Forward

Whilst we have done our absolute best, as a small business, to review all the information and put forward our perspective on the questions posed, a brief summary below focuses our central tenets:

- We do not believe that the information & financial modelling shared within the consultation is transparent or credible enough to move forward on solid proposals as to what must change within the USO.
- We have found contradictory research & perspectives within the consultation document and need clarity on what the research authority is or whether new research is required to better inform the debate after 3 turbulent years.
- We suspect that consumer/SME research conducted by Ofcom may have outlined what services might be reduced but not the extent of proposed pricing shifts, i.e. special delivery prices instead of First Class, and that if consumers/SMEs were fully aware of what has been modelled, the outcry would be cacophonous.
- We have found no definitive impact assessment for consumers (especially the vulnerable or digitally disadvantaged); Bulk/Access customers or industries solely dependent on Royal Mail so assessing the reasonableness of scenarios modelled is not possible.
- We see an over-reliance on European comparators on service reductions (but not cost modelling) and there is a lack of full scrutiny of what makes the UK's postal market & consumer needs unique.
- We have seen no information that helps us gauge the efficiency of the Royal Mail nor any future projections or recovery plans that allows us to assess how the Royal Mail is helping itself before funnelling the UK public towards price increases or service sacrifices.

Whilst we are not adverse to USO reform, innovation or even tighter regulation, the consultation document throws up many more questions than answers; brings forwards an industry-wide concern that Ofcom's focus is too narrow or serving of the Royal Mail and leads us to the view that Ofcom has a statutory duty to advise Parliament on a route forward with greater scrutiny, democratic debate and a statutory assessment.

We are concerned that a conclusion to this challenge is going to take several years given the current political climate and looming election. We worry that the lazy lever the Royal Mail will continue to pull, unchecked, is postage pricing, and that the quality of service targets will languish - allowing them

to create the Doomsday scenario they're threatening us with. We are also concerned that 'cost saving' = job losses = further strike action which will significantly inhibit the UK's economic bounceback and potentially see the demise of the beloved Postie as our communities know them today. How can stamp prices, delivery reliability and jobs be protected during the period of time this is going to take to unravel and solve?

Your response

Question	Your response
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?	We agree that every UK household & business should have access to a range of postal services, at an affordable price and quality, regardless of where they are located, and that the service should be reliable, dependable and accessible to all citizens - especially the vulnerable most dependent on postal services. We agree that the Royal Mail should be held to specific and regulated quality standards to ensure postal services are reliable & efficient and that any failure outside of tolerance by the Royal Mail should lead to a penalty that is material and meaningful to its customers - along with Citizen's Advice and GCA, we do not believe prior penalties have been sufficient to drive change. We are not clear where delivery speeds & no. of delivery days 'fits' within principles and features of the USO but would support Ofcom Yonder findings that, like Parcels, consumers expect 6 day a week delivery and an affordable next day service. We consider speed and days to deliver essential characteristics of the USO to serve the UK's greeting card habits. We **disagree** that the Royal Mail should have freedom to set pricing without full disclosure on econometric or price elasticity modelling and disagree with lack of obligation to consult consumer advocates and trade associations in laying down its pricing in what is effectively a monopoly Letters market.

