

**Title:**

Mr

**Forename:**

Paul

**Surname:**

Brough

**Representing:**

Organisation

**Organisation (if applicable):**

Opus Trust Marketing Limited

**What do you want Ofcom to keep confidential?:**

Keep nothing confidential

**If you want part of your response kept confidential, which parts?:**

**Ofcom may publish a response summary:**

Yes

**I confirm that I have read the declaration:**

Yes

**Ofcom should only publish this response after the consultation has ended:**

Yes

**Additional comments:**

**Question 5.1: Do you agree with the assumptions set out in paragraph 5.86 above? If not, please set out your reasons.:**

Yes

**Question 6.1: Do you agree with our proposal to impose a regulatory condition on Royal Mail to require it to provide the universal service as set out above? If not, what alternative approach would you suggest?:**

Yes

**Question 6.2: Do you agree that a price control is not an appropriate option at present for regulating Royal Mail's prices? If not, please explain why and how a price control could be implemented effectively.:**

No.

We believe that price control is appropriate and to state that it has not worked in the past is not a good enough reason. We would contest arguments that mail volume decline as a result of the last price increases, especially transactional, was over estimated by Industry, and that as a result, bulk mail pricing elasticity is arguably greater than anticipated. We believe changes in customer behaviour (and more specifically initiatives ultimately designed to migrate traditional mailers towards e-substitution as a result of those price increases) has yet to hit the market, and would argue a 'lag effect' caused by complex decision making processes and budgetary planning within large organisations has actually delayed the expected impact.

We are concerned that if prices continue to increase over the next few years starting from April 2012 the postal marketplace will suffer and there will be a drastic reduction in transactional mail volumes which will seriously affect ours and other businesses.

We also have concerns over the possibility of VAT being imposed on retail products and the effect this would have on financial services and charities. We were concerned at a recent meeting with Ofcom that you have not considered this in your consultation, whilst it may be a matter for HMRC, this has a massive impact on your the subject matter of this consultation and to omit it is an oversight.

**Question 6.3: Do you agree with Ofcom's proposals to put in place regulatory safeguards as described above? If not, please provide reasons.:**

Yes

**Question 6.4: Do you agree with Ofcom's proposals to put in place a monitoring regime? If not, please provide reasons.:**

We believe that Ofcom will gain all the necessary information with which to regulate the business.

We would note that the vast majority of organisations benchmark their activities against competitors, and in a similar vein would expect Ofcom to have efficiency testing measures in place to compare Royal Mail's efficiency against other European counterparts. We would also suggest Ofcom needs to provide the industry with a published statement of the information it intends to collect/monitor, and wherever possible provide a financial breakdown of information relating to the profitability of the USO, in order to allow key stakeholders to understand the decisions being taken in relation to it.

We are concerned that the timings would need to be understood as variable pricing could create market turmoil

**Question 6.5: Do you agree with Ofcom's proposals for an index-linked safeguard cap on standard letters from 45p to 55p? If not, please provide reasons.:**

Yes

**Question 6.6: Do you agree with Ofcom's proposal that the approach outlined above remains in place for seven years? If not, please provide reasons.:**

No, we are concerned that this timeframe is too long and there should be at least, an interim review midway through the period to re-assess the marketplace at that time and how mail volumes are responding to price changes / increases.

**Question 7.1: Do you agree with our approach to assessing end-to-end competition? If not, please give your reasons.:**

Yes but more detail is required on how this would be assessed and it is unclear as to how this would affect the USO

**Question 7.2: Do you agree with Ofcom's proposals to impose an obligation on Royal Mail to provide access at the Inward Mail Centre? If not, please give reasons.:**

Yes

**Question 7.3: Do you agree with Ofcom's proposals in respect of regulating margin squeeze? If not, please give reasons.:**

No

We believe that more detail is required of the fully allocated cost and until this is known it is difficult to understand how this would impact competition.

Regular updates and reporting on this would be required to reflect market and business changes.

We believe this will need a review point in 18-24 months as mentioned above

We are concerned that Royal Mail could cut the Upstream costs by up to 50% as the competition would not be able to compete against these margins, and also that Royal Mail could do "deals" which could disadvantage SMEs.

We have strong reservations about the potential implications of adopting such a light touch regulatory regime. In the Industry's experience, Royal Mail has historically relied upon revenue generating pricing strategies rather than addressing the more challenging aspects of modernisation, and given the financial position in which the national carrier now finds itself, we have strong concerns about the likely outcome of this new regulatory approach, and the consequential impact further price increases would have on a postal market already under considerable pressure from electronic substitutes.

**Question 7.4: Do you agree with our approach concerning the Terms and Conditions for access, including the role of equivalence and the regulation of zonal pricing? If not, please give your reasons.:**

We would like to see a fairer reversion system as currently it doesn't put any onus on Royal Mail to provide the same level of evidence that everyone else has to; the "burden of proof"

should be the same for all parties involved and there should be an appeal system however you access Royal Mail . . . but overall in a "light touch" way.

**Question 8.1: Do you agree with the objectives for regulatory financial reporting that we have set out above? Please provide details to support your response. :**

Yes

**Question 8.2: Do you agree that our regulatory financial reporting proposals, set out in this section and the supporting Annex, are appropriate and proportionate? Please provide reasons and evidence to support your views.:**

Yes

**Question 8.3: Do you agree with our proposals on the rules and requirements contained in the draft Regulatory Accounting Guidelines and do you consider that they are likely to provide an appropriate and proportionate level of cost transparency and accounting separation?:**

Yes

**Question 8.4: Do you agree with our proposals set out above in relation to accounting separation? Are there any further risks that you think Ofcom needs also to consider in making decisions in this area? To the extent that you consider there to be risks associated with our proposals, how do you consider they might best be addressed?:**

Yes