

POSTCOMM Questionnaire

I) Where competition has developed, and for which types of customers.

- 1 *Q What developments in competition in the UK postal market are you aware of? What have been the benefits, or are the likely benefits, to postal users? And the shortcomings, if any?*

A There now appear to be a number of companies offering services that compete with a few of the Royal Mail's products. The likely benefits to some postal users are that they will now be able to negotiate discounts with mail providers and choose the service/provider that best suits their needs. Shortcomings may be that mail integrity suffers and service levels fall due to competitive pricing structures. Also other companies will not have the same infrastructure, so they are only likely to be able to cover small areas. Further, we need any competition to be able to provide a returns service for household customers which will mean access to postboxes.

2. *Q Have you been approached by alternative providers? How (type of medium)? How often? How responsive have you found alternative operators to your specific requirements? Please also specify as far as possible, what your specific needs are.*

A We have had very little contact from other service providers, only one company has contacted us by email. Apart from that it has been us trying to contact them. We provide an on-line DVD rental service which relies on us being able to post out to our customers and know they will receive the product next day, and the customer then needs to be able to return the product back to us. Currently it seems that there is not a product that another provider can offer us: alternative providers are unable to offer a next day service and do not have access to provide the return service from our customers to us.

3. *Q Have you switched any of your mail (all or part) to alternative operators? If yes, what are the main reason(s) why you switched to an alternative provider? How has this affected your business model? How satisfied are you with the service provided by the alternative provider? Will you continue to use one or more alternative suppliers? How much of your total mailings do you expect to send through with alternative providers over the next 2 years? Depending on? Critical success factors?*

A. We have not switched any of our mail yet. We would consider switching if alternative providers could supply the same full service as Royal Mail, i.e. next day delivery and a returns function.

4. *[Q to customers who have not used alternative providers] Why did you stay with Royal Mail? What would lead you to switch some of your mailings to alternative providers? Please specify the relative importance of the following: price, quality, and innovation.*

A We have not come across a product from another provider that can compete with First Class Mail. Price and quality are the most important factors. If quality improved drastically (loss rates and ability to claim for inbound losses) we could then justify a higher price.

5. *Q How safe do you believe your mail is when carried by Royal Mail? And by alternative providers?*

A The nature of our business (posting DVDs) means that we do experience losses and therefore aren't completely confident in the service offered by Royal Mail. Currently 1.5% of total dispatches and returns go missing in the postal service, which is much higher than published quality figures, however we believe that across our business sector losses are much higher, with some companies quoting up to 4%.

6. *Q Are you aware of innovation in the market, responding to customer needs? Please specify. What are your specific needs in this respect?*

A Yes, but unfortunately these innovations only occur due to problems and presumably escalating costs within Royal Mail, not because the customer has initially expressed a desire for change. When we talk to Royal Mail about how their service could be improved for our business we always meet with the answer that due to regulation and compliance they are unable to tailor the business to work with certain customers.

II) Royal Mail's response to competition and the regulatory regime.

7. *Q Have you noticed any change in Royal Mail's behaviour as a result of the introduction of competition?*

A No. Changes only noticed due to the fact that as a company we have grown substantially, and therefore RM are more aware of us. When we ask if increased competition means they will be able to tailor prices/services to customer requirements we again hear that due to regulatory compliance this is not possible.

8. *Q Has there been any effect (detrimental or otherwise) on Royal Mail's provision of the Universal Service Obligation as a direct result of competition? If so what, and why?*

A No

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 the UK postal markets) and what the likely benefits are for postal users.

9. *Q How do you think the UK postal market will develop in the future?*

A Slowly...unless foreign companies are able to enter the market and invest heavily. It will probably be similar to the developments in the utilities industry.

10. *Q Do you think a particular form of competition (access or end-to-end) is more likely to develop in the UK postal market? Why might this be the case? Do you have a preference and if so why?*

A As much as we would be happy for some end-to-end competition it is unlikely due to the huge investment necessary. Access is much more likely and will probably slowly work its way into the market by focusing on niche tailored products, which an organization the size of RM would be unable to offer. We presume alternative providers will start with offering particular services in more densely populated areas e.g. London, Birmingham.

11. *Q Looking to the future, where do you think innovation is likely? Why? What types of new products or services are likely to emerge?*

A Track and Trace. RFID possible for all mail

IV) What regulatory measures Postcomm can take to improve the prospects for effective and sustainable competition benefiting postal users and leading to innovation.

12. *Q Are there aspects of the current regime restricting the development of competition or encouraging unsustainable competition? If so, what are*

they and how are they restricting the development of competition or encouraging unsustainable competition?

A RM always cite regulatory compliance as a reason why they cannot be flexible in pricing or service to commercial customers. They are also not monitored effectively in terms of controlling losses and damage to product in the system. The claims process is cumbersome for outbound mail and practically non-existent for returns mail in our business sector.

13. Q What regulatory measures should Postcomm focus on to deliver effective and sustainable competition? Can you rank these in order of importance?

- 1 A Removal of all restrictions on market entry, Long term Licensing, Downstream access.
- 2 Ensuring Royal Mail's universal service provides a continued access to the mail system at commercially fair rates.
3. Ensuring quantified loss and damage figures are published and including these quality targets in KPIs.

14. Q How will you judge the success of these regulatory measures?

A When we have a choice of supplier covering more than 50% of the country; suppliers have access to a returns process and RM are able to negotiate bespoke rates and services with us.