Question	Your response
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?	**We agree that there has been a shift in consumer and business demand for Letters but we believe this has been exacerbated by circumstances both in and out of the Royal Mail’s control and also believe that some of the volume & much of the service loss is recoverable.** Prior to Covid, RM had maintained service levels consistently - even through Letter volume decline. The volume decline throughout Covid, exacerbated during industrial action in ‘23, appears to be the tipping point for service decay. The past 3 years have represented an unusual market in which to draw long term conclusions for a five century-old enterprise. How much of the letter volume decline was created by Covid, strikes, cost of living vs. price increases and service compromises and to what degree is some of it recoverable with a more affordable & reliable First & Second Class proposition & stable service? Can we have transparency behind recent Royal Mail econometric and price elasticity modelling to fully understand base volume trends, the rate of true decline and what we might reverse? Despite consumers calling out **affordability** as their biggest priority in the ‘20 review of postal users' needs, price increases in an 18 month period saw First class stamps increase by 25% breaking the £1 threshold. Ofcom’s ‘23 Affordability research indicates that the price of First Class has broken a “psychological threshold” & impacted more on usage than the absolute price increase would suggest. This is not new news with Ofcom’s ‘21/’22 postal tracker indicating that 23% have either bought fewer stamps/bought fewer essentials to afford stamps indicating stamp pricing vs. cost of living is a factor in letter volumes. Yet, Ofcom has indicated more recently that the cost of postage is inelastic but also asserts elasticity research is out of date and that there will be a tipping point on elasticity - are we at that point? Robert Hammond, at the March 14th discussion, called out that a research refresh is required; that there is a need for full transparency and a statutory assessment. We agree and, given the average RRP of a greeting card is £1.76, we are especially keen for this to be reconsidered in light of both the public reaction to the April ‘24 price increases; GCA member reports on evidence of elasticity and the recent critique of the USPS Elasticities (March ‘24) which has found shortcomings with its own model & elasticity assumptions after a series of higher than inflation postage price increases. Given RM prioritisation & incentivization of Parcels, (confirmed by the Business Select Committee report in Nov ‘23), versus the lack of long term pay & incentive structure for senior management in delivering against the USO, we believe that a

Question	Your response
	significant amount of the tipping of Letters to Parcels has been driven by senior management action or inaction as well as consumer/business trends and further exacerbated by Ofcom's mindset of the Royal Mail as "too big to fail". In addition to the contradictory positioning above, the data being referenced as pivot points for the USO has been taken during a period of poor service when consumer & business confidence in the service is low. We do not believe this to be a fair reflection of consumer/business opinion or actual needs on what the service should be to meet their needs - rather a despondent reaction to a Hobson's Choice. In RM & Ofcom documentation, there are indications that both parties believe that consumer expectations on letter deliveries are materially lower for Letters than for Parcels yet Yonder consumer research commissioned by Ofcom in '23 indicates more or less identical consumer expectations on days to deliver, speed, price and reliability. We believe there is inadvertent bias in presenting consumer needs or wants and would seek an independent review of the research methodology, stimulus & interpretation to reassure consultees that there is objective perspective drawn before any irreversible changes to the USO occur. In treating all 'Letters' the same, we aren't able to fully understand category-specific trends - the greeting cards market, for example, is buoyant. 820 million cards are exchanged each year; online demand is up 39% since 2019; thortful is growing 26% YoY in volume terms and we serve a younger demographic than the more traditional card retailers given we are online only. If we can get to a more specific understanding on the nature of Letter decline, does this lead to new thinking about new product types or a new approach to the Class system already in operation?
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?	We disagree with a financial impact assessment that fails to robustly apportion costs to Bulk and Access mail against USO products. We believe a volumetric approach could more fairly attribute cost and allow for better transparency on USO products' unit economics and contribution to RM profits. We believe it is unreasonable to suggest change to the USO without such. We are concerned that the RM is benefitting from USO products underpinning its non-USO products - making them more competitive for non-USO products and therefore contravening one of Ofcom's duties of care on fair competition and the promotion of economic growth. We are sure the reverse of the above is true for Bulk/Access mail companies - that they suspect USO products are being subsidised by their financial contribution to the Royal Mail. We also acknowledge that if Bulk/Access mail fails, this puts further pressure on USO products given they are but 17% of Letter sends. How can Ofcom steward the alignment on cost

