

Consultation: Review of the universal postal service and other postal regulation

Post Office Limited response

1. Post Office and its goals

Through its extensive network, Post Office enables Royal Mail to achieve its Universal Service Obligation (USO) Access Criteria across the United Kingdom, providing face-to-face sales of the full range of its non-account postal services.

Our Postmasters are highly regarded as pillars of the community, serving c.10 million customers a week in c.11,500 Post Office branches. Today 99.7% of the population live within three miles of a post office¹; our postmasters have 2.5 million conversations with customers every day, and so they are well positioned to understand the impact of Ofcom's proposals concerning USO changes on customers.

Post Office asked Postmasters their thoughts on the impact of the proposed changes² and their verbatim and authentic comments are captured in call-out boxes throughout this document.

USO letters and parcels account for [X] of parcel and letter transactions over the counter, making Post Office a fundamental part of the UK postal network and a key consideration in the future of the USO.

Vulnerable customers place a particularly high value on post offices and use their local branch more than any other customer group. Six in every seven consumers and SMEs believe it is important for a post office to be nearby and convenient to get to. Moreover, as research from London Economics shows³, post offices are particularly important economic pillars in rural communities, with more than 25% (c.3,000) branches serving as the last remaining shop in the village, supporting as many as 30 million visits each year in these branches.

As an overarching principle, Post Office wants to see a regulatory regime that:

- i. continues to ensure the provision of a reliable and affordable universal postal service which meets the evolving needs of all consumers and small businesses;
- ii. supports the maintenance of the nationwide Post Office network, which is indispensable to the provision of the universal postal service; and
- iii. benefits consumers by promoting fair competition.

While some of these basic and important safeguards are now being proposed by Ofcom, many are not. In this reply, Post Office wishes to provide more evidence in support of the need for all these measures.

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¹ corporate.postoffice.co.uk/en/about/our-story/who-we-are/

² Postmaster USO Changes Focus Group, March 2025

³ [part-and-parcel-the-economic-and-social-value-of-post-office.pdf](#)

2. Executive Summary

Post Office agrees that a financially sustainable Royal Mail is essential for the millions of businesses and consumers who rely on its services and that urgent reforms are needed to ensure the USO remains fit-for-purpose. Ofcom states that letter volumes will continue to fall, and prices rise if there are no changes to the USO.

The changes proposed in Ofcom's consultation reduce Royal Mail's performance obligations for First and Second Class letters addressing sustainability by enabling significant cost savings to be realised. However, Ofcom does not address the key issues of affordability for consumers and small businesses for the six-days a week First Class service or measurable reliability of First or Second Class services. It is Post Office's firm view that these two priorities must be addressed urgently by Ofcom in order to stem the further decline in letter volumes.

Postmasters also see the impact of letter volume decline in branches, but their feedback indicates that this has accelerated in recent years partly due to poor quality of service and higher than inflation price increases.

"We've seen a decline. We've got quite a lot of business customers that used to buy quite a lot before COVID, and they used to send out mailshots when they had their sales on. And then obviously with the price of everything increasing, they're paying more, but they're not getting the service they're paying for. So, a lot of them have reduced what they send out." Postmaster Mains PO, Midlands

We want Ofcom to hold Royal Mail to account on quality of service:

- If Ofcom is to permit alternate delivery days for Second Class letters it is critical that Royal Mail's current trials achieve targets before being permitted to be rolled out nationally and this change is not passively given the go-ahead without demonstration of delivery.
- Above CPI Price increases should only be permitted if within a capped amount and if quality of service targets are achieved.
- A customer compensation scheme should be implemented for excessively delayed deliveries of USO items where there is proof of posting.
- The introduction of tracking to the USO will provide better item visibility and incentivise a higher performance.

We call on Ofcom to ensure affordability of the service for those customers who most rely on post:

- Retain the price cap on Second Class and implement a First Class cap on USO services to prevent next day services from being priced out of the market with continuing above inflation price rises. We have deep concerns that the legally required six-day service is being permitted by Ofcom to wither on the vine due to lack of decisive intervention.
- Ensure customers who are unable to purchase USO products online are treated fairly and that they do not pay a digital exclusion penalty.

- Universal services should by their very definition be available at universal prices.

Like many retailers, Post Office branches are struggling as a result of ever-increasing costs, including the recent increases in National Minimum Wage and National Insurance Contributions and the reduction in relief on business rates. The proposals being put forward by Ofcom add further pressure to these small businesses.

Post Office estimates that a decrease in income because of a reduction in customers purchasing First Class services due to ever-increasing prices, together with the proposed reduction in delivery days and service quality would lead to a significant decrease in Postmaster remuneration and loss of important retail cross-sales. This in turn would adversely impact Post Office branches' financial sustainability and contribute to a financial tipping point for certain branches. Notably, smaller "Mains"⁴ Post Offices which have a particular reliance on greeting card sales could become loss-making.

Furthermore, as customer spending in Post Offices generates consequential spending in other high street businesses (over £3 billion a year according to London Economics), any reduction in the quality of in-person service provision will have an impact on high street businesses beyond Post Office.

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Post Office would therefore urge Ofcom to consider consequences of proposed changes on the postal network holistically (i.e., its separate distribution and retail businesses) as changes in one area could have significant detrimental impacts on other areas.

