

Your response

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<p>Question 1: Do you agree that we have identified the correct aims, supporting principles and features of the USO? Do you consider that these should continue to be respected as far as possible when assessing potential changes to the USO?</p>	<p>We accept the definition of the USO as given in the Postal Services Act 2011 and in Para. 2.2 of "The future of the universal postal service" (the Document), but we do not agree with the provision of the Postal Services Act in Sections 29 (3) and (4), which says that that the need for the provision of a universal postal service to be financially sustainable should infer the need for a reasonable commercial rate of return for any universal service provider on any expenditure incurred by it for the purpose of, or in connection with, the provision by it of the USO. We do not accept that it should be a <i>feature</i> of the USO that it is delivered by a provider making a commercial rate of return.</p> <p>We do not accept that <i>"The universal service is intended to meet only those reasonable user needs which are not otherwise sufficiently met by the wider market"</i> (Para 4.11). The USO is not a market definition, but a public service definition and so its scope is limited only by what we, as a society, consider to be necessary and desirable. The question of whether "the wider market" might meet equivalent needs is immaterial. It is on this basis that the principles set out in Para 4.15 apply.</p> <p>Much of the argument presented in the Document must accommodate the idea that certain delivered items fall without of the USO definition. Para 3.17 says that <i>"...the postal market is much broader and includes bulk letters and parcels sent by larger businesses including public organisations, financial institutions and online retailers. The latter, which account for the majority of Royal Mail's volumes and revenues, do not form part of the USO but are delivered over the same network"</i>. In respect of anticipated delivery standards, however, this creates an unnecessary complication.</p> <p>Para 3.7 points out that <i>"While the USO broadly comprises letters and parcels sent by consumers and smaller businesses, the postal market is much broader and includes bulk letters and parcels sent by larger businesses including public organisations, financial institutions and online retailers. The latter, which account for the majority of Royal Mail's volumes and revenues, do not form part of the USO but are delivered over the same net-</i></p>

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	<p><i>work</i>" - but what is decided for the USO in terms of delivery days will practically apply to all of our post. As Section 6 of the Document points out, some of the items that citizens consider most important will, for classification purposes, be non-USO - but we still expect to receive them as promptly and regularly as USO items.</p> <p>There is consequently an argument for treating "bulk mail" as a separate category within the USO, rather than excluding it completely - as OFCOM decided to do in 2011. We can appreciate that there is a need for flexibility to allow wholesale pricing, but, at the same time, "bulk mail" would not be possible without the national network. Citizens get one delivery Monday to Saturday of whatever items come through the system, and it is the frequency of these deliveries that is the ultimate preoccupation of the Document - not whether they are classed for regulatory purposes as USO or non-USO.</p> <p>Citizens are also most focussed on their experience of sending and receiving post, in the latter case irrespective of how OFCOM wants to define that post as USO or non-USO. We suggest that people are thinking less along the lines of <i>"this letter wasn't particularly time sensitive for me"</i> and more along the lines of <i>"what's happening to the post?"</i>. For most people it no doubt seems somewhat counter-intuitive that a decline in letter volumes should actually correspond with a decline in Royal Mail's ability to deliver them within standards - which would seem to be the actual concern of the public at this time - and that OFCOM should be advocating a "solution" that amounts to a relaxation of what is required!</p>
<p>Question 2: Do you agree with our assessment of the direction of change in postal needs of residential (including vulnerable) users and SMEs? Are there other factors relevant to their future demand which we have not considered?</p>	<p>The Document is undoubtedly correct in its assessment that people have generally moved away from postal mail and regard most of the letters they receive as being less time sensitive within a couple of days of tolerance. The less letters we receive, however, the greater proportion of them may be perceived as important. Time sensitivity undoubtedly varies with the nature of the correspondence - whether you are in danger of failing to meet the last posting date at Christmas or waiting for a medical appointment.</p>