Question	Your response
	consideration and a Letters strategy that overcomes sector to sector paranoia and creates a platform for mutual volume stability at best, or even better, growth? We also see discrepancy between the expectation that Bulk/Access mail will diminish against the Royal Mail's sales messaging within their 'Mail Matters More Than Ever' series across Retail, Charity, Government & Financial Services around the resilience of direct mail and even growth in certain contexts as a backlash to digital saturation. At the London Ofcom discussion on March 14th, we understood from the panel how price sensitive the Bulk/Access market is but that little has been done to fully understand customers' needs yet. For example, we understood that the £4bn magazine market considers price increases on postage to be a factor on subscriptions volumes and that digital formats are not a direct substitute. We also understood that direct marketing requires reliability & price certainty and the panellist laments the absence of both currently. There was much support in the room when the point was made that no other business forces its customers to pay for their inefficiencies and inability to modernise. What duty of care do Ofcom & the RM carry in terms of sector specific research into bulk or high volume sends? How can that lead to innovation that reflects the needs of very different consumer groups and business sectors? Are we taking too macro a view in centring the debate on Letters and Parcels only?
Question 4: Are there specific events/changes that could trigger a significant change in demand for large mail users, including public services?	A return to affordability, reliability and consistent service levels could bring large mail users and consumers back to post and increase demand. What does RM price elasticity or econometric modelling indicate when Covid, price, service, reliability, parcel prioritization, staff absenteeism/turnover are overlaid against volume declines? Can we have clarity on the long term base declines and a forward projection on letter demand that strips out 3 unusual years? Further, the saturation of digital communication channels is encouraging a return to mail as a marketing tool - called out by the RM sales team. What are the RM projecting in terms of growth of business & direct mail as brands and businesses, especially onliners without a tangible footprint, prove out the viability of a multi-channel in/tangible communication programme? The Government's digitisation strategy could impact Letter volumes in future years but there is no meaningful programme underway to secure this - at least not in the public gaze and we understand from Citizen's Advice that post is still central to

Question	Your response
	many government services with many institutions not accepting digital documents or even email, e.g. Department for Work & Pensions. As businesses become increasingly frustrated with the RM, other carriers are being discussed & considered. Would Amazon, in almost every street in the UK almost every day, become a viable option for business & consumer sends in core geographies? What will this do to the RM going forwards - how would it cope if fair competition challenged its efficiency and approach to innovation?
Question 5: Do you agree with our proposed approach to estimating the financial burden of the USO?	● The methodology is assumption and judgement heavy. Whilst the method is explained, these assumptions and judgements have not been clearly stated or laid out. For example, we understand some price elasticity has been factored into the model but there is no reference to actual amounts so we cannot judge how reasonable these assumptions are. ● In calculating the revenue losses, we have no detailed information on the assumptions made so cannot assess how reasonable these are. By way of an example, we would expect a 1 day delivery service to have a significant impact on revenues. However, when looking at the top range across the 4 scenarios, the revenue loss goes from £525m under 3 day delivery to just £650m under 1 day delivery - the differential is not sufficient and this casts doubt on other assumptions. ● Four delivery scenarios have been based on what has been observed in the EU yet the UK postal, and specifically greeting card, market is very different. We should not dismiss the social benefits, cultural idiosyncrasies and economic impact of the £2bn greeting card sector that is unique to the UK. We should not consider digitisation of greeting cards a viable substitute - this has failed to penetrate despite e-cards being available for 15+ years. ● As a sense check of the net results, the rate of return for other delivery companies has been considered. However, for the companies subject to USOs, they are all EU distributors, so again a very different market. And the companies not subject to USOs are huge global parcel operators so a very different model. Deutsche Post is cited as being a similar comparison to RM due to offering a 6 day letter service. So would a comparison of DP and RM be worthwhile, if both are subject to USOs and 6 day letter services, but one has a profitable higher rate of return than the other? ● Calculations are based on 2021/22 data - it is explained that some effort has been made to adjust for one off costs relating to Covid; staff absenteeism & turnover, however not the prioritisation of Parcels. Using the base data from 2019/20 was ruled out as not seen as representative of the market as pre-Covid, however it could be argued that

<table>
<tr><th>Question</th><th>Your response</th></tr>
<tr><td></td><td>
the past three years have been tumultuous with price changes and industrial action, and 2019/20 is a more stable base given most other markets have bounced back to pre-Covid levels.

The only scenarios modeled involve reducing delivery days with no assessment given to other actions that could be taken to bring down net losses. Ofcom research (Yonder, 2023) has indicated that consumer expectations and needs for letter & parcel deliveries are identical in the UK and yet only the adaptation of one element of the USO is tabled - why might this be? In a landscape where the majority of European incumbents utilize a shared network for both Parcels and Letters, and where Royal Mail's parcel advertising emphasizes the growing customer demand for seven-day-per-week delivery, it appears evident that there exists an inconsistency in Ofcom's approaches to these two markets.
The modelling calls out the freedom to set prices as being factored into assumptions, however there is no indication of how this has been done. We would assume higher prices, particularly on 2nd class if no safeguard cap, would have a significant impact on revenue.
Cost modelling: the description of cost modelling has raised a number of questions.

