

Your response

Question	Your response
<p>Question 1: Do you agree with our assessment that our proposals will not discriminate against any groups with protected characteristics? Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>Before answering the direct question, brief context to our position may assist.</p> <p>The Greeting Card Association (GCA) represents the interests of some 500 UK businesses involved in the design and production of greeting cards, generating in excess of £1.5bn¹ annually for the UK economy.</p> <p>Against the backdrop of Royal Mail’s declining Letter volumes, our research demonstrates the card industry to be far more stable.</p> <p>The current consultation demonstrates how crucial greeting cards are to the future of Royal Mail’s current Letters business with 42% of UK consumers saying they only now use Royal Mail to send greeting cards².</p> <p>As an industry, we also continue to lead the world in greeting card design and innovation. We are truly a great British export.</p> <p>Perhaps most pertinently, the exchange of cards represents a relatively inexpensive means of reinforcing community bonds and societal inclusion. As anyone who has received a card will attest, it is no exaggeration to describe our industry as the <i>‘purveyors of happiness’</i>. This is particularly true at certain times of the year, such as Christmas.</p> <p>Of course, we can’t achieve any of this without an effective Letters delivery business and it is this understanding that shapes our answers to the questions below.</p> <p>In terms of the direct question:</p> <p>Whilst the GCA believes that Ofcom’s proposals do not directly discriminate against any such groups, we raise an additional affordability consideration within our answer to question 6.</p> <p>If it transpires there is a bigger postal affordability issue than has been established to date, Ofcom may wish to re-examine whether some of the specific protected groups identified in Section 2 with high postal needs may require further protection.</p> <p>We believe this to be particularly true for the over-55s where the presented evidence of non-discrimination appears to be primarily underpinned solely by the view that this group don’t complain³.</p>
<p>Question 2: Do you agree with our assessment under the Welsh Language Policy Marking Standards? Please state</p>	<p>Confidential? – N</p> <p>We have received no concerns about this aspect of the consultation from our Welsh-speaking members</p>

your reasons and provide evidence to support your view.

¹ Source: GCA Market Report 2021, published Sept 2022.

² Source: Para 5.25 Ofcom Review of Second Class safeguard caps 2024. Original Source Jigsaw Residential Postal Tracker 2022, QG1_1)

³ As outlined within paragraph 2.45.

<p>Question 3: Do you agree with the objectives we propose to use for our review of safeguard caps? Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>We agree with the proposed objectives for this specific assessment.</p> <p>We note the significant research⁴ indicating the wider social good that a thriving Letters business can bring to our communities.</p> <p>As it's been found that market forces alone cannot currently solely be relied upon⁵ to maximise these social benefits, we anticipate this being an important theme requiring further exploration within the 2024 Future of the Postal Service Consultation. We look forward to contributing our own views and research upon the same.</p>
<p>Question 4: Do you agree with our analysis of the market in relation to Second Class standard letters and large letters? Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>We agree with the conclusions of this analysis.</p>
<p>Question 5: Do you agree with our analysis of the market in relation to Second Class parcels up to 2kg? Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>We agree with the analysis.</p>
<p>Question 6: Do you agree with our approach to assessing affordability of postal services? Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>We understand the challenges involved in assessing postal affordability⁶ when it accounts for a relatively small part of a household's annual income clearly.</p> <p>On a top-level basis, we believe the proposed approach is reasonable.</p> <p>We believe that further analysis is required around seasonal affordability pinch-points before a conclusion that postal services are affordable can be drawn. This is particularly true at Christmas, where families and friends often wish to exchange higher volumes of cards to reinforce social bonds⁷.</p>

⁴ Not least that referenced within paragraphs 5.27, 5.29 and 5.30 of the current consultation.

⁵ For the reasons outlined within paragraph 4 of the current consultation.

⁶ In particular, those outlined within paragraphs 5.9 to 5.12 of the current consultation.

⁷ In addition to our own research, such demand is also referenced as 'highly valued' within Para 5.27 of this consultation.

