

Consultation response form

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


Consultation title	Call for inputs: Review of postal regulation
Full name	Richard Collins
Contact phone number	[X]
Representing (delete as appropriate)	Organisation
Organisation name	Pitney Bowes Limited
Email address	[X]

Confidentiality

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Your details: We will keep your contact number and email address confidential. Is there anything else you want to keep confidential? Delete as appropriate.	Contact number and e-mail address
Your response: Please indicate how much of your response you want to keep confidential. Delete as appropriate.	None
For confidential responses, can Ofcom publish a reference to the contents of your response?	Yes

Your response

Question	Your response
Question 3.1. Do you consider that Ofcom's overall regulatory approach remains appropriate for regulating postal services over the 5-year period (2022-2027)? If not, please explain the areas where you think changes should be made, with supporting evidence.	 <p>Screen Shot Cleck & Drop 090521 Onli Confidential? – N</p> <p>As indicated in paragraph 3.14 of the Ofcom review of Postal Regulation. It was found that users' needs are changing in respect of letters within the USO and parcel deliveries generally. We are observing consumer and SME's are</p>

	<p>becoming more reliant on e-commerce and on-line shopping since the pandemic with shopping habits changing dramatically in the last 15 months.</p> <p>It would now be appropriate to include a fully tracked 'Large Letter' and Parcel product within the USO.</p> <p>Royal Mail continues to drive new barcode technology within their on-line 'Click & Drop' portfolio of products and facilitating a fully tracked product could easily be achieved for consumers and SME's within the USO without further significant investment in new technology.</p> <p>Today a consumer or SME will need to use 'Special Delivery' Guaranteed Next-Day to obtain a tracked service and for example for a 1kg Small Parcel this will cost £8.85 as a USO product verse £5.82 for 24-Tracked via Click & Drop (pricing comparison 09/05/2021).</p> <p>Whilst the two products are today not directly comparable due to access requirements and compensation levels it demonstrates the disparity within the USO.</p> <p>We believe including a fully tracked 'Large Letter' and Parcel product within the USO ensures the regulator would be responsive to consumer and SME needs and ensure a competitive marketplace where products are affordable and their service predictable and stable.</p>
<p>Question 4.1: Do you consider that Ofcom's current approach to financial sustainability and efficiency of the universal postal service will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>With declining letter volumes, it is our opinion the existing regulatory framework towards financial sustainability and efficiency is critical.</p>
<p>Question 5.1: Do you consider Ofcom's approach to the safeguard cap and ensuring affordability will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>Maintaining the current safeguard cap is critical as Royal Mail still controls a near-monopoly position in the single piece USO letters market where volumes continue to decline. Since the pandemic Royal Mail's market share of the single piece small and medium-sized parcel has increased dramatically and it is expected that their full 2020/21 financial figure will report an overall increase of 30%.</p>

	<p>To support the continued parcel growth in the UK Royal Mail will need to invest in new parcel sortation facilities and technology and this should not be at the detriment of the USO letter market pricing with tariffs exceeding the current cap and the consumer price index moving forward.</p> <p>Serving both the letter mail and parcel needs of consumers and SMEs continues to be critical, particularly for those who have difficulty accessing the postal network.</p>
<p>Question 5.2: Do you consider Ofcom’s approach to the regulation of residential and business redirections services will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>No comment</p>
<p>Question 5.3: Do you consider Ofcom’s approach to regulating quality of service for key USO services remains appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>As indicated in question 3.1 with consumer and SME’s becoming more reliant on e-commerce and on-line sales the need for a tracked product within the USO is becoming critical. Any new tracked products will need to be measured against their own appropriate quality of service measures to provide a level playing field with the current portfolio of 24/48 hour tracked products that fall outside of the USO. Consumers and SME’s should not be disadvantaged with slower delivery and quality of service standards. They deserve affordable, predictable, and stable rates and service.</p>
<p>Question 5.4: Do you consider Ofcom’s approach to regulating USO services, including access requirements, Special Delivery Guaranteed by 1pm, Signed For and Meter mail will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>With reference to paragraph 5.67 and franked mail, Signed For and Special Delivery is used generally by clients who wish to send valuable and important/legal mailpieces and parcels via Royal Mail with a single payment channel rather than finding an alternative carrier to distribute these items.</p> <p>Whilst there is competition for sending tracked items via alternative carriers, arranging collections and inducting items is not as</p>

convenient as inducting the items with the clients' regular franked mail. As indicated Special Delivery is a premium service and consumers and SME's would benefit from the introduction of tracked service to reflect market trends and the increase in parcels volumes.

In reference to paragraphs 5.69 to 5.73 where previously access operators have argued for the removal of metered mail from the USO. Franked mail is a pre-payment channel that provides Royal Mail with financial benefits with suppliers collecting funds directly from clients on their behalf whilst managing any underpayments or surcharges being recovered automatically within the Mailmark franking requirements. This reduces Royal Mail's overheads and reduces revenue protection costs verse other payment channels such as stamps and account PPI. Access and DSA providers generally have a threshold requirement of 250 letters. Therefore, to state that the removal of franked mail will lead to more competition is not necessarily correct as most providers cannot support a 1st & 2nd class delivery service due to their pre-sort capabilities.

