

## **Unite CMA Submission on Universal Service Obligation Reform**

For over five hundred years Royal Mail has been a sentinel of British industry and a steadfast institution woven into the very fabric of our nations daily life. Through war and peace, prosperity and hardship, it has remained resolute in its duty to the people of the UK, ensuring that no matter how distant the home, no matter how remote the village, the post would always be delivered connecting so many lives, families and businesses.

Yet today, this great institution stands at a crossroads, beset on all sides by the unyielding forces of change. The decline of letter volumes, the unrelenting rise in delivery addresses, the fundamental shift from letters to parcels, and the increasing burden of external pressures, including severe weather conditions, have placed Royal Mail under intolerable financial strain. If we are to preserve this great institution for future generations, then the Universal Service Obligation (USO) must be reformed—not out of convenience, nor for the sake of change alone, but out of necessity for its very survival and ongoing sustainability.

Royal Mail employs over 120,000 people and is one of the largest UK employers after the NHS. With so many jobs invested it is vitally important that it continues to be financially stable and viable. It is therefore of paramount importance that Royal Mail is not set levels of unachievable regulation that effects the foundations of its sustainability. No Regulator or Government would want such a large employer to become unstable and put the very future of the USO as well as such a huge amount of key jobs at risk.

Unite CMA recognise that urgent USO reform is necessary to create a sustainable and successful future for both our members and the business through the challenges it faces. The company was the world's first “one-price-goes-anywhere” Universal Service, but

with a declining letter market, within the context of a 6-day fixed delivery obligation to 32 million UK addresses, Royal Mail has come under severe financial pressure on a number of fronts.

Let the facts be laid plain:

- Letter volumes, once standing at a mighty 20 billion in 2004/5, have now plummeted to a mere 7 billion—a staggering fall of 65%.
- The number of addresses served has risen inexorably from 26 million in 2004 to almost 32 million today and are set to continue to rise—this presents an unavoidable and ever-growing challenge.
- The shift from letters to parcels, while reflective of modern commerce, has created a fundamental mismatch between the infrastructure that was built for the past and the reality of today.
- The increasing unpredictability of extreme weather conditions further inhibits Royal Mail's ability to meet the Quality of Service expectations imposed upon it.
- Unrealistic Quality targets designed when Royal Mail was predominantly a letter delivery service.
- Ever growing pressures of staff turnover.
- With any National company in some UK areas, it's difficult to recruit.
- With an aging workforce the growing challenge of managing fatigue.
- Ageing vehicle fleet, brings reliability challenges.
- Cost implications of the green mile.

To impose upon this great institution a level of regulatory burden that is wholly unachievable is to set it upon a path of decline. The principle of universal service must be preserved, but it must also be realistic, sustainable, and fit for the age in which we now live.

Unite CMA stands unwavering in its support for measures that improve service quality—but asks that those measures be grounded in reality and not ideology. It is neither just nor prudent to demand of Royal Mail what it cannot possibly achieve within its current structure. Reform of the USO is not merely desirable, it is imperative and without decisive action, we risk the slow erosion of a service that has bound our nation together for centuries.

We urge policymakers, regulators, and all those who value the future of Royal Mail to act with both courage and conviction. To stand idle is to accept decline. To hesitate is to invite collapse. The time for action is now.

Unite CMA remains steadfast in its commitment to the sustainability of Royal Mail, to the protection of our members' jobs, and to securing a future in which this great institution continues to serve the people of Britain—not just for today, but for generations to come.

We submit this response not in the spirit of caution, but with a firm and unrelenting resolve—to ensure that Royal Mail is not merely preserved, but strengthened, renewed, and equipped to meet the challenges of the future.

For Royal Mail, for our members, and for the people of this nation, we must act—decisively and without delay.

## **Question 2.1: Equality Impact Assessment (EIA)**

Unite CMA partially agrees with Ofcom's provisional conclusions in the Equality Impact Assessment (EIA). While the assessment correctly identifies key vulnerable groups and some of the challenges, they may face due to the proposed changes, we believe further scrutiny and mitigation measures are required to protect those who rely most on postal services.

### **Supporting Evidence for the EIA Conclusions**

#### **1. Recognition of Vulnerable Groups**

- Ofcom has rightly acknowledged that certain demographics—older individuals, those with restricted mobility, rural communities, and people without access to digital communication—depend heavily on postal services.
- It is noted that financially vulnerable individuals may be disproportionately impacted if they are forced to shift from Second Class post to more expensive First-Class services.

#### **2. Shift in Consumer Priorities**

- The research presented by Ofcom suggests that the public values reliability and affordability over delivery speed. While we acknowledge that letter volumes have declined, postal services remain vital for many, particularly in rural and digitally excluded communities.

#### **3. Consideration of Affordability**

- The EIA highlights that the proposed changes aim to maintain postal services at a sustainable cost, reducing financial pressure on Royal Mail while keeping prices stable for users.

## **Concerns and Areas for Improvement**

### **1. Impact on the Digitally Excluded**

- While Ofcom notes that delays in Second Class deliveries could be frustrating for those without digital access, it does not fully address the potential for increased social isolation, financial difficulty, or missed critical communications (e.g., NHS letters, government notices).

### **2. Rural and Remote Communities**

- Ofcom's assessment states that postal needs are similar across urban and rural areas. However, rural communities often experience longer delivery times and limited alternative options, making a reduction in service frequency more damaging for them.

### **3. Lack of a Clear Monitoring Framework**

- Ofcom invites responses on mitigation but does not outline a structured impact assessment plan or contingency measures if service quality declines further.

## **Unite CMA Recommendations**

- Conduct a more in-depth study on the impact of digital exclusion, particularly for older and low-income users.
- Implement a clear monitoring and reporting system to assess whether the proposed changes are causing disproportionate harm to vulnerable groups.
- Explore postal exemptions for critical communications (e.g., NHS, legal documents) to ensure those most reliant on post are not negatively affected.

## **Question 2.2: Welsh Language Standards**

Unite CMA agrees with Ofcom's assessment under the Welsh Language Standards but believes continued monitoring is essential to ensure compliance and fairness for Welsh-speaking postal users.

### **Supporting Evidence**

#### **1. Legal Compliance**

- Ofcom confirms that the proposed changes adhere to the Welsh Language (Wales) Measure 2011, ensuring that Welsh is treated no less favourably than English.

#### **2. Access to Postal Services in Welsh**

- Since the universal postal service remains intact, those preferring to communicate in Welsh should not face additional barriers.

#### **3. Potential Positive Impact**

- Ensuring continued postal access may enhance opportunities for Welsh speakers to correspond in their preferred language.

### **Unite CMA Recommendations**

- Regular assessments should be conducted to ensure that service changes do not inadvertently reduce access for Welsh-language users.
- Ofcom should ensure that any postal service reductions do not disproportionately impact Welsh-speaking communities, especially in rural Wales.