To summarise, Post Office believe USO reforms should operate to protect customers by:

- i. Better assuring affordability through price caps on both First and Second Class services;
- ii. Bolstering reliability requirements - including through linking above inflation price increases - within a safeguard price cap - to achieving reliability targets and customer compensation;
- iii. Preventing excessive differences between online and in-person prices; and
- iv. Permitting (but not requiring) USO services to have a tracking feature.

⁴ "Mains" Post Offices have dedicated retail space and staffing

3. Responses to Ofcom consultation questions

Question 2.1: Do you agree with the provisional conclusions set out in our Equality Impact Assessment? Please state your reasons and provide evidence to support your view.

Post Office does not accept that the Equality Impact Assessment has led to proposals that address the identified inequalities.

Ofcom's key objectives as laid out in its Plan of Work 2025/26⁵ are to ensure:

- "Consumers are treated fairly at every stage of the customer journey, regardless of their circumstances"; and also
- "A sustainable, affordable postal service available across the UK that meets evolving customer needs".

Post Office understands that Ofcom has to exercise its judgement when balancing its various statutory duties and regulatory guidelines in making its proposals on the USO. On the one hand, Ofcom has a duty to secure the provision of an affordable⁶ universal service while having regard to the needs of persons with disabilities, of the elderly and of those on low incomes⁷, while on the other it needs to ensure that the provision of the universal service is both financially sustainable and provided efficiently⁸. Post Office recognises that some of these duties are not only in tension, but they are also in direct conflict.

Regrettably Ofcom has **failed to reach an appropriate balance**, stating that although "we recognise some groups of users, including some with protected characteristics, may be more impacted by the proposed changes, we consider that the universal service would continue to meet user needs as a whole and that **any additional impact felt by certain groups is outweighed by the overall benefits to postal users**"⁹.

In its Post User Needs Research 2024, Ofcom acknowledges the adverse impact of the proposals on the **one in 10 people who say their needs would no longer be met and the changes would have a significant or very significant negative impact on them**¹⁰. However, Ofcom has ignored customer concerns, and not offered any additional safeguards or a clear commitment to work on implementing safeguards. Post Office considers that this does not equate to "treating customers fairly regardless of their circumstances" as stated in Ofcom's objectives.

The reform proposals are almost entirely focused on Royal Mail's financial sustainability, and they omit adequate measures to protect the interests of key citizens whose interests **Ofcom is required to protect**. Multiple responses to Ofcom's Call For Inputs 2024 (including Post Office's response) and Ofcom's own

⁵ [Consultation Plan Of Work 2025 26](#), page 4

⁶ Postal Services Act 2011 s.31, Requirement 3

⁷ Communications Act 2003 s.3(4)(i)

⁸ Postal Services Act 2011 s.29(3)

⁹ Paragraph 5.84

¹⁰ [Post User Needs Research report](#) Slide 50

User Needs research point to the same **customer priorities of affordability and reliability**, underpinned by the principle of universality.

Affordability safeguards

Although Ofcom is already aware of concerns about affordability of First Class services, the only commitments offered to address affordability are to:

- i. "consider options to ensure *continued* affordability of USO services" ahead of the expiry of the current Second Class price cap in March 2027; and
- ii. "considering affordability further as part of the second phase of our work on reform of the USO"¹¹

Post Office challenges the presumption in the first statement above that First Class USO services are currently affordable, in light of mounting evidence to the contrary. This includes new research from Citizen's Advice found 33% of people would struggle to afford a book on eight First Class stamps (now costing £13.60) while 16% would struggle to afford a single First Class stamp (now costing £1.70)¹²

Ofcom has stated that it will make proposals if there is evidence of a need for intervention on First Class prices. Post Office already has growing behavioural evidence that First Class services are not affordable for increasing numbers of customers.

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Ofcom's current approach to assessing affordability of postal services by comparing the relatively small amount spent on post with the much higher expenditure on other goods and services, such as food, gas, electricity and telecommunications, is wholly inappropriate. To do so is to **effectively remove any meaning from the affordability requirement of primary legislation. The test is not one of comparable affordability.**

Affordability should be assessed for postal services in their own right and should take into account only the nature of the services, the cost of providing those services and the prices charged to other customers for a near identical service (including bulk mail customers and those who purchase services online). Otherwise USO services, which are supplied on a monopoly basis and comprised 28% of Royal Mail's revenue in 2023/24,¹ could be set at almost any level irrespective of the underlying cost of providing the service if their affordability is to be assessed on a comparable basis.

Post Office urges Ofcom to include a clear commitment in its statement to commence work immediately on affordability of First Class prices. **Six-day per week letters services remain a legal requirement as per the Postal Services Act 2011¹³ so addressing affordability of First Class services cannot wait until 2026/27 as pricing levels are already having a negative**

¹¹ Paragraphs 5.49 and 9.7

¹² [More than two thirds of people think 1st class stamp price increases are unfair, says Citizens Advice - Citizens Advice](#)

¹³ Postal Services Act 2011 s.31, Requirement 1, paragraph (1)

