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Future Development of the Postal USO Team  
Ofcom  
Riverside House  
2A Southwark Bridge Road  
London  
SE1 9HA

Dear Sir

**Whistl response to Consultation: Review of the Universal Postal Service and other postal regulation**

**Introduction**

Whistl would like to thank Ofcom for the opportunity to provide a response to this consultation. This response has been prepared by Andrew Goddard, Managing Director of Mail on behalf of Whistl. It is non confidential and may be published in full at Ofcom's discretion.

The ongoing discussion regarding USO reform and changes to Royal Mail Access services is of importance to both our customers and all Access operators. As the network which delivers USO services is the same network used to deliver Access services the USO reform that is due to take place has a huge impact on us and how we continue to support our customers.

Whistl welcomes this consultation as it is an opportunity to raise some fundamental issues regarding poor service quality, which continues to be far below set targets, as well as repetitive, unrestrained and above inflation price increases.

We acknowledge that during the last 12 months, Royal Mail has engaged with their Access Contract holders and has given greater notice than they contractually required about the introduction of the new D+3 service and the specification changes to D+2. This has enabled us and the wider supply chain to plan ahead but we continue to be in a position where timings for these proposed changes are still not clear and therefore there is a reluctance from customers to make decisions about what they will do until there is clarity over the structure and timing for the changes to the USO.

Whistl is largely in support of all the proposals that Royal Mail put forward back in 2024, therefore our response to this consultation will very much focus on the Access market.



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## Whistl CFI requests – have these been met as part of the consultation?

Within our CFI response, we highlighted some results from a survey that we conducted that represented around 44% of our annual posting volume. At that time, customers were unsupportive of the need for change, particularly when it came to Access services. Customers still wanted to be able to choose between a D+2 service or a D+5 service, rather than being made to use a ‘degraded’ D+3 service, as per Royal Mail’s proposals.

A year further on, customers appear to be more supportive of the changes to services but have very high expectations that the issues of quality and continuous high price increases will be resolved.

Our CFI response stated three requests to be considered, have these been met as part of this consultation?

### **1) Comprehensive, representative, and quantitative market research on the user needs of bulk mail to match the research of SME’s and consumers?**

In our opinion, this has not been carried out to a satisfactory level. Whistl represents nearly 60% of the Access Market and Access represents around 70% of the bulk mail market – we are a fundamental user of mail and will continue to be and in-depth research is critical. It is very important that as the regulator OFCOM carry out appropriate and representative research to inform how the proposed changes will be received by the market

OFCOM’s interim update to USO reform in September 2024, stated that they will continue to consider the needs of bulk users of mail, but we believe there is still a significant piece of work to be done to fully understand the needs of business users and we would like to know the timescale for this to be carried out.

### **2) Full refresh of the quality-of-service regime with the introduction of a timely and relevant enforcement regime with the inclusion of the access measures**

Over the past few years, Royal Mail has consistently failed to meet the regulatory targets set by OFCOM. The consultation document only looks to address quality of service in relation to USO mail. It is however, reassuring to see that OFCOM do recognise, based on consumers’ needs that a consistent and reliable service is a must and has therefore set out new ‘tail of mail’ delivery targets for both 1<sup>st</sup> and 2<sup>nd</sup> class services: 99.5% D+3 for 1<sup>st</sup> class and 99.5% D+5 for 2<sup>nd</sup> class, to ensure a high level of delivery reliability is achieved and adhered to.

Whistl supports the need for ‘tail of mail’ reporting but would also strongly argue that this is warranted for Access mail too, and these targets are required for Access D+2 and D+3 services, in addition to the ‘on time’ quality of service targets and not instead of them.

We will continue to raise this with Royal Mail as part of their consultation regarding quality of service, due to be issued mid-March.

More importantly, Whistl believes that OFCOM should revise how it measures quality of service. It is disappointing that the consultation doesn’t address this and instead retains the current approach of measuring Royal Mail annually and issuing a fine several months later. Issuing a fine doesn’t appear to be a sufficient deterrent to drive significant change. We would recommend a more stringent approach with monthly reviews between OFCOM and Royal Mail encompassing a corrective plan of action for any service level failure with a commensurate monthly compensation.



Whistl is supportive of the current compensation regime but with a revised monthly approach for when Royal Mail fail, because this is still highly likely post USO reform.

There are key sectors of the market, for example the NHS where a reliable service is essential to ensure that its recipients receive timely communications. Royal Mail is trying to address this requirement through a new barcode solution, but this is only on an exceptional basis where there may be operational issues that cause the mail to be delayed. This is still not a guarantee that this sensitive mail, will be delivered on time.

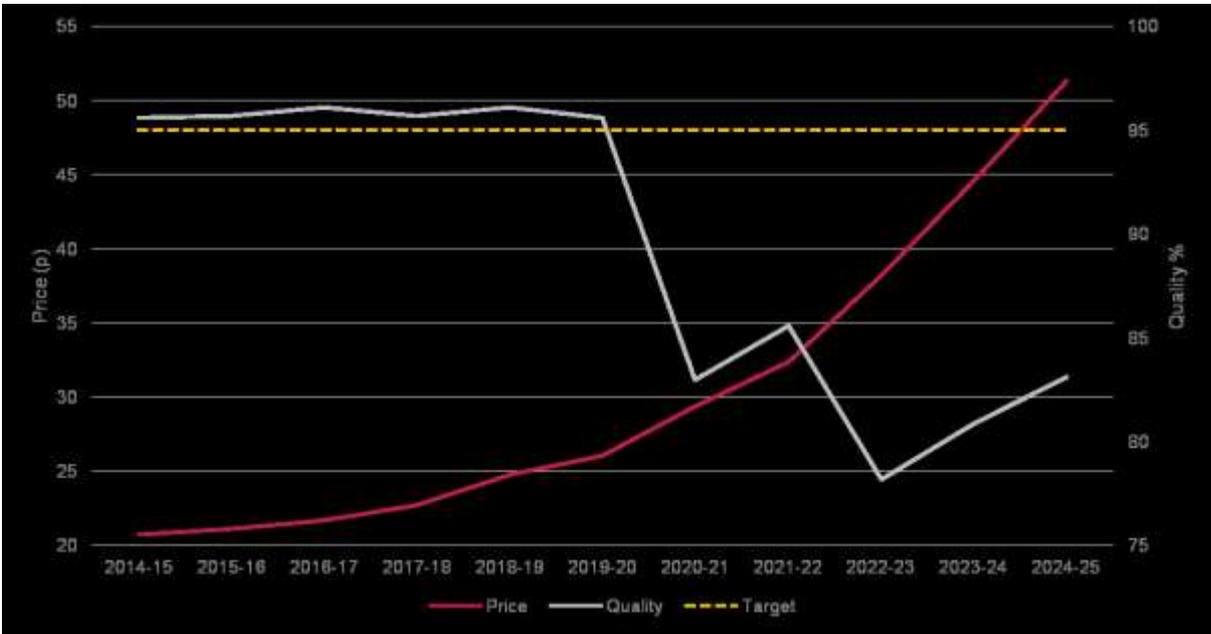
OFCOM need to engage in more frequent dialogue with Royal Mail to hold them to account and really drive them to deliver on the agreed service levels. Both Whistl and our customers are looking for a consistent and reliable service and even under USO reform this cannot be guaranteed.

**3) A mechanism to ensure the benefits of the change are realised by Royal Mail and that customers are provided with appropriate pricing from the start with enhanced pricing confidence**

We are very concerned that the subject of price increase and price controls has still not been adequately addressed as part of this consultation.

Access services for the last few years have been subject to excessive price increases imposed by Royal Mail, and this is despite continuously poor service quality. Royal Mail’s proposed changes to their operating model significantly reduces their costs, enabling them to far better control ongoing costs and remove the need to levy above inflationary annual price increases.