## **Question 3.1: Do you agree that we have identified the reasonable needs of post users? Please provide reasons and evidence for your views.**

Unite CMA partially agrees with Ofcom's assessment of the reasonable needs of post users but believes that certain key aspects require further consideration. While the consultation recognises shifting user behaviours, the proposed changes could disproportionately impact those still heavily reliant on postal services.

## **Key Areas of Agreement**

1. **Recognition of Changing User Habits**
  - Ofcom has correctly identified that digital communication has significantly reduced reliance on postal services for personal and business correspondence.
  - The assessment acknowledges that many essential services, such as bank statements and utility bills, are increasingly available online.
2. **Focus on Reliability and Affordability Over Speed**
  - Research indicates that most postal users prioritise service reliability and cost-effectiveness rather than delivery speed.
  - Maintaining an affordable service is crucial to ensuring accessibility for all users, especially financially vulnerable individuals.
3. **Continued Universal Service Obligation (USO) for First Class Mail**
  - Ofcom's proposal ensures that First Class mail remains available six days a week, which helps mitigate concerns around access to essential communications.

## **Concerns and Areas for Further Consideration**

1. **Impact on Small Businesses and Rural Communities**
  - While Ofcom highlights a general reduction in letter volumes, it does not fully account for the fact that many small businesses and rural communities still depend on postal services for invoices, contracts, and correspondence.
  - Unlike urban areas with alternative courier options, rural areas may face longer delays and higher costs if service frequency is reduced.

## **2. Overreliance on Digital Alternatives**

- The assumption that most users can transition to digital services overlooks the fact that a significant portion of the population remains digitally excluded. This includes older individuals, those in low-income households, and people with limited internet access.
- Public sector institutions such as NHS services and government bodies continue to rely on postal communication for critical notifications. Any delays could create unintended consequences for these groups.

## **3. Insufficient Consideration of Time-Sensitive Communications**

- Many postal users still receive time-sensitive documents, including legal notices, medical appointment letters, and financial correspondence. Reducing Second Class delivery frequency could create unnecessary delays and complications for those relying on timely mail services.

## **Unite CMA's Recommendations**

- A more detailed impact assessment should be conducted for small businesses and rural communities to determine how they will be affected by reductions in postal services.
- Alternative provisions should be considered for digitally excluded populations to ensure they do not face additional barriers to communication.
- A structured review process should be implemented to monitor the effects of service reductions and allow for adjustments based on real-world impact.
- Ofcom should work with essential service providers (e.g., NHS, banks, government agencies) to explore potential exemptions or prioritised delivery services for time-sensitive communications.



## **Conclusion**

While Ofcom has broadly identified the reasonable needs of postal users, additional safeguards are necessary to protect small businesses, rural communities, and the digitally excluded. Unite CMA urges Ofcom to reassess the impact of service reductions on these key groups and implement mitigation strategies where needed.

### **Question 3.2: Do you agree that the market is meeting the reasonable needs of post users? Please provide reasons and evidence for your views.**

Unite CMA partially disagrees with Ofcom's assessment that the postal market is fully meeting the reasonable needs of post users. While competition has improved in some areas, the market fails to account for the increased operating costs and pressures on the postal sector post-COVID. These additional costs, coupled with structural limitations, service accessibility issues, and affordability concerns, indicate that the market is not adequately serving all users, particularly vulnerable groups, small businesses, and those in rural areas.

### **Key Areas Where the Market is Meeting Some Needs**

#### **1. Growth in Parcel Competition**

- The parcel delivery market has expanded, with private couriers such as DPD, Evri, and Amazon Logistics competing with Royal Mail .
- Businesses and consumers in urban areas often have multiple delivery options, increasing flexibility .

#### **2. Increased Digital Communication for Some Users**

- Many customers have successfully transitioned to electronic billing, online banking, and digital communication, reducing reliance on traditional post .
- Public and private organisations are increasingly using email and online portals, benefiting those with consistent and affordable internet access.

## **Key Areas Where the Market is Failing to Meet Needs**

### **1. Lack of Recognition for Post-COVID Cost Pressures**

- Increased operational costs for Royal Mail following the COVID-19 pandemic—due to labour shortages, inflation, and supply chain issues—have not been adequately factored into service expectations .
- The assumption that postal services can continue at pre-pandemic levels without cost adjustments is unrealistic and places undue financial strain on the provider.
- Increased National Insurance Contributions from 13.8% to 15%.

### **2. Persistent Issues for Rural and Remote Communities**

- The lack of alternative postal providers in rural areas means many communities must rely solely on Royal Mail, despite reduced service levels.
- Rural businesses and individuals face higher costs and slower delivery times compared to urban counterparts, increasing regional disparities.

### **3. Limited Competition in the Letters Market**

- Unlike parcels, the letters market remains dominated by Royal Mail, with minimal competition due to logistical and regulatory barriers.
- Without alternative providers, any service reduction disproportionately impacts users who depend on regular postal deliveries for essential documents.

### **4. Challenges for Small Businesses**

- Many SMEs still rely on postal services for invoicing, contracts, and physical correspondence. Rising costs post-COVID have made affordable mailing options more difficult to sustain.
- Reduced Second Class service frequency may increase business costs, as companies are forced to use more expensive First-Class services to meet deadlines.

## **5. Barriers for Digitally Excluded Users**

- A significant number of older people, low-income individuals, and rural residents still depend on post due to limited internet access.
- The expectation that users can transition to digital services fails to recognise that many lack affordable, reliable internet or the digital literacy required to access online services.

## **Unite CMA's Recommendations**

- Adjust postal service expectations to account for post-COVID cost pressures, ensuring Royal Mail can maintain operations sustainably.
- Ensure continued support for rural areas, where postal competition is weak, and alternative services are limited.
- Monitor and regulate postal pricing to prevent cost increases from disproportionately impacting small businesses and vulnerable users.
- Address digital exclusion by ensuring that postal alternatives remain available for those without reliable internet access.

## **Conclusion**

While the postal market is meeting the needs of some users, particularly those in urban areas with alternative service providers, it is failing to serve rural communities, small businesses, and the digitally excluded. Furthermore, expectations for service levels and pricing do not adequately consider the increased operating costs post-COVID, which has placed additional financial strain on Royal Mail.

Unite CMA urges Ofcom to reassess the impact of rising operational costs on service sustainability and introduce realistic policy adjustments to ensure universal access to postal services remains viable.

**Question 5.1: Do you agree with our proposals and impact assessment on changes to the delivery frequency of Second-Class letters so that those items would be delivered every other day from Monday to Friday, and would not have to be collected, processed or delivered on Saturdays? Please provide reasons and evidence in support of your views.**

Unite CMA agrees with Ofcom's proposals to reduce the delivery frequency of Second-Class letters to every other day from Monday to Friday and to remove Saturday collections, processing, and deliveries, as this is essential for ensuring a sustainable and reliable postal service. The proposed changes to the Universal Service Obligation (USO) will help improve operational efficiency and maintain affordability, provided that the right Quality of Service targets are set.