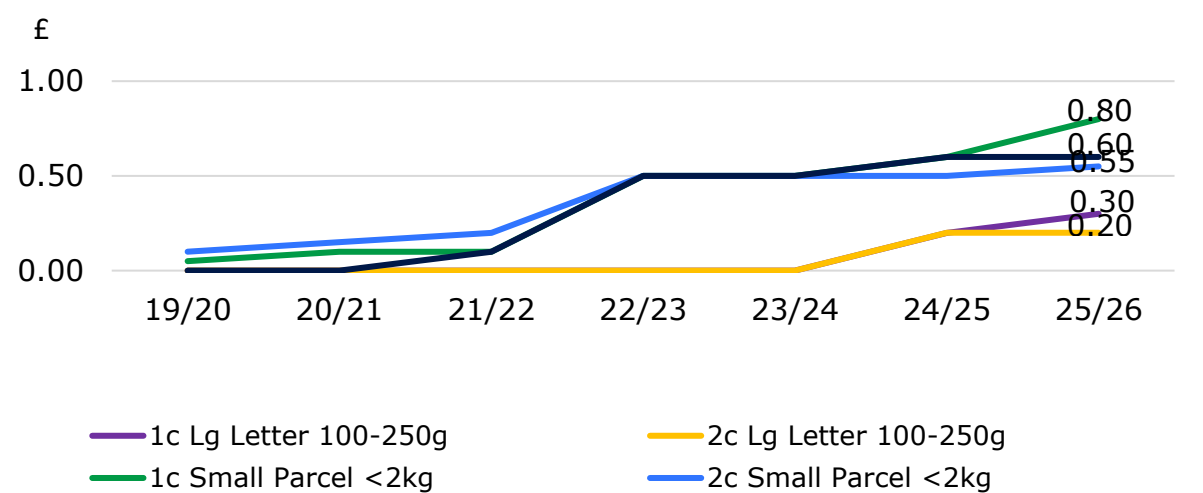
impact. The reduction in delivery requirements for Second Class letters will escalate this issue with customers requiring a two-to-three-day delivery option potentially needing to trade up to First Class.

Digital exclusion and discrimination

Post Office is increasingly concerned that those customer groups who do not use the internet are at an **increasing disadvantage when accessing postal services. This runs counter to the requirement for USO prices to be universally available.** Ofcom is aware, for example, that 15% of people over 65 (and 5% of all adults over 16) do not use the internet. These people can only access postal services in branch where the difference in prices, compared with discounted prices for services purchased online¹⁴, are considerably higher and the gulf is growing. This has a discriminatory effect - or digital exclusion penalty - on those customers who do not purchase services online.

Some examples of the material and widening differences between online and in-branch USO service prices (which are set by Royal Mail) are shown in the chart below¹⁵.

Figure 2: **Online vs. Post Office £ price difference – selected USO products***



* April Tariffs

In light of this growing disparity in price for the same services, **Post Office repeats its call for all universal services to be available to all customers at the same price, whether they purchase those services online or in-branch.**

The online price discounts are primarily a competitive response by Royal Mail and the level at which they are set is not directly attributable to the level of avoided payments to Post Office for the services it, and Postmasters perform. The online

¹⁴ In-branch prices: <https://www.royalmail.com/sites/royalmail.com/files/2024-10/our-prices-october-2024-v1.pdf> compared with online prices: <https://www.royalmail.com/sites/royalmail.com/files/2025-01/online-price-guide-january-2025-v2.pdf>

¹⁵ Source: Royal Mail Online and Post Office Price Guides

discounts vary and are made available selectively and targeted to those services where Royal Mail faces most competition.

By way of illustration, the online and in-branch prices for letters are identical but discounts on online parcels purchases can exceed 20%. **In effect, the most vulnerable citizens who can only purchase USO parcels services in-branch are paying more to cross-subsidise discounts and enhance Royal Mail's competitive position. By no measure can this reasonably be described as universal pricing of USO services.**

Reliability safeguards

Post Office's views on the proposed decrease in service targets and the introduction of 'tail of mail' standards are set out below. Experience of chronic, poor quality service¹⁶ means that there is a material risk that even these reduced standards, if implemented, will not be met. The known risk is that fines are not a sufficiently effective deterrent with Royal Mail weighing up the cost of compliance against the risk of a regulatory fine and concluding, in an economically rational way, to choose the latter option.

To protect customers with meaningful measures, there need to be accompanying consequences for service failure in order to incentivise Royal Mail to meet the minimum required service standards.

To ensure that quality of service improves, Post Office proposes that Ofcom **links Royal Mail's price increases** to achievement of its **headline quality of service targets**.

"Customers complain every time prices go up - [they] think it's ridiculous and made worse because their expectation for delivery times is very low." Community Post Office, SE England

"There's quite a lot of argument about it.... You don't get the service for the price." Mains Post Office, SE England

Compensation scheme

Post Office continues to advocate for a compensation scheme for USO customers where Royal Mail fails to meet these minimum standards. Coupled with additional measures, this would create a greater incentive for improved reliability e.g. linking the right to increase prices to having met a minimum quality of service standards¹⁷. The compensation scheme could be along the lines of the *Delay Repay* scheme operated by train operators and the level of compensation tied to both the primary service target and the tail of mail target. A view of item-level delivery quality of service performance could be achieved through tracking if it were to be permitted on USO letters, large letters and parcels

¹⁶ <https://www.theguardian.com/business/2025/feb/19/royal-mail-service-people-who-rely-on-postal-deliveries>

¹⁷ Royal Mail's licence conditions in 2011 contained a provision where the right to increase prices was dependent, in part, on meeting quality conditions (see Condition 21, paragraph 12).

