
This part of the proposal is an issue (9.4), as how can we plan before the final OFCOM decision. If we were to go ahead and make the changes to implement the option for our clients to use the new D+2 service, then when the decision document is released in Summer 25 you decide not to regulate the service (referring to RM lobbying for this to change), so the service may not be used as the cost could increase significantly due to vat, plus no margin squeeze – resulting in wasted time on development, potentially large volume of redundant envelope stock where the indicia has changed, and would require new correspondence to clients on services and rates. OFCOM must appreciate that this is the biggest change in post for over 20yrs and requires certainty and a notice period on Access services to allow us time to make any changes required after the summer announcement.
- Also relating to Access margin squeeze RM no longer effectively competes with Access with its pre-sorted bulk mail services, but it certainly does compete against Access using its unsorted bulk mail services, which are not included in the Relevant Retail Services and so are outside the margin squeeze protections. RM has exploited this by offering its unsorted services at prices close to (even, at times, below) the prices it charges for Access services. Access mail must be presented to RM pre-sorted, so while Access operators do offer unsorted services to posting customers, the operator must incur the cost of doing the sortation as well as the cost of the RM Access price. The total of those costs leaves little (or no) margin for the Access operator. Hence, the asked and asks again for RM’s Retail Unsorted services to be included in the list of Relevant Retail Services.
- With these huge changes to Post Users (both posting and recipients) reporting is going to be key, both to enable clients to plan mailings, plus to give peace of mind that items are being delivered to the agreed QoS target, we feel walk visibility reporting

is well within RM's capabilities to provide now the majority of items contain mail-mark barcodes (7.118).

Please complete this form in full and return to futurepostaluso@ofcom.org.uk.