## **Reasons for Supporting the Proposal**

### **1. Ensuring Long-Term Financial Sustainability**

- Royal Mail must operate within a financially viable framework to maintain service levels across the UK.
- Reducing Second Class letter deliveries will help optimise resources, ensuring that Royal Mail can continue providing an affordable and efficient service.

### **2. Supporting Reliable and High-Quality Service**

- By adjusting delivery schedules, Royal Mail can focus on improving Quality of Service where it matters most.
- The new approach ensures that First Class and other priority mail can be delivered more effectively, enhancing service reliability.

### **3. Addressing Post-COVID Operational Challenges**

- Operating in the aftermath of the COVID-19 pandemic has significantly increased operating costs for postal services, requiring Royal Mail to adapt to new economic conditions.
- Reducing delivery days for non-priority mail will help address labour shortages, inflationary pressures, and declining letter volumes, ensuring a sustainable postal network.

### **4. Minimal Impact on Most Users**

- The majority of postal users have transitioned to digital communication, reducing reliance on frequent Second-Class mail deliveries.
- Essential communications, such as healthcare, financial, and legal correspondence, can still be sent via First Class post when required.

### **Unite CMA's Recommendations**

#### **1. Implement Clear Quality of Service Targets**

- Reductions in service must be balanced with clear, achievable, and realistic Quality of Service targets to ensure reliability.
- Ofcom must monitor performance to guarantee that users do not experience unnecessary delays.

#### **2. Prioritise Essential Communications**

- Royal Mail should establish clear safeguards to ensure that critical government, healthcare, and financial communications are prioritised under any revised service model.

#### **3. Review the Impact Periodically**

- A structured review process should be in place to assess the long-term impact of these changes and allow for adjustments if necessary.

## **Conclusion**

Unite CMA supports the proposed reduction in Second Class letter delivery frequency as a necessary step towards a sustainable and reliable postal service. These changes will allow Royal Mail to focus on improving service quality, maintaining financial viability, and ensuring long-term efficiency, provided that the right Quality of Service targets are implemented and monitored.

### **Question 6.1: Do you agree with our proposal to set the First Class national D+1 performance target to 90%? Please provide reasons and evidence for your view.**

Unite CMA disagrees with Ofcom's proposal to set the First-Class national D+1 performance target at 90% and instead argues that the target should be set at 80%. Setting the target at 90% is unrealistic given the current operational and financial challenges facing the postal sector. A more achievable and sustainable target would be 80%, ensuring that Royal Mail can maintain service levels while adapting to ongoing pressures. The position we set out in the Call for Input to lower First Class Quality of Service to 90%. However, we note that the timeline for implementing these changes has been slower than anticipated, and we urge consideration of starting the measure at 80% to ensure a sustainable transition.

## **Reasons for Opposing the 90% Target and Advocating for 80%**

### **1. Aligning with Unite CMA's Position on Quality of Service**

- Unite CMA has consistently advocated for a reduction in the First-Class Quality of Service target to 90%, recognising that this would help ensure a more sustainable and reliable postal operation.
- We welcome Ofcom's response but believe that the scale of the required transformation necessitates a phased approach to implementation.
- Given the continued decline in letter volumes, increasing labour costs, and the need for a financially viable postal network, a 90% target places undue strain on Royal Mail's resources.
- A lower target of 80% allows Royal Mail to operate within a realistic framework, preventing financial instability that could lead to service cuts or price increases for users.

## **2. Need for a Managed Transition ('Flight Path' to Reliability)**

- The proposed changes to the Universal Service Obligation (USO) represent the biggest change in Royal Mail's history, and due to the sheer scale of the UK postal network, it is unrealistic to expect instant and seamless implementation.
- A continuous improvement 'flight path' approach—starting at 80% and gradually increasing over a minimum 5 year flightpath—would allow for real-time adjustments based on operational performance and market conditions.
- The postal landscape will continue to evolve, and a flexible framework will ensure that Quality of Service targets remain relevant and achievable within that changing environment.

## **3. Supporting Financial and Operational Sustainability**

- Any target must be implemented in a way that does not place undue financial strain on Royal Mail, especially given ongoing pressures such as declining letter volumes, increased labour costs, and post-pandemic operational challenges.
- An initial target of 80% would provide greater stability in the transition, ensuring that service levels remain high but achievable as the new framework is embedded.
- The transition towards an adjusted USO must consider real-world postal operations. A sudden push to 90% could cause failures in service quality, harming both businesses and consumers.
- A target of 80% provides the necessary buffer to implement improvements gradually while monitoring their effectiveness.
- The change of delivery model will take time and is not simply the flick of a switch. Operational adjustments, workforce training, and logistical planning require a measured approach to ensure long-term success.

## **4. Ensuring Long-Term Success of the Universal Service Obligation**

- The USO must be sustainable, balancing service quality with operational feasibility. A structured flight path would allow Ofcom and Royal Mail to react in real time to market pressures and any unforeseen logistical challenges.
- Without a phased approach, there is a risk of service failures and

financial instability, which could lead to unplanned price increases or reductions in service quality.

## 5. Strengthening the Case for a Flight Path to Reliability

- Unite CMA advocates for a *flight path to reliability*—a structured and phased approach that embeds Quality of Service improvements through incremental targets.
- We support beginning the First-Class D+1 target at 80%, with progressive increases over a minimum five-year period, allowing for proper planning, operational alignment, and customer expectation management.
- Unite CMA believes that embedding cultural and operational change at this scale takes time. Five years is a reasonable baseline, during which Royal Mail can:
  - Adapt its infrastructure and workforce,
  - Monitor real-time performance data,
  - React to unforeseen logistical or market disruptions,
  - Embed **small steps to continuous improvement** at every stage.
- A phased quality target—beginning at 80% D+1 and increasing in controlled increments—will create a performance trajectory that is both measurable and sustainable.
- This method also allows Ofcom to adjust targets if market, economic, or environmental conditions shift unpredictably.

## 6. Reflecting the Shift from Speed to Reliability

- The postal sector has undergone a paradigm shift. The traditional obsession with speed—next-day guarantees and rapid fulfilment—is giving way to a more pragmatic consumer demand: reliability.
- Customers today are more concerned that a delivery arrives when expected, not simply how fast it can be sent.
- This is reinforced by market evidence, such as the gradual reduction of next-day delivery promises for Amazon Prime customers, which signals a broader commercial realignment toward reliability and realistic delivery timelines.



- We draw direct parallels with Royal Mail's Delivery Methods initiative, a comparatively smaller operational change that still required four years to roll out. If that limited reform took several years to take hold, it is unrealistic to expect a transformational shift in USO performance targets to be achieved overnight.
- A performance trajectory that mirrors this timescale is grounded in the reality of implementation capacity, not aspiration.
- Consumers must have faith in the postal service, and this confidence hinges on realistic service promises. Setting targets too high too soon will likely result in missed performance goals, damaging trust and triggering regulatory or reputational consequences.
- Unite CMA warns against the risk of overpromising and underdelivering, which would serve neither the customer nor the long-term interests of Royal Mail.
- A managed flight path approach ensures that expectations, operations, and outcomes remain aligned.