Post Office notes that compensation for failed service is already a regular feature of postal and other regulated services in the UK. In principle, there is no reason why USO customers should not also receive the benefit of such a scheme. Two such examples include:

- 1) Access services compensation: Royal Mail's wholesale division offers compensation to access customers where the quarterly service performance is below the required service standard of 92% for next-day delivery and 94.5% for fourth-working-day delivery. Royal Mail is also proposing to pay compensation for its new alternate-day delivery service if the service performance is below 92%.
- 2) Telecoms delay compensation: Post Office notes that Ofcom has recently introduced an automatic compensation regime¹⁸ for landline and broadband customers who experience delay in installation or repair.

These compensation measures should have accompanied the proposals for USO reform; however, these have not been consulted on. It is insufficient for Ofcom to limit its activities on Quality of Service to a proposal to "monitor Royal Mail's actions to improve its quality of service both now and in particular during the implementation of the proposed changes to the USO"¹⁹. This could give Royal Mail *carte blanche* to under-perform at the expense of its customers.

Conclusion

Certain industry and customer groups will be **disproportionately adversely affected** by these proposals. If Ofcom, nonetheless, proceeds to implement the reform measures upon which it is currently consulting, it should simultaneously give strong and unequivocal commitments as to how it will address the core issues of affordability and reliability in 2025/26.

Question 2.2: Do you agree with our assessment under the Welsh Language Standards? Please state your reasons and provide evidence to support your view.

While Post Office has operated a Welsh Language Scheme for over 25 years, it does not offer any particular views on this question²⁰.

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

Post Office believes that, while the needs of many users have been identified, as stated in our response to Question 2.1, there are a significant number of important customer groups whose needs will not be met. Their needs must not be ignored because of Ofcom's preferred course of action. Additional safeguards in relation to affordability and reliability are needed as a matter of urgency to address this.

¹⁸ <https://www.ofcom.org.uk/phones-and-broadband/service-quality/automatic-compensation-need-know/>

¹⁹ Paragraph 9.7

²⁰ [Post Office Corporate](#)

Tracking as a key safeguard

In addition, the need to permit tracking as a feature of USO services is becoming increasingly pressing as customers now consider this to be a hygiene factor. For example, tracking is required by some marketplace platforms and retailers who charge for returns.

The lack of tracking on First Class services is driving changes in customer behaviour. Some customers may switch to Tracked 24 or 48 services in order to meet their tracking requirement while others may migrate to a Special Delivery service for the same reason (e.g. for sending items of value or important documents).

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Tracking can also be used to **drive greater reliability of USO services**. Post Office, Ofcom and many other stakeholder groups have identified reliability as a key concern of users and tracking is the best possible way of providing customers with the most relevant service quality data as it tracks performance at an individual item level. Post Office would urge Ofcom to review its decision of July 2022²¹, which was based on evidence that is around three years old and reconsider its decision to prevent tracking as a feature of any First or Second Class USO services.

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.

Increasingly, the needs of the UK's most vulnerable citizens are not being met. As Ofcom acknowledges, people over 65, with limited mobility, without internet access or who live in remote rural areas have a particular reliance on postal services. More generally, the needs of customers who require a next-day service at an affordable price are not being met.

As stated above (Section 2.1, Digital exclusion and discrimination), one adult in 20 does not have internet access and, for the over 65s, this rises to almost one adult in six. These people are not able to access the lower prices available to those who transact online. This is primarily driven by Royal Mail's response to market competition. Post Office considers it to be the **role of regulation of the universal service to ensure that those customers are not discriminated against when purchasing universal services in branch**.

²¹ Section 7 <https://www.ofcom.org.uk/siteassets/resources/documents/consultations/category-1-10-weeks/215544-review-of-postal-regulation/associated-documents/statement-2022-review-of-postal-regulation-statement.pdf?v=328227>

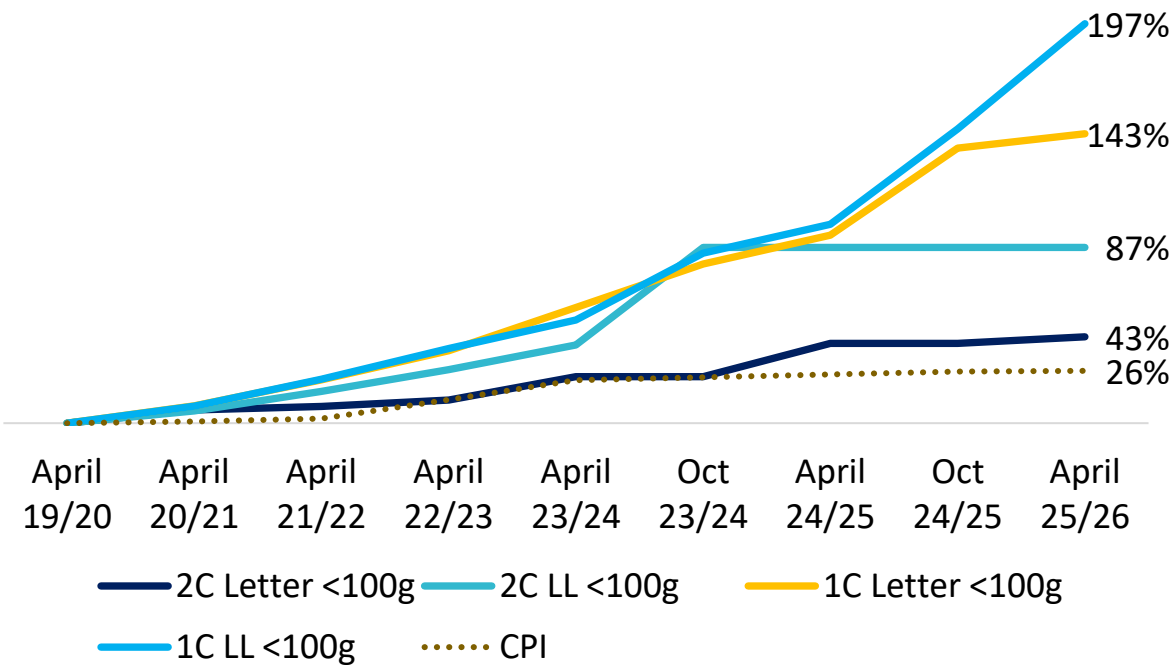
"You're gonna impact the digitally excluded. Massively. So that can be either those that can't use digital equipment, whether it's phone, computer or tablet or whatever, whether it's for physical impairment or mental impairment or even age." Mains & Outreach Post Offices, North England

