

PPA Submission to OFCOM's Review of Postal Regulation

Call for Input

Written Evidence Submitted by the Professional Publishers Association (PPA)

May 18 2020

Sent by email to postalreview@ofcom.org.uk

About Us

The Professional Publishers Association (PPA) is the membership network for UK consumer magazine media and business information publishers, representing around 160 of the UK's most renowned publishing houses. With more than 40 million adults in the UK reading magazine media every month, the sector is worth £4 billion to the UK economy, supporting more than 55,000 jobs.

The PPA's membership incorporates the UK's largest publishing houses, including Bauer Media Group, Condé Nast, Dennis Publishing, The Economist, Future Plc, Haymarket Media Group, Hearst UK, Immediate Media, and William Reed Business Media as well as many smaller independent publishers. A full list of members can be found here: www.ppa.co.uk/Resources/Members

Executive Summary

PPA welcomes the opportunity to submit evidence to Ofcom's review of postal regulation in the UK. This is a timely investigation, given the escalation of changing business practises and rise of digital correspondence that have come to transform how we communicate and transport goods and services.

The future of Royal Mail and its service obligations are significant to our industry, particularly as the pandemic has led to a rise in magazine subscriptions on account of changing consumer habits impacting newsstand sales. It is therefore important that Ofcom uses this opportunity to support businesses by ensuring the postal system meets the requirements of those that use it.

We have responded to specific questions below and would be happy to provide further evidence on request. The PPA is also a member of the Mail Users Association (MUA) and we have seen and support their submission to this consultation.

Consultation Questions

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.

PPA members contribute to the revenue Royal Mail needs to sustain Universal Service provisions. While they make less use of Royal Mail's USO service than other contract/non-USO services, members are significant customers that particularly rely on Royal Mail's letter service.

Ofcom is responsible for ensuring Royal Mail maintains its USO provision to 'be efficient before the end of a reasonable period and for its provision to continue to be effective at all subsequent times'. From a PPA perspective, this USO provision is not being achieved by Royal Mail and Ofcom needs to work on this to improve efficiency.

This is particularly important considering Royal Mail's market power and how its commercial terms and conditions do not enable effective competition, or allow publishers to use other providers to get the same final mile service.

Furthermore, PPA members experience year-on-year price increases, yet Royal Mail fails to meet efficiency performance targets, trapping publishers into unfair positions in return for token improvements to service quality. Accordingly, Ofcom needs to do more to incentivise Royal Mail to improve efficiencies.

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.

PPA members have been disheartened by the inability of Royal Mail to achieve its own efficiency and productivity targets. Ofcom should consider using external targets to subject Royal Mail to market pressures that could help support greater improvements in this area. This would be significant in helping with Royal Mail's sustainability and ability to deliver USO obligations in the long-term.

Universal Service Obligations: Saturday letter deliveries

While Ofcom's findings from last year's review of the postal market and proposal to reduce letter deliveries from six to five times a week remains out of scope for this consultation, Ofcom should consider how important this is in relation to this review's objective to further the needs of its customers.

The particular focus was on the removal of Saturday deliveries, which would have a significant impact on PPA members as many weekly titles are time sensitive and delivered to readers on Saturday. Maintaining this service is crucial to facilitating publishers as they provide the service readers expect. Hence PPA members consider Saturday delivery to be an important feature of Royal Mail's product offering.

We acknowledge that the reduction to a five-day letter service would have a significant financial benefit for Royal Mail, however greater assessment needs to be made of the economic repercussions resulting from the loss of publishers' postal revenue. There appears to have been very little consideration of which day of the current six could be lost without such damaging repercussions. The last year has seen a rise in subscription customers for publishers on account of the pandemic disrupting newsstand sales, resulting in greater Publishing Mail fees for Royal Mail. This trend is expected to continue. We therefore think consideration should be taken over whether dropping a weekday delivery would be more appropriate without the degradation in service offering.

Furthermore, if Royal Mail proposes to reduce its services, the movement to a five-day delivery should be reflected in future price increases, and savings should be passed onto customers; not solely shareholders.

Conclusion

We acknowledge the role of Ofcom as a postal regulator to secure the provision of a universal service, having regard to both financial sustainability and efficiency, while furthering the interests of consumers.

With this in mind, we urge any changes and reforms made to Royal Mail's operations to be done through consultation with stakeholders, particularly magazine publishers, who rely on postal services to deliver subscriptions to readers across the UK.

Thank you for the opportunity to reply to this call for evidence. We are happy to answer any follow up consultation or supply further evidence or case studies as required.

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