Generally, franking users are SME's or sole traders that value the service and since 2014 the majority have invested in new Mailmark franking technology to meet Royal Mail's Mailmark requirements that stipulate all mail must contain a barcode by 2022.

In early April 2021 Royal Mail announce all legacy franking machines would be decertified by 31st December 2022 as the benefits of barcoded mail items reduces their operating costs. The industry's newer franking machines with higher security and connectivity benefit both SMEs and Royal Mail.

With 14% of SME's using franking machines overall it is important these clients are now not disadvantaged after investing in new Mailmark technology to meet Royal Mail's requirements.

Franked mail complements the single piece USO mail requirements in the UK as it is

	<p>inducted in a controlled environment into the Royal Mail network via Post Office Counters, Royal Mail collections, or inserting into business posting boxes or pillar boxes.</p> <p>Franking technology has evolved with the UK postal requirements and should not be further regulated or removed from the USO.</p>
<p>Question 6.1: Do you think the parcels market is working well for all senders and receivers of parcels (such as online shoppers, marketplace sellers and/or small retailers)? If not, please explain what changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>Small retailers and SME’s cannot access competitively priced tracked parcel products via Royal Mail with the current USO parcel portfolio.</p> <p>However, larger Market Place Sellers can access competitive contract tariff from other carriers based on volume commitments.</p> <p>Many SME’s prefer to maintain a relationship with Royal Mail and continue to induct their mail and parcels via the Post Office counter network.</p> <p>This is demonstrated in earlier questions associated with the need for introducing a tracked product with the USO as the market requirements and expectations continue to evolve.</p>
<p>Question 6.2: What is the nature and extent of detriment (if any) that consumers may suffer in the C2X or B2C segments of the parcels market? Please provide your views with supporting evidence.</p>	<p>Confidential? – N</p> <p>In the C2X and B2C segment clients have the option with access to the Internet to shop around for the most competitive tariff based on their needs. This may not always be the most convenient solution if the sender needs to be at home to facilitate the collection or there is not a convenient drop off point close to their premises.</p> <p>Again, without a competitive tracked parcel product within the USO C2X senders are more reliant on the higher priced Special Delivery Next Day product offering from Royal Mail.</p>
<p>Question 6.3: How effective are the existing consumer protection measures for users of parcel services, in particular CP 3? Is a change in regulation needed to protect users of postal</p>	<p>Confidential? – N</p> <p>No comment</p>

<p>services (as senders and recipients) and if so, what measures? Please provide your views with supporting evidence.</p>	
<p>Question 6.4: Are there any changes to the universal service obligations required for parcels, such as including tracking for First/Second Class services? If so, please provide your views with supporting evidence.</p>	<p>Confidential? – N</p> <p>In response to paragraph 6.56 of the review the absence of a tracked parcel product within the USO means consumers, SME's and franking clients are disadvantaged. If clients wish to use a tracked product it is necessary to either use Special Delivery or use Royal Mail's on-line Click & Drop platform to access Tracked 24/48.</p> <p>These products fall outside the USO and attract VAT and cannot currently be purchased via Post Office Counters or the franking channel. Royal Mail is also considering removing the self-adhesive Signed For and Special Delivery barcode labels from the franking channel in preference to an on-line pre-announcement solution with address and tracking label combined.</p> <p>With the increase in parcel volumes in both B2C and C2X it is clear there is a need for reform within the USO parcel requirements.</p> <p>Adding tracked 1st and 2nd class parcel products may cause further confusion for consumers and SME's and Royal Mail opening up the Tracked 24/48 portfolio of products may be the best route to ensure this segment is not disadvantaged.</p> <p>If a parcel tracked service is made available it would imply the USO would need to be updated to include Saturday deliveries. That change would reflect the changing market demands and ensure SMEs and consumers are not disadvantaged.</p>
<p>Question 6.5: Do you have any other comments on Ofcom's approach to regulating parcels? If so, please provide your views with supporting evidence.</p>	<p>Confidential? – N</p> <p>No additional comments</p>
<p>Question 7.1: Does the current scope of access regulation remain appropriate or should this</p>	<p>Confidential? – N</p>

<p>be changed and, if so, how and why? Please provide your views with supporting evidence.</p>	<p>No comment</p>
<p>Question 7.2: How well is our approach to access price regulation working in supporting access-based competition? Are there any improvements or changes that we should make? If so, please provide your views with supporting evidence.</p>	<p>Confidential? – N</p> <p>No comment</p>
<p>Question 7.3: Is our current approach to access regulation working well in delivering fair, reasonable and not unduly discriminatory terms of access, and are there any changes we should make? If so, please provide your views with supporting evidence.</p>	<p>Confidential? – N</p> <p>No Comment</p>

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