"Yes, it's the vulnerable. It's gonna be a big impact." Mains Post Office, Midlands

The safeguard price cap for Second Class services has proven to be an important measure to ensure affordability. In sharp contrast, the recent evolution of prices for the uncapped First Class services (see Figure 4 below) shows just how rapidly prices can increase in the absence of a regulatory controls. Without a universal safeguard price cap (as opposed to a targeted scheme available to only certain customers) it seems very likely that the same pricing behaviour would already exist for Second Class services.

The absence of a safeguard price cap from First Class services is leading to rapidly increasing prices to such an extent that it can be concluded that **the market is not meeting the needs of customers who need a next-day service at an affordable price**. Again, it is the proper role of regulation to intervene in such a scenario.

Figure 3: **USO products % price increases (indexed April 2019) v CPI**



First class letter prices²² have increased five times since 2023, rising 55% from £1.10 in April 2023 to £1.70 in April 2025²³.

Ofcom is under a statutory duty to ensure a six-days-a-week delivery at affordable prices²⁴ and the USO currently requires a First Class service. With the proposed changes to the delivery frequency for Second Class letters, **the affordable six-day-a-week service would need to be met by the First Class service**. It is now urgent that Ofcom explore measures to safeguard the affordability of First Class services.

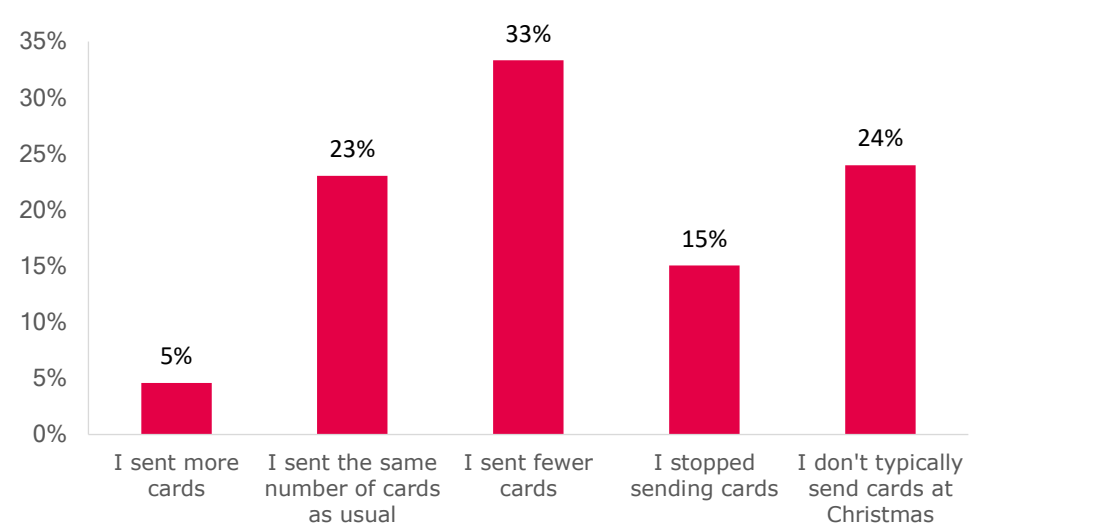
Impact of Price increases on Greeting Card sending

Post Office’s nationally representative consumer market research in January 2025 highlighted that the 22% October 2024 First Class stamp price increase to £1.65 significantly impacted Christmas card sending.

The research found that fewer cards were sent and there was strong evidence of consumers switching to lower price stamps. The research also showed that these trends will accelerate in the event of future price increases, with **over half of respondents saying they will send fewer cards or stop sending cards altogether** at Christmas 2025 if stamp prices increase further. Post Office notes that stamp prices have already increased since then, on 7th April 2025: First Class stamps rose by a further 3% to £1.70 and Second class by 2% to £0.87.

Figure 4: **One in three sent fewer cards last Christmas than in previous years, while 15% stopped sending cards altogether**

Q: Did the increase in the price of stamps affect how many cards you sent at Christmas in 2024 compared to previous years?