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<p>Question 3: Do you agree with our assessment of the bulk mail market? Are there other factors relevant to its future evolution which we have not considered?</p>	<p>As indicated in answer to Question 1, we agree with the observation that <i>"any changes to the USO would have an impact on how bulk mail is delivered and Royal Mail is likely to want to emulate any changes to the USO specification to the bulk mail market in order to achieve maximum cost efficiencies"</i>. In this sense, what is stipulated for the USO regulates the who postal system. And that is one reason why the experience of all post needs to be considered in defining the USO. The comment <i>"While bulk mail is not part of the USO specification (which encourages competition in elements of the service), it is delivered using the USO network and it is important that a national network is in place to convey these letters"</i> illustrates the problems that can be created by having a strict analytical division between USO mail and "bulk mail" when it comes to defining delivery requirements- as we say in response to Question 1, the key thing users look for is prompt and regular delivery of all postal items across the national network to universal standards across the country.</p>
<p>Question 4: Are there specific events/changes that could trigger a significant change in demand for large mail users, including public services?</p>	<p>We saw to some extent during the pandemic that there can be circumstances where we need to be confident that we have a communications system that can, in an emergency, ensure delivery to every household within a relatively short space of time. The Royal Mail remains the sole part of the national infrastructure capable of doing this, and the part that structurally has the most resilience.</p>
<p>Question 5: Do you agree with our proposed approach to estimating the financial burden of the USO?</p>	<p>No. You say that "This range is based on the profits that we have calculated Royal Mail could have made if it had not been subject to the USO and had commercial freedom", but the circumstance that a private, profit-making, company has been introduced between service definition and delivery should be irrelevant to any assessment. If delivery was by a purely public service, then we could have confidence that a calculation could be made of the potential costs of maintaining the USO without the pollution or contamination of any profit motive. Two decisions could then be made. Firstly, a decision as to whether this cost should be covered wholly by pricing, or</p>

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	<p>in part by subsidy. Secondly, whether the cost was sustainable if supported by pricing or by subsidy or by a mixture of both.</p> <p>The Document says that a precise measurement of USO costs cannot be made because (para 2.11) <i>"The operations and activities related to USO and non-USO products overlap greatly and are mostly the same in some parts of the network, such as delivery where a mix of USO and non-USO products are carried and delivered together. As a result, there is no accounting and cost allocation method to separate the costs and profits of the USO products from the non-USO products"</i>. We are, as indicated in the answer to Question 1, unconvinced that the distinction being drawn between USO and non-USO work is all that relevant to the current exercise. It seems to us that it is being used to deflect from the fundamental question of the number and frequency of deliveries made to households by Royal Mail.</p> <p>The Document points out (Para 2.10) that <i>"the cost of a Royal Mail postal worker delivering to a single property is largely the same when delivering two letters as it is when delivering one letter"</i>. Surely the point is that this applies also when delivering a letter and a packet - and when delivering a USO and supposed "non-USO" item. It is the fact of delivery that is the critical issue. OFCOM is in danger of tying itself in knots by being too obsessed with internal distinctions that can amount to "not seeing the wood for the trees".</p>
<p>Question 6: Do you agree with our considerations regarding the unfairness of the financial burden of the USO?</p>	<p>We suspect that privatisation has been a "salami" exercise from the get-go, leading slice by slice, with OFCOM complicity, to higher prices, lighter regulation, reduced service level and an operational and employment model akin to that of the delivery companies that have mushroomed with the growth in online retail.</p> <p>The exercise to attribute a "financial burden" to the USO seems to us to be pointless to the point of adding insult to injury. The essence of privatisation is that a commercial company takes over a public service in order to make money, so the idea that it is carrying the obligations associated with that contract as a "burden" is fundamentally ridiculous. Yes, there may be things the company has to do that may in isolation be loss-making. But it</p>

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	<p>does them because they are part of the package that gives it the chance to make a profit. There would only be a burden if the company was making a loss and the shareholders, directors and executives were making regular contributions to ensure the USO was delivered.</p> <p>If they don't like it they can leave and we can re-set the operation as a public service.</p>
<p>Question 7: Do you agree with our considerations regarding the impact of the financial burden of the USO?</p>	<p>Of no interest to us - see answer to Question 6.</p>
<p>Question 8: Do you agree with our analysis of the different options available to change the USO and the impact of those changes on residential (including vulnerable) users, SMEs and bulk mail users? If not, please explain why and set out any option(s) which we have not considered.</p>	<p>The Document refers in several places to changing postal behaviours such as the decrease in letters and the growth in parcels. Strangely, though, it does not appear anywhere to provide any causal argument between these developments and the perceived "need for change" in the USO. Indeed, there is no link between the fact that people are getting less USO classed letters and the idea that they should consequently get letter deliveries on fewer days. It is a non sequitur.</p> <p>The Document refers to the suggested changes in the USO as "<i>better reflecting changing needs of users</i>" - but this is a false description. The changes proposed are not directed at meeting citizen needs that are currently unsatisfied. No evidence is presented to suggest that they are changes users are clamouring for, but rather that they are changes that users <i>wouldn't mind</i>. The real motivation is just cost saving: "<i>We consider that changes to delivery speed and/or delivery frequency for letters could still continue to meet users' needs (based on the evidence discussed in chapter 5) while offering scope for significant cost savings</i>" and "<i>the existing specification does not appear sustainable without substantial subsidy from industry or the state</i>". This potential saving reflects an orientation towards "isolating" the cost of the USO within Royal Mail operations, and portraying it as a "burden", in a way which amounts to a point of view that we dispute - as we have outlined in our answers to previous questions.</p>