The modelling seems to reflect a reduction in letter delivery days but an increase in Parcels from 5 to 7. It is not clear how costs are apportioned between Parcels and Letters.
Section A7.26 states operations and activities related to USO and non-USO products overlap greatly, and are mostly the same in some parts of the network, so it's unclear how changes in frequency of delivery of USO products create such a cost saving.
In RM's own financial statements, a cost allocation model is used between USO and non-USO products and that results in a net benefit from USO products of £475m, however that has been deemed "not appropriate" for this exercise and again the rationale is not clear.

Revenue modelling: Price elasticity information provided by RM has been called out multiple times throughout Annex 7, but no specifics have been mentioned. However it is stated that products are estimated to be "price-inelastic" (A7.73), and there are limitations of using these estimates as they are "somewhat out of date" and do not take into account recent price increases. For such a key part of the estimation, this is highly concerning.

The modelling assumes 1st Class would be replaced by a higher price express next day service for Letters (quoted as "priced considerably above") and a 2nd class price increase of 50%, with the expectation that some customers would trade up, some would trade down and some would leave the market. But to not make very clear exactly what has been assumed here casts doubt over the revenue modelling. This is a cause for great concern for our market where the average RRP is £1.76. If postage prices rise to such a degree that it outsteps the actual cost of the product, we worry our market will fail.

</td></tr>
</table>

Question	Your response

	● The modelling around price and volume impact seems to contain contradictions. A7.76 states that it is assumed RM would raise prices to, but not beyond, the point of unit elasticity. However, it is also called out that price elasticities are likely to grow in magnitude as prices increase, 10% being called out as that static point. With the modelling assuming some of the increases stated above, plus 20% VAT increase, it seems the assumptions go far beyond that static point and it's not clear whether this stacks up to the revenue loss figures.
	● It is stated that no price increase has been considered on Parcels due to the competition, however why is that not being considered as an alternative? Particularly when one saving that has been considered is removing free services for petitions and for the blind/partially sighted?
	● In section A7.22 of Annex 7, the case is made that a total redesign of the network would lower costs, create efficiencies and that RM is constrained by legacy scale and design. This supports a full counterfactual approach being taken as readdressing the scale and design of the RM should be an option/a consideration, rather than only looking at reducing service levels of the USO.
	● We find the binary approach on the net cost impact to RM without consideration on fairness to consumer or other businesses unreasonable and we believe the extreme estimate of savings from £150m to £650m demonstrates that a statutory assessment is required. Whilst this would take longer, this would involve consultations with stakeholders and reduce assumptions or reliance on the Royal Mail's information or Ofcom assumptions. Given the magnitude of the proposed changes on consumers & SMEs, we believe this is reasonable.
	● We are further concerned that there are strategic profitability reasons that are not being fully disclosed or translated to the public & media.
	    ○ If Ofcom were to remove monopoly products from price caps: Considering Ofcom's assertion that the Letters market exhibits price inelasticity (despite other Ofcom research indicating otherwise), the proposed 10p increase on 7 billion Letters in April would yield significantly more benefit than any cost reductions outlined in this consultation.
	    ○ In summer '23, Royal Mail informed Ofcom that they were leveraging their considerable market influence in the Letters sector to gradually adjust prices in other competitive markets.
	    ○ If either scenario is accurate, this benefits the Royal Mail considerably:
	        ▪ If demand for Letters proves inelastic, profits will surge substantially, further enhancing their competitive edge.