## **Unite CMA's Recommendations**

- Introduce a continuous improvement Flight Path Approach  
Start the First-Class Quality of Service target at 80% and gradually increase over a structured minimum 5 year timeline allowing for data-driven adjustments.
- Monitor Performance and Market Trends  
Ofcom should review and assess performance annually to ensure the transition remains sustainable and beneficial for postal users.
- Ensure Flexibility in the USO Framework  
Given the changing postal landscape, Ofcom should retain the ability to adjust targets in response to economic, technological, and operational shifts.
- Considering Future Market Shifts  
The postal market in the UK is dynamic and could undergo another paradigm shift. If the regulator sets overly ambitious targets today, they could become even more unachievable tomorrow if market conditions change.  
Ofcom must remain proactive and adaptable, ensuring that regulations keep pace with market shifts rather than lagging

behind, which could lead to further inefficiencies and service failures.

**Question 6.2: Do you agree with our proposal to set the First Class PCA D+1 performance target to be 3% lower than the national target (i.e. for the PCA target to be 87% to align with our proposed 90% national target)? Please provide reasons and evidence for your view.**

Unite CMA agrees with Ofcom's proposal to set the First Class PCA (Postcode Area) D+1 performance target at 3% lower than the national target, as this approach reflects geographical and operational challenges that naturally lead to some regional variations in service performance. However, we strongly reinforce our position that there must be a structured flight path for Quality of Service, starting at 80% for the national target, with the PCA target set at 3% below the phased levels.

## **Reasons for Supporting a PCA Target 3% Below the National Target**

### **1. Recognising Geographic Variability in Postal Performance**

- Some postcode areas, particularly rural and remote regions, face greater logistical challenges due to distance, infrastructure limitations, and lower population density.
- Setting a PCA target 3% below the national target acknowledges these operational realities while ensuring that all regions continue to receive a fair and reliable service.

### **2. Aligning with Operational Feasibility and Sustainability**

- A single national target across all postcode areas would create unrealistic expectations for regions with inherently longer delivery routes.
- By allowing a 3% margin, Royal Mail can focus on meeting Quality of Service commitments in a balanced and achievable manner without distorting overall performance figures.

## **Why a Flight Path Approach is Essential**

### **1. The Need for a Phased Transition to Reliability**

- Unite CMA maintains that a flight path is crucial to ensure a sustainable transformation of the Universal Service Obligation (USO).
- We propose that the national D+1 Quality of Service target starts at 80%, increasing incrementally to over a structured period, allowing Royal Mail to adapt to operational demands.
- Under this model, the PCA target should also follow the flight path, beginning at 77% (80% - 3%) and increasing in parallel with the national target.

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### **2. Avoiding Service Disruptions and Market Instability**

- Expecting an immediate shift to 90% D+1 performance nationwide is unrealistic given current pressures, including declining letter volumes, post-pandemic workforce challenges, and cost inflation.
- A phased approach allows real-time adjustments, ensuring that Quality of Service improvements are achievable, rather than setting unrealistic benchmarks that could lead to operational failures.

### **3. Ensuring Flexibility in a Changing Postal Landscape**

- The postal industry is evolving, with technological advancements, e-commerce growth, and shifts in consumer behaviour affecting delivery demand.
- A flight path builds in flexibility, allowing Ofcom and Royal Mail to reassess targets based on future market conditions without committing to rigid, pre-determined thresholds.

## **Unite CMA's Recommendations**

### **1. Implement a Flight Path for D+1 Quality of Service**

- Start the national target at 80% and increase gradually over time.

- Keep the PCA target 3% lower than the national target throughout the transition, beginning at 77% and rising in line with the flight path.

## **2. Conduct Annual Performance Reviews**

- Regularly assess real-world postal data to ensure that service targets remain feasible and beneficial to users.
- Adjust timelines if operational constraints or market shifts require modifications to the flight path.

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## **3. Ensure Transparency in Reporting and Compliance**

- Royal Mail should publish clear, postcode-specific Quality of Service reports to track whether PCA areas are improving at the same rate as the national service.

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## **Conclusion**

Unite CMA supports setting the PCA D+1 performance target at 3% lower than the national target to account for regional service variations. However, we strongly believe that both the national and PCA targets should follow a structured flight path, starting at 80% (national) and 77% (PCA), increasing over time and 77%, respectively. This approach ensures that Royal Mail can realistically meet service obligations without creating unsustainable pressures, while also allowing flexibility to adapt to future market changes.

**Question 6.3: Do you agree with our proposal to introduce a new First Class 'tail of mail' target of 99.5% at D+3? Please provide reasons and evidence for your view.**

Unite CMA strongly disagrees with Ofcom's proposal to introduce a 99.5% 'tail of mail' target at D+3 for First Class mail. This target is unrealistic, operationally unachievable, and not reflective of current or sustained historical performance. While we support improving service reliability, setting an unattainable benchmark will only create unnecessary pressure on Royal Mail without delivering genuine service improvements for postal users.

**Key Reasons for Strong Disagreement**

**1. 99.5% Was Last Achieved in 2020**

- The last recorded achievement of 99.5% tail of mail performance by Royal Mail was in 2020, prior to the combined effects of the COVID-19 pandemic, market transformation, and workforce change.
- Since then, Royal Mail has not sustained performance near this level, making 99.5% an unjustifiable and retrospective benchmark rather than a realistic forward-looking target.
- Any Quality of Service target should be evidence-based and reflective of what is achievable under current operational and financial constraints.

**2. Operational Realities Make 99.5% Impossible**

- The UK postal network handles millions of letters daily across a complex logistical chain, including sorting centres, transport infrastructure, and last-mile delivery.
- Unavoidable external factors—such as extreme weather, road congestion, staff shortages, or address errors—mean a small proportion of items will always fall outside targets.
- A 99.5% requirement assumes near-perfection across the entire network, which is not feasible in any large-scale logistics operation.

### **3. No Other Industry is Held to Such a High Standard**

- Other logistics and delivery sectors operate within practical tolerances for error, and none mandate a 99.5% delivery completion rate within three days.
- Imposing this target on Royal Mail sets an unfair and disproportionate standard, especially at a time when the business is adapting to structural reforms and declining letter volumes.

### **4. The Proposal Ignores Both Human and Machine Error**

- Despite advances in automation and routing, operational variance is inevitable in a national delivery service.
- Human and system-based errors are part of any network at this scale, and regulatory targets must allow for reasonable exceptions.
- A rigid 99.5% benchmark does not reflect the real-world dynamics and pressures faced daily by postal workers and systems.

