

Royal Mail response

We agree with Ofcom that it was appropriate to change the basis for recovering consumer advocacy costs. The postal sector has changed significantly – with letters continuing to decline and with significant growth and competition in the parcel sector. We also agree that postal activity by the Consumer Advocacy Bodies (CABs) should be recovered across the industry – including parcel operators and certain letter operators. We were disappointed that Ofcom did not reduce the minimum revenue threshold for relevant parcels postal services below its proposal of £350m. This level is far too high and excludes operators with consumer and small business interactions. Nevertheless, **it is no longer appropriate that Royal Mail alone should shoulder the burden of paying for consumer advocacy across the letter and parcel sector.** Ofcom should seek to put its proposal in place as soon as possible to avoid further delay. We believe that this proposal should have been put in place for the 2018–19 financial year at the same time that the new basis for the recovery of Ofcom's administrative costs for post came into effect.

We also note that the **CAB fees on postal activity remain high.** In 2018–19, it was nearly £2m. This is a considerable sum. We encourage restraint and further year-on-year reductions to right size the consumer advocacy costs to a more appropriate lower level. We ask that Ofcom works with the CABs to seek to reduce duplication and cost.

Ofcom's consultation question asks whether we agree with Ofcom's proposed amendments to Consumer Protection Condition 1. **We agree with Ofcom's logic that “international mail is unlikely to materially drive the CABs' costs”.**¹ Given the activities currently undertaken by the CABs, Ofcom's proposal is reasonable.

Ofcom explained that this consultation arose due to stakeholder feedback that the modifications to Consumer Protection condition 1 “*did not appear to reflect our previous policy intention to capture only revenues related to domestic services, and not to capture international mail (parcels and letters).*”² We are all too aware that **postal regulation is complex**, and issues like this can happen. We fully support Ofcom's open and transparent approach to resolve this specific issue. Longer term, **we suggest that – to help mitigate such issues arising in the future – Ofcom reduces the complexity of regulation and the overall level of regulation.**

¹ Ofcom, Recovering consumer advocacy costs, 5 June 2019, paragraph 2.11.

² Ofcom, Recovering consumer advocacy costs, 5 June 2019, paragraph 2.12.