Question	Your response
	▪ Should demand for Letters be elastic, and if service cutbacks or price hikes lead to further Letters decline, they can simply revert to a regulator that has already expressed skepticism about the USO's fairness or attributed decline to structural factors so the likelihood of further relief or bailouts is nigh on guaranteed. We think there is evidence in Ofcom's research that the Letters market is elastic (psychological £1 tipping point) and so believe this to be the most likely scenario.
Question 6: Do you agree with our considerations regarding the unfairness of the financial burden of the USO?	Based on our views above on how Ofcom has estimated costs and the extreme range of savings from £150m to £650m, we do not have sufficient, credible information to agree or disagree with Ofcom's considerations regarding the unfairness of the financial burden of the USO. As Ofcom cannot say whether the RM's costs are efficiently incurred, we are unable to assess whether the financial burden is reasonable or otherwise. We draw from the Business Select Committee's and Ofcom's findings regarding the prioritisation of Parcels; the absence of senior management incentives in delivering the USO; the lenient penalty Ofcom awarded in '23; the references to agency staff, staff absenteeism & turnover and the industrial action of '23 and conclude that, as a business, the RM has faced challenges of its own making. Alongside our concerns on cost & revenue modelling, we have little visibility of what the RM has proactively done to course correct itself. We read that Ofcom have raised repeated concerns about the opacity of current future efficiency savings and that Ofcom acknowledges considerable shared costs between USO/non-USO products (A7.26). We also read that RM advised Ofcom of their intention to leverage their significant market power in Letters to gain competitive advantage of incremental pricing in other more competitive markets (Para 49, RM response to Ofcom 2nd Class Price Consultation). All of this creates a bad taste for dependent parties when trying to assess the fairness of the financial burden of the USO against RM's self-interest.
Question 7: Do you agree with our considerations regarding the impact of the financial burden of the USO?	As captured above, we do not have a clear & unbiased foundation to assert that the USO is beyond a level needed by users. We believe that irresponsible price increases have compromised affordability and impacted demand for non USO &

Question	Your response
	USO products. We believe this has been exacerbated by poor service & reliability driven by RM culture and we reject further price increases or service compromises as incompatible with consumer needs outlined in Ofcom research. There is evidence in both Ofcom's proprietary research & that of the Citizen's Advice that shows consumer needs are being missed in and consumer harm incurred. We disagree with Ofcom's position in para 8.45 that the obligation to deliver universal services is beyond a level that is needed by users. We think a full statutory assessment & transparency on econometrics and price elasticity are required to set an unbiased tone and lead the way to innovation.
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.	**a. Reduce no. of days delivery:** In '23 quantitative research commissioned by Ofcom, the majority of consumers (63%) think it very/important to maintain a 6 day delivery service and a majority within that majority (58%) think it very/important that post continues to be delivered on a Saturday. Ofcom & RM documentation implies that consumers are more prepared to sacrifice no. of days delivery on Letters than they are in Parcels yet the Yonder '23 research indicates an identical preference/expectation for Letters and Parcels. This is at odds with the '20 conjoint analysis. Based on the more recent Yonder research, there is no statistically significant difference between consumer expectations of the two product types and no sector specific research has occurred to understand the ripple effect economically on businesses that rely on a 6 day/week service. We'd appreciate clarity on which research is the authority. Were the RM to advocate for a 5 day per week delivery, Saturdays should be protected to allow for an affordable weekend service and service national occasions that take place on a Sunday (Mother's/Father's Days & Easter Sunday where c.60mn+ cards are exchanged). We expect that our counterparts in periodical publishing would also need Saturday deliveries to continue. Protecting Saturdays would also negate the unhelpful speculation that RM's primary motivation for advocating for 5 day-per-week delivery excluding Saturdays has more to do with the super-normal profit they can generate from getting weekend delivery outside of the USO price caps than from any operational savings they can generate in circumstances where many of the same vans will be out at the weekends delivering Parcels anyway.