	<p>Clearly consumers, Royal Mail and ourselves would all benefit from understanding if affordability is a far more significant constraint on the potential Letter volumes sent at this time of year.</p> <p>This is a theme we are keen to explore further within the 2024 Future of the Postal Service consultation window.</p>
<p>Question 7: Do you agree with our assessment of the affordability of Second Class postal prices? Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>We agree the overall assessment is reasonable.</p> <p>In response to question 6, we outline additional seasonal affordability considerations we believe are pertinent.</p> <p>As the assessment does not distinguish between large letter and letter affordability considerations, we outline why the recent Large Letter price rises have been a particular concern to some of our customers within our answer to question 9.</p>
<p>Question 8: Do you agree with our analysis of the impact of the caps on the financial sustainability of the universal service? Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>We agree with Ofcom’s conclusions about the relatively small impact these caps will have on the financial sustainability of the Universal Service.</p> <p>As a critical friend, we would also highlight that in addition to this affordability a regular, reliable, six-day delivery service is also key to driving the volume stability required for the financial sustainability of the Letters business.</p> <p>As an industry, we experienced firsthand the impact the 2022 strikes had on Christmas card sales and sending. That experience informs our perspective that regaining consumer confidence after it’s been lost, is, if not impossible, extremely hard. At a minimum it takes significant collaborative effort across our industry and partners.</p> <p>Greeting cards, as social mail, have always been the <i>one</i> Letter that consumers want to receive, and therefore a key driver of positive engagement with Royal Mail. It is the post that <i>leads</i> the way.</p> <p>Clearly, the return to service levels which drive a virtuous cycle of volume trends are as beneficial to Royal Mail as they are to our own industry.</p>
<p>Question 9: Do you agree with our proposal for the structure of the safeguard</p>	<p>Confidential? – N</p>

cap to be based on a single basket which includes Second Class standard and large letters? Please state your reasons and provide evidence to support your view.

After careful consideration we agree with the proposal.

As context, we believe we can best serve the needs of British consumers when we have:

- A headline (i.e. Letter) 2nd class stamp price customers trust to be affordable.
- The ability to innovate with different card styles that consumers can send cost-efficiently.

Significant recent greeting card innovation has been in response to consumer demand for products that require Large Letter postage⁸. We understand this is because, in an increasingly digital age, if you're going to the effort of sending a physical card, you want the gesture to stand out.

This emerging section of our market has been affected by the higher price rises in Large Letter stamp prices since 2019⁹.

With 42% of UK consumers now saying greeting cards are the only reason they use Royal Mail¹⁰, it's vital such innovation is encouraged, if we're to help stem future postal volume decline.

We believe the proposed basket represents a good solution to deliver the balance we require in relation to our two goals above.

Question 10: Do you agree with our proposal to set the basket cap for Second Class standard and large letters at current prices plus CPI? Please state your reasons and provide evidence to support your view.

Confidential? – N

Given the recent significant price rises on Large Letters, Ofcom's finding that the Large Letters market remains a monopoly, and our reasonable belief that Large Letters are significantly more profitable for Royal Mail than Letters¹¹, there appears a strong case for arguing a lower cap is required on Large Letters; certainly at the lower weight bands.

That said, we are mindful of the wider financial pressures on Royal Mail, and our need to balance the two goals we outline within Question 9.

For this reason, we believe the proposed basket represents a reasonable compromise we can live with.

⁸ Frequently these are cards with greater longevity/sustainability features – e.g. keepsake pop-ups, or with detachable badges, patches, or imprinted paper which makes the designs too thick to go as a standard Letter.

⁹ 40% (vs 23%) since 2019 – as referenced at Para 4.25 and 4.46 in this assessment.

¹⁰ Source: See footnote 2

¹¹ It appears reasonable that Royal Mail would make a significantly greater return on sending a <100g large letter at £1.15, than a <100g letter at 75p.

<p>Question 11: Do you agree with our proposal to set the cap for five years? Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>We agree with this proposal and the period of certainty this will offer our members.</p>
<p>Question 12: Do you agree with the structure of the basket set out in Annex 5 in which stamp prices are weighted by volumes of each service type based on the volumes measured two years prior to the control? Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>We are comfortable with this approach.</p>
<p>Question 13: Do you agree with our proposal to remove the safeguard cap from Second Class parcels up to 2kg? Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>We are comfortable with this proposal.</p>
<p>Question 14: Do you consider that there is value in developing a targeted scheme focussing on vulnerable consumers? If yes, your views on characteristics of such a scheme including target groups, nature of support and delivery options. Please state your reasons and provide evidence to support your view.</p>	<p>Confidential? – N</p> <p>As outlined, we believe a thriving social letters business builds strong communities.</p> <p>Whilst guarding against complacency, we also note the inclusivity of our industry which offers designs at price-points suitable for all consumers.</p> <p>Because of this range, and the different commercial impacts such a scheme might have on different publishers, it is difficult for us as an industry body to offer a singular response to this question.</p> <p>We would, however, note that if Ofcom’s conclusions around current affordability¹² are correct, it is difficult to see how such a scheme would benefit society more than the current areas of regulatory focus.</p> <p>If we are correct that the act of receiving a card is as important to vulnerable users as sending a card, then clearly any such scheme must also consider how best to prioritise vulnerable recipients.</p> <p>We have invited our members to contribute any further views directly.</p>
<p>Question 15: Do you have any other comments on the proposed modifications to the relevant DUSP conditions through which we propose to implement our</p>	<p>Confidential? – N</p> <p>We have no further comments.</p>

¹² Not least at Paragraphs 5.106 c and e, and 5.107.

proposals, attached in Annex 5? Please state your reasons and provide evidence to support your view.

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

Safeguard caps review team
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA