

## Your response

Question	Your response
<p><b>Question 1: Do you have any comments on Ofcom's proposed Plan of Work 2024/25?</b></p>	<p>Confidential? – N</p> <p>Royal Mail welcomes the opportunity to comment on Ofcom's proposed Plan of Work for 2024/25. The postal sector has significantly changed in recent years and demand has shifted from letters to parcels. We need Universal Service Obligation (USO) reform to ensure Royal Mail can continue to deliver a USO service that remains relevant, sustainable, and fit for purpose given the changes in customer demand for postal services.</p> <p>We note Ofcom's Plan of Work is centred around four outcomes with post as an addition to this. Reforming the postal sector should be a fundamental priority for Ofcom given the urgent need for USO reform to reflect changes in the market.</p> <p>Ofcom has set out two areas of focus for the postal sector in the forthcoming year: USO reform and its ongoing monitoring of the postal market. However, there is very little detail in Ofcom's Plan of Work on USO reform, with no clarity on any milestones beyond the publication of the statement in Q4 2023/24. It is imperative that Ofcom provides greater clarity and direction in its Plan of Work in this regard. In particular, given the urgency of USO reform, Ofcom's Plan of Work needs to provide clear guidance as to the process and timeline expected after Royal Mail (and other stakeholders) have responded to Ofcom's 'call for input' document on 3 April 2024.</p> <p><b>USO Reform</b></p> <p>We welcome Ofcom's work on USO reform and note the publication of its 'call for inputs' document on 24 January 2024, on which we will be engaging with Ofcom and others. However, we need meaningful action to protect the future of the one-price-goes-anywhere Universal Service now. We have been calling on Government and Ofcom to work with us to tackle this issue for several years. The lack of action means we are facing a serious situation - Royal Mail has faced an increasingly challenging financial situation and made a £419 million adjusted operating loss last year (22/23). With customers now receiving on average two letters a week, it is simply not sustainable to maintain a network built for 20 billion letters when we are now only delivering seven billion.</p>

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	<p>The PSA 2011 states that the Universal service provider should be able to be financially sustainable, including being able to make a commercial rate of return. Ofcom's own guidance sets out that Royal Mail should be able to make an EBIT margin of 5-10%. Since privatisation in 2013, this has only been achieved twice.</p> <p>The UK is not immune to the trends we see internationally. Hence, we welcome the international benchmarking that Ofcom has done on USO postal reform in other countries and the valuable lessons that can be learnt. But it is clear that the UK is getting left behind. Given the long-term structural decline in letters, several other comparable countries have already reformed their Universal Service. We are doing everything in our power to transform our business to meet the evolving needs of customers, but we cannot do it on our own. As we set out over several years, and most recently in our Q3 trading update, we need urgent USO reform. Ofcom's current Plan of Work does not provide sufficient clarity on its process and timeline for change.</p> <p>Hence, it is critical that Ofcom's Plan of Work provides more transparency and a clearer plan of action on the future development of the postal USO project. We ask Ofcom to set out a detailed and clear process and timeframe for this work so that all stakeholders can actively participate in this very important project.</p> <p><b>Ongoing monitoring</b></p> <p>Royal Mail's overarching priority is providing a sustainable, affordable, one-price-goes-anywhere universal letter and parcel service that meets the needs of customers including the more vulnerable. In 2023/24 Ofcom introduced greater protections for vulnerable customers. We believe that all consumers should be able to access post and have welcomed these changes. We will continue to engage with Ofcom on how best we can meet all of our customers' needs.</p> <p>We recognise that our quality of service has not been as we would have wished. While the vast majority of mail is delivered safely and on time, we are working hard to improve quality of service. Our determination to transform ways of working, and implement the changes agreed with the Communication Workers Union (CWU) in July 2023, are starting to show results in terms of improving quality of service. In Christmas 2023 we achieved our best Christmas operational performance</p>

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	<p>for four years and met our customer commitment to deliver 99% of items posted by the last recommended posting dates in time for Christmas. Our continued focus is to restore our service to the high standards our customers expect, and we will continue to engage with Ofcom, and others, on this.</p> <p>In its Plan of Work, Ofcom notes it will continue to monitor Royal Mail's financial and efficiency performance. Royal Mail has a significant fixed cost base. In a difficult macro-economic environment and with inflationary pressures, Royal Mail's financial performance remains challenging. Following the agreement with the CWU in 2023, we are continuing to deploy a number of initiatives, drive efficiency and deliver a high-quality service but there remains works to be done and this is not all within our gift.</p> <p><b>Conclusion</b></p> <p>Whilst we welcome Ofcom's work on USO reform, it is imperative that Ofcom provides more detail and clarity on all Ofcom's key planned postal activities, including any other pieces of work Ofcom is planning for that have not been specified in the Plan of Work. We will continue to work collaboratively with Ofcom and all of our stakeholders to ensure we can continue to provide an affordable, reliable, modern and sustainable postal service that is sufficiently flexible to evolve with changing customer needs.</p>

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