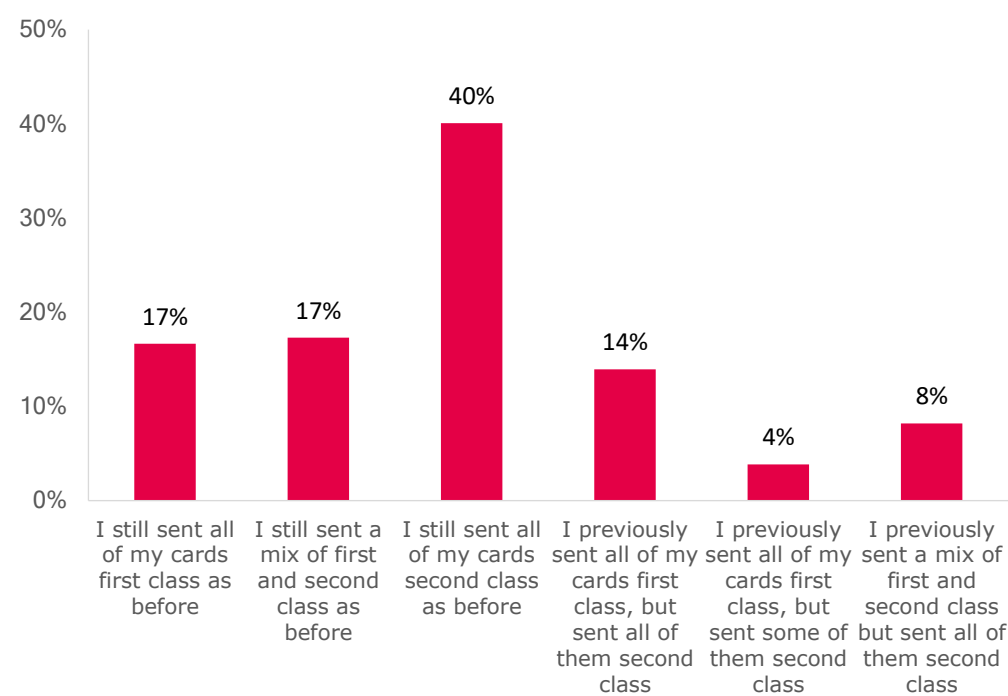


Dynata Online Research for Post Office Jan (2025) Respondents: Unweighted base n=2001

²² <https://priceofastamp.co.uk>
²³ We also note that Royal Mail Wholesale have recently announced a near doubling of the price for D+2 access services, with effect from “summer 2025” <https://www.royalmailwholesale.com/price-list>
²⁴ Postal Services Act 2011 ss.[30\(2\)](#) and [31](#) (Requirement 3)

Figure 5: **A quarter of respondents changed at least some of their stamp purchases for cards from First Class to Second Class due to the increase in the price of stamps**

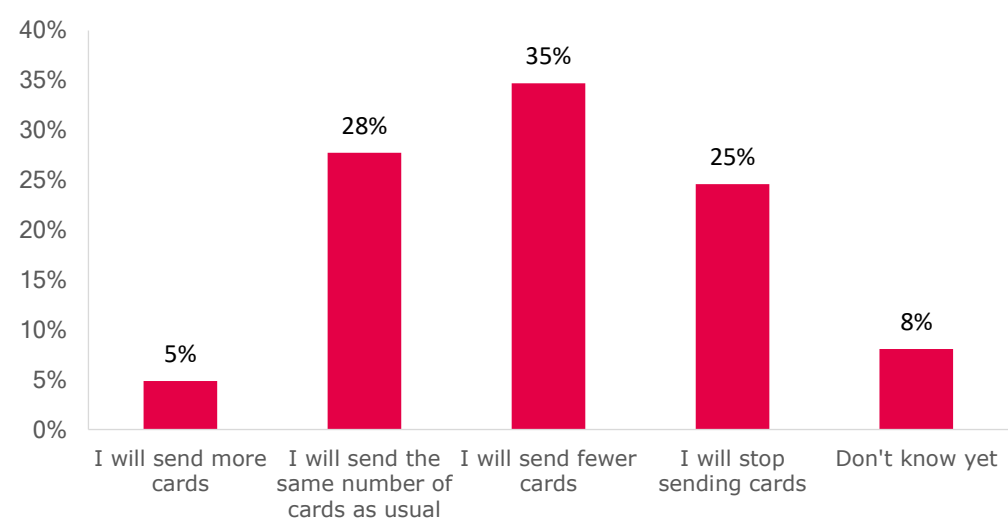
Q: Did the increase in the price of stamps affect the type of stamps (First vs Second Class) you used at Christmas compared to before?



Dynata Online Research for Post Office Jan (2025) Respondents: n = 1220; total n = 2001

Figure 6: **Six in 10 responded that next Christmas they will send fewer cards or stop sending cards altogether if stamp prices increase further**

Q: Thinking of next Christmas (2025), how do you think further price increases will impact how many cards you send?



Dynata Online Research for Post Office Jan (2025) Respondents: n = 1521; total n = 2001

Post Office data also highlight the impact of First Class price increases in 2024. Post Office saw a higher than average switch to Second Class stamps in the pre-Christmas weeks and a high buy-forward of First Class stamps ahead of the October 2024 price increase. For example, sales of First Class stamps have declined by a further 6.5% above the pre-October 2024 run-rate, with customers switching to Second Class stamps.

