



Response to Postcomm

Postcomm Competitive Market Review 2005

July 2005

Introduction

The British Chambers of Commerce welcome the opportunity to participate in this consultation document. Having consulted the BCC network, which represents some 100,000 businesses across the UK economy, the opinions of business are represented below. We trust that our opinions will be given due weight.

Response From the BCC

1) Introduction

- 1.1 The BCC recognises that the main focus of this consultation is the market structure of the postal market, and what reforms would best ensure a competitive market for postal services. Whilst the BCC is not in a position to assess the merits of any particular method of liberalisation over another, our members have expressed a variety of views on the perceived benefits or otherwise of liberalisation. That said, we leave it in the hands of Postcomm to determine what form of market opening, or alternative course of action, would be necessary to achieve any possible benefits.
- 1.2 Further to this, we would again like to take the opportunity, in accordance with Postcomm's request for relevant comments beyond the reach of the consultation's questions, to offer a perspective on the postal service from the view of business, and especially that of small and medium sized users of postal services. Firms require a reliable postal service able to deliver mail on time. Given that Royal Mail is likely to handle the majority of business mail for the foreseeable future, sufficient attention must also be paid to ensuring that Royal Mail's service obligations reflect businesses' priorities.
- 1.3 Royal Mail's continued failure to meet the majority of its 15 service targets over the period, April 2004 – March 2005, is a cause for serious concern. Firms in many different parts of the country continue to face a postal system that falls short of their business needs.
- 1.4 To tackle these problems, we would first ask that current delivery targets be met, and the problems of lost, delayed or misdelivered mail are tackled. We would also ask that Royal Mail accept in principle the need for early morning delivery (it currently pledges to deliver "by lunchtime") and works to restore this as part of its standard service. The work-arounds or premium services currently on offer to businesses are very poor substitutes for the old early morning delivery. As a general rule, 10:30-11:00am should be the very latest time that a firm should expect to receive its post. We also ask Postcomm to keep this in mind when it next reviews the universal service obligation.

2) Introduction of Competition

- 2.1 The BCC acknowledges that the key concern of this review is to seek views on how the postal market is developing and what can be done to further the interest of postal users through promoting effective competition. However, we do not believe that it is for us to assess the merits of any particular method of liberalisation over another. That said, we do have a few practical comments to make on members' direct experiences and perceptions of the changes.
- 2.2 The first point to make is that awareness of the exact nature of the changes underway is not particularly high. However, amongst those who are aware of the changes, there was a balance of views on the perceived benefits or otherwise of liberalisation.
- 2.3 A number of respondents have said that they would consider switching to alternative providers. In these circumstances, the reason most commonly cited was because of a belief that this will lead to improvements in the quality of the service that they receive. A number of respondents also cited competitive pricing as a potential driver of change. Innovation did not really feature as an incentive. Two specific companies whose services were identified as possible alternatives were Target and DX mail.
- 2.4 Whilst there was an appetite for change amongst some members, there was also a fair degree of concern expressed by others. The main concern centred on the fact that competitors won't have to provide a universal service. The perceived outcome of this is that new operators entering the market will be free to 'cherry pick' the services that they choose to provide. It is feared that, under such circumstances, new entrants will only get involved in the most profitable parts of Royal Mail's business, and this may well impact on the service provided by Royal Mail.
- 2.5 Other members expressed concern about possible confusion as to how the new system will work. The confusion about suppliers that followed the liberalisation of directory enquiries was cited as an example of the possible confusion that could occur.

3) Quality of Service

- 3.1 The most recent figures on Quality of Service found that Royal Mail again failed to meet 11 out of its 15 Quality of Service targets in the most recent financial year. Whilst this is an improvement on last year, when Royal Mail failed to meet any of its targets, there is clearly work to be done. To tackle these problems, we would again suggest that our first priority would be that current delivery targets are met, and the problems of lost, delayed or misdelivered mail are tackled.
- 3.2 The official Quality of Service figures would seem to resonate with the comments of our members, who have seen a slight improvement in performance when compared to last year but report many problems still remaining.

4) Single Daily Delivery

- 4.1 The key concern for most of our members is the impact of the later single daily delivery (SDD). The switch to SDD has been very disruptive in many parts of the country, because delivery times have become much later and more erratic. In the most extreme cases, delivery as late as 3pm has been reported. The fact that deliveries start later and take longer has had far-reaching effects on businesses. The associated problems affect the planning of work for the day ahead and cash flow.
- 4.2 While many firms have indicated an improvement in service standards since last year's 'new' procedures have settled down, many more are still not receiving an early morning delivery and are suffering as a consequence. We firmly believe that businesses need to be able to rely on an early morning delivery and are concerned that any further changes at Royal Mail would see standards fall again and deliveries happening at later and later times. This would still see Royal Mail meeting its targets but would damage business competitiveness and efficiency.
- 4.3 The cost of guaranteeing an early morning delivery is viewed as far too costly for small businesses who are judged to be not receiving a large enough amount of mail included in the 'firm's delivery round'. Yet it is these very businesses whose existence may depend on the ability to cash a cheque early enough in the day for it to be cleared to cover overheads.
- 4.4 To allow businesses to work efficiently, first class mail should be delivered the following day, at a broadly consistent time. Erratic delivery times, whereby the time the post arrives varies by several hours on a daily basis, leave some businesses unable to plan their working days.
- 4.5 The absence of any promise to ensure early morning delivery is very worrying for small and medium sized businesses throughout the country, given how important early morning delivery is to many of them. In recognition of this, Royal Mail has offered three main alternatives to our knowledge. However, we feel that these three alternatives do not meet business needs and are no substitute for the old system of next morning delivery.

5) Other Problems

- 5.1 Aside from the problems associated with the switch to SDD, some Chamber of Commerce members have also experienced a number of other problems with the service currently provided by Royal Mail.
- 5.2 Most seriously, many members have experienced problems of lost, incorrectly sorted, misdirected or heavily delayed mail. Whilst these problems are by no means encountered by all of our members, they are not isolated incidents and are therefore matters for serious concern.
- 5.3 An added complaint, amongst many of those who have experienced problems of lost mail, is that additional difficulties are often encountered when attempting to make claims with delays of up to two weeks reported.

- 5.4 A number of members have also complained about receiving a poor service from the centralised customer service system. It is suggested that this centralised system often fails to adequately deal with complaints. It is also felt that the £5 compensation that is in place is inadequate.
- 5.5 As an example of the problems our business members have faced in dealing with customer services, one business submitted comments through the Royal Mail's website but in return merely received a response suggesting that in order to complain the comments should be written, with full details, to their customer services department. It is clear that this complication of the process does nothing to improve customer relations.

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