In November 2024, the Mail Competition Forum (MCF), which Whistl is a member of, met with the Postal Services Minister, Justin Madders. He was presented with the following chart, which clearly shows year on year price increases against an ever-decreasing service quality:



In the view of the MCF and Whistl, Royal Mail has abused its monopoly position, and we urge OFCOM to actively reconsider applying some form of price control for Access services.

However, we were very pleased to see that OFCOM is supportive of D+2 Access being regulated, despite Royal Mail constantly lobbying for it to become unregulated.



Royal Mail has said that it wants to offer Access customers choice, particularly to those customers that still value speed of delivery over anything else. As part of Royal Mail's Access service review in relation to USO reform, they are introducing a new D+3 service, and the current D+2 and D+5 services will remain. Royal Mail has a clear intention to drive as much volume to D+3 and D+5 but has also noted that there is still a need for D+2 for certain sectors of the market.

The D+2 service, post USO reform will have a much-inflated price compared to today, but the mail will be delivered Mon-Sat and will have the look and feel of first class, through a new indicia.

It was important that through Whistl's own lobbying of Royal Mail and through the work of the MCF that this service remained regulated and more importantly subject to the same margin squeeze tests and exempt of VAT.

Whistl still believes that this is vitally important for key market sectors i.e. financial services that are still intending to use this service, and cannot claim back VAT. We are also anticipating a shift in business users currently using Retail 1<sup>st</sup> Class services, to consider moving streams of mail to the Access D+2 services, due to the astronomical price increases that Royal Mail has just announced for 1<sup>st</sup> Class.

### **OFCOM Statement and Period of Implementation**

In the consultation document, it is stated that OFCOM will make its final statement in the Summer of 2025. It also states that the day that the statement is made is the day that the new regulatory framework will take effect and Royal Mail have suggested that this will also be the day that their reform proposals take effect.

This concerns Whistl and our customers greatly and strongly urge Ofcom to make clear to Royal Mail that a period of implementation is required. We this transitional period, it will be detrimental for Whistl and our customers. This is the biggest transitional change that has happened to the postal market in the last 20 years, so it is only right that customers have sufficient notice to make the changes required.

We have concerns about customers choosing to use the D+2 service. This service has a change in specifications, new Indica and different presentation requirements need planning and investment. Whilst Royal Mail has given more than their contracted notice period of their proposed changes, there are no clear timeframe associated with this, so customers are not willing to make a definitive decision on utilising this service until more clarity can be given by both OFCOM and Royal Mail.

Some customers also have concerns regarding transitioning to the new D+3 service. Even though there isn't any technical change to navigate, this service adopts the new alternate day delivery model and advertising mail customers will need time to plan their campaigns to take account of this change.

Whistl feels that a transitional period of 6-8 weeks is appropriate and should be agreeable for Royal Mail to consider and ensure as smooth a transition as possible.



As part of Royal Mail's announcement of the changes to the Access service in December 2024 there was an amendment to the Access letters contract. It has been noted that for Royal Mail to drop the Saturday deliveries for the D+5 economy service, it would have to give Access Contract holders 70 days' notice (which is in line with the contractual notice periods). Royal Mail is not intending to give notice until OFCOM make its final statement. This means we could be in a position where Access services are not aligned, making it even more confusing and complex for customers and adds weight to the argument for an agreed transitional period.

### Conclusion

In conclusion, Whistl accepts that change is inevitable, and we will work towards delivering the changes to our customers in the most efficient and effective way possible.

But we need a regulatory framework that holds Royal Mail to account making sure improvements in service quality are made when needed and better price controls are in place so that we do not continue to see the unacceptable price increases that we have been subject to in the last few years.

We strongly urge OFCOM as part of their 'Future planned work' to address these concerns.

Yours Faithfully



Andrew Goddard

Managing Director of Mail