



Plan of Work Team  
Ofcom

*By email*

29th January 2024

## **Ofcom Plan of Work 2024/25 – Response from the Mail Competition Forum.**

The MCF would like to thank Ofcom for its continued work in the postal sector to ensure a thriving competitive Postal Market largely built around Royal Mail's Network delivering USO Mail, Regulated Access Mail and unregulated parcel traffic.

The MCF welcome the opportunity to add to the debate on potential USO reform with the knock-on consequences for non USO traffic. The MCF look forward to actively engaging with Ofcom, Royal Mail, DBT, other stakeholders and most critically our posting customers on the options for this vital topic.

The MCF also welcome the opportunity to comment on the 2024-25 workplan. As with previous years the MCF remain deeply concerned about the crisis of ongoing poor Quality of Service (QoS) delivered by Royal Mail to its posting customers.

We would not only encourage Ofcom to open an investigation into the ongoing performance issues as suggested in the workplan but also to go one step further and amend the exiting QoS regulatory regime both to drive urgently needed improvements now and to ensure that we do not find ourselves in this position in the future.

We believe that despite having served the market well for decades the current regime is no longer fit for purpose and needs amendment.

Whilst the regime is mechanically functional (as evidenced by the recent record fines for 2022/23) it has done nothing to improve the QoS performance for the two post-pandemic years to anything close to an acceptable service or the pre-Pandemic levels.

As a "light touch evidence based" regulator Ofcom should still be able to see that the current regime does not do all it could to support its twin duties to preserve the financeability of the USO and benefit consumers. Royal Mail's failure to deliver the required service has created a QoS crisis that has seen both posting and receiving customers lose faith in the reliability of the postal service. Ofcom's own research and analysis in the Post Monitoring report published a few months ago references:

- a reduction in the importance of post (down from 75% to 65%).
- a reduction in the volumes of post sent last month (down from 82% to 73%).
- Dissatisfaction doubled from 4% to 8%.
- 30% reported delayed mail.
- 20% reported misdelivered mail.

It is clear from the research that the recent price increases and poor QoS are impacting the volumes of mail in the market with detriment to citizens / posting customers and damaging ramifications for any kind of sustainable USO in the future.

The views expressed in this letter represent the general views of the Mail Competition Forum and do not necessarily represent the particular position of any individual member organisation

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Industry speculation is rife that Royal Mail may be perversely incentivised to miss its targets and are acting accordingly for two reasons. First, the size of any fine from the existing regime is likely to be orders of magnitude less than the cost of returning the service to acceptable pre pandemic levels (and of course the “savings” are banked in the current financial year and any fine follows several months into the following financial year). Second, by denuding the delivery expectations of both posting and recipient customers, Royal Mail sets up its own argument well for a reduced USO service as a reliable Postal service is now seen as less important than previously.

In the response to the Workplan 2023/24, the MCF made some suggestions around the ways in which the existing regime could be modified relatively simply to drive improvements.

These revolved around reducing the period of study from annually to quarterly, making the fine transparent and proportionate with service degradation and including the regulated Access mail in the regime.

These seemed to us to be sensible, pragmatic and easily adopted builds on the existing regime and we remain of the same opinion. They would also help to address some of the issues mentioned in the QoS decision 2022-23 document published this month.

Specifically, a move to quarterly measurement would ensure senior management remained continually incentivised throughout the year since each quarter would bring fresh opportunities to hit their bonus criteria and of course to maintain QoS throughout the year. If management bonus schemes involve an element of profit measures having penalties that are transparent and proportionate to the consumer harm caused and applied in the bonus year are likely to provide the deterrent that Ofcom seeks.

However, we recognise and accept that to drive the best outcome for the flock it is the shepherd that is best placed to direct the sheep using the tools available to them, not necessarily the sheep themselves.

We call on Ofcom to ensure the best outcome by using its considerable ability, regulatory experience and resource to improve the QoS regime for the benefit of recipient and posting customers alike and for the preservation of a sustainable USO going forward.

Ian Paterson  
MCF Secretary ✂

MCF members: CFH Docmail, Citipost, Critiqom/Opus Trust, The Delivery Group, Evri, Whistl, UK Mail (DHL eCommerce)

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