Question	Your response
	Based on our own modelling and demand profile, were the no. of days delivery to be reduced to 6 and Saturdays were sacrificed, the impact could be as much as -[✂] of thortful's 2024 sales. Were the number of days delivery to reduce to 3, this would have a disastrous impact on our business - by as much as [✂] in sales lost - or [✂] of this year's sales. We have extrapolated this to the fuller online greeting cards market and the losses chunk up to £31mn in our worst case scenario (6 to 3 days). **b. Slow down delivery speeds:** Ofcom '20 research indicated a resident/SME preparedness to collapse both classes to 1 and deliver in a 2 day timeframe yet more recent Yonder '23 consumer research indicates that 69% require a next day delivery service and Ofcom research indicates 46% of letter consumers used First Class in the 6 months leading to June '23 because they were concerned their post might not arrive on time and wanted surety and safety. When combined with qualitative research on affordability, relying on a super-premium service for next day delivery (beyond First Class) would impact users - especially the vulnerable. The Yonder research also indicates that 68% of customers would accept a slowing of delivery during <u>busy</u> times BUT, 34% would accept a slower service (within 5 days) more routinely and 33% would not. There is no statistical significance between 34% and 33%. Clarity from Ofcom on the reliability of 3 year old research vs. '23 research is required - especially given a turbulent few years in quality of service & pricing. Further, there is evidence of a demand for a next day delivery service &, in conjunction with the USO principles on affordability & accessibility, any next day service should be fairly and accessibly priced, ensuring volumes are protected, and cover weekends. Beyond the RM, given expectations set by other successful carriers on next day delivery, this is now nigh on a hygiene factor for 'at home' deliveries. We would expect that price elasticity modelling undertaken by RM would indicate that price increases have in part caused the volume of First Class post to decline - as has its wavering reliability and speed of delivery given the acute target misses. We do not believe that the demand trends in First to Second Class usage reflect need rather necessity in a cost of living crisis where First Class has become over-priced for consumers and we are alarmed at the speculation that a Next Day

Question	Your response
	premium service could replace First Class at a cost to customer of between £3.75 to £7. If either of these price points are being seriously considered, we think it sounds a death knell for our market. **Based on our own modelling, were delivery speeds to slow down and with the removal of an affordable next day service enacted, we estimate the sales consequence could be as much as [✂] of our annual sales.** c. **Reduction in Quality of Service Targets:** We consider this unpalatable given the driver emphasis for consumers, SMEs & business is certainty & reliability as well as the less material savings for the RM. Further tolerance in USO targets undermines the service and will inhibit consumer confidence in relying on Letters for communication - creating the doom spiral scenario we are all aiming to avoid. Comparison to other EU countries is dangerous for our market - 42% of UK customers only use the RM to send greeting cards - a category not largely established in any EU country other than the Netherlands. **When Royal Mail services fail, SMEs, not the Royal Mail, bear the brunt with customers. 76% of our poor TrustPilot reviews relate to late or non-delivery by Royal Mail. This has a brand damaging impact with most customers outlining that they will not use our service again - despite our offer to reprint and resend (at our cost, with no compensation from RM). Our estimated sales loss across '22 and early '23 was [✂] - broken down as [✂] during strike periods,[✂] in a drop in retention following strikes and [✂] in reprints and reorders in trying to recover customers. The cost to our business in failing Royal Mail customers is severe. Imagine this totalised across the Royal Mail-reliant wider economy?** d. **Government subsidies to maintain a USO:** Partial subsidies appear to be working in other markets, e.g. Germany, but this feels unpalatable given: ● The price paid for the RM during privatisation was fettered by the USO and undervalued by £750mn according to the National Audit Office. Investors knew there was a social obligation that needed to be met and business leaders should provision for this in strategy development; salaries/bonuses & dividends.

<table>
<tr><th>Question</th><th>Your response</th></tr>
<tr><td></td><td>

- Shifts in Letter trends were written clearly on the wall - the internet is 40 years old afterall! We all saw this coming yet the business transformation has been hindered by no long term strategy from the RM & lack of investment vs. dividends paid
- The burden of bailing out a virtual monopoly that fails to publicise how it is helping itself and what its long term strategic goals are is tough to swallow during a period where government cuts are compromising key services & quality of life for UK citizens.

What we would urge here is a broadening of ideas on how the Royal Mail could support the government within existing public budgets as outlined by Dave Ward as the March 14th discussion - how can the Royal Mail support the UK's social and healthcare needs with its respected workforce in our communities daily?

e. Provision of Additional Support for Certain Users.

We reserve judgement until we are able to see what is proposed but, in principle, we believe the digitally disadvantaged, elderly & vulnerable or rural and remote users need proper consideration given their more acute reliance on postal services.

f. **Transitioning to New Arrangements.**

We agree that any adaptation to the USO must be accompanied by operational restructure; the development of new services & products and a clear programme of communication - for consumers, especially the most vulnerable, and for businesses. We also expect that any transition should consider the fundamental differences between products that can be digitised and those that cannot and that any material changes to the USO may require more regulation rather than less.

