

Regulation of Royal Mail

Postcomm's primary duty is to ensure the provision of a universal service, including the "one price goes anywhere" service, and deliveries and collections for every UK address, each working day.

We must also further customer interests, where appropriate by promoting effective competition. And we must pay attention to the needs of customers who are disabled or chronically sick, the elderly, and those on low incomes or living in rural areas.

Royal Mail is the UK's largest mail operator, with a market share in the downstream market (i.e. the delivery of mail to the final mile of the postal network) of 99%, a market share in the upstream market (i.e. the part of the postal chain that collects and sort mail before delivery to the final mile) for business mail of 60 % and a market share of about 99% for the upstream market for non-business mail. Royal Mail also provides a universal service. As a result, we must pay particular attention to how we regulate the company, in order to make sure it continues to meet the needs of its customers.

We do this by:

- setting "quality of service" standards and ensuring Royal Mail meets them. We can take enforcement action against Royal Mail and may impose financial penalties if it fails to meet these targets or breaches other conditions of its licence.
- setting a framework for Royal Mail's prices - the "price control" – to make sure that customers, as well as management and staff, see the benefits of the company's endeavours. Part of this is having the power to assess Royal Mail's proposals for new pricing structures, to ensure they reflect the underlying costs of providing services to postal users. The current price control takes into account Royal Mail's substantial pension fund liabilities and its need to invest in new equipment, and runs between 2006 and 2010. The price control is designed to take into account Royal Mail's ability to finance the universal service and to encourage Royal Mail to control its costs and meet service quality targets, while creating conditions that allow new operators to establish themselves successfully in the mail market. The current price control is being reviewed by Postcomm as

part of the overall assessment of the most appropriate regulatory framework for Royal Mail from 2010.

- Intervening – but only where necessary – in cases where Royal Mail is not offering ‘access’ to its network to other operators or users on a fair and reasonable basis. (Access means allowing mail users and licensed postal operators to use Royal Mail’s facilities to carry post for part of its journey. For more details, see our separate fact sheet on access.)

Work is now underway in setting the regulatory framework for postal services from 2010.

Useful links

- **www.psc.gov.uk** – Postcomm’s website, for further information on all aspects of the UK mail market, including details of:
 - **Royal Mail’s universal service obligations** within its licence, at www.psc.gov.uk/postal-licences-and-operators/licensed-postal-operators/royal-mail.html
 - **the Postal Services Act**, at www.psc.gov.uk/legal-framework/postal-legislation/postal-services-act-2000.html
 - **the price control**, at www.psc.gov.uk/policy-and-consultations/consultations/price-control.html
 - **the regulatory framework for postal services from 2010**, at www.psc.gov.uk/news-and-events/news-releases/2008/postcomm-asks-for-views-on-the-regulatory-framework-for-postal-services-from-2010.html
- **www.royalmail.com** – Royal Mail’s website
- **www.berr.gov.uk/sectors/postalservices** - Department for Business, Enterprise and Regulatory Reform website, for further information on the Government’s review of the liberalisation of the postal market.

Please contact Postcomm for a full list of titles available in this series of

fact sheets

Postcomm is the independent regulator for postal services in the UK. This is one of a series of fact sheets designed to provide background information on key issues in the postal services sector. Contact us at 6 Hercules Road, London, SE1 7DB.

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