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Consultation: Modifications of the USP Access Condition for regulating access to Royal Mail's postal network – Proposed Regulation of New D+5 Letters Access Service

Mail Users' Association (MUA) Response

1. General

MUA is the UK's only independent association of business users concerned wholly with commercially related postal matters. Its members are drawn from a wide range of business interests including direct mail, banking and finance, communications, publishing, mail production and other postal related industries. Collectively, it is estimated MUA members generate approximately 10% of the annual volume of mail in the UK, and MUA represents a category of large volume mailers often referred to as *Super Users*.

MUA members thank Ofcom for the opportunity to respond to this consultation. MUA has carried out an internal consultation of its members on this matter, and the findings below represent the opinion of MUA's membership.

2. Ofcom's Proposals

2.1 Ofcom's proposal to extend the USPA conditions to the new D+5 letters access service

Consensus amongst MUA members is that there is general support for the principles by which Ofcom proposes to extend the USPA conditions to Royal Mail's new D+5 letters access service. Members believe the new service should come under the same regulatory requirements and protections as the existing Access services, and would expect with all due regulatory diligence such a move would serve to promote efficiency within Royal Mail's delivery operations, and further mailers' interests in terms of choice and more competitive pricing.



2.2 Ofcom's proposal to include Royal Mail's new retail economy Mailmark Letter services and their access equivalent in the margin squeeze control

MUA members are in general agreement with Ofcom's proposal to include Royal Mail's new retail economy Mailmark letter services (and their access equivalent) in some type of margin squeeze control.

A concern held by members is that the new D+5 service may ultimately serve to devalue the current Access Standard Service, and diminish the general level of service offered to business users. Indeed there are those who believe Royal Mail's intention may be to increase the price difference between the current Access Standard Service (to become the 'Premium Service') and the Economy Access product, as a means of migrating customers towards a service with a longer delivery option.

MUA members believe Ofcom fixing the margin between the Standard Access Service and the Economy Access Service would be a more appropriate measure for the pricing control, and would reduce the risk of the Standard Access service being priced uncompetitively. This is based on the concern that if Access Standard tariffs drift apart from the Economy service then the standard service will become uncompetitive, and those customers for whom time sensitivity is important, will be driven to digital communications.

2.3 Ofcom's proposal that changes to the USPA condition should become effective from the date of Ofcom's statement

MUA members consider the timing of Ofcom's proposals to extend the USPA conditions to cover the new D+5 letter Access service (sometime in early 2021), and Royal Mail's intended launch date of 4th Jan 2021, will cause unnecessary accounting complexities for many customers.

Ofcom's proposal for these changes to come into effect at the time its decision is made, will mean Royal Mail's D+5 product will attract VAT exempt status in the middle of the first quarter of 2021, very close to the end of the financial year (making VAT accounting unnecessarily complex for both customer and supplier).

These VAT changes will also come on the back of major changes to charging and invoicing for Royal Mail's new price changes from 4th January 2021, and ahead of additional price changes that will need to be made at the beginning of April 2021. These three tier pricing/VAT changes will present a considerable burden on all concerned.

Furthermore, Members would point out that the D+5 product (at launch) will be VAT rated, this will mean for some of Royal Mail's largest customers this slower delivery specification product will cost significantly more than its 'standard' access product,



for those organisation that are unable to recover VAT, such as the financial services sector.

Members would therefore suggest that it would make more sense for Ofcom to issue its decision as soon as it is viably possible to provide much needed clarity, but then for its decision (and any consequent changes to the D+5 product's VAT status) to come into effect from the start of April 2021.

This will provide customers who are unable to reclaim VAT, with the ability to plan with their downstream suppliers, mail volumes they may wish to stream through the new product.

2.4 Other comments on Ofcom's proposals or the regulator's proposed amendments to its legal instrument (USPA condition)

MUA members would wish to make the point that Royal Mail's D+5 Access product is mainly suitable for 'Direct Mail' type mailings, and is unlikely to be used by many business/transactional customers who rely on the time sensitivity of next day delivery after handover.

Part of the attraction of the current Standard Access Service is the ability for the customer to plan around a specific door drop date, so that mailings can be coordinated with other elements of multi media campaigns. Members' concerns are therefore based around the fact that the current Standard Access service will essentially be priced out of the market, thereby perpetuating the migration from hard copy to digital forms of communication.

I hope that you find the above useful in your deliberations. Please note this response is not confidential, and can be published in full, and attributed to Mail Users' Association. Should you have any questions, do not hesitate to get in touch.

Yours sincerely,

A handwritten signature in black ink that reads "Jeremy G.F. Partridge". The signature is written in a cursive, slightly slanted style.

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