

Response from Intellect to Postcomm

Intellect is recognised as the leading high tech industry body in the UK representing over a thousand members in IT, telecommunications, software and services, and office technology. Within Intellect there is a broad spectrum of membership providing equipment, systems and services to all participants in the postal sector – mailers; mailing houses; postal service providers; facilities management providers; and intermediaries. <http://www.intellectuk.org>

Intellect welcomes the opportunity to respond to the consultation documents issued by Postcomm. There are occasions when we share common views with the Mail Users Association and /or Postwatch and then we often combine our response.

We are writing on this occasion to respond on three issues and request that Postcomm take these points fully into account in their analysis and deliberations.

Full market opening proposal

- This does not appear to have had any serious negative response from Royal Mail or any other organisation. Despite moving the timescale forward the barriers to entry will remain high in terms of VAT, customer inertia, Royal Mail's brand and the ubiquity of the daily delivery service. Whilst appreciating these limitations Intellect supports the proposals for earlier opening of the market.

Bulk Mail proposal

- On the basis that we know that Royal Mail is looking to move customers from Mailsort 1400 to Mailsort 120, it makes a nonsense to only include Mailsort 1400 as part of the USO. It would make far more sense to keep Mailsort 120 and Cleanmail as part of the USO as these have the widest possible use across all customer segments. In view of Royal Mails' capabilities to change product specifications to limit new competitors' activities then, for the short term, all products should be kept within the USO until the next review of the constituent parts of the USO has taken place or Royal Mails' market share falls below an agreed level - ie if the top 30 customers account for 25% of the market then a level could be set based on the assumption that the market would be seen to be open if Royal Mail's share fell to X%. Even losing large customers is not such a huge issue for Royal Mail until alternative delivery networks are in place. They will still continue to receive mail under Access agreements which we have to assume is still profitable for them at 13/13.375 pence per item (on the basis they agreed the pricing with UK Mail).
- Royal Mail should be allowed to bring in additional pricing flexibility where it is warranted and where the pricing flexibility will result in Royal Mail's pricing becoming more cost reflective - this may go against some of the comments made by Postwatch recently in terms of channel pricing but it seems quite clear that there are huge disparities between the different payment channels and Royal Mail should be able to reflect the cost of its channels in its pricing. We strongly support a differential between metered mail and stamps. In addition we support a differential between metered mail and PPI - which we know is costly for the customers to prepare and reconcile, is costly for Royal Mail to handle and bill, is more challenging for revenue protection and has a detrimental effect on their cashflow which is therefore being subsidised by the prepayment channels of meters and stamps.

Universal service and access

- In the absence of an access code, which Royal Mail have yet to produce, the price of access to Royal Mail's network should be controlled for the foreseeable future - as with the Bulk Mail proposal there may be an opportunity to put a market share limitation on this requirement so as to give Royal Mail some protection in the future from new competitors selling under the access price and incurring

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Russell Square House
10-12 Russell Square
London
WC1B 5EE

T +44 (0) 20 7331 2000
F +44 (0) 20 7331 2040
www.intellectuk.org



huge losses to build up market share which is effectively being subsidised by their own National networks.

John Park 6th December 2004

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