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## **Royal Mail Access Pricing Review**

### **Response from the Mail Competition Forum. (MCF)**

The Mail Competition Forum represents a wide spectrum of competitors to Royal Mail, including end to end delivery operators, National DSA contract holders, zonal contract holders, and holders of original C9 contracts.

Responses to the proposals are therefore equally diverse. Detailed responses to specific questions will be made by individual member companies.

This response represents a general overview which is supported by MCF members. It may be published and attributed to the Mail Competition Forum.

### **Competition**

The positive tone of the Ofcom proposals towards competitors and customers is very much supported.

Zonal proposals should allow a more competitive environment which will incentivise Royal Mail towards greater efficiency which would ultimately benefit users.

### **Uncertainty and price volatility**

A concern amongst MCF members has been the way that Royal Mail has interpreted its "rights" under the current regime to introduce dramatic changes to the zonal pricing structure which appear to be both aimed at foreclosing competitive entry and have resulted in destabilising pricing swings.

We are encouraged by the proposals which do appear to provide a workable framework which will give a greater degree of certainty to the market, and restate in less ambiguous terms the requirement for access prices to have relevance to underlying costs.

The proposal to require National and Zonal charges to be linked via the weighted average rule we believe will be a helpful development. (7.17 refers)

A pricing disparity between old and new style contracts and Zonal and National contracts is already a cause of serious concern for MCF members. Any disparity needs to be fully justified and demonstrable.

As a principle customers should expect similar reward in terms of price for comparable offerings. For example, customers on old C9 and zonal contracts should expect similar incentives if able to provide/meet conditions relating to geographic profiles and forecasting.

We would therefore support the inclusion within the proposals for compliance monitoring. These should be sufficient to ensure confidence in regulation without being unduly onerous on Royal Mail. (6.44 refers)

### **Zonal Structure**

Given Royal Mail's historic behaviour, some MCF members are concerned that Royal Mail might seek responsive changes to the zonal structure to head off localised competition.

Ofcom should be supported in resisting this, and we are encouraged that whilst acknowledging that the number and definition of zones may need to change over time, any changes would need to be fully consulted upon and reflected in amendments to the USPA and USPAC conditions. (5.19 refers). The majority of MCF members favour the status-quo regarding the number of zones.

### **Pricing below FAC**

We note that Ofcom argues against any specific intervention to prevent Royal Mail pricing below FAC in wholesale Zonal. (7.12 refers). The argument is that the proposals as outlined would carry severe costs for Royal Mail if it implemented prices below FAC within guidelines, and possibly raise competition law concerns. The result would be a low risk of Royal Mail pricing significantly below its fully allocated cost across the board.

The MCF feels that despite the proposal as outlined, pricing below FAC remains a real risk. This applies to both retail and wholesale pricing.

A major concern for MCF members relates to the responses open to them in the face of potential abuse. These are far too lengthy in timescale to offer realistic protection to new market entrants. The MCF would prefer additional protection.

### **Symmetrical approach to geographic profile.**

The MCF would appreciate the specific inclusion of a requirement for Royal Mail to include a symmetrical approach to such factors as geographic profile. Under the current contract regime, failure to achieve is penalised while over achievement is never rewarded.



## MAIL COMPETITION FORUM

### **The efficient provision of the universal service.**

The MCF is encouraged by the emphasis within the review on Royal Mails efficient provision of the USO and the recognition of the vital role in ensuring efficiency, of the development of competition. (2.9 refers).

The MCF would like to see more detailed and transparent targetry developed in this area, along with clear timescales and defined consequences for failure to achieve.

Historically, Royal Mail have consistently failed to meet even their own modest efficiency improvement targets. The only consequence to date of such failure appears to have been increased prices to all customers.

Yours Sincerely

Mail Competition Forum