Post Office therefore believes that Ofcom needs to conduct urgent research on affordability of universal services in light of this enormous in-year increase in price. This work needs to be planned in early 2025/26 to ensure that the First Class services are restored to affordable levels.

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.

The market dynamics outlined in Ofcom's consultation are also reflected in Post Office's network. Post Office acknowledges the decline in letter volumes and is sympathetic to Royal Mail's imperative to adapt its network to the changing landscape in order to become a more financially sustainable business. In addition to realising the cost savings from the proposed changes to the Universal Service, efficiency gains play a crucially important role in Royal Mail achieving a reasonable level of sustainability. Greater efficiency relies almost entirely on Royal Mail's own actions.

Post Office primary concerns relate to missed deliveries and to customers who need a delivery on a Saturday.

Missed deliveries

The practicalities of the proposed changes in the delivery schedule will not be easy for customers to understand. Post Office stresses the importance of communicating the proposed changes and how this will work in practice, particularly in the case of missed delivery aims. This is so that Postmasters and customers know what the delivery schedules are and when they can expect any letters to be delivered. If it is to go ahead, Ofcom must ensure a successful operational pilot of alternate delivery days has been concluded and efficiency gains demonstrated ahead of any roll out.

Post Office understand that the alternate delivery day schedule would be introduced over 18-24 months. In the event of deployment, Ofcom must continue to hold Royal Mail to account on its quality of service throughout this period.

Saturday delivery

If the proposed removal of Saturday delivery of Second Class letters and large letters is implemented, First Class will be the only letters service that provides delivery on a Saturday (at almost double the price) unless the customer were to

need a guaranteed service such as Special Delivery Saturday Delivery which costs 15.5 times more than Second Class price.

Figure 7: **Price difference for a Saturday delivery letter <100g (prices as at 7 April 2025)**

Second class	SD Saturday	First class
£0.87	£13.50	£1.70
-	+1452%	+95%

While the need to use an alternative service would be the unavoidable consequence of Second Class Saturday deliveries being removed, it does further highlight the need for a **safeguard price cap on First Class services, as the only reasonable alternative service for a Saturday delivery**, but even this requires the customer to pay a 95% premium.

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.

Post Office is of the view that reducing the level to 90% takes the performance target below market levels of service and, therefore, is too low.

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Royal Mail’s need to compete with parcels companies will ensure a higher level of service. Accordingly, as First Class mail will be using the parcels van network on “non-delivery” days, including all Saturdays, the service level should reflect the parcels service standards that are likely to be available through market forces. Setting the level too low would ascribe too little value to the regulatory standard.

At 90%, this would be a **very significant reduction** in the next-day delivery standard. Already, 7% of First Class items are permitted to miss the next-day service standard without any sanction. It is disproportionate to increase to 10%, the proportion of mail which may be delivered later than next day. This represents a 43% increase in items that may be delivered late - despite customers paying rapidly increasing prices for First Class services.

Post Office would urge Ofcom to consider imposing a **more challenging target**, so that customers receive the service they believe they are paying for.

In addition, wherever the service standard level is set, it is vital that Royal Mail has the right incentives to meet (and exceed) that level. As stated above, the **imposition of fines has proven to be too dull an incentive** to drive an improvement in quality.

To ensure that Royal Mail do have an incentive to improve reliability, Post Office advocates for a **link between price increases and achievement of quality standards** and for a **customer compensation system** for those who buy universal services. These measures would be in addition to the existing sanction of the potential imposition of fines.

Ofcom's own User Needs data shows that there remains a high demand for a next day letters service, with **78% of respondents considering it important**²⁵. Accordingly, even if there is an increase in migration to Second Class services, the need will remain and will be no less important for there to be **a safeguard price cap on First Class prices**.

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.

The concept of a universal service means that everyone in the United Kingdom receives a reliable, affordable service at a uniform price. It is, therefore, appropriate to require delivery performance to be of a high standard everywhere and not just in the areas where there are high volumes of mail or a high density of addresses which may allow national standards to be achieved but at the expense of the more remote addressees. The Postcode Area measure is an important and elegant way of achieving this.

It is logical that the Postcode Area measure should be set below the national standard as the addresses in some areas are more difficult to reach or are subject to logistical issues which render higher reliability more difficult.

However, while Post Office does not accept that it is appropriate to reduce the First Class service standard from 93% to 90%, if Ofcom does decide to dilute the service standard in the manner proposed, any corresponding reduction in the Postcode Area target should be proportionate.

Currently, the Postcode Area standard is set at 91.5% (against a nationwide standard of 93%). The proposal is to reduce this to 87% (against a nationwide standard of 90%), meaning that 13% of First Class mail could be delivered late in any given Postcode Area without any sanction²⁶. Currently, 8.5% of First Class mail is the relevant threshold. There is no clear justification for increasing the proportion of First Class mail that can be delivered late in a Postcode Area by as much as 53%.

If the existing ratio of Postcode Area Nationwide standards were used (91.5 : 93), the Postcode Area service level would be 88.6% (as against a 90% nationwide standard). If the current 1.5% differential were maintained, the Postcode Area standard would be 88.5%, not 87% as proposed.