## **Unite CMA's Recommendations**

### **1. Set a Realistic and Achievable Target**

- o A more credible and evidence-based benchmark is required.
- o We recommend a starting point of 97% for First Class D+3 tail of mail performance, with a flight path approach to support gradual improvement over time.

### **2. Ensure Flexibility for External Factors**

- o Any performance standard should build in reasonable adjustments for extreme weather, system failures, and other uncontrollable events.

### **3. Review and Adjust Based on Real-World Data**

- o Ofcom should analyse live Royal Mail performance data over a 12-month period before finalising any new tail of mail requirements.
- o Targets should be adaptable and informed by actual operational performance, not theoretical benchmarks.

**Question 6.4: Do you agree with our proposal to set the Second Class D+3 performance target to 95%? Please provide reasons and evidence for your view.**

Unite CMA disagrees with Ofcom's proposal to set the Second-Class D+3 performance target at 95% and instead argues that the target should be set at 85%. Setting the target at 95% is overly ambitious and does not reflect the operational realities faced by Royal Mail. A more achievable and sustainable target would be 85%, ensuring that service levels remain high without imposing unfeasible expectations.

**Reasons for Opposing the 95% Target and Advocating for 85%**

**1. A Phased Approach Ensures a Realistic and Sustainable Transition**

- Setting an immediate requirement for 95% could place excessive operational strain on Royal Mail, particularly given the ongoing transformation of the Universal Service Obligation (USO).
- Starting at 85% and gradually increasing to 95% over a structured timeframe allows for measured improvements, ensuring that quality of service targets is achieved without unintended disruptions.
- This approach recognises that service enhancements take time, particularly within a large-scale logistics network.

**2. The Postal Industry is in a Period of Significant Change**

- Royal Mail is undergoing its largest operational shift in history, and it is essential that Quality of Service targets reflect this transitional phase.
- A gradual increase ensures that Royal Mail can respond dynamically to changing market conditions, evolving letter volumes, and workforce adjustments.

### **3. Avoiding Service Failures by Allowing Operational Adjustments**

- If an unrealistically high target is imposed too quickly, there is a risk of unintended service failures, which could harm postal users, particularly those in rural areas.
- A flight path allows flexibility to address operational challenges, ensuring that the service improves steadily without causing major disruptions.

#### **Unite CMA's Recommended Flight Path to Reliability**

- 1. Initial Target: Start at 85%**
  - Set an initial performance target of 85% for Second Class D+3, ensuring stability as Royal Mail transitions.
- 2. Gradual Increase: Annual or Biannual Adjustments**
  - Increase the target incrementally over a structured period (e.g., 2–3 years), allowing for operational refinements based on real-time performance data.
- 3. Final Target: Reach a Reliable Service Based on Achievable Performance Gains**
  - Only move to new targets once performance trends demonstrate sustained improvements, ensuring a practical and data-driven progression.

### **Conclusion**

Unite CMA disagrees with the introduction of a 95% Second Class D+3 performance target, as it places service reliability under undue pressure through a period of major change, to build a sustainable postal network. However, we strongly recommend that Ofcom introduces a flight path, beginning at 85% and gradually increasing over time, to allow for a measured, sustainable transition. This approach will help Royal Mail adjust to the evolving postal landscape while ensuring that Quality of Service improvements are achievable, rather than overly ambitious from the outset.



**Question 6.5: Do you agree with our proposal to introduce a new Second Class 'tail of mail' target of 99.5% at D+5? Please provide reasons and evidence for your view.**

Unite CMA strongly disagrees with Ofcom's proposal to introduce a 99.5% Second Class 'tail of mail' target at D+5. This target is unrealistically high, operationally unachievable, and inflexible in the face of real-world postal challenges. While we support the principle of continuous service improvement, imposing a rigid target of 99.5% will not improve outcomes for users—it will instead lead to unnecessary penalties, inefficient use of resources, and increased risk of service disruption.

**Key Reasons for Strong Disagreement**

**1. 99.5% is an Unachievable Standard for a National Postal Network**

- Even when Royal Mail met higher Quality of Service targets in previous years, it did not consistently achieve 99.5% tail of mail performance at D+5.
- The complexity and scale of the UK's national postal network means that a small percentage of mail will inevitably miss the target due to issues such as address errors, machine faults, or unforeseen disruption.
- A 99.5% threshold fails to recognise the operational margin required in a service of this size and complexity.

**2. Overly High Tail of Mail Targets Will Lead to More Fines, Not Better Service**

- Setting an unachievable standard increases the risk of Royal Mail being fined for performance failures that are outside its control.
- This could divert resources away from genuine service improvements and force the business into a compliance-focused, rather than customer-focused, mindset.
- A punitive approach to quality will not deliver lasting improvements and could ultimately weaken public trust in both the regulator and the service.

### **3. The Proposal Ignores External Factors That Impact Deliveries**

- The UK postal network operates in a dynamic environment, regularly impacted by:
  - o Severe weather conditions (snow, floods, storms).
  - o Transport disruptions (rail strikes, road closures, congestion and ongoing principle “smart motorway” construction scheduled until 2028 ).
  - o Workforce pressures (staff shortages, sickness, unplanned absences).
- The proposed 99.5% target assumes near-perfect conditions across the network—an assumption that is not grounded in operational reality.

### **4. Setting Unattainable Targets Damages Public Confidence**

- If Royal Mail is held to targets it cannot reasonably meet, the result will be repeated and high-profile ‘failures’, which undermine consumer trust even when service is broadly functioning well.
- Unrealistic expectations lead to misplaced criticism, frustration, and confusion for both customers and stakeholders.
- Public confidence is best maintained through achievable standards and transparent progress over time.

### **Unite CMA’s Recommendations**

#### **1. Set a Realistic and Achievable Tail of Mail Target**

Unite CMA recommends setting an initial tail of mail target beginning with 97% at D+5, which is ambitious but deliverable within current operational constraints.

This should be implemented through a flight path approach, allowing Royal Mail to improve performance over time while remaining accountable to fair, realistic expectations.

#### **2. Allow for Real-World Postal Challenges**

Targets must allow for operational variance due to external conditions outside Royal Mail's control.

Ofcom should ensure flexibility in the framework to reflect severe weather, transport disruption, and other environmental pressures.

3. Monitor and Adjust Targets Based on Real Performance Trends  
Ofcom should commit to reviewing actual Royal Mail performance data over a 12-month period before finalising long-term tail of mail targets.

The use of a phased, evidence-based approach ensures continuous improvement without creating instability or unjust penalty risk.

## **Conclusion**

Unite CMA opposes the 99.5% Second Class tail of mail target at D+5, as it is unachievable, punitive, and disconnected from operational reality. Instead, we urge Ofcom to adopt a flight path methodology, starting at 97%, and gradually improving in line with Royal Mail's performance capacity and market conditions. This approach would enable meaningful improvements in service reliability while maintaining fairness, flexibility, and public confidence in the Universal Service.

