

## Postcomm Consultation- Zonal Pricing Submission from The Highland Council

### Respondent Details

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The Highland Council welcomes the opportunity to respond to Postcomm's Consultation on Zonal Pricing. Any change proposed which appears to disadvantage remote and rural areas naturally gives cause for concern given that vast rural area which the Council represents. Postal services within the Highland's are an essential service, perhaps more so for rural communities than within urban centres. The Council would resist any erosion of this provision.

The Council has a number of general points it wishes to raise with Postcomm regarding the issue of zonal pricing and some specific points in relation to the criteria and factors Postcomm proposes to use when addressing Royal Mail's application. The response from the Highland Council regarding the consultation is detailed below.

### Key Areas for Comment

#### ***Issues for Postcomm to Note***

The Highland Council wishes to ensure that when considering any application of the nature detailed in the consultation document Postcomm treats with paramount importance the effects any such changes would have on the whole population. The Council notes Postcomm's commitment to ensuring Royal Mail is commercially viable, however this must not be at the expense of postal services within any area of the UK.

Postcomm notes in the consultation paper that it is important when considering Royal Mail's application that the issues of price, quality of service and terms and conditions are not considered in isolation. The Council fully supports Postcomm in this assertion. It is important that this commitment is adhered to and consideration taken of the quality of service for *all* sectors of the population. The Council would support Postcomm in this matter and sees it as an essential position from which to consider any application.

The Council is concerned that the price differentials proposed by Royal Mail between urban and business areas and remote and rural areas are so great. The majority of the Highland Council area will fall within zones D and E. Although the population of rural and remote areas makes up only 18% of the UK population, Postcomm and Royal Mail have an equal responsibility to all sectors of the UK population. Postcomm as regulator in particular needs to ensure no sector of the population is discriminated against unnecessarily. The Council seeks assurance from Postcomm that it will fulfil this statutory duty.

#### ***Potential Impact of Zonal Pricing***

##### *Rural and Remote Areas*

The proposals to introduce zonal pricing for the current products detailed are likely to primarily affect businesses and companies that distribute large volumes of mail.

However, the Council would be concerned that in the longer term these proposals are also likely to negatively affect individuals and small businesses in remote and rural areas. The increased costs of sending bulk mail to remote and rural areas is likely to result in higher and perhaps damaging costs to small business operating in these areas. There is also likely to be a reduction in circulatory mail sent to customers in rural areas by large companies who will be more likely to focus upon distributing items in low cost urban areas. The concern for rural customers would be the likelihood of banks and utilities companies sending essential mail subsequently passing the cost of these increased services on to individual customers.

A wider concern regarding the implications of introducing zonal pricing would be the long term effects on remote and rural areas. At present there is said to be slightly increased costs related to the sending and delivering of mail within these areas. The introduction of zonal pricing is likely to lead to an overall reduction of mail being sent to these areas with companies concentrating on less expensive distribution areas. The subsequent reduction in mail volumes will lead to increased costs in rural areas and possible attempts by Royal Mail to reduce the frequency and level of service delivery within these areas to address these cost deficits. The Council would appeal to Postcomm that the long term future of postal services within rural areas must be considered within the implications the introduction of zonal pricing may bring.

#### *Universal Service*

The Highland Council is particularly concerned that this latest application, if approved, will be detrimental to future of the universal postal service both generally and in remote and rural areas. The commercialisation of Royal Mail in recent years has resulted in the need for Royal Mail to compete with other market operators. Zonal Pricing is the latest change deemed necessary by Royal Mail in order to compete at this level. At present Royal Mail wishes to apply to introduce zonal pricing only for bulk mail items outwith the universal service, however Postcomm notes that this may lead to further applications in the future. The overriding concern of this Council would be that in the long term these initial changes could lead to the erosion of the universal service both generally, through the introduction of zonal pricing for services and products within universal provision, and also within rural areas where Royal Mail may attempt to reduce service delivery in order to meet increased costs. The Council urges Postcomm to consider the long term impact of this application if it were to be introduced.

#### **Key Factors and Criteria**

The Council would support Postcomm's proposal to utilise the criteria set down in the EU directive and specifically those that relate to non discrimination and affordability. The effects zonal pricing may have in the longer term on the rural population of the UK must be given consideration. Already people within remote and rural areas of the Highlands and Islands experience discrimination from companies that refuse to deliver to the area or charge increased costs to do so. This is likely to be exacerbated in the future through the introduction of zonal pricing.

In addition to the criteria Postcomm has detailed it intends to use, it will be important to ensure that quality of service is maintained. The Council is concerned that the introduction of zonal pricing could have a negative effect in the long term on the universal service and lead to the erosion of the quality of this service. Most significantly though is the need to consider the impact upon customers across the UK and the need to ensure that all sectors of the population will not be affected negatively by any changes introduced by Royal Mail. The needs of customers must come before any commercial gain and therefore Postcomm needs to ensure that within its criteria for assessing this and any future application from Royal Mail, a clear focus is made upon the impact of any changes upon customers.

Postcomm states within the consultation that the EU criteria should be considered over a period of time rather than at the time of application. The Council believes there is a need for clarity regarding the time periods involved and how this will be reviewed. If zonal pricing is introduced, reviewed and found to be either discriminatory or not affordable within the future, the Council would expect that the practice would be revoked. Postcomm, as regulator, needs to ensure that the public will be protected in the long term.

*The Highland Council  
November 2006*