Either of these measures would be preferable, however there is an expectation issue for customers. **With almost one in eight First Class items able to be delivered late without sanction, this would call into question whether the service be properly described as a high quality, next day service.**

²⁵ [Consumer survey research on post](#)

²⁶ Subject to meeting the nationwide standard

Royal Mail has expressed its desire to remove the Postcode Area standards altogether. The concern arising from this stated position is that delayed First Class mail may not receive priority treatment, so long as Royal Mail meets the nationwide 'tail of mail' targets.

If Ofcom decides to allow the significant, proposed reduction in the Postcode Area standard to 87%, it should consider applying a second First Class Postcode Area requirement that the national standard (i.e. 90%) **must be reached by the second working day in every Postcode Area**. This would incentivise Royal Mail to use the next available delivery for late mail in every Postcode Area. Without it, the item could be delivered on the third working day, in order to meet the First Class national tail of mail target, even though it was sold to the customer as a next day service.

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.

The tail of mail target is a welcome proposal as it deals with the proportion of next-day mail that might otherwise be delivered late without sanction. Post Office recognises that, in reality, 100% quality levels are not commonplace in distribution services. However, 0.5% of items (one in every 200) represents a very significant quantity of letters without protection. For example, this would have equated to c.33 million addressed letters (excluding election mail) in 2023/24²⁷.

Additionally, there is a risk of customer confusion between a D+3 Second Class service (with a proposed service standard of 95%) and a D+3 First Class 'tail of mail' standard (with a proposed service standard of 99.5%).

As stated above, the creation of a customer compensation scheme for failure to meet service standards should be implemented as a further way to incentivise improved reliability and to increase customer accountability.

At a Postcode Area level, the tail of mail is unlikely to be a sufficient incentive to treat delayed next-day mail as a priority. Please see our comments above on the desirability of an additional, intermediate D+2 target (to match the nationwide target) in each Postcode Area.

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.

Post Office supports the retention of a D+3 target for Second Class mail. However, the reduction from 98.5% to 95%, is an unwelcome development and is compounded by the proposed removal of Saturday as a delivery day.

²⁷ [ids_annual-report-2023-24.pdf](#), Page 65

Post Office has even greater concerns in relation to deliveries of Second Class mail than it does to First Class. Under the proposals for Second Class, the proportion of mail that could be delivered late would be one item in 20, while currently it is one item in 67. This represents a 233% increase in the number of Second Class items that can be delivered late without regulatory sanction. This is, clearly, a very material reduction in quality standards.

While Post Offices does not support such a pronounced reduction in service levels, there should be additional measures to incentivise reliability and improve accountability to customers. As stated above, Ofcom should urgently consider linking above-inflation price increases to achievement of quality standards as well as implementing a customer compensation scheme.

Post Office notes that the Postcode Area standard applies to First Class mail and does not apply to Second Class mail. If volumes continue to migrate from First to Second Class services, as expected due to pricing, it will become increasingly important to ensure that Second Class mail is delivered reliably in every Postcode Area and Ofcom should give consideration to including an appropriate Postcode Area D+3 standard now, which can be reviewed as the impact of alternate-day delivery becomes apparent. Without this, there is a risk that some of the more remote postcode areas will experience a *de facto* D+5 service for Second Class mail which does not constitute a universal postal service.

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.

The tail of mail target is a welcome proposal as it deals with the 1.5% (proposed to be 5%) of Second Class mail that might be delivered late without sanction. The risk of not having it, especially with reduced Quality of Service targets (90% First Class v. 93% and 95% Second Class v. 98.5%) is that a higher proportion of mail may take a very much longer time without penalty. However, there is a risk of customer confusion between a D+3 Second Class service standard and a D+5 'tail of mail' standard.

It will be crucial for consumers to know that the mandated primary service level standards of 90% (First Class) and 95% (Second Class) are the core service requirements and that Ofcom will take all necessary measures to ensure that Royal Mail achieves these levels. It will be important that the proposed new, additional tail of mail targets are not positioned as a new, diluted service standard. Ofcom should consider how best to make it clear that these are secondary "safety net" safeguards to prevent excessive delay. This requires clear messaging by Ofcom and Royal Mail and rigorous enforcement of the core Quality of Service standards by Ofcom.

As stated above, the creation of a customer compensation scheme for failure to meet service standards should be implemented as a further way to incentivise improved reliability and to increase customer accountability.

There is currently no Postcode Area standard for Second Class mail and the D+5 tail of mail is unlikely to be a sufficient incentive to treat delayed Second Class

mail as a priority. As stated above, Ofcom should apply a new D+3 target in each Postcode Area for Second Class mail. As the proportion of Second Class mail volumes grow, it will be important for customers (and particularly recipients) to know that the service is reliable at a Postcode Area level.

Similarly to our comment in relation to First Class mail, there is an issue with one item in 200 having no protection at all but Post Office recognise that, in reality, 100% quality levels are not commonplace in distribution services.

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.

Post Office does not offer a view on access services.

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.

Post Office does not offer a view on access services, however Post Office notes that Royal Mail's Change Control Notice no. 114 does not, propose to remove Saturday delivery for the Mailmark Economy D+5 service.

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.

Post Office does not offer a view on access services.

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.

Post Office does not offer a view on access services.

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