**Question 7.1: Do you agree with our proposal to regulate D+3 access services, subject to a margin squeeze control and the other protections outlined above? Please provide reasons and evidence for your views.**

## **Support for the Regulation of D+3 Access Services**

The proposal to regulate D+3 access services is a necessary and justified measure that should be supported. It serves multiple critical functions, including ensuring market stability, maintaining competition, securing the financial sustainability of the universal service, protecting consumers and businesses, and implementing regulatory safeguards against anti-competitive practices. Given the importance of bulk mail in the postal sector and the role of Royal Mail as the dominant player in the market, robust regulation is essential to prevent distortions and maintain fair market conditions.

## **1. Ensuring Market Stability and Promoting Competition**

One of the primary reasons for regulating D+3 access services is to safeguard competition in the postal sector. The majority of letters sent today are bulk mail, which is primarily used by large businesses, government departments, local authorities, and public service organisations such as the NHS. These organisations rely on efficient and cost-effective postal services to communicate with the public. Given that Royal Mail has a dominant position in the postal network, unregulated changes to access services could have far-reaching negative effects on the industry.

Without regulation, Royal Mail could have the ability to unilaterally alter service terms, pricing structures, or delivery schedules in a manner that disadvantages access operators. Access operators, which are alternative postal providers that rely on Royal Mail's delivery network for the "final mile" of their service, require fair and transparent access conditions to compete effectively. If Royal Mail were to set excessively high access prices, impose restrictive conditions, or provide substandard service, this could undermine competition by squeezing smaller operators out of the market.

Regulation is therefore essential to ensure that Royal Mail continues to provide access operators with a fair, cost-effective, and predictable service. This, in turn, ensures that businesses and public sector organisations continue to have viable alternatives for postal delivery, rather than being forced into reliance on a single provider with unchecked market power.

## **2. Financial Sustainability of the Universal Service**

The financial sustainability of the universal postal service (USO) is a key concern for both Royal Mail and Ofcom. Bulk mail—including access mail—accounts for approximately 63% of all mail sent in the UK. Given the ongoing decline in letter volumes and the financial pressures facing Royal Mail, it is crucial that reforms to the USO are structured in a way that supports long-term financial sustainability.

Introducing and regulating D+3 access services aligns with this objective by creating a more efficient delivery model that can generate cost savings while maintaining a high level of service. Royal

Mail itself has projected that moving to an alternate weekday delivery model for non-priority letters (including bulk mail) could result in savings of between £250 million and £425 million per year. By ensuring that bulk mail continues to be delivered efficiently under regulated conditions, Ofcom is helping to mitigate the financial burden on Royal Mail while maintaining an affordable and accessible postal service for users.

Furthermore, ensuring fair access pricing through regulation prevents Royal Mail from attempting to offset financial losses by imposing excessive fees on access operators. If Royal Mail were allowed to increase access charges without regulation, this could lead to higher costs for businesses and public-sector organisations, which would likely be passed on to consumers in the form of increased prices for essential services.

### **3. Benefits for Consumers and Businesses**

The regulation of D+3 access services provides direct benefits to both consumers and businesses by ensuring the reliability, affordability, and efficiency of postal services.

#### **3.1. Reliability of Service**

Many organisations, particularly those in the financial and public sectors, rely on bulk mail to send important communications such as bank statements, insurance documents, NHS appointment letters, legal notices, and government correspondence. The regulation of D+3 services ensures that these critical communications continue to be delivered within a reasonable timeframe.

If access services were left unregulated, there would be a significant risk that Royal Mail could deprioritise bulk mail deliveries, leading to delays that could have serious consequences for recipients. A regulated D+3 service establishes clear expectations for delivery times, ensuring that mail continues to reach consumers and businesses in a timely and predictable manner.

#### **3.2. Affordability and Cost Predictability**

Another key benefit of regulating D+3 access services is that it helps to keep postal costs predictable and affordable. Large-scale mail users, such as banks, utilities, and government depart-

ments, need to plan their postal budgets well in advance. Regulatory oversight ensures that access service pricing remains stable and fair, preventing sudden price hikes that could disrupt business operations or lead to increased costs for consumers.

For example, if Royal Mail were to substantially raise access charges without regulatory controls, this could force businesses to pass on higher costs to customers through increased service fees. In the case of public services such as the NHS or local councils, higher postal costs could divert funds away from essential services, ultimately affecting the public. Regulation, therefore, plays a vital role in ensuring that postal services remain financially viable for all stakeholders.

#### **4. Operational and Cost Efficiencies**

The introduction of a regulated D+3 access service is also aligned with broader efforts to improve the efficiency of postal operations. Moving away from the current D+2 model to a D+3 model allows Royal Mail to optimise delivery routes, consolidate mail flows, and reduce operational costs.

By shifting to a structured alternate weekday delivery model, Royal Mail can achieve greater workforce efficiency, reduce transport costs, and streamline sorting processes. These operational improvements contribute to the financial health of the postal service while maintaining a high level of service for customers.

Furthermore, the introduction of D+3 services aligns with international trends in postal reform. Many European postal operators have already implemented similar changes to improve efficiency and sustainability, recognising that declining letter volumes necessitate a shift towards more flexible delivery models. The UK is not alone in facing these challenges, and the move towards D+3 regulation represents a forward-thinking approach that is in line with best practices from other postal markets

## 5. Regulatory Safeguards to Prevent Anti-Competitive Behaviour

One of the most important aspects of the proposed regulation is the introduction of a margin squeeze control. This safeguard is designed to prevent Royal Mail from setting access prices at a level that makes it unviable for competitors to operate profitably.

A margin squeeze occurs when a dominant provider, such as Royal Mail, sets the price for access services so high that alternative operators cannot compete effectively. This could lead to reduced competition, fewer choices for businesses and consumers, and ultimately higher prices. By regulating D+3 access services and enforcing a margin squeeze control, Ofcom ensures that access operators can continue to offer competitive services without being unfairly disadvantaged by Royal Mail's pricing strategies.

In addition, the regulatory framework will require Royal Mail to publish performance data related to D+3 access services. This transparency measure ensures that Royal Mail is held accountable for service quality and delivery performance, allowing access operators and customers to monitor compliance and raise concerns if necessary.

### Conclusion

The regulation of D+3 access services is a necessary and well-justified policy measure that aligns with Ofcom's objectives of ensuring fair competition, financial sustainability, consumer protection, and operational efficiency.

- **Market stability and competition:** Regulation prevents Royal Mail from exploiting its dominant position, ensuring fair competition among access operators.
- **Financial sustainability:** By supporting cost efficiencies and preventing excessive access charges, regulation contributes to the long-term viability of the postal network.
- **Consumer and business benefits:** Reliable, predictable, and affordable access services ensure that essential communications continue to be delivered effectively.
- **Operational improvements:** The shift to a D+3 model enhances efficiency while maintaining service quality.

- **Regulatory safeguards:** Measures such as margin squeeze controls and transparency requirements prevent anti-competitive behaviour and ensure accountability.

