



# POSTCOMM

**“Putting the customer first”**  
17 May 2006

**Nigel Stapleton**  
Postcomm  
Chairman

# KEY MESSAGES

- Postcomm puts the universal service and mail users first.
- “Key milestones” for liberalisation achieved in 2005/06.
  - Customers are benefiting.
  - But there is more to do: effective competition requires a lot more than market opening.
- We are supportive of Royal Mail’s turnaround: with the price control (nearly) behind us, the company must now deliver.
  - Efficiency targets must be met through innovation & cost savings not simply deteriorations in the customer ‘experience’.
- The market faces risks and challenges: Postcomm will review its policies to confirm we are doing all we can to fully realise our vision for the market.



# PUTTING CUSTOMERS FIRST

- Statutory remit ensures we always put customers first.
- Our job is to ensure the provision of a universal postal service and to further the interests of postal users in the UK by introducing choice through competition.
- Who is the customer? Postal users include senders (mainly business) and recipients (mainly households).
- Importance of close and regular stakeholder engagement.



## KEY MILESTONES - 05/06

### POSITIVES...

**Aug 05 : Pricing in Proportion approved**

**Jan 06 : Full market opening**

**Jan 06 : New Licensing regime**

**Jan 06 : Common Operational  
procedures established.**

**Feb 06 : Access over 1 billion  
items p.a.**

**Apr 06 : Four year Royal Mail  
price and service control.**

**May 06: Royal Mail quality (and profits?) in  
05/06 at all-time high**

### NEGATIVES...

**Nov 05 : Express Dairies exit mail with  
milk delivery.**

**2006 : Some operators scale back speed  
of expansion.**

**Feb 06 : Postcomm proposes financial  
penalties for Royal Mail licence  
breaches**

**2006 : Post Office Ltd still  
unprofitable**

## LIBERALISATION: BUSINESS USERS ARE DIRECTLY BENEFITING

- Large users are experiencing choice from both new operators and Royal Mail:
  - New products and services
  - Cost savings
  - Flexibility (e.g. collection times) and client engagement
  - Quality of service, performance and management info'
- Operators now starting to develop innovative new services for small business mailers.
- Aiming for lighter touch regulation over time



## LIBERALISATION: SOCIAL USERS ARE INDIRECTLY BENEFITING

- Royal Mail has “raised its game”
  - Recent quality of service improvement of vital importance to domestic postal users.
  - Universal service secure and mails business profitable.
  - Opening of market could provide business opportunities for Post Office Ltd.
- Regulation will provide a safety net:
  - Price caps and Quality of Service targets.
  - Compensation for delayed mail.
  - Review of early collection times.



## ACCESS TO 'THE LAST MILE'

- Most popular competitive option at present
- Royal Mail has now established a free-standing wholesale division
- A business model in its own right and a necessary launch pad for end-to-end development
- Delivering significant benefit for business customers



**2006-2010 price control protects operators against “margin squeeze” on current regulatory tariffs**

## BENEFITS OF LIBERALISATION: A GROWING CONSENSUS?

***“The evidence that liberalisation is delivering an improved service for customers is compelling.”***

*House of Commons, Trade and Industry Committee  
Review of Royal Mail after liberalisation - Dec' 05*

***“Of our major customers, who account for £3bn of our revenue, 13 have already given business to competitors. This is now a fact of life...and will accelerate...and is the sole reason to keep our quality up...and our costs down...so we can compete!”***

*Allan Leighton, Chairman, Royal Mail*

***“I have no doubt that the liberalisation of the UK's postal market has been a key driver to the improvement”***

*Millie Banerjee, National Chair, Postwatch*



# ONGOING REVIEW OF STRATEGY

- Still early days but evidence suggests regulatory regime is working to the benefit of all stakeholders.
- But changes are rapid and Postcomm must regularly review the impact of its policies.
- Will start stakeholder engagement this Summer on Postcomm's review of its regulatory strategy. First consultation document due in July.



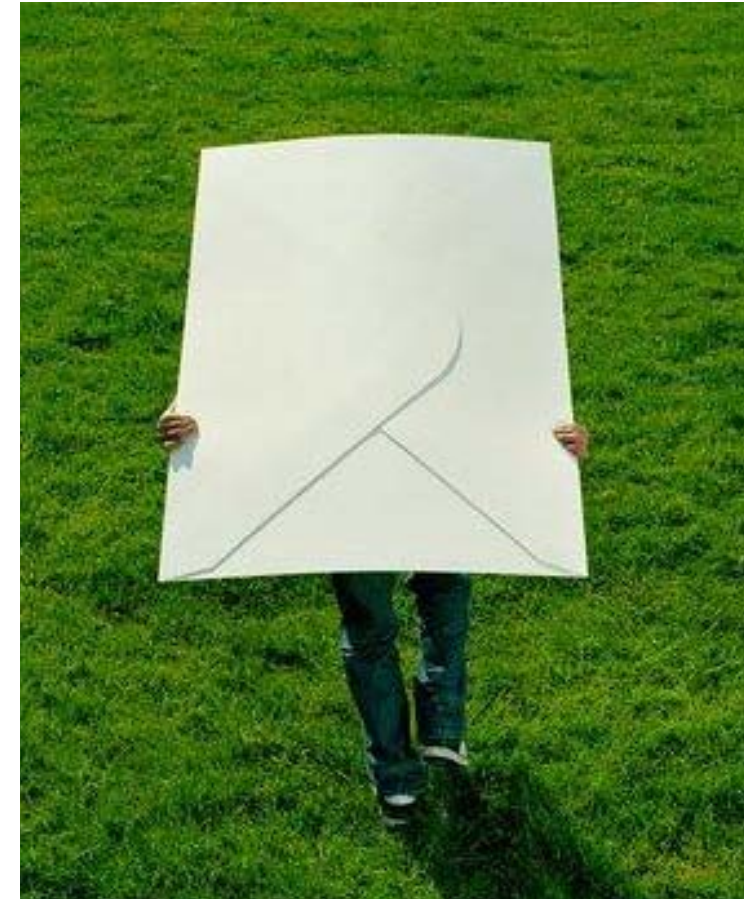
## KEY ISSUES FOR POSTCOMM'S STRATEGY REVIEW

- How will competition develop? What further steps can we take to ensure it is sustainable?
- What is the best way of continuing to secure a vibrant universal service in the long-term?
- Should we do more to promote end-to-end competition?
- Does the degree of ring-fencing and separation of Royal Mail's wholesale unit go far enough?
- What are the risks and opportunities from faster deregulation?



# FUTURE CHALLENGES AND RISKS

- Competition on innovation and quality – not just on price.
- Genuine and sustainable competition.
- VAT and other barriers must be tackled.
- Royal Mail has to tackle successfully its Pension Fund deficit and modernisation program
- Efficiency must be based on innovation and cost savings not simply diminutions in the customer experience (e.g. – collection times).
- Benefits for all customers: not just large users.



**A range of reliable, innovative and efficient postal services, including a universal postal service, that is valued by customers and is delivered through a competitive postal market.**



POSTCOMM

