

Postcomm Competitive Market Review

What is Postcomm?

1. The Postal Services Act 2000 (“the Act”) established the Postal Services Commission (“Postcomm”) as the regulatory body for the postal services in the United Kingdom. Postcomm’s Business Plan, which can be found on its website at www.psc.gov.uk, gives details of its duties, functions, objectives and work programme.

Postcomm’s Statutory Duties

2. Postcomm’s duty is to seek to ensure customers continue to enjoy a “universal postal service.” The universal service includes the delivery and collection of mail (not exceeding 20 kilograms in weight) at least once every working day, and the provision of a registered postal service, all at affordable prices that are uniform throughout the whole of the UK.
3. Subject to this, Postcomm is also charged with furthering the interests of users of postal services, wherever appropriate, by promoting effective competition between postal operators. In doing so, Postcomm must have regard to the interest of those who are disabled or chronically sick, are of pensionable age, are on low incomes and who reside in rural areas.
4. Subject to both of the above duties, Postcomm has a further duty to exercise its functions in a manner which it considers is best calculated to promote efficiency and economy on the part of postal operators.
5. Finally, in performing all its duties, Postcomm must have regard to the need to ensure that licence holders are able to finance the activities authorised or required by their licences.

Postcomm Strategy

6. Before the Postal Services Act 2000 was enacted, Royal Mail Group plc, formerly The Post Office, had the exclusive privilege of a monopoly in the provision of postal services within the UK for items weighing less than 350g and costing less than £1 to convey. The changes introduced by the Postal Services Act 2000 established Postcomm as the sector regulator with a duty to safeguard the universal postal service, and a power to introduce greater competition in the postal services market by issuing licences to operators within the former monopoly area. Postcomm's vision is:
 - a range of reliable, innovative and efficient postal services, including a universal postal service,
 - valued by customers, and
 - delivered through a competitive postal market.
7. To date, Postcomm has put in place the framework for opening the market to competition, both for end-to-end operators and through third party access arrangements to Royal Mail's network. Where competition cannot yet be expected to further the interest of users, we have put in place price and service quality regulation. In February 2005, Postcomm having consulted extensively with stakeholders, decided to bring forward the date for full market opening from 1 April 2007 to 1 January 2006.
8. Further details on Postcomm's work and various projects can be found in its 2005 Forward Work Plan which can be found on www.psc.gov.uk.

Competitive Market Review 2005

9. Postcomm is committed to monitoring the postal market to ensure the continued provision of the universal postal service, to monitor the development of competition and other market characteristics, and to assess the effect and success of the regulatory framework in securing the universal service and facilitating effective and sustainable competition in order to further the interests of postal users.
10. Postcomm published its first Competitive Market Review (CMR) proposals in September 2004, and issued a decision and recommendations document on tackling barriers to entry in postal services in March 2005. Postcomm has indicated that it intends to conduct annual reviews, and a number of stakeholders have expressed support for such an approach. Your views continue to be invaluable in identifying and understanding key issues, identify barriers, and develop policies to promote effective competition in the postal market. With continuous developments in the market, Postcomm is keen to continue to understand your views on how the market is developing and how you would like to see it develop.
11. Postcomm will need to consider where competition is likely to prove most effective, both in terms of the aspirations of competitors to Royal Mail, and the needs of customers (and their propensity to switch to competing suppliers), if it is to ensure that the regulatory framework facilitates as effectively as possible the development of competition.

12. The Competitive Market Review 2005 aims to give Postcomm a thorough and updated understanding of the UK postal market, including how competition has developed to date and how it might develop in the future. The review will allow Postcomm to continue to assess the prospects for future competition and how Postcomm should employ the regulatory regime to help ensure the development of effective competition that promotes users' interests, while ensuring the continued provision of the universal service. Your views will feed into proposals Postcomm intends to issue on the Competitive Market Review in October 2005.
13. The Competitive Market Review 2005 will consider a number of factors, including:
 - I. where competition has developed, and for which types of customers;
 - II. Royal Mail's response to competition and the regulatory regime;
 - III. how competition is likely to develop in the medium-term (including whether any particular forms of competition, access or end-to-end, are more likely in postal markets) and what the likely benefits are for postal users; and
 - IV. what regulatory measures Postcomm can take to improve the prospects for effective and sustainable competition, benefiting postal users and leading to innovation.
14. Finally, Postcomm has again commissioned a detailed survey of business customers. This survey will update the assessment of customers' needs and posting profiles in the UK postal market, attitude and awareness of competition, attitudes and satisfaction of using Royal Mail and switching behaviour. It will also seek to understand customer views on access arrangements, and perceptions of Postcomm. The results of this survey will be published as part of the Competitive Market Review.