



05 November 2025

Dear [REDACTED]

Ofcom 'Call For Input' Review of Regulation - Pricing and Affordability

Mail Users' Association (MUA) thanks Ofcom for the opportunity to respond to its Call for Input (CFI) on a Review of Regulation – Pricing and Affordability. This matter has been discussed with members in a recent meeting and the observations made in this letter represent the views held by MUA's membership. This response is not confidential; it may be published in full and attributed to Mail Users' Association.

1. Background

- 1.1** MUA is the UK's only independent association of business users concerned wholly with commercially related postal matters (<https://www.mailusers.co.uk/>). Its members are drawn from a wide range of business interests including direct mail, financial services, communications, publishing and postal related industries. Collectively, it is estimated that MUA members generate more than 30% of annual mail traffic in the UK. This includes four of the big five high street banks, along with a selection of other large mail producers.
- 1.2** MUA's primary objective is to secure a healthy and cost-effective set of postal services for all business users and their customers.

2. Introduction

- 2.1** MUA has chosen to focus on the issues outlined in Section 5 of the Ofcom's CFI document, given the relevance of this area to the interests of the large volume mailing industry.
- 2.2** MUA members note that the bulk of Ofcom's CFI relates to the Regulator's thinking on the need for and possible forms of price control on Stamps, including options for discounts for particular types of consumers. Members would not wish to comment on these aspects at the present time given that stamp prices are of low relevance to large volume mail users. Further comments on these areas may or may not be forthcoming, dependent on the proposals put forward by Ofcom in its formal consultation.

3. Broader Pricing Concerns and Access Price Regulation

- 3.1** MUA continues to maintain it is essential for the Regulator to work up proposals in its forthcoming consultation which directly link the ability for Royal Mail to increase its prices to its service quality achievement and improvement in efficiency.



- 3.2** Currently, no non-USO service has any constraint on pricing, and within what currently is a captive final delivery market, Royal Mail has the freedom to increase all prices by as much as it decides, whenever it decides.
- 3.3** MUA considers these circumstances should be of concern to the Regulator, as non-USO services provide most of the funding for USO services. Further sharp declines in the use of non-OUS mail, driven by excessive price increases and persistently poor service quality, now pose a serious threat to the overall sustainability of the USO
- 3.4** In Ofcom's assessment of its current approach to mail pricing, it states 'On taking responsibility for postal regulation in 2012, we noted that extensive price controls under the previous regime had (i) not been effective in ensuring Royal Mail improved its efficiency; (ii) not protected postal users from price rises; and (iii) resulted in a position where the universal service was becoming unsustainable.'¹
- 3.5** In respect of this statement MUA would make the observation that these circumstances continue to remain under the present regulatory approach, and members are therefore reassured Ofcom now recognises the existing regulation regime may require a more interventionist approach.
- 3.6** As a representative trade association, MUA closely monitors the work undertaken across the industry to promote mail as a media medium of first choice. Members are encouraged by the comprehensive work being carried out by organisations such as Royal Mail's MarketReach and JICMAIL to promote mail as an extremely effective medium for reaching consumers.
- 3.7** However, Members are similarly disheartened by the fact that much of this work is being undermined by Royal Mail's pricing strategy in using non-USO mail as a short-term 'Cash Cow' to sure up its failure to address fundamental inefficiencies in the wider business. This is precisely why large volume mailers continue to push for a direct linkage between price and quality.
- 3.8** MUA also cannot emphasise strongly enough the need for predictability in mail piece fall-to-earth, in enabling them to coordinate direct mail with marketing opportunities with other media, in staffing call centres to handle responses from end recipients and manage prompt order fulfilment. Members would therefore argue that a direct link between price increases and quality of service/efficiency improvement would serve to offer large volume mailers greater assurances around what prices they can expect in the coming year, whilst also supporting Royal Mail's efforts to improve predictability of mail piece fall-to-earth, through improved quality of service.
- 3.9** In recent discussions with Ofcom, MUA's Board has noted the Regulator's wish to see empirical evidence of the direct causal effect of above inflation price increases and continuing poor quality of service on the large volume mailing community. MUA will endeavour in its response to Ofcom's formal consultation to provide cited examples of circumstances where business mailers have been obliged to make commercial

¹ Paragraph 5.2, Page 45 – Ofcom Call for Input – Review of Regulation – Pricing and Affordability



decisions to either downgrade or cease altogether mailing campaigns, and/or switch to other media options, as a direct result of Royal Mail's excessive price increases, and continuing unpredictability due to poor quality of service.

- 3.10** Members are prepared to provide these anonymised examples to reinforce the case for a new control on prices, such as that proposed by Ofcom in its 'Outcome Incentives' intervention². Whilst the Regulator will no doubt appreciate such evidence is difficult to acquire due to commercial confidentiality concerns amongst competitors, the preparedness of members to do so serves to illustrate the level of concern in the industry. MUA is in the process of conducting this research, but one such redacted example is attached under Appendix A.
- 3.11** MUA strongly believes in the interests of protecting this important sector of the UK mail market, whilst at the same time supporting the sustainability of the wider USO, now is the time for Ofcom to move away from its current regulatory approach, and work up proposals to introduce a more interventionist alternative pricing remedy, that will act as a real driver for improved service quality.

Should you wish any further clarification, do please get in touch.

Paul Brough
Chair, Mail Users' Association

² Bullet Point 4, Paragraph 5.7, Page 47 – Ofcom Call for Input – Review of Regulation – Pricing and Affordability



APPENDIX A

EVIDENCE SUPPLIED BY A FINANCIAL INSTITUTION IN MUA MEMBERSHIP

Member A <redacted> would be supportive of the following new controls on prices but with the following comments:

1. Outcome Incentives – Royal Mail price increases are directly linked to their performance against Quality of Service targets

Over the past few years, the Quality of Service provided by Royal Mail has declined whilst prices have continued to rise. Member A <redacted> has held a digital strategy for several years as this is the quickest and easiest way for our customers to receive their correspondence. However, the decline in service, increased delivery timescales and ever-increasing costs has accelerated the speed at which that strategy has been applied. We are actively seeking ways to reduce our reliance on Royal Mail\ the postal service e.g.

- We run regular Auto Switch campaigns to ensure that every customer eligible for digital correspondence is switched to that channel as soon as possible
- All mailings, including large volume mailings such as Base Rate changes, Notice of Variations etc. are reviewed to ensure that paper correspondence is only sent to those customers where there is no possible alternative e.g. email, SMS, Secure Messages etc.
- Lines of Business adopt a 'digital first' approach with paper channels being a last resort for any customer correspondence

In 2020, Member A <redacted> despatched just over 143m items of Downstream Access mail. By the end of 2025 that figure will be approximately 77.5m items. Despite such a significant reduction in volumes we are on track to spend approximately £1million more on Royal Mail postage costs in 2025, than we did in 2020.

Planning annual budgets (which are set many months in advance) has become increasingly difficult as the size, frequency and timings of Royal Mail's price increases is now much harder to predict. Whilst Member A <redacted> acknowledges that Ofcom has issued fines to Royal Mail, there seems to be no consequence to them for failing as these have not resulted in any improvement in Quality of Service or seen prices hold steady.

On that basis, Member A <Redacted> would welcome a mechanism which would only allow Royal Mail to increase its prices, if the agreed Quality of Service targets are being met or even exceeded.



2. Pre Authorisation Regime

Member A <redacted> is supportive of this approach for the reasons outlined above but would like to understand more as to what criteria the Regulator or Government would consider when approving or rejecting a proposed price increase. As above it is important that Royal Mail are held to account for failing to meet expected levels of service.