For these reasons, the proposed regulation of D+3 access services should be fully supported as a necessary and beneficial reform for the UK postal sector.

**Question 7.2: Do you agree with our proposal to change the specification of D+5 access services to remove Saturday as a delivery day? Please provide reasons and evidence for your views.**

Unite CMA agrees with Ofcom's proposal to remove Saturday as a delivery day for D+5 access services, as this change will contribute to a more sustainable and efficient postal network. Given the ongoing transformation of the Universal Service Obligation (USO) and the need for Royal Mail to operate within a viable financial framework, reducing non-essential Saturday deliveries is a necessary step to ensure long-term service stability.

**Reasons for Supporting the Removal of Saturday Delivery for D+5 Access Services**

**1. Aligning Postal Operations with Modern Customer Needs**

- The volume of Second Class and bulk mail items delivered on Saturdays has declined significantly due to increased reliance on digital communication.
- Removing Saturday D+5 deliveries will have minimal impact on businesses and consumers, as the vast majority of important correspondence (such as financial documents and legal notices) is either sent via First Class or through digital means.

**2. Improving the Financial Sustainability of the Postal Network**

- Continuing to resource Saturday deliveries for D+5 mail adds significant operational costs to Royal Mail, without delivering proportionate benefits to postal users.
- Reducing Saturday operations will allow Royal Mail to focus resources on maintaining a high-quality service from Monday to Friday, helping to ensure long-term financial stability.



### **3. Allowing Better Workforce Planning and Operational Efficiency**

- Removing Saturday D+5 access deliveries would allow better allocation of postal workers and delivery infrastructure, reducing the strain on staffing levels.
- The change would enable Royal Mail to plan more effectively, ensuring that operational resources are used where they are most needed, particularly for time sensitive First Class and parcel deliveries.

### **4. Consistency with the Broader Reform of the USO**

- This change aligns with the wider transformation of the Universal Service Obligation, ensuring that postal services are adapted to modern demand trends.
- It provides a more predictable and structured delivery model, benefiting both Royal Mail's operational planning and customer expectations.

### **Unite CMA's Recommendations**

#### **1. Ensure a Smooth Transition to Monday–Friday D+5 Access Services**

- Ofcom should work closely with Royal Mail to implement the change gradually, ensuring that all businesses and consumers are aware of the transition.

#### **2. Monitor the Impact of the Change**

- A review should be conducted 12 months after implementation to assess whether the removal of Saturday D+5 access deliveries has had any unintended consequences for specific customer groups.

#### **3. Reinvest Cost Savings into Improving Weekday Delivery Performance**

- Any operational savings from this change should be directed toward improving service efficiency on weekdays, particularly for D+3 and First-Class services.
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## Conclusion

Unite CMA supports the removal of Saturday as a delivery day for D+5 access services, as it aligns with modern postal needs, enhances financial sustainability, and allows for better operational efficiency. This change is a logical step in the wider reform of the postal network, ensuring that resources are focused on maintaining a reliable and cost-effective service from Monday to Friday.

**Question 7.3: Do you agree with our proposals to maintain a margin squeeze control on D+2 access services, where the relevant retail services are Royal Mail's First-Class retail bulk services? Please provide reasons and evidence for your views.**

Unite CMA's Strong Opposition to Ofcom's Proposal to Maintain a Margin Squeeze Control on D+2 Access Services

Unite CMA firmly opposes Ofcom's proposal to maintain a margin squeeze control on D+2 access services. This measure would have severe consequences for Royal Mail, restricting its ability to set commercially viable prices for next-day delivery services, undermining its ability to manage its operations efficiently, and distorting competition in a way that benefits access operators at the expense of the UK's national postal provider.

More significantly, it is the introduction and retention of a D+2 product itself that we believe is the worst part of the consultation proposals. The existence of a D+2 service alongside a proposed D+3 delivery model fundamentally undermines the logic of reform. If access customers can default to D+2, there would be little point in changing anything at all—the efficiencies, workforce predictability, and simplification that underpin the D+3 model would collapse under the weight of legacy practices being preserved.

While regulatory oversight is sometimes necessary to ensure fair market conditions, in this instance, Ofcom's intervention is entirely unjustified. The proposal fails to account for the economic realities of postal operations, the competitive pressures Royal Mail faces, and the fundamental need for stability in workforce planning and infrastructure management.

## The Maintenance of a Margin Squeeze Control on D+2 Access Services Would:

1. Allow access operators to post mail sporadically into the Royal Mail network, disrupting operational efficiency
2. Make it impossible for Royal Mail to manage staffing levels effectively, placing immense pressure on service delivery
3. Undermine Royal Mail's ability to compete in the next-day market, weakening its position against private carriers
4. Impose an unjust and excessive regulatory burden on Royal Mail while protecting competitors who rely on access services
5. Jeopardise the financial sustainability of the Universal Service Obligation (USO), which is already under strain
6. Discourage long-term investment in Royal Mail's infrastructure and operational modernisation
7. Distort competition in a way that advantages access operators while severely restricting Royal Mail's ability to operate flexibly

### **1. Allowing Access Operators to Disrupt Royal Mail's Delivery Model**

One of the most damaging consequences of Ofcom's proposal is that it would allow access operators to inject mail into Royal Mail's network at irregular intervals, disrupting its ability to operate a consistent and efficient delivery model.

Royal Mail's proposed changes to its network are based on predictable volumes of mail being processed and delivered on an alternate weekday model. However, by maintaining a margin squeeze control on D+2 access services, Ofcom is effectively allowing access operators to pick and choose when they post their mail into the system, with no regard for the operational implications this has for Royal Mail.

This means that access operators, rather than maintaining a steady and predictable flow of mail, could flood the system with

mail on certain days while posting nothing on others. As a result, Royal Mail would be forced to deal with erratic spikes in workload, placing immense pressure on its ability to meet service targets and maintain consistent performance.

## **2. Workforce Planning Becomes Unmanageable, Damaging Service Quality for All Users**

No organisation of Royal Mail's size and complexity can be expected to flex its workforce up and down on a whim. Yet this is precisely what Ofcom's proposal would demand.

If access operators are allowed to inject mail sporadically into the system without predictable volumes, Royal Mail will be faced with an impossible workforce planning challenge. On some days, it may need significantly more staff to process and deliver a sudden influx of mail. On other days, those same staff may be underutilised because access operators have chosen not to post mail into the network.

This level of unpredictability would be devastating for Royal Mail's operational efficiency and service quality. Staff cannot simply be hired and dismissed on short notice to accommodate fluctuating volumes. Postal work is skilled and requires training, and the disruption caused by unpredictable access volumes would lead to increased stress on Royal Mail employees, higher costs, and ultimately poorer service for all customers.

In short, the very operational model Royal Mail has proposed to improve efficiency and maintain service quality would be completely undermined by Ofcom's margin squeeze control on D+2 access services.

