

## Your response

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<p><b>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?</b></p>	<p>In general yes, however there are core themes that repeatedly come across from the SMP membership which <b>MUST</b> be key to any outcome/decision making. This is price certainty and also Quality of Service, both of which should be linked, the price paid should reflect the service delivered.</p> <p>There are many broad considerations which cover both mail users, producers, and recipients, and regulator obligations.</p>
<p><b>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?</b></p>	<p>The majority of the members agree there is a need for change to ensure that the USO is sustainable for the long-term, which is viable for Royal Mail to invest and deliver a quality of service that is fit for purpose (meets the specification). The commercial model for paying customers, both large and small, must be realistic and capped otherwise there is a major risk of accelerating further decline of bulk mail volume which would have a much wider reaching impact on employment outside of Royal Mail.</p> <p>The printing and mail producing sector is responsible for 98,000 employees and contributes £13.7bn to the UK economy, with a positive trade balance of £385m. This must be a consideration.</p>
<p><b>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?</b></p>	<p>The assessment of the market, yes. Changing the USO alone will not resolve the wider issue of Royal Mail's financial position, there needs to be a much deeper restructure of the operation to align it to the current market demands, and also what will be needed in the future.</p> <p>There should be ongoing analysis of the letters market, its volume, consumer and business needs, and the wider impact this can have on related industries. There should be commitment from Ofcom to do this along with timelines. A refresh of the consumer research should be undertaken to ensure it is reflective of current needs.</p>



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<p><b>Question 4: Are there specific events/changes that could trigger a significant change in demand for large mail users, including public services?</b></p>	<p>Simplification of Royal Mail's products and services would make choice easier for users, and also producers. It has been proven that various incentives have worked to grow volume, introduce new users to the letters market, and prove that letters have a critical place in the communications ecosystem.</p> <p>The security concerns around digital communications leave an opportunity for mail to continue to have an essential role in reaching all audiences, especially with the increase in cyber-crime which in turn questions consumer trust in digital channels.</p> <p>Technology developments should also be considered, i.e. linking online to offline to drive interactions that prove the ROI model for mail in the advertising and marketing space.</p> <p>The changes in legislation with DPDI clarify legitimate interest and assuming the price point supports the CPA/RPI for the channel this is set to see clients who previously have removed cold acquisition from their marketing mix return.</p> <p>Further price increases above RPI would increase the likelihood of an accelerated move to digital channels and customer feedback indicates this to be the case to date</p>
<p><b>Question 5: Do you agree with our proposed approach to estimating the financial burden of the USO?</b></p>	<p>This process is too late, Ofcom should have done this review at least 5 years ago as it is clear the market volume misalignment has been an issue for at least this time period, and further back than that looking at mail volume decline as detailed in your report.</p> <p>The USO is not a stand-alone financial burden, it is clear from Royal Mail's operational infrastructure that there are many linked shortcomings to it, rather than just the USO itself.</p>
<p><b>Question 6: Do you agree with our considerations regarding the unfairness of the financial burden of the USO?</b></p>	<p>As above, why did Ofcom not do this review sooner when letter volume was showing, and forecasting decline at a rate that would need addressing?</p> <p>The operational model of Royal Mail clearly shifted towards parcels which therefore had an impact on the</p>

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	USO cost model. However, the USO in its current format is a financial burden which is acknowledged.
<p><b>Question 7: Do you agree with our considerations regarding the impact of the financial burden of the USO?</b></p>	<p>Yes, there is a financial burden of the USO in its current format and that reform is needed to align to the volume needs of today, and also the future.</p> <p>This is a much wider issue, decisions that may be made about changes to the USO will have a greater impact outside of Royal Mail, and these need taking into account with engagement with all of the key stakeholders.</p>
<p><b>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.</b></p>	<p>The majority of members agree with the options available, however there is also a strong consensus that there is a need for a next day/1<sup>st</sup> class service to be retained for urgent letters, at a price point that does not impact public spending, as this service is used by NHS, HMRC, DVLA, DWP etc and limited engagement has been had in these areas.</p>
<p><b>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?</b></p>	<p>The majority of members view the 5 day a week option preferable, with a strong focus on Quality of Service. If the USO does go to a 5 day a week then there should be ongoing reviews to assess the impact, and only then should the option of a 3 day delivery week be considered. A 3 day option needs much more refinement to ensure that the risk of impact on the supply chain is mitigated. Bulk mail producers would still need daily collections and therefore it is paramount the RM network can safely and securely store and process work.</p>
<p><b>Question 10: Do you have any other views about how the USO should evolve to meet users' needs?</b></p>	<p>The overwhelming view is that any change to the USO must come with some form of guarantees (regulated by Ofcom) on price capping, Quality of Service, a strict timing plan of implementation, and also to continue with incentives to support growth and new users into the channel.</p> <p>Mail users would be more engaged with future decisions on the USO if they understood where the pricing triggers were. i.e does a 3 day stabilise increase to RPI alone? If a</p>

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	<p>5 day agreement is reached what does this mean for increases? Frequency and levels? Continued uncertainty and poor service continues to remove trust and therefore volume, expediting the decline.</p> <p>In addition, regulation is key to ensuring that Royal Mail keep to their commitment of what changes are implemented and to ensure there is ongoing communication and input with key stakeholders.</p>