

# **A Review of Royal Mail's Collection and Delivery Times – Consultation Document**

The needs of users in relation to collection and delivery times

October 2006

## Summary

Each year, domestic customers post around 2.6 billion items of mail and receive around 14 billion items. Most of this mail is collected and delivered by Royal Mail, whose licence obliges it to provide the 'universal service' of at least one collection from every post box and Post Office and at least one delivery to every home or premises every working day.

Royal Mail's universal service obligation does not, however, specify the times at which these collections and deliveries should be made. During the recent price control consultations Postwatch argued strongly that the licence should be changed to include obligations for specific collection and delivery times. Postcomm decided against changing Royal Mail's licence at that time on the basis that such a change would have reduced Royal Mail's flexibility to manage its operations effectively. However Postcomm made it clear in its final decision on the price control that it expects Royal Mail to achieve its efficiency targets through innovation and genuine efficiency rather than a degradation of customer service such as through earlier collection times<sup>1</sup>. Postcomm has also said that it would consider the merits of a licence condition for collection and delivery times if Royal Mail's behaviour indicated that it was not acting in the best interest of customers<sup>2</sup>.

Customers are starting to see the benefits of competition in the postal industry. Large, bulk mailers have been able to switch their collection and sortation to postal operators who may provide better services and/or lower prices than Royal Mail. Retail customers and small/medium sized enterprises (SMEs) (who in most cases cannot choose an alternative postal operator for most of their mail at the moment) have experienced improved quality of service with 94.1% of 1<sup>st</sup> Class mail currently arriving the next working day compared to 90.1% in 2003/2004. However, certain aspects of the quality of the universal service are perceived by some customers to have declined. For example, in some rural areas Royal Mail has brought forward the

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<sup>1</sup> Royal Mail's Price and Service Quality Review 2006-2010, Licence Modifications, June 2006, Executive Summary, page 4.

<sup>2</sup> Licence Modification Proposals, March 2006 Paragraph 4.48

last collection time of a post box, in some cases to 9am (from 4pm). In addition, following Royal Mail's decision to implement Single Daily Delivery (SDD), many customers now get their post delivered later in the day.

Postcomm wants to establish whether customers' needs remain sufficiently protected at a time when Royal Mail's practices are clearly changing.

This consultation opens the debate about the impact of Royal Mail's changing practices and whether customers' needs remain sufficiently protected. It seeks views from as many customers as possible by including a number of key questions. These include questions about customers' willingness to pay for increased levels of service (or the savings that they expect if collections and delivery service levels decrease).

In parallel with this consultation, more detailed market research to identify customers' needs is being carried out on behalf of Postcomm, Postwatch and Royal Mail. Postcomm will also be working with Royal Mail to identify its (efficient) costs or savings of changing the existing service levels.

The outcome of this consultation and the associated market research and costing analysis will require Postcomm to reach a balanced judgement between what customers' needs are, their willingness to pay for improved collections and delivery arrangements and the cost to Royal Mail of implementing such changes. If Postcomm judges that changes to the current practices are necessary, it will consider first the least intrusive way in which such changes could be implemented.

Postcomm is consulting separately on its overall regulatory strategy going forward<sup>3</sup>. Postcomm will take into account the emerging results of that Strategy Review in any decisions it makes on collections and deliveries.

Post Offices are currently used as the access point for large and registered items of mail and the structure of the Post Office network will be important to postal users in the future. Postcomm understands that the Government may consult on the future of

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<sup>3</sup> Postcomm's Strategy Review 'The postal market – 2010 and beyond: Key questions for stakeholders', August 2006

the social (rural and urban deprived Post Offices) network and does not therefore seek comment on this issue in response to this consultation.

## **Key Questions**

Postcomm invites customers to reply to the following questions. The responses, together with additional work being carried out, will enable Postcomm to reach a judgement on whether customers' needs remain sufficiently protected at a time when Royal Mail's practices are changing.

When responding to the questions it would be helpful if customers could also provide some information about how they use the postal service – for example, whether they are in a rural or urban location, the number of letters they post or receive and the extent to which these letters are to support business purposes or are personal mail.

### **Collection times**

1. What are the most important elements of the collections postal service for you and/or your business?
2. What are your essential needs (either as a sender and/or a recipient of mail) for collection times?
3. Have you noticed any change in your collection times over the last two years? Has this had any effect on you or your business (if it has please explain how)?
4. If collection times are brought forward at your nearest post box would you be able to make use of other collection points (post boxes or Post Offices near where you live, near your work etc) that have later collection times? If not, please explain why.
5. How important is it for you to be able to respond to mail on the same day that you receive it?
6. Would you be prepared to pay more for a guaranteed collection time

of no earlier than 5.30pm? What would you consider to be an acceptable increase in the price of a 1<sup>st</sup> class stamp for this collection time?

7. Would you expect to pay less for earlier collection times? What would you consider to be a reasonable decrease in the price of a 1<sup>st</sup> class stamp if collections were brought forward by three hours?

**Delivery times**

8. What are the most important elements of the delivery postal service for you and/or your business?
9. What are your essential needs (either as a sender and/or a recipient of mail) for delivery times?
10. Have you noticed delivery times changing since the implementation of Single Daily Delivery? Has this had any effect on your business (if it has please explain how)?
11. If you are a small business customer, would you be prepared to pay more for a guaranteed delivery time of no later than 9.00am? What would you consider to be an acceptable increase in the price of a 1<sup>st</sup> Class stamp for this delivery time?
12. If you are a domestic customer, would you be prepared to pay more for a guaranteed delivery time of no later than 11.00am? What would you consider to be an acceptable increase in the price of a 1<sup>st</sup> Class stamp for this delivery time?
13. Would you expect to pay less for later delivery times, for example, 2.00pm deliveries? What would you consider to be a reasonable decrease in the price of a 1<sup>st</sup> Class stamp if deliveries are made at this time?

**General**

14. What is more important to you/your business: the time of collection

and delivery, or the consistency of the time?