

1st December 2025

Future Development of the Postal USO Team

Ofcom

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Dear Sir/Madam

Whistl response to: Ofcom Call for Input: Review of postal regulation – pricing and affordability

Whistl provides the following response to the CFI for Ofcom’s review of regulation relating to pricing and affordability.

This response is not confidential; it may be published in full and attributed to Whistl UK LTD.

The Whistl response comments on two aspects of Chapter 5 of the CFI, on ‘Broader pricing concerns and access price regulation’.

Access Price Control

Ofcom acknowledges in the CFI document that Access Operators, including Whistl have argued for the introduction of new price controls. This was also referred to in Whistl’s response to the USO reform consultation dated 19th March 2025, where we stated that we were concerned that the subject of price increase and price controls hadn’t been adequately addressed enough.

Access services for the last few years have been subject to excessive price increases imposed on by Royal Mail, and this is despite continuously poor service quality. Royal Mail’s proposed changes to their operating model significantly reduces their costs, enabling them to far better control ongoing costs and remove the need to levy above inflationary annual price increases.

In November 2024, the Mail Competition Forum (MCF), which Whistl is a member of, met with the Postal Services Minister, Justin Madders. He was presented with the following chart, which clearly shows year on year price increases against an ever-decreasing service quality:



In the view of the MCF and Whistl, Royal Mail has abused its monopoly position, and we urge OFCOM to actively reconsider applying some form of price control for Access services.

This chart also reflects the 2 most recent price increases, taking effect 25th March 2025 and 5th January 2026.

These price increases have been imposed at a time when Access QofS has failed to achieve the 95% target in any month over the last 5 years and has typically been below 85%.

In section 5.7 of the CFI, Ofcom describes potential options for new controls on prices, of the potential options being put forward, Whistl supports the MCF view and sees Outcome Incentives as being the most practical:

- It allows a direct link between RM’s ability to increase prices and RM’s QofS performance, thus addressing the prime stakeholder concern of continued above inflation price increases and ongoing very poor QofS across all service;
- It can be graduated, with different levels of price increase allowed for different levels of QofS performance.
- It could be enhanced by also including an element related to RM’s performance in achieving efficiency improvement.
- Importantly, it need not require the extensive work by Ofcom necessitated by the other options (such as Re-Authorisation)
- It would be transparent to stakeholders and RM and be forward-looking for a period of years and means that we can move away from a retrospective fine, which doesn’t seem to deter or change RM’s behaviour.

Margin Squeeze Control

Ofcom refers in the CFI to Whistl's repeated concern that the existing margin squeeze control should include a wider set of mail products, namely unsorted mail varieties. This is because Access operators argue that RM, absent of any margin squeeze regulation, has priced some of its unsorted bulk retail products close to, or even below, the prices it charges for access services.

Ofcom say that "if the margin squeeze test was failing to provide adequate protection to access operators, then we would observe Royal Mail gaining market share in the supply of bulk mail services, including in the supply of unsorted bulk retail services" and "there was little evidence of Royal Mail winning customers from access operators".

Whistl supports the MCF's view in that we continue to believe Ofcom is missing the point here. It is not that the exclusion of unsorted mail services from the margin squeeze control is causing RM to win more customers, rather it is the case that RM is able to foreclose the unsorted mail market against Access and prevent Access operators from gaining business through fair competition.

Whistl also supports the MCF's view in that they have also repeatedly explained to Ofcom the belief that the margin squeeze controls do not work in a transparent way. RM is required only to show it only expects the controls to be met following a price change, with it not being apparent whether Ofcom has actively checked whether that expectation is correct or whether Ofcom has subsequently checked that the controls have actually been met, based on actual volumes and prices.

The overriding issue that we have with the margin squeeze controls are that they are ineffective and redundant, applying no constraint at all on RM's pricing behaviour.

Therefore, Whistl believes Ofcom's suggestion (of replacing the current, single basket of services for the margin squeeze control with multiple baskets that contained products sorted by their delivery frequency) as being essentially irrelevant.

While that may reduce RM's ability to margin squeeze the most competitive services, it would have no practical effect as the margin squeeze controls apply no constraint on RM's pricing behaviour in practice.

Therefore, Whistl supports the MCF and urges Ofcom to focus on the development of its regulatory regime of controls that will directly constrain RM's exploitation of its monopoly position, in mail delivery through excessive pricing and poor service quality.

Yours Faithfully

Jen Rufus

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