## **3. Undermining Royal Mail's Ability to Compete in the Next-Day Market**

Royal Mail is already facing intense competition in the next-day and express delivery sector from private carriers such as DPD, Evri, and Amazon Logistics. Unlike Royal Mail, these companies are not

subject to the same regulatory constraints and can adjust their pricing dynamically to reflect market demand.

If Royal Mail is not allowed to set its own access prices for D+2 services, it will be unable to compete effectively in the premium delivery sector. By artificially restricting its pricing flexibility, Ofcom is forcing Royal Mail to operate at a disadvantage, which will only result in a loss of market share in a sector that is crucial for its financial sustainability.

#### **4. Placing an Unfair and Excessive Regulatory Burden on Royal Mail While Protecting Competitors**

Access operators, rather than investing in their own networks, rely on Royal Mail's infrastructure to complete the final mile of delivery. They do not have to manage the same level of operational complexity, workforce challenges, or infrastructure costs. Yet Ofcom's proposal ensures that these companies will continue to benefit from artificially low access prices while Royal Mail shoulders all the financial and logistical risks.

This is not fair competition—it is regulatory interference designed to prop up companies that refuse to invest in their own networks. If access operators wish to compete in the postal market, they should do so on a level playing field, not by exploiting a regulatory framework that forces Royal Mail to subsidise their operations.

#### **5. Jeopardising the Financial Sustainability of the Universal Service Obligation (USO)**

Royal Mail's ability to sustain the USO depends on its ability to generate revenue from commercially viable services. Restricting its ability to price D+2 access services according to market conditions directly undermines this, making it harder for the company to maintain a financially sustainable postal service.

The USO is already under immense pressure due to declining letter volumes and increasing operational costs. Ofcom's proposal would only make this situation worse, increasing the likelihood of service reductions in the future.

## **6. Discouraging Investment in Modern Postal Infrastructure**

The postal sector is evolving, with increasing demand for parcel deliveries and growing competition from digital communication. Royal Mail needs to invest in modernisation to remain competitive, yet Ofcom's proposal would limit its ability to do so by capping revenue from one of its most valuable service areas.

Without the ability to generate sufficient profit margins from D+2 services, Royal Mail will struggle to:

- Upgrade its sorting and distribution facilities
- Expand its environmentally friendly delivery fleet
- Improve automation and technological innovation

If Ofcom is serious about ensuring a sustainable postal sector, it must allow Royal Mail to operate in a financially viable manner, free from unnecessary regulatory constraints.

## **7. Distorting Competition to Benefit Access Operators at Royal Mail's Expense**

Private delivery companies operate without the same regulatory burdens placed on Royal Mail. By maintaining a margin squeeze control on D+2 access services, Ofcom is artificially distorting competition, ensuring that access operators can continue to benefit from subsidised pricing while Royal Mail is forced to absorb the costs.

This is not how a fair market should operate. Royal Mail must be allowed to set prices in a way that reflects its true operational costs, rather than being forced to offer access services at a loss simply to satisfy regulatory demands.

## **Conclusion: Ofcom Must Abandon This Proposal Immediately**

Unite CMA strongly opposes Ofcom's proposal to maintain a margin squeeze control on D+2 access services. We also oppose the introduction and retention of a D+2 access product, which would render the wider reforms—including the move to a D+3 model—completely ineffective. The D+2 product is, in our view, the most damaging aspect of Ofcom's proposals.

- It would allow access operators to disrupt Royal Mail's operational efficiency
- It would make workforce planning unmanageable
- It would undermine Royal Mail's ability to compete in the next-day market
- It would impose an unfair regulatory burden while protecting competitors
- It would jeopardise the financial viability of the USO
- It would discourage investment in postal infrastructure and modernisation
- It would distort competition and prevent the successful implementation of reform

We urge Ofcom to abandon this proposal in full and remove D+2 access from the framework altogether.

The proposal on USO reform works based on making delivery rounds more efficient and sustainable by increasing the call rates on alternate days so a D+2 product simply would not work in this space. A D+3 product however would be a best fit with the proposed operating method.

**Question 7.4: Do you agree with our proposals for pricing transparency and amending how access services are defined? Please provide reasons and evidence for your views.**

Unite CMA supports Ofcom's proposals for pricing transparency and amendments to how access services are defined, provided that these changes are implemented in a way that ensures financial sustainability for Royal Mail and does not create unintended consequences that undermine service reliability. Transparency is important for a fair and competitive market, but it must be balanced with the need for Royal Mail to have flexibility in setting prices for premium services, particularly as the postal market continues to evolve.

**Reasons for Supporting Pricing Transparency with Caution**

**1. Fair Competition Requires Clarity on Pricing Structures**

- Improved pricing transparency helps ensure that all market participants operate on a level playing field, reducing the risk of anti-competitive practices.
- Amending access service definitions will provide greater clarity on how bulk mail and access services interact with Royal Mail's network, ensuring clearer cost structures for all parties.

## **2. Transparency Must Not Lead to Over-Regulation**

- While transparency is important, it should not lead to excessive regulatory oversight that could restrict Royal Mail's ability to adjust pricing in response to market conditions.
- Given that Royal Mail is already under pricing constraints through margin squeeze controls on Second Class services, any additional pricing requirements must not impose further financial pressures that undermine the sustainability of the USO.

## **3. Ensuring Access Services are Defined in a Way That Protects Royal Mail's Core Network**

- While access services play a role in competition, clear definitions must ensure that access providers do not disproportionately burden Royal Mail's infrastructure.
- There must be safeguards in place to prevent access services from overloading the network unpredictably, as we have outlined in our response to D+3 regulation.

## **Unite CMA's Recommendations**

### **1. Maintain Transparency Without Imposing Excessive Controls**

- Royal Mail must retain commercial flexibility, particularly in setting pricing structures for premium and next-day services.



2. **Ensure Fair Access Definitions That Do Not Undermine Network Sustainability**

- Access service definitions should be structured in a way that ensures fair competition but also prevents unsustainable demands being placed on Royal Mail's infrastructure.

3. **Regularly Review the Impact of These Changes on Royal Mail's Financial Stability**

- Ofcom must commit to ongoing monitoring of the impact of pricing transparency changes, ensuring they do not lead to unintended financial harm to Royal Mail.

## **Conclusion**

Unite CMA supports Ofcom's proposals for pricing transparency and amending how access services are defined, provided they are implemented in a way that does not create excessive regulatory burdens on Royal Mail. Fair competition is important, but any new definitions or pricing requirements must align with our previous concerns about ensuring the sustainability of the postal network, protecting Royal Mail's core infrastructure, and allowing flexibility in next-day service pricing.

To build a network that is sustainable and protects a fair service offering relies on understanding the relationship between reliability and a strong business model within the changing landscape of postal services within the UK. Enabling a structure that helps increase call rates and therefore operational stability will help protect postal services and demonstrate the strength of the regulator to recognise challenges whilst still ensuring the consumer has the best USO offering within Europe.