Options not considered:

- Regulated postage affordability & class scenarios that rekindle & stimulate demand for consumers & businesses.
- Extending regulation to cover access mail in order to better protect consumers.
- A requirement that any future price changes are directly linked to service levels and debated with full elasticity analysis and consumer/business advocates a required part of the process.

</td></tr>
</table>

Question	Your response
	● Initiatives that encourage trade around UK specific postal seasonal needs and stimulate postal usage, e.g 1. free postage for Mother's/Father's day to support social connection, e.g 2. bundled pricing incentives for multi-card sending or reduced postage prices at Christmas time, e.g. 3 volume based subscriptions with a 'buy more, send more' mentality ● A re-imagining of what else the RM could do for the country, e.g. expanding its remit to encompass risk-free social care provision as outlined by Dave Ward on March 14th. ● End to end traceability of post with a compensation mechanic (direct to consumer/business rather than Treasury) for late/non-deliveries. ● Publicly available quality of service actuals vs. target (as recent as possible) to ensure the customer is aware of the reliability/certainty as they commit their post to the Royal Mail. Also helps businesses defend against reputational risk of late/non-delivery. ● Opening the USO to other national delivery competitors and forcing competition & innovation into the market.
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?	Whilst we reject the notion of amending the USO, believing the principal challenges to be of RM's own making, the least impacting scenario for our customers model would be 5 day delivery <u>with Saturdays included</u>. This would allow us to still service weekend occasions, especially Mothers' & Fathers' Day & Easter (always Sundays), without the public being off put by a next day delivery weekend premium. Within this, we would seek assurance ahead of any regulation effected, that there is a robust programme in place to return to service standards and ongoing monitoring and meaningful penalty and customer (consumer & business) reparation if service levels are missed. We would also seek assurance on stamp price affordability & <u>proactive, required consultation</u> of consumer groups & trade associations, with recurring price elasticity analysis, to underpin pricing decisions given the £1 psychological threshold has been breached and directly compromised letter volumes as stated by Ofcom.

Question	Your response
Question 10: Do you have any other views about how the USO should evolve to meet users' needs?	We strongly believe there is a need for a more comprehensive evaluation of the genuine costs and advantages of the Universal Service Obligation (USO) to Royal Mail, the British economy, and the businesses reliant on it. Such an assessment is crucial before further service cutbacks, price hikes, job losses or additional taxes are imposed to support an incumbent that seems either incapable or unwilling to manage its cost structure effectively. We are concerned that a conclusion to this challenge is going to take several years given the current political climate and looming election. We worry that the lazy lever the Royal Mail will continue to pull, unchecked, is postage pricing, and that the quality of service targets will languish - allowing them to create the Doomsday scenario they're threatening us with. We are also concerned that 'cost saving' = job losses = further strike action which will significantly inhibit the UK's economic bounceback and potentially see the demise of the beloved Postie as our communities know them today. How can stamp prices, delivery reliability and jobs be protected during the period of time this is going to take to unravel and solve? We are aware that Ofcom operates with a 'bias against intervention' but believe this stance to be under-serving of its duty of care in a virtual monopoly market when service misses are routine & affordability so severely compromised. We are concerned that a privatised business, effectively a monopoly, has shared almost £2 billion in dividends since privatisation, is pleading poverty whilst continuing to pay its senior leaders extreme salaries and bonuses amounting to millions whilst the business fails around them. Ofcom calling out that it is "hard for the RM to invest if it is not confident in its long term sustainability" indicates a lack of foresight & long term strategy within the RM. Why have we got to breaking point before the need for change is being tabled? In real terms, we could buy three 1st Class stamps or four 2nd Class stamps for the price of a loaf of bread in 1980. Today, you can buy just one 1st Class stamp and not quite two 2nd Class stamps for a loaf. Relativity has blown out of the market; Ofcom research suggests such but there is no econometrics or elasticity transparency for us to form behind. There is no historical precedence in a declining industry to recover to a sustainable position by radically increasing prices whilst concurrently reducing quality of service.

Please complete this form in full and return to futurepostalUSO@ofcom.org.uk.