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	<p>In fact, what seems to us to be happening is that the issue is being driven by ulterior motives linked to the direction of travel described in response to Question 6. It is becoming increasingly common knowledge that Royal Mail standards are faltering in respect of letter delivery, and that this is sometimes linked to a policy of giving parcels priority. This in itself is a consequence of non-USO work accounting <i>"for the majority of Royal Mail's volumes and revenue"</i> and of the company wanting to prioritise the point of operations in most direct competition with the "Sorry We Missed You" (Ken Loach 2019) delivery companies. There is thus a tension between the company's USO obligations, which OFCOM sympathetically refers to as an <i>"unfair financial burden"</i>, and the more profitable lines that delivering the USO gives it access to. Relaxing the regulation of letter post appears in this context most obviously as a "helping hand" to give the company more flexibility in diverting efforts away from letters towards parcels, whether the latter are technically USO work or not. The service is consequently, in our view, in danger of being distorted by the infection of the system with commercial pressures that have more to do with how privatisation sees the company functioning overall than by any particular "costs" of the UCO itself.</p> <p>Whilst it is probably true that users "wouldn't mind" the proposed changes in many circumstances, they increase the risk of specific instances of delay in delivery that they would mind. It is a common feature of cuts in public services that they begin with detriments which only a limited number of people initially actually notice. It is only down the line, when awareness has become more widespread, that we realise that there has been an overall decline in capacity and effectiveness.</p> <p>"Citizens Advice" has in recent years provided evidence of the impact that failure to meet the existing standards already has on people. In February 2022 they reported about the 2021 Christmas period that: <i>"...a staggering 2.5 million people missed important documents, health appointments, or were unable to pay a fine or bills, sometimes resulting in further penalties. Of those who experienced delays:</i></p>

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	<ul style="list-style-type: none"> • <i>3% of people said they couldn't pay a bill, 8% said they missed an important document, and 4% said they were left out of pocket</i> • <i>7% said they missed a health appointment. This rose to 16% of those on an NHS waiting list".</i> <p>Tina McKenzie, policy chair of The Federation of Small Businesses, has been quoted by "i" newspaper (27/02/24) as saying: <i>"Trading essential services for short-term savings is a slippery slope that may compromise the trust small businesses place in Royal Mail.</i></p> <p><i>"Considering that 25 per cent of them rely on the postal service, these proposals could cause real disruption to our economy. They will not just impact the householder waiting for birthday cards or hospital appointments".</i></p> <p>We do think that there may be room for further consideration of what the Document refers to as an "Industry Subsidy", or, alternatively, of what might be called the spectrum for an appropriate pricing strategy in respect of the "access to final delivery" market. We may have differed from the Government in its previous interpretation of EU law, but the situation now is that Britain has to make up its own mind as to the extent of any postal monopoly, whether there is any benefit to having alternative post handling companies that actually depend upon Royal Mail to make many of their actual deliveries, and, if there is, what it would be reasonable for them to pay for the service. Para 9.84 consequently seems to import a number of assumptions that may not necessarily still be applied as we go forward. It says that <i>"requiring access operators to contribute to a subsidy for Royal Mail letter delivery would likely distort competition in the upstream market for bulk mail"</i>, but of what use to us is this competition and market? It says <i>"it is not clear why it would be appropriate for revenues from such services to be used to fund USO letters or, more generally, why competitors' parcel revenues should be used to support a letters USO"</i>, but we feel, on the contrary, that there is no reason why a public service provider should not use income-generating activities to support the delivery of public goals - in fact, it is something we advocate. Whether there is a subsidy raised from access operators or they are charged with a view to making a contribution towards delivery of the national network are somewhat</p>

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	just different ways of applying the same principle - though it would be more palatable for this to be done by a public service than by a commercial operator, where we would find it difficult to distinguish between an impost to support the network and one used to fatten profits.
<p>Question 9: Which option(s) do you consider would be most appropriate to address the challenges we have identified, while also ensuring that users' needs are adequately met?</p>	<p>We don't accept any of them. They are the wrong answers because they are answers to the wrong question. The questions we should be asking is "how do we get our postal service back?" and "how do we ensure the current USO is delivered efficiently and effectively?". We should keep the USO as it is, at least for so long as Royal Mail remains a private company.</p>
<p>Question 10: Do you have any other views about how the USO should evolve to meet users' needs